

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Senator Paul "Bud" Burke at
Chairperson

11:00 a.m./p.m. on March 27, 1984 in room 313-S of the Capitol.

All members were present ~~except~~:

Committee staff present: Don Hayward, Revisor's Office
Tom Severn, Research Dept.
Wayne Morris, Research Dept.

Conferees appearing before the committee:

Jamie Schwartz, Secretary, Kansas Department of Economic Development
Todd Sherlock, Kansas Association of Realtors
Ernie Mosher, League of Municipalities
Ron Gaches, Kansas Chamber of Commerce and Industry
Wayne Zimmerman, Electric Company Association of Kansas
Margie Braden, Kansas Manufactured Housing Institute
Richard Smith, Chairman, Wichita Area Chamber of Commerce, Wichita
Bill Easton, Easton Manufacturing, Wichita
Marvin M. Cox, Jr., First Security Company of Kansas, Wichita
Don Schnacke, Kansas Independent Gas and Oil Association
John Bair, Collingwood Grain, Hutchinson
Gary Toebben, Kansas Industrial Developers Association, Lawrence
Marsha Hutchison, Beech Aircraft, Wichita
Jim Foster, Boeing Military Airplane Company, Wichita
Harry Williford, Boeing Military Airplane Company, Wichita
Peggy Proestos, Lenexa Chamber of Commerce, Lenexa
Tom Carrico, Vice President and Treasurer, Gill Studios, Inc., Lenexa
Gene Swan, Wescon Products, Wichita
Larry Landrith, Coleman Company, Wichita
Joel Jacobs, FMC Corporation, Lawrence
Anthony Bell, AT&T
Melvin Jantz, McPherson equipment dealer, McPherson
Glen Walker, Director of Economic Development, Concordia
Bill Ledford, Kansas Small Business Trust, Wichita
Wes Stucky, Kansas City, Kansas, Chamber of Commerce
Fred Allen, Kansas Association of Counties
Cloyd Metzler, tax supervisor, Southwestern Bell
Charles Esfeld, Esfeld Manufacturing, Great Bend
Janet Stubbs, Homebuilders Association
Leroy Jones, Brotherhood of Locomotive Engineers

The committee held a hearing on HCR 5009, a proposed constitutional amendment to classify property for taxation purposes and establish assessment ratios to be used in taxing various classes of property.

The chairman invited Jamie Schwartz, Secretary of KDED, to make a brief statement. He said he is here as a member of the administration in support for the concept of classification, and while the Governor supports classification, he has never stated what needs to be in a resolution.

Todd Sherlock, Kansas Association of Realtors, said his organization is in support of HCR 5009 as amended by the House because it would protect homes from higher property taxes.

Ernie Mosher told the committee that the League is ready to concede that merchants' and manufacturers' inventories, machinery and equipment, and livestock, perhaps like farm machinery, may now be subject to unreasonably high tax burdens, they don't think the solution to the problem is a constitutional exemption, or even to set forth in the Constitution the appraisal method. They suggest that the amendment broadly authorize the legislature to provide for the exemption, classification and method of taxation of personal property.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,
room 313S, Statehouse, at 11:00 a.m./~~p.m.~~ on March 27, 1984.

The following persons appeared in opposition to HCR 5009:

Ron Gaches, General Counsel and Director of Taxation for KCCI, said that HCR 5009 is objectionable for several reasons: 1) commercial and industrial real estate is assigned an assessment percentage of 15%, almost 50% higher than the 1983 statewide average assessment level of 10.5% for this class of property; 2) manufacturers' inventories would remain on the tax rolls; 3) the 6% assessment level for residential property further erodes the tax base of a class that has already received more than adequate protection from tax increases; 4) the broad range of assessment levels, when coupled with leaving public utility property in the highest class, increases the regressive, hidden tax burden paid by all utility customers in their monthly bills.

KCCI advocates the elimination of merchants', manufacturers', and live-stock inventory taxes; tightening real estate assessment ratios to reduce the disparity in assessment levels; a 15% assessment level for all machinery and equipment with values determined by original costs less straight-line depreciation over the economic life of the property down to a salvage value; and opposes any further reductions in the level of residential assessments. (See Attachment #2)

Wayne Zimmerman, Director of the Electric Companies Association of Kansas, stated they do not believe an individual taxpayer's share of the cost of government should be determined by the amount of electricity and gas he uses; however, this is becoming more the case as state-assessed utilities pick up the shift that continues under our present system. He said the proposed amendment continues the same kind of regressive tax shifts and then locks the inequities in permanently. He said electric utilities should be classified in the same class with other businesses. (Attachment 3)

Margie Braden, KMHI, said that HCR 5009 gives a real tax break to residences by reducing them from 8% to 6% but does not cover mobile/manufactured homes used as residences. (Attachment #4)

Richard D. Smith, Chairman of the Board, Wichita Area Chamber of Commerce, said the effect of this legislation would be to ultimately increase taxes on manufacturers' inventories while some other classes of property are phased out, or their assessments reduced. Sedgwick County has by far the largest amount of manufacturers' inventories in the State and has paid more than three times the amount of taxes on this material than the next largest manufacturing county. (Attachment #5)

Bill Easton said he has two small companies which would be affected adversely by the additional taxes this legislation would cause. Presently his companies compete with other nations for sales and his costs can't be recovered by raising prices.

Marvin M. Cox, Jr., First Security Co., Wichita, said perhaps this legislation is ill timed and has not been given proper consideration.

Don Schnacke, KIOGA, said they believe all property should bear an equal responsibility for the operation of government as all receive police, fire and other governmental services for the protection and enjoyment of that property. He said the oil and gas industry is thrown in with all state assessed properties--utilities, pipelines, and others that can pass along the tax to their customers or in their rate base. He said they hope HCR 5009 will be killed but if it is to move, we hope you will consider a business class that cannot pass on its taxes to its customers or in their rate base and pay it at 20%. They do support reappraisal. (Attachment #6)

John Bair, representing the Kansas Grain and Feed Dealers Association, said their concern is with the assessment ratio which will be approximately 15% for them. He presented information concerning a grain elevator, its merchant's inventory and machinery and equipment and how HCR 5009 would be reflected on the assessment value of that elevator. He feels the status quo is a better option. (Attachment #7)

Gary Toebben, representing the KIDA, said this proposal will have a negative impact on the economic development efforts of the communities and counties. Existing businesses and industry have cause to doubt if they made the right decision when they chose to locate in Kansas.

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HCR 5009 does not create a favorable business climate and if the communities you represent are to be successful in attracting your share of the manufacturing, communication and service jobs that will be created in the years ahead, the Kansas Senate must take a leadership role in rejecting or rewriting HCR 5009. (Attachment #8)

Marsha Hutchison, Beech Aircraft, said tax dollars expended by Beech are an important consideration to their total costs and that eventually taxes have an effect on the number of jobs available today as well as in the future for their company. (Attachment #9)

Jim Foster, Boeing Company, introduced Harry E. Williford, Director of Business Management for the Company. Mr. Williford said the position of Boeing has been in favor of reappraising the real property in Kansas, evaluating the results and then taking action before implementation to insure that no massive shifts occur between classes of property. He said the type of legislation in HCR 5009 will cause them to reconsider business expansion programs they have planned. (Attachment #10)

Peggy Proestos, Director of Economic Development for the Lenexa Chamber of Commerce, said HCR 5009 will not only hinder the economic development but will be detrimental to the community. Nearly two-thirds of their tax base comes from business and this will provide a further burden. This will cause many of their businesses to look back to Missouri where they came from in the first place.

Tom Carrico, representing Kansas Manufacturers, said they have calculated the expected increase to his own company's total property taxes under HCR 5009 to be 57% over their current taxes. He said this bill is a clear message that Kansas does not want manufacturers or the jobs and tax base that goes with them. (Attachment #11)

Gene Swan, Wescon Products, a manufacturer employing over 400 people, said most of their products are shipped out of state and this legislation as it now stands is saddling manufacturers with an unfair burden.

Larry Landrith, Coleman Company, Wichita, said HCR 5009 would leave manufacturers to shoulder more and more of the tax burden. They cannot simply pass on this additional cost in terms of higher prices to their consumers but must compete with manufacturers from other states and on a worldwide basis as well. (Attachment #12)

Joel B. Jacobs, plant manager, FMC Corporation, Lawrence, said they are seeing increased competition in the international market which is already resulting in reduced demand for their products. Further erosion of FMC's competitive sales position will result in reduced demand for their products and potential lost jobs. (Attachment #13)

Charles Esfeld, Esfeld Manufacturing, Great Bend, said that "fair and uniform" has worked for over 100 years and he thinks further study should be made for a better solution. His employee's jobs will be threatened by the imposition of this resolution.

Wes Stucky, Kansas City, Kansas Area Chamber of Commerce, said the classification resolution will increase the cost of doing business in their county and will result in less business being done. The resulting loss will be felt throughout all facets of the community with fewer jobs available and the ability to attract new jobs to their community significantly hampered. (Attachment #14)

Bill Ledford, representing thousands of small manufacturing companies across the state, said their position is the same as KCCI. He said he saw no parade to the courts to force reappraisal. He urged the committee not to support HCR 5009 as it now exists.

Melvin Jantz, John Deere dealer in McPherson, urged the committee to consider repealing the ad valorem taxes on retail businessmen's inventories and replacing it with a mandatory statewide local income tax to fund local educational systems. He said farm equipment dealers are being forced out of business, are losing potential customers, and are paying exorbitant taxes. Other property taxpayers must pick up the taxes they are now paying. (Attachment #15)

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Glen Walker, Director of Economic Development for Concordia, said the long term effect of this resolution which would perpetuate businesses' disproportionate tax load, would harm communities such as Concordia and Cloud County. (Attachment #16)

Janet Stubbs, HBA of Kansas, said their organization opposes the resolution because it would increase taxes on the people who build homes. (Attachment #17)

Anthony Bell, regional tax manager for AT&T, said that HCR 5009, if passed and approved by the voters, would impose an unfair tax burden on public utilities. The shift becomes part of their rate base. This shift of tax burden results in a regressive tax because of the essential nature of utility services. (Attachment #18)

Cloyd Metzler, tax manager for Southwestern Bell, said they continue to believe that a uniform and equal system of taxation is best; however, they do recognize the dilemma in legalizing our present tax mess. If you decide that a system of classification is the best solution, then design a system that satisfies the requirement but does not add hidden taxes on utility consumers. (Attachment #19)

Fred Allen, KAC, said the reaction to classification varies at the county level. They do, however, object to the granting of farm machinery and aircraft exemptions, and any other exemptions that further erode the tax base. He said he hoped the committee would consider the concept as proposed by Ernie Mosher of the League of Municipalities.

Leroy Jones, BLE, did not speak but presented written testimony for the committee to consider. (Attachment #20)

The chairman adjourned the meeting at 12:30 p.m. The committee will meet at 11:00 a.m. on March 28.

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

MARCH 27
DATE

NAME	ADDRESS	REPRESENTING
Beth Wilkin	Topeka	Sid Swartz
Fred Allen	Topeka	Ks Assoc of Co's.
Clay Miller	Topeka	J W Bell
A. E. Bell	DALWATER	AT&T Communications
Ray Reed	Wichita	1 st Securities Co.
RICK EMEYOLD	TOPEKA	AT&T
BOB INNES	KANSAS CITY, KS	THOMPSON-NEWBOLD Chem
Jerry Lindberg	Great Bend	City
TUCK LONG	GREAT BEND	MARLETTE HOMER
Charles Estfeld	Great Bend	Seld Engineering
Quentin	Great Bend	C of C
Sara Westfall	Manhattan	C of C
MIKE HAUSER	Manhattan	C of C
Helen Ager	Hays	Western Retail Assoc
Walter G. Gant	McPherson, Ks.	John A. Gant Dealer
Erna Gant	" "	" " "
Joe A. Henry Jr.	Buff Kansas	IHC - Dealer
Christy Young	Topeka	Topeka Chamber
Joe Durigans	K.C. Mo.	K C Power & Light Co.
Paul Meyer	Topeka	PEL
D. WAYNE ZIMMERMAN	TOPEKA	THE ELECTRIC COS ASSOC. OF KS
TREVA POTTER	TOPEKA	NORTHERN NAT. GAS
Leslie av. Olson	McPherson	F. U.
Leslie E. Olson	?	F. U.
Helen Miller	Lewis, Ks.	
BILL PERDUE	TOPEKA	KPL / GAS SERVICE
DICK COMPTON	HAYS	MIDWEST ENERGY
Mayary Schupler	Belpre	Edwards Co. COMMISSION
Edna Reed	Lewis	

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
3-27	Stephanie Cruse	Wichita	Wichita Area Chamber of Commerce
	W. J. EASTON J.R.	Wichita	Easton MFC
	Victoria Shingleton Superior M. Co.	Wichita	Wichita Area Chamber of Commerce
	Richard D. Smith	Wichita	First Securities Co.
	Jacque Dakes	Yates Center	Wichita Chamber of Commerce
	Bill Curtis	Topeka	KASB
	JERRY LAWSON	Junction City	KASB
	Jeanne Temple	Lawrence	me
	Frankheimer	Lawrence	Ku Klux Klan / Atty. General
	<i>Peggy M. Prosser</i>	<i>Lawrence</i>	<i>Chamber</i>
	Paul Weidman	Sublette	<i>Lawrence Chamber</i>
	Herne Zenthausen	Elmdale	Haskell Co
	Keith Nelson	Lawrence	Chase Co
	Justin D. Hill, Jr	Lawrence	KFU
	<i>Blayne Paul</i>	<i>Lawrence</i>	<i>Lawrence Paper Co</i>
	<i>Ruth</i>	<i>Lawrence</i>	<i>C.F.C.A.</i>
	John Hulking	Barleyville	Farmers Union
	Gene M. Johnson	Seneca	Farmers Union
	Layla Lisecke	Topeka	Kansas Chamber
	Michael C. Germain	"	Ks Railroad Association
	RON CALBERT	NEWTON	United Transportation Union
	David W. Snyder	St. John	Farmers Union
	Donc Nirebrenner	OTTAWA	OTTAWA Truck Corp
	ARLY ALLEN	LAWRENCE	ALLEN PRESS
	Gloria B. Morton	LAWRENCE	Morton's Bldg. Mkt.
	Gary Taebben	"	Chamber of Commerce
	Gary Watts	Emporia	Farmers Union
	Raymond Frank	Emporia	Farmers Union

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
3/27	Tom Cassio	Shawnee Mission, KS	KS. mfg. Yip Studio Inc.
3/27	Lloyd M. Sleeper	Olathe, KS	OA @ of C
3/27	Leroy Jones	Overland Park	B. L. E.
3/27	James Dicker	Lawrence, KS	Packer Plastics
3/27	David Palmer	Olathe, KS.	RAAC
3/27	RICK HILDERBRAND	KANSAS CITY	ATFT
3/27	Bill Schultz	TOPEKA	ATFT
3-27	Irvan & Jean Hassman	Route 2, M. Plerson	KS. James Union
"	Chip Wheeler	TOPEKA	KLPG
"	George Bunson	Hugoton	"
3-27-84	ROGER L. WHITE	LAWRENCE KS	K-E SPECIALTIES
"	Tom Wilder	"	KLSI
3-27-84	Loyd Ratto	St John KS	-
3-27-84	Mr. BOB BARNETT	Chanute KS.	EKOGA
✓	WALTER DUNN	TOPEKA	EKOGA
✓	Sam Huntington	Wichita	W. K. E.
✓	Merle BLAIR	722 KANSAS AVE. TOPEKA	PRES-GREATER TOPEKA CHAMBER
✓	CHARLES BELT	WICHITA	CHAMBER OF COMMERCE
✓	JIM EDWARDS	TOPEKA	KCCI
✓	Don Eslick	Wichita	Dist. Co. Appraiser
✓	Janeen Kantola	Topeka	KS Co-op Council
✓	Jack Mulligan	Topeka	KS. Realty, Fril Concrete 15. DSSN. Appraiser



League of Kansas Municipalities

Attachment
#1

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL/112 WEST SEVENTH ST., TOPEKA, KANSAS 66603/AREA 913-354-9565

Statement on HCR 5009--Property Classification
To Senate Committee on Assessment and Taxation
By E.A. Mosher, Executive Director
March 27, 1984

Like other organizations, the League's support of HCR 5009 is ambivalent. We strongly support a statewide reappraisal of property. Our support for a limited classification amendment, and the resultant departure from our traditional uniform and equal clause, came only with reluctance, with an understanding that classification may (a) be part of the price which must be paid for reappraisal, and (b) essential to avoid massive shifts in the property tax base. However, we have not departed from our fundamental opposition to increase property tax exemptions. Municipal officials active in the League's policy development process have a sense of history, and are convinced that exemptions only bring pressure for more exemptions, under some kind of "Parkinson's Law".

While the House floor amendments to eliminate the exemption of manufacturers' inventory may soften the tax base loss, the proposed 5-year phase-in of the full exemption for merchants' inventory will have an important fiscal effect on many cities. Similarly, we believe the 10-year, straight-line depreciation and 15% of value assessment of commercial and industrial machinery and equipment, will cause significant property tax shifts in some cities, not revealed by the data for statewide totals and county totals that have been distributed.

While our general opposition to exemptions continues, we have also advocated that if a property tax exemption is of sufficiently importance to be granted by the state, the state, "calling the tune", ought to also "pay the piper", and to provide for replacement of the lost local revenue from non-property, state-levied sources. We call to your attention the obvious--there will be little interest in future state legislatures in granting replacement revenue to meet constitutionally mandated exemptions.

We are ready to concede that merchants' and manufacturers' inventories, machinery and equipment, and livestock, perhaps like farm machinery, may now be subject to unreasonably high tax burdens. We simply don't think the solution to the problem is a constitutional exemption, or even to set forth in the Constitution the appraisal method. We would suggest that the amendment, instead, broadly authorize the legislature to provide for the exemption, classification and method of taxation of personal property. Clearly, there are some risks to this approach, depending on whether you really believe in our representative system. But at least it would permit us in the future to bargain for replacement revenue when future changes are considered by the legislature.

In addition to this major point, let me make a few other comments about the amendment proposal. First, we suggest the 5 to 1 ratio, which occurs when one type of real estate is assessed at 6% and another at 30%, may be excessive; our convention policy suggests the maximum permitted assessment ratio variation to market value should be kept within a reasonable range, such as 1 to 2. While part of the amendment's objective may be to constitutionally authorize a de facto situation, I would simply note that, not too many

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years ago, the ratios for the existing de facto classification were more in the range of 2 or 3 to 1.

Second, we would suggest that farm land, not use value appraised, is appropriately grouped at the same ratio level as urban real estate. As a footnote, I would note that the average overall tax rate within cities is 49.8 mills higher than in townships (1982).

Third, one can inquire why a separate constitutional provision is needed for mobile homes used for residential purposes; by law, such property is now considered to be real estate; HCR 5009 constitutionally defines mobile homes as personal property (class 2); we may be calling them "manufactured housing" in the future.

Fourth, we find perplexing the inclusion in the Constitution of the capitalization rate base for use value appraisal of agricultural land.

Finally, I would note that the initial objective may be to prepare an amendment which will receive at least a two-thirds vote in both houses. The ultimate objective, however, is presumably to prepare something acceptable to the voters. While the focus of attention may be on the issue of preventing taxes on utilities from being shifted to real estate, I would suggest to you that there are some urban voters who can be expected to vote according to their own "enlightened self-interest", as do others. Placing personal property exemptions and other "interest group goodies", in the amendment may get a yes vote by two-thirds of the legislature, but a no vote by the people (which may be the ultimate objective of some). We would, again, suggest serious consideration be given to constitutionally authorizing legislative discretion in taxing personal property.

PROPERTY CLASSIFICATION

Excerpt from 1983-1984 Statement of Municipal Policy of the League of Kansas Municipalities

F-6. Property Taxes.

F-6a. **General.** While property tax levels in Kansas are generally reasonable, major increases should be avoided wherever possible, requiring additional state assistance and local alternative sources, as recommended in Section F-5, above. Since tangible, taxable property constitutes a decreasing portion of the economic wealth within cities, an increasing share of the municipal budget should come from non-property tax sources that recognize the nature of the urban economy — sales and income.

F-6b. **Administration.** Kansas must secure improved administration of the property tax. In 105 of our 105 counties, according to the state real estate assessment ratio study, urban property is assessed at a higher level (8.23% average in 1982) than rural property (5.65% average, a difference of 69%.) Excessive and inequitable variations in assessments exist within and between classes of property. The level of assessments should more accurately reflect current market value as provided by law. Because of the great importance of the property tax to local governments, and the need for equity and fairness in the distribution of the property tax burden, the 1984 legislature should take positive action to implement a statewide property reappraisal program.

F-6c. **Classification.** The League long supported the uniform and equal taxation provision of the Kansas constitution, and opposed amendments or legislation to permit or require the use of appraisal factors to the exclusion of market value as the basis of assessing property when the result would be to further shift the burden of taxes to urban and residential property. However, inflation and county assessment practices has resulted in a fact situation whereby much property is assessed at a very small and declining ratio to its current market value and wide variations exist in the assessment levels of different classes of property. Some property is now taxed several times as much as other property with the same market value and at the same tax rate. As a result, judicially or legislatively mandated reassessments may occur in the near future which could result in a substantial shift of property taxes. With reluctance, we support a departure from the traditional uniform and equal clause, provided that the constitutionally authorized number of classes are minimal, and the maximum permitted assessment ratio variation to market value is kept within a reasonable range, such as 1 to 2. A limited constitutional amendment providing for the separate classification and taxation of property appears especially important if use value assessment of farm land is to be implemented.

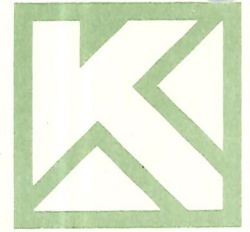
F-6d. **Collection.** Increased efforts are necessary to secure the collection of property taxes and special assessments, both current and delinquent. K.S.A. Supp. 79-2004, relating to the collection of taxes, should be amended to specifically refer to special assessments. (See also Section D-6)

F-6e. **Exemptions.** We oppose the granting of tax exemptions to private property, including (1) homesteads, (2) merchants', manufacturers' and farmers' inventory, equipment and livestock, and (3) property used for pollution control, unless the state also provides funds with similar growth potential to replace the loss of local tax revenue, from sources not now used by cities. The 1982 exemption granted to commercial aircraft effective January 1, 1983 should be repealed.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

March 27, 1984

KANSAS CHAMBER OF COMMERCE AND INDUSTRY
Testimony Before the
SENATE COMMITTEE ON ASSESSMENT AND TAXATION
presented by

Ron Gaches, General Counsel
and Director of Taxation, KCCI

Thank you Mr. Chairman for the opportunity to address your Committee regarding the issue of property classification for taxation purposes and the proposed constitutional amendment HCR 5009.

The Kansas Chamber has historically opposed all efforts to eliminate the constitutional mandate calling for uniform and equal rates of assessment and taxation. We have supported statewide reappraisal and fair market valuation of all property. Recognizing the tax shifts reappraisal would bring, we have endorsed proposals to phase-in the tax shifts over 10 years as well as proposals to enact a broad homestead exemption to protect homeowners from tax increases. Unfortunately, these proposals have not been favorably received.

The House has seen fit to address the problem of tax shifts following reappraisal by passage of HCR 5009, a proposal to amend the Constitution to permit

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assessment of different classes of property at different levels. Of the conferees that appeared yesterday in support of classification, only two, Kansas Farm Bureau and the Kansas Livestock Association, specifically endorsed this proposal. The Kansas Chamber was not a party to the negotiation that took place in an effort to generate the two-thirds majority support necessary for passage.

Reflecting the lack of business community input, HCR 5009 is objectionable for several reasons. First, commercial and industrial real estate is assigned an assessment percentage of 15%, almost 50% higher than the 1983 statewide average assessment level of 10.5% for this class of property. Second, manufacturers' inventories would remain on the tax rolls. The overwhelming majority of states have recognized the punitive nature of inventory taxes and have eliminated them. Third, the 6% assessment level for residential property further erodes the tax base of a class that has already received more than adequate protection from tax increases. A 25% reduction in the assessment level of residential property is a give-away that can only be explained as election year politics. Fourth, the broad range of assessment levels, when coupled with leaving public utility property in the highest class, increases the regressive, hidden tax burden paid by all utility customers in their monthly bills.

If the Kansas Legislature is determined that classification of property is the only acceptable solution to the problem of tax shifting that would follow state-wide reappraisal, we believe it is appropriate that all interested taxpayers play a role in the development of that proposal. Accordingly, the Chamber makes the following recommendations for a new classification proposal, one that addresses the legitimate concerns of all classes of taxpayers. Incorporating these components into a classification proposal would mitigate the Chamber's previous opposition to classification. A failure to consider these recommendations can only lead to our continued opposition to a classified property tax.

INVENTORY TAX RELIEF. KCCI supports the elimination of merchants', manufacturers', and livestock inventory taxes. The majority of states, including many of our neighbors, have already eliminated this punitive tax. Holding inventories in no way corresponds to a taxpayers ability to pay additional property taxes.

REAL ESTATE ASSESSMENT RATIOS. Real estate assessment ratios should be tightened to reduce the disparity in assessment levels between the classes at the top and the bottom. Additional reductions for those in the lowest classes is unwarranted. Reducing the spread in assessment levels would reduce the regressive nature of the taxes paid by state-assessed utilities and passed on to consumers as hidden taxes in their rate base. Additionally, commercial and industrial real estate should not be subjected to a near 50% increased in assessment level as proposed in HCR 5009. The 1983 assessment level for commercial and industrial real estate was 10.5%. IF the Legislature is serious about locking in the de facto assessment levels on real estate, commercial and industrial real estate should not be increased.

MACHINERY AND EQUIPMENT. All machinery and equipment should be considered in the same class. KCCI supports a 15% assessment level for all machinery and equipment with values determined by original costs less straight-line depreciation over the economic life of the property down to a salvage value. Property no longer in use should not be subject to tax. This concept eliminates the use of controversial trending factors and replacement cost estimates that have generated strong opposition to machinery and equipment taxes from the business and farm taxpayers.

RESIDENTIAL ASSESSMENTS. KCCI opposes any further reductions in the level of residential assessments. Single family residential property comprises only 18.5% of the current tax base. Kansas' high ranking in per capita tax burden (17th according to the April 2, 1984, U.S. News & World Report) is heavily influenced by

our very high reliance on personal property taxes, almost all of which are paid by the business community. The assignment of assessment levels to be locked into the Constitution should not reflect the urges of election year politics.

These recommendations represent the foundation for mitigating business community opposition to a classification proposal. They acknowledge that our current de facto classification, a system that the business community believes is extremely punitive, is the starting point for compromise. In considering the reasonableness of any of these components it is appropriate to examine the property tax distribution under compliance with the uniform and equal mandate as well as the current tax distribution. It appears inevitable that any classification proposal that the Legislature might approve will result in the business community continuing to heavily subsidize services to residential taxpayers and that enormous hidden taxes will continue to be passed on to utility consumers in their monthly bills. We urge your favorable consideration of the recommendations made here, so that a true compromise can be struck among the various classes of taxpayers affected by this proposed constitutional amendment.

STATEMENT
ON BEHALF OF
THE ELECTRIC COMPANIES ASSOCIATION OF KANSAS
BEFORE THE SENATE ASSESSMENT AND TAXATION COMMITTEE
MARCH 27, 1984

The attached statement is submitted for your information
and for inclusion in the Committee record.

The Electric Companies Association is a trade association with membership consisting of the six investor-owned electric utilities serving Kansas. They are: The Kansas Power & Light Company, Kansas City Power & Light Company, Kansas Gas and Electric Company, The Empire District Electric Company, Western Power Division of Centel and Southwestern Public Service Company.

D. WAYNE ZIMMERMAN, DIRECTOR

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3/27/84*

STATEMENT
ON BEHALF OF
THE ELECTRIC COMPANIES ASSOCIATION OF KANSAS
D. WAYNE ZIMMERMAN, DIRECTOR
BEFORE THE SENATE ASSESSMENT AND TAXATION COMMITTEE
MARCH 27, 1984

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

WE ARE OPPOSED TO HCR 5009.

WE DO NOT BELIEVE THAT AN INDIVIDUAL TAXPAYER'S SHARE OF THE COST OF GOVERNMENT SHOULD BE DETERMINED BY THE AMOUNT OF ELECTRICITY AND GAS HE USES. YET, THIS IS BECOMING MORE AND MORE THE CASE AS STATE-ASSESSED UTILITIES PICK UP THE SHIFT THAT CONTINUES UNDER OUR PRESENT SYSTEM. UNFORTUNATELY, THE PROPOSED AMENDMENT CONTINUES THE SAME KIND OF REGRESSIVE TAX SHIFTS - THEN LOCKS THE INEQUITIES IN PERMANENTLY.

THE SPREAD BETWEEN THE HIGHEST RATE CLASS OF 30% (WHICH INCLUDES PUBLIC UTILITY PROPERTY) AND THE LOWEST RATE CLASS OF 6% (WHICH INCLUDES RESIDENTIAL PROPERTY) PLUS A SHIFT OF VALUATION RESULTING FROM ADDITIONAL EXEMPTIONS CAUSES ALL UTILITY CONSUMERS TO PAY MORE. WE HAVE HEARD A LOT THIS SESSION ABOUT THE SHOCK OF INCREASED COST OF UTILITIES AND THIS IS ONE PLACE YOU CAN DO SOMETHING TO HELP CONTROL COSTS THAT GO INTO UTILITY BILLS.

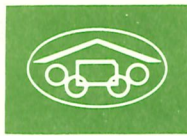
AT THE PRESENT THERE ARE 10 CONSTITUTIONAL PROPERTY TAX EXEMPTIONS AND NEARLY 40 STATUTORY EXEMPTIONS. THIS PROPOSAL ADDS MORE EXEMPTIONS TO THAT TOTAL. AS THE TAX BASE IS DIMINISHED,

UTILITY RATEPAYERS PICK UP A DISPROPORTIONATE SHARE OF THE SHIFT BECAUSE UTILITIES ARE ASSESSED AT THE HIGHEST RATE.

IN THE INTEREST OF FAIRNESS AND IN OUR RATEPAYERS' INTEREST, WE SUPPORT THE PRESENT CONSTITUTIONAL PROVISION FOR UNIFORM AND EQUAL TAXATION. WE ARE OPPOSED TO CLASSIFICATION WHICH CAN ONLY RESULT IN CONTINUOUS PRESSURES TO ADJUST VALUES, OR THE SYSTEM, TO GIVE MORE FAVORABLE TREATMENT TO SOME TAXPAYERS.

AS WE HAVE TESTIFIED BEFORE, WE BELIEVE A PLAN TO GRADUALLY SHIFT BACK TO UNIFORM AND EQUAL CAN BE DEVELOPED AND IS THE BEST COURSE TO FOLLOW.

AT THE LEAST, IF IT IS DETERMINED THAT THERE WILL BE CLASSIFICATION, THE UTILITY RATEPAYERS SHOULD BE CONSIDERED. ELECTRIC UTILITIES SHOULD BE CLASSIFIED IN THE SAME CLASS WITH OTHER BUSINESS.



KANSAS MANUFACTURED HOUSING INSTITUTE
100 East Ninth Street • Suite 205 • Topeka, Kansas 66612 • (913) 357-5256

Testimony before Senate Assessment and Taxation Committee, March 27, 1984

Re: HCR 5009

Mr. Chairman and members of the Committee, I am Margie Braden, Executive Director of the Kansas Manufactured Housing Institute. I am here neither to support nor oppose HCR 5009. We understand the need for reappraisal of property in Kansas and hope that the Legislature in its wisdom will try to deal in a fair and equitable manner with all property in that process.

If classification of property is deemed appropriate, either now or at a later date, we hope that manufactured homes will not be once again subjected to a greater percentage of the tax burden. I know you are all well aware that our industry is already the victim of an inequitable sales tax situation which everyone agrees is unfair but no one knows how to correct because of the loss of revenue.

Unfortunately, and I think it may not have been intentional--at least I hope not--the last amendment which was placed on HCR 5009 before it left the House of Representatives gave a real tax break to "residences" by reducing them from 8% to 6%, but it did not cover mobile/manufactured homes used as residences. Because mobile/manufactured homes are still classed as personal property, even though they are now appraised and assessed as real estate, they are included in another section of HCR 5009 and that portion was left in its original form, with "mobile homes at 8%".

We do not have a position as to whether or not 6% is appropriate for residences or whether 8% was appropriate, but we do believe that all residences should be treated the same and mobile/manufactured homes are residences.

Atch. 4
3/27/84

According to figures available from the Kansas Department of Economic Development, there are approximately 873,340 households in the state of Kansas. Based on past sales figures on mobile/manufactured homes and site/built housing starts, we can assume that approximately one-fourth of those households reside in a mobile/manufactured home--indicating that there are approximately 218,335 residences which would be taxed at a higher rate for property tax purposes, if HCR 5009 were adopted in its present form.

We respectfully request that if it is the Committee's decision that HCR 5009 should be passed from this Committee for consideration by the Senate, you amend the resolution to assure that all residences, regardless of origin, would receive the same property tax treatment.

Attachment
#5



WICHITA

AREA
CHAMBER
OF
COMMERCE

TESTIMONY PRESENTED

on behalf of

THE WICHITA AREA CHAMBER OF COMMERCE

Before the Senate Assessment and Taxation Committee

March 27, 1984

regarding

HCR 5009

by

Richard D. Smith, Chairman of the Board
Wichita Area Chamber of Commerce

Mr. Chairman: My name is Dick Smith, and I am Chairman of the Wichita Area Chamber of Commerce.

Thank you, for this opportunity to share with your committee the position of the Wichita Area Chamber of Commerce regarding HCR 5009.

Let me begin by stating that the Wichita Chamber has consistently supported the uniform and equal assessment of property, at a rate of 30% of fair market value. As you know, since the last statewide reappraisal, over twenty years ago, there has been a consistent movement away from uniform and equal -- resulting in a major shift of property taxes onto business.

The bill you have before you takes this shift of the last twenty years and goes beyond just placing these inequities in concrete. It increases and distorts these inequities that have developed. Over the years, home owners' tax rates have dropped to an 8% assessed valuation level and this bill mandates an additional drop which would effect a 25% further reduction in their percentage of value.

It may be necessary to ultimately classify property in order to make reappraisal acceptable, but the people of Kansas and in our community, also want to be employed and have an opportunity for their children be able to find jobs as well. Our tax system under this proposal would discourage business growth and send the clear message that Kansas does not care about fair and reasonable taxation for business.

The Wichita Chamber has supported legislation for statewide reappraisal of real property, including in that legislation, statutory language that would ensure that the appraised values would be updated on a periodic basis. Understanding the tax shifts that could occur with reappraisal, we propose implementation of a phased-in plan such as the Arkansas Plan.

If this committee believes that reappraisal legislation cannot be implemented without classification, then alternatives do exist. However, HCR 5009 is not a proper method. Too much damage to business would result.

The obvious effect of this legislation would be to ultimately increase taxes on manufacturers' inventories while some other classes of property are phased out, or their assessments reduced. Sedgwick County has by far the largest amount of manufacturers' inventories in the State and has historically paid more than three times the amount of taxes on this material than the next largest manufacturing county. Sedgwick County, therefore, stands to suffer one of the worst impacts from this legislation. Add to that our concentration of commercial and industrial real estate and oil and gas operators, and we have two other significant categories which would pay much higher taxes. This is bad legislation but when you consider the effect on Sedgwick County, it discriminates against our region too.

We urge you to defeat this resolution in its entirety. If it is inevitable that classification is required, then we hope you will develop a different piece of legislation that is fair and just in its treatment of local taxation. Also, this bill should

not be developed in the few remaining days of the session, but should be constructed carefully and then brought to the committee with adequate time for hearings.

In summary, the bill you have before you is not good legislation. The Wichita Area Chamber of Commerce strongly urges you to reject HCR 5009.



Attachment #6
KANSAS INDEPENDENT OIL & GAS ASSOCIATION

500 BROADWAY PLAZA • WICHITA, KANSAS 67202 • (316) 263-7297

March 27, 1984

TO: Senate Assessment & Taxation Committee

RE: HCR 5009 - Classification of Property

Our Association has for years opposed any effort to repeal or amend the uniform and equal provision of the state Constitution. We have a policy position adopted by our membership. A copy is attached.

Philosophically, we believe all property should bear an equal responsibility for the operation of government as all receive police, fire and other governmental services for the protection and enjoyment of that property.

If the uniform and equal provision is repealed and HCR 5009 adopted, all property would be classified and taxed at varying rates, which would be uniform within the class and unequal between classes of property owners. It is true there may be some sentiment to reduce or set a status quo rate on farm and urban property because of a present economic atmosphere. This sentiment may change as values and income increase or decrease. We also believe the removal of the uniform and equal provision in the present atmosphere would probably shift the tax base to properties other than farm and urban properties. In reality, residential and farm property owners would be indirectly paying their taxes on their utility, fuel, transportation and other service bills, because the owners of the higher taxed property would have to pass the taxes, plus a handling fee, on to the users of their services.

Businesses in Kansas who are in competition with businesses in other states where the tax rate is lower would not be able to compete. Lack of business contributes to unemployment, resulting in reducing funds available for the Kansas economy and government operations.

The partial removal of taxes on part of the real property, especially homes and farms, would remove a good portion of the restraint now in force on government units to be efficient and productive. Government has a tendency to expand beyond its need for services and the taxpayer is the one check and balance that keeps government in check.

We realize the present taxing system under the uniform provision is not equitable. Uniform and equal procedure does give the aggrieved taxpayer a remedy in the courts, which would not be available on that theory if it was repealed.

As you know, our industry is assessed by a manual that is fine-tuned each year. Since 1973, the tax collections have risen from \$17 million to \$125 million in 1983.

Atch. 6
3/27/84

The problem with HCR 5009 is that our class is thrown in with all state assessed properties -- utilities, pipelines, and others that can pass along the tax to their customers or in their rate base.

We hope HCR 5009 will be killed. We do support the reappraisal effort and hope that passes. If HCR 5009 is to move, we would like for you to consider a business class that cannot pass on its taxes to its customers or in their rate base and pay it at 20%.

Naturally, we are watching the taxing policies of the State of Kansas carefully -- particularly after the passage of a \$108 million severance tax which nearly doubled our production taxes. The trend we see in the producing counties of relying more and more on the oil and gas industry for local revenues should be of concern to you. For several years, valuations continued to climb as well as tax collections. In 1983, however, valuations dropped \$32.2 million, but tax collections continued to rise, \$7.6 million, or a total of \$125 million.

Examples of how this reliance and shift to oil and gas is working is as follows:

BARTON COUNTY

1983 Oil & Gas Taxes	\$5,815,359.72
1973 " " "	803,769.12
Ratio of Taxes to Total Valuation - 1983	31.60%
" " " " " " - 1973	11.37%
Average County-wide Levy - 1981	79.90 mills
" " " " - 1982	69.40 "
" " " " - 1983	83.70 "

ELLIS COUNTY

1983 Oil & Gas Taxes	\$6,607,900.12
1973 " " "	823,283.24
Ratio of Taxes to Total Valuation - 1983	47.67%
" " " " " " - 1973	17.64%
Average County-wide Levy - 1981	70.60 mills
" " " " - 1982	68.10 "
" " " " - 1983	77.60 "

FINNEY COUNTY

1983 Oil & Gas Taxes	\$4,719,976.41
1973 " " "	665,860.85
Ratio of Taxes to Total Valuation - 1983	21.30%
" " " " " " - 1973	12.17%
Average County-wide Levy - 1981	80.50 mills
" " " " - 1982	73.60 "
" " " " - 1983	78.70 "

GREENWOOD COUNTY

1983 Oil & Gas Taxes	\$2,016,582.56
1973 " " "	166,859.61
Ratio of Taxes to Total Valuation - 1983	30.66%
" " " " " " - 1973	6.85%
Average County-wide Levy - 1981	90.20 mills
" " " " - 1982	103.0 "
" " " " - 1983	123.20 "

PRATT COUNTY

1983 Oil & Gas Taxes	\$2,327,254.64
1973 " " "	124,533.34
Ratio of Taxes to Total Valuation - 1983	27.55%
" " " " " " - 1973	4.08%
Average County-wide Levy - 1981	89.80 mills
" " " " - 1982	86.70 "
" " " " - 1983	92.70 "

RUSSELL COUNTY

1983 Oil & Gas Taxes	\$4,941,548.73
1973 Oil & Gas Taxes	657,724.19
Ratio of Taxes to Total Valuation - 1983	58.68%
" " " " " " - 1973	23.39%
Average County-wide Levy - 1981	80.80 mills
" " " " - 1982	76.80 "
" " " " - 1983	82.60 "

WOODSON COUNTY

1983 Oil & Gas Taxes	\$1,142,036.81
1973 Oil & Gas Taxes	55,735.03
Ratio of Taxes to Total Valuation - 1983	35.43%
" " " " " " - 1973	4.39%
Average County-wide Levy - 1981	85.80 mills
" " " " - 1982	82.40 "
" " " " - 1983	93.10 "

HCR 5009, if adopted, would be a new message to county officials and county appraisers to follow. Yet there is no guarantee the counties would follow the new numbers.

Take Barton County for instance, where oil and gas taxes haved increased from 11.37% (1973) to 31.91% (1983) of that county's base. However, production dropped from 4.1 million barrels of oil to 3.9 million, and from 450 billion cubic feet of gas in 1973 to 415 billion cubic feet in 1981. Personal property taxes rose from \$63.3 million (1975) to \$131.1 million (1982) or 108.5%. Statewide it has risen only 79.6%. Barton County is on a dangerous taxing course!

While keeping oil and gas at 30%, Barton County has permitted other classes of property to slide downward, from 13% in 1975 to 7.5% in 1982 for urban properties, and from 10% in 1975 to 5% in 1982 for rural properties. In 1975, Barton County was at the statewide average of 10% for rural property and today it's at 5% -- a full 1% percent below the statewide average. Urban property is now dropped below the statewide average. What I know about Barton County is that they will continue to slide downward all taxes except on income producing properties. A compilation of tax revenues county-by-county and a three-year study of average levies is attached.

We oppose HCR 5009 in that it legislates percentage rates based on sales ratio information and not good reappraisal data. It puts much of the oil and gas industry in a class with those that can pass along the tax. There is no guarantee that local counties will follow your mandate. If a classification bill is seriously considered, we propose putting non-pass through taxed business properties in a separate class, at a lower rate than that which is passed through.

Classification of property for tax purposes may make for good politics for the present, but we believe it will damage Kansas and its economic climate in the future.

Donald P. Schnacke

Encl: KIOGA Resolution
Oil & Gas Info
Levy Rates

1983 KIOGA RESOLUTION (CLASSIFICATION OF PROPERTY)

WHEREAS, for years, there have been attempts in the Kansas Legislature to seek the separate classification of property for taxation purposes; and

WHEREAS, each proposal advocates placing state appraised property, including oil and gas properties, throughout Kansas, at the highest classification rate, and properties appraised solely by the counties at lower rates; and

WHEREAS, the difference between state appraised property, including oil and gas properties, and county appraised property is widening, all contrary to the Constitution and laws of the State of Kansas;

THEREFORE BE IT RESOLVED, by the Kansas Independent Oil and Gas Association meeting at its annual convention on August 29, 1983, Wichita, Kansas, that it urges the Governor of Kansas and the leadership of the Kansas Legislature to reject the proposal of classification of property for taxation purposes, to uphold the Constitution and laws of Kansas, and to adopt appraisal procedures which will appraise and tax property uniformly and equally throughout Kansas, with equity, and with gradual impact on all property owners affected.

BE IT FURTHER RESOLVED, that a copy of this resolution be sent to the Governor of Kansas; and the leadership of the Kansas Legislature.

**STATE TANGIBLE VALUATION & GENERAL PROPERTY TAX SHOWN ON TAX ROLLS &
APPROXIMATE AD VALOREM TAXES ON PRODUCING OIL & GAS INDUSTRY IN KANSAS - 1983**

	TOTAL COUNTY		TOTAL OIL AND GAS			Col. 5/ Col. 2
	(1)	(2)	(3)	(4)	(5)	
COUNTIES	TANGIBLE PROPERTY VALUATION	TANGIBLE TAX	TANGIBLE PROPERTY VALUATION	AVG. RURAL LEVY	TANGIBLE TAX	RATIO OF TAXES IN %
ALLEN	63,736,604	6,609,701.51	7,499,060	8.93	669,666.06	10.13
ANDERSON	39,984,266	3,745,771.44	2,981,415	8.58	255,805.41	6.83
ATCHISON	46,873,929	5,858,103.25	----	10.35	----	----
BARBER	69,363,098	5,710,244.94	31,959,830	7.94	2,537,610.50	44.44
BARTON	219,888,488	18,400,615.96	80,768,885	7.20	5,815,359.72	31.60
BOURBON	47,948,523	6,051,673.57	1,866,280	11.02	205,664.06	3.40
BROWN	44,713,744	5,477,199.48	80,905	11.70	9,465.89	.17
BUTLER	202,368,337	19,561,238.39	43,187,880	9.25	3,994,878.90	20.42
CHASE	27,925,556	2,941,322.12	1,507,595	10.11	152,417.85	5.18
CHAUTAUQUA	25,229,459	2,305,409.01	9,270,700	8.69	805,623.83	34.94
CHEROKEE	56,257,583	5,716,227.58	----	9.49	----	----
CHEYENNE	25,735,154	2,572,075.70	2,128,605	9.61	204,558.94	7.95
CLARK	56,986,586	3,364,541.30	30,577,670	5.63	1,721,522.82	51.17
CLAY	38,653,402	4,531,941.09	----	10.77	----	----
CLOUD	50,657,466	6,737,739.17	----	12.14	----	----
COFFEY	276,020,686	11,734,577.10	3,968,540	4.10	162,710.14	1.39
COMANCHE	44,109,929	2,934,064.14	25,444,470	6.33	1,610,634.95	54.89
COWLEY	144,644,564	15,812,876.13	28,040,115	9.74	2,731,107.20	17.27
CRAWFORD	78,953,872	10,275,218.58	352,235	10.21	35,983.19	.35
DECATUR	33,226,365	2,898,181.75	7,798,955	8.39	654,332.32	22.58
DICKINSON	70,353,939	7,600,831.57	757,240	9.77	73,982.35	.97
DONIPHAN	28,998,733	4,087,900.63	----	13.89	----	----
DOUGLAS	195,958,671	23,313,563.58	474,885	10.01	47,535.99	.20
EDWARDS	49,396,674	3,632,016.68	21,483,193	6.65	1,428,632.33	39.33
ELK	22,376,936	2,471,536.04	3,860,615	10.49	404,978.51	16.39
ELLIS	178,596,541	13,862,872.59	98,772,797	6.69	6,607,900.12	47.67

**STATE TANGIBLE VALUATION & GENERAL PROPERTY TAX SHOWN ON TAX ROLLS &
APPROXIMATE AD VALOREM TAXES ON PRODUCING OIL & GAS INDUSTRY IN KANSAS - 1983**

COUNTIES	TOTAL COUNTY		TOTAL OIL AND GAS			Col. 5/ Col. 2
	(1) TANGIBLE PROPERTY VALUATION	(2) TANGIBLE TAX	(3) TANGIBLE PROPERTY VALUATION	(4) AVG. RURAL LEVY	(5) TANGIBLE TAX	RATIO OF TAXES IN %
ELLSWORTH	60,108,004	4,469,143.64	14,051,265	6.74	947,055.26	21.19
FINNEY	281,524,406	22,161,033.17	66,855,190	7.06	4,719,976.41	21.30
FORD	122,419,273	14,902,654.29	4,932,565	11.45	564,778.69	3.79
FRANKLIN	63,985,667	7,418,168.18	3,859,050	9.80	378,186.90	5.10
GEARY	57,512,678	4,988,639.67	210	7.14	14.99	.0003
GOVE	38,723,335	3,678,824.78	10,034,905	9.04	907,155.41	24.66
GRAHAM	55,189,203	4,896,436.01	34,364,660	8.53	2,931,305.50	59.87
GRANT	175,161,730	7,636,610.11	117,170,380	4.14	4,850,853.73	63.52
GRAY	46,860,504	4,856,954.89	4,219,824	9.66	407,635.00	8.39
GREELEY	38,064,206	2,414,327.45	13,243,320	5.81	769,436.89	31.87
GREENWOOD	53,389,101	6,577,740.31	17,782,915	11.34	2,016,582.56	30.66
HAMILTON	40,115,016	3,025,654.62	17,588,910	7.20	1,266,401.52	41.86
HARPER	72,982,673	6,696,904.70	27,315,200	8.57	2,340,912.64	34.96
HARVEY	111,569,461	12,326,828.28	6,041,615	9.22	557,036.90	4.52
HASKELL	93,619,864	5,178,450.30	57,466,830	5.24	3,011,261.89	58.15
HODGEMAN	40,826,582	3,588,360.17	18,769,670	8.57	1,608,560.72	44.83
JACKSON	31,716,689	3,833,133.42	86,660	11.54	9,885.16	.26
JEFFERSON	41,758,843	4,868,893.80	---	11.18	---	---
JEWELL	28,190,617	3,735,165.52	---	12.70	---	---
JOHNSON	979,921,682	133,332,432.22	1,372,840	11.68	160,347.71	.12
KEARNY	162,363,937	6,391,640.79	124,599,500	3.79	4,722,321.05	73.88
KINGMAN	96,582,653	7,082,587.79	44,684,265	6.79	3,034,061.59	42.84
KIOWA	69,885,721	4,059,695.21	34,663,575	5.58	1,934,227.49	47.64
LABETTE	68,978,505	9,236,493.14	437,390	10.93	47,806.73	.52
LANE	39,737,569	3,165,715.10	17,820,730	7.78	1,386,452.79	43.80
LEAVENWORTH	106,630,315	13,027,969.00	281,175	11.20	31,491.60	.24

**STATE TANGIBLE VALUATION & GENERAL PROPERTY TAX SHOWN ON TAX ROLLS &
APPROXIMATE AD VALOREM TAXES ON PRODUCING OIL & GAS INDUSTRY IN KANSAS - 1983**

COUNTIES	TOTAL COUNTY		TOTAL OIL AND GAS			Col. 5/ Col. 2 RATIO OF TAXES IN %
	(1) TANGIBLE PROPERTY VALUATION	(2) TANGIBLE TAX	(3) TANGIBLE PROPERTY VALUATION	(4) AVG. RURAL LEVY	(5) TANGIBLE TAX	
LINCOLN	28,956,291	2,899,497.27	---	9.51	---	---
LINN	116,617,840	7,061,882.56	797,372	5.73	45,689.42	.65
LOGAN	30,367,747	2,557,625.19	4,480,420	7.64	342,304.09	13.38
LYON	110,110,966	12,421,798.40	1,022,020	8.90	90,959.78	.73
MARION	65,390,755	6,633,508.51	12,628,980	9.07	1,145,448.49	17.27
MARSHALL	50,152,168	6,292,765.28	---	11.70	---	---
McPHERSON	163,955,179	14,294,737.53	34,351,225	7.99	2,744,662.88	19.20
MEADE	80,639,687	4,952,654.80	20,500,290	5.56	1,139,816.12	23.01
MIAMI	71,476,263	7,572,392.13	2,576,130	9.43	242,929.08	3.21
MITCHELL	35,731,420	4,229,923.20	---	10.97	---	---
MONTGOMERY	128,837,647	16,196,497.58	8,105,305	10.78	873,751.88	5.39
MORRIS	33,996,661	3,023,121.44	3,308,235	8.38	277,230.09	9.17
MORTON	123,702,455	5,225,414.04	88,643,950	3.98	3,528,029.21	67.52
NEMAHA	48,359,585	5,057,063.95	3,740,465	9.99	373,672.45	7.39
NEOSHO	65,800,390	7,869,890.45	3,256,200	10.43	339,621.66	4.32
NESS	68,718,929	5,330,106.30	34,330,260	7.26	2,492,376.88	46.76
NORTON	30,075,676	3,778,040.96	4,760,590	11.06	526,521.25	13.94
OSAGE	47,480,526	4,974,343.99	49,690	9.95	4,944.16	.10
OSBORNE	34,328,702	3,189,706.47	4,102,135	7.93	325,299.31	10.20
OTTAWA	37,200,207	3,577,840.70	---	9.18	---	---
PAWNEE	54,558,035	4,824,910.77	11,957,830	7.70	920,752.91	19.08
PHILLIPS	52,559,131	4,950,808.78	19,016,445	8.57	1,629,709.34	32.92
POTTAWATOMIE	231,383,017	12,862,697.80	31,555	5.16	1,628.24	.01
PRATT	91,138,044	8,446,859.90	27,541,475	8.45	2,327,254.64	27.55
RAWLINS	30,358,391	3,432,908.33	5,566,640	10.87	605,093.77	17.63
RENO	238,563,060	29,671,529.26	14,712,888	10.66	1,568,393.86	5.29
REPUBLIC	37,713,028	4,321,695.07	---	10.80	---	---

**STATE TANGIBLE VALUATION & GENERAL PROPERTY TAX SHOWN ON TAX ROLLS &
APPROXIMATE AD VALOREM TAXES ON PRODUCING OIL & GAS INDUSTRY IN KANSAS - 1983**

COUNTIES	TOTAL COUNTY		TOTAL OIL AND GAS			Col. 5/ Col. 2
	(1) TANGIBLE PROPERTY VALUATION	(2) TANGIBLE TAX	(3) TANGIBLE PROPERTY VALUATION	(4) AVG. RURAL LEVY	(5) TANGIBLE TAX	RATIO OF TAXES IN %
RICE	99,750,038	7,859,731.98	30,559,616	7.33	2,240,019.85	28.50
RILEY	113,939,886	12,021,070.94	511,285	9.07	46,373.55	.39
ROOKS	98,427,510	5,893,793.42	69,944,929	5.54	3,874,949.07	65.75
RUSH	43,421,992	4,037,964.93	13,001,555	9.03	1,174,040.42	29.08
RUSSELL	101,977,744	8,420,884.73	64,511,080	7.66	4,941,548.73	58.68
SALINE	157,255,599	17,367,117.76	3,058,640	8.30	253,867.12	1.46
SCOTT	37,446,470	3,697,190.98	1,991,315	8.87	176,629.64	4.78
SEDGWICK	1,319,467,541	147,160,575.26	10,319,470	8.83	911,209.20	.62
SEWARD	127,509,371	11,674,585.13	47,560,955	7.96	3,785,852.02	32.43
SHAWNEE	467,777,998	68,528,924.03	----	10.86	----	----
SHERIDAN	27,731,206	3,379,487.84	6,193,959	11.40	706,111.33	20.89
SHERMAN	40,554,781	4,983,911.79	500,920	11.12	55,702.30	1.12
SMITH	29,158,618	3,486,743.89	----	11.12	----	----
STAFFORD	71,079,563	5,313,393.50	36,493,315	6.93	2,528,986.73	47.60
STANTON	60,435,329	3,903,045.47	35,860,325	6.18	2,216,168.09	56.78
STEVENS	212,941,824	6,988,411.49	163,164,940	3.11	5,074,429.63	72.61
SUMNER	98,860,491	12,592,771.36	21,580,685	11.72	2,529,256.28	20.08
THOMAS	53,867,630	6,636,927.84	1,543,551	11.69	180,441.11	2.72
TREGO	57,715,669	3,944,143.62	35,670,692	6.31	2,250,820.67	57.07
WABAUNSEE	31,208,453	3,286,048.99	2,082,390	9.95	207,197.81	6.31
WALLACE	20,212,508	1,900,806.18	259,030	9.14	23,675.34	1.25
WASHINGTON	45,576,790	4,491,066.04	----	9.23	----	----
WICHITA	31,305,455	3,100,850.13	724,595	9.09	65,865.69	2.12
WILSON	46,829,548	4,558,884.04	4,922,090	8.68	427,237.41	9.37
WOODSON	34,632,179	3,223,747.06	13,233,335	8.63	1,142,036.81	35.43
WYANDOTTE	373,451,500	58,084,396.25	----	12.27	----	----
TOTAL	11,027,484,832	\$1,113,944,595.17	1,909,592,286		\$125,092,608.50	

TABLE V — AVERAGE COUNTY LEVIES ON TANGIBLE PROPERTY VALUATIONS

County	1981 Average Rate in Dollars on each one-hundred dollar valuation	1982 Average Rate in Dollars on each one-hundred dollar valuation	1983 Average Rate in Dollars on each one-hundred dollar valuation
Allen	\$ 9.85	\$ 9.47	\$10.37
Anderson	8.47	8.16	9.37
Atchison	11.16	11.39	12.50
Barber	7.62	7.15	8.23
Barton	7.99	6.94	8.37
Bourbon	11.99	12.19	12.62
Brown	10.51	10.86	12.25
Butler	8.60	8.96	9.67
Chase	9.91	9.84	10.53
Chautauqua	8.42	8.32	9.14
Cherokee	9.38	9.68	10.16
Cheyenne	7.45	8.39	9.99
Clark	6.05	6.00	5.90
Clay	10.64	10.83	11.72
Cloud	11.34	11.71	13.30
Coffey	4.94	4.19	4.25
Comanche	6.57	6.43	6.65
Cowley	9.46	9.97	10.93
Crawford	12.02	12.33	13.01
Decatur	7.95	7.48	8.72
Dickinson	10.35	10.18	10.80
Doniphan	12.61	12.75	14.10
Douglas	11.23	11.09	11.90
Edwards	6.63	6.12	7.35
Elk	9.13	9.97	11.05
Ellis	7.06	6.81	7.76
Ellsworth	6.48	6.55	7.44
Finney	8.05	7.36	7.87
Ford	10.73	10.93	12.17
Franklin	11.22	11.24	11.50
Geary	9.07	7.93	8.67
Gove	8.32	8.21	9.50
Graham	7.59	7.96	8.87
Grant	4.17	4.39	4.36
Gray	8.21	8.68	10.36
Greeley	5.77	5.89	6.34
Greenwood	9.02	10.30	12.32
Hamilton	6.47	7.09	7.54
Harper	8.40	8.96	7.54
Harvey	10.56	10.36	11.05
Haskell	5.54	5.49	5.53
Hodgeman	8.24	7.81	8.79
Jackson	10.91	11.64	12.09
Jefferson	10.31	10.94	11.66
Jewell	9.62	10.98	13.25
Johnson	12.34	12.27	13.61
Kearny	3.91	4.17	3.94
Kingman	7.03	6.93	7.33
Kiowa	5.45	5.36	5.81
Lalor	12.63	13.44	13.39
Lane	7.75	8.09	7.96
Leavenworth	12.36	12.50	12.22

County	1981 Average Rate in Dollars on each one-hundred dollar valuation	1982 Average Rate in Dollars on each one-hundred dollar valuation	1983 Average Rate in Dollars on each one-hundred dollar valuation
Lincoln	\$ 8.97	\$ 8.93	\$10.01
Linn	5.34	5.53	6.06
Logan	8.52	7.97	8.42
Lyon	10.75	10.68	11.28
Marion	9.99	9.70	10.14
Marshall	10.98	10.54	12.54
McPherson	8.76	8.40	8.72
Meade	6.61	6.10	6.14
Miami	9.83	9.97	10.59
Mitchell	11.18	10.88	11.83
Montgomery	11.59	11.57	12.57
Morris	8.81	8.22	8.89
Morton	4.32	3.94	4.22
Nemaha	9.50	9.51	10.46
Neosho	10.55	11.80	11.96
Ness	6.89	6.79	7.76
Norton	10.13	10.25	12.56
Osage	9.23	9.45	10.48
Osborne	8.73	8.04	9.29
Ottawa	9.05	9.21	9.62
Pawnee	7.87	7.97	8.84
Phillips	8.02	8.04	9.42
Pottawatomie	5.83	5.32	5.56
Pratt	8.98	8.67	9.27
Rawlins	9.35	9.79	11.31
Reno	10.76	10.47	12.44
Republic	10.30	9.87	11.46
Rice	7.33	6.97	7.88
Riley	10.84	10.06	10.55
Rooks	5.86	5.69	5.99
Rush	8.81	9.27	9.30
Russell	8.08	7.68	8.26
Saline	11.26	10.62	11.04
Scott	8.95	8.07	9.87
Settler	10.66	10.16	11.15
Seward	7.77	8.67	9.16
Shawnee	14.41	13.88	14.65
Sheridan	9.69	10.04	12.19
Sherman	10.80	10.60	12.29
Smith	9.72	10.23	11.96
Stafford	6.62	6.35	7.48
Stanton	5.02	5.53	6.46
Stevens	3.09	3.14	3.28
Sumner	10.84	11.26	12.74
Thomas	10.39	9.73	12.32
Trego	7.09	7.05	6.83
Wabaunsee	10.26	9.84	10.53
Wallace	7.83	7.69	9.40
Washington	8.93	8.71	9.85
Wichita	6.93	7.27	9.91
Wilson	9.25	9.03	9.74
Woodson	8.58	8.24	9.31
Wyandotte	14.41	14.93	15.55
Average State Rate	9.46	9.28	10.10

I. Actual 1983 Valuation of a Grain Elevator, its Merchant's Inventory and Machinery & Equipment.

A. Valuation of elevator

Concrete	680000 @ \$2.45	\$	1666000	
Steel tanks	585000 @ \$.72		421200	
Outside leg	90' x 6000 bph		22300	
Aeration	300000 @ \$.12		36000	
Hot Spot	20 @ \$600		12000	
Pollution control	52 bags		19600	
Grain dryer	2000 bph		100000	
Truck scale	60T x 70' x 10'		27300	
			<u>2304400</u>	
RCN			374200	
Depr.				
Market Value		\$	<u>1930200</u>	
Assessed Value	@ .11	\$	<u>212325</u>	88.9%

B. Valuation of inventory

Market Value		\$	<u>56910</u>	
Assessed Value	@ .30	\$	<u>17075</u>	7.1

C. Valuation of equipment

Market Value		\$	<u>31760</u>	
Assessed Value	@ .30	\$	<u>9530</u>	4.0
		\$	<u>238930</u>	<u>100.0%</u>

*Atch. 7
3/27/84*

II. Projected Assessed Valuation (reflecting H.C.R. 5009)

	Present		Proposed		% Increase
	1983 Assessed Valuation	% of State Totals	Assessed Valuation	% of State Totals	
A.1 Elevator classified as Rural Ind & Comm'l Property					
Rural Ind & Comm'l	147691386	1.4	344129190	3.4	
Elevator assessed value	212325		494730		133.0
Elevator assessed value as a percent of Rural Ind. & Comm'l Property	.144%		.144%		

B.14 Elevator classified as Urban Comm'l					
Commercial	771105188	7.1	1147137942	11.2	
Elevator assessed value	212325		315870		48.8
Elevator assessed value as a percent of Commercial	.028%		.028%		

C.27 Elevator classified as combined Rural Ind. & Comm'l and Urban Commercial					
Urban Commercial	918796574	8.5	1491267132	14.6	62.3
Elevator assessed value	212325		344620		
Elevator assessed value as a percent of Rural & Urban Comm'l	.023%		.023%		
		(2)			

Mr. Chairman and Members of the Committee:

My name is Gary Toebben. I am the Executive Vice President of the Lawrence Chamber of Commerce but I am here today representing the Kansas Industrial Developers Association.

Our Association is comprised of 125 economic development professionals from across the State. Our charge is to attract new jobs and a broadened tax base to Kansas counties and communities. We do our job by touting the benefits of Kansas and by selling business and industry on the idea that they can operate a more profitable facility in Kansas than in any of the other states they are considering.

It is our opinion that HCR 5009, if passed by the Senate and approved by the voters will have a significantly negative impact on the Economic Development efforts of the communities and counties for which we work and you represent.

The passage of HCR 5009 by the House has already given existing business and industry cause to doubt if they made the right decision when they chose to locate in Kansas. If it were still snowing outside (or if we had a few more lakes), industry would have reason to believe they had been transferred from Kansas to Minnesota.

On March 21, the House took their action to raise property taxes on commercial and industrial real estate by an average of 50% across the State. (In Douglas County the increase would be 69%). That same day a letter went out from Governor Carlin proclaiming June 3-9 as Industry Appreciation Week in Kansas. I'd like to share with you the contents of that brief letter:

Hch. 8
3/29/84

To again highlight the contributions made by Kansas industries, I will be proclaiming June 3-9, 1984 as Industry Appreciation Week in Kansas. During this week, activities throughout the state will focus on the importance of industry in Kansas and the necessity of maintaining a favorable business climate in our state.

Kansas manufacturers have become an increasingly important element of our state's diverse economy. Expansion of existing industries is a major source of new jobs for Kansans adding strength and stability to our economic foundation.

Recognition of the vital role industries play is important to the ongoing relationship between communities and local manufacturers. I urge you to take this opportunity to show your appreciation to your local industries during the week of June 3-9 with special activities in your community. I hope you will join me in saying "thank you" to Kansas manufacturers.

The Kansas Industrial Developers Association is of the opinion that HCR 5009 does not create the favorable business climate that Governor Carlin addresses in his letter. And it certainly is a non-traditional way of saying thank you to Kansas manufacturers.

Raising the taxes on commercial and industrial real estate by 50% will not be regarded as an indication that Kansas is aggressively seeking economic growth. Nor will a ten year straight line depreciation of machinery and equipment be attractive to high tech business and industry that replaces machinery and equipment every 3 to 5 years in order to stay ahead of their competition.

If the communities that you and our members represent are to be successful in attracting their share of the manufacturing, communication and service jobs that will be created in the years ahead, the Kansas Senate must take a leadership role in rejecting or rewriting HCR 5009.

The Kansas Industrial Developers Association recognizes the need to reach a compromise on property tax classification that falls somewhere between our current defacto classification and the Kansas constitutional requirement of uniform and equal. We believe that such a compromise is possible and we would be happy to assist in any way we can.

Over the years the communities of Kansas have found that the real solution to keeping taxes down is a growing economy and a growing tax base. We urge the Senate to incorporate this philosophy into any classification proposal that is ultimately accepted.

Thank you for this opportunity to share these thoughts from Kansas Industrial Developers with your committee.

Beech Aircraft Corporation
Wichita, Kansas 67201
U. S. A.

Attachment
#9

Statement Before The
Kansas Senate Assessment & Taxation Committee

March 27, 1984

Mr. Chairman, members of the committee, my name is Marsha Hutchison; I'm manager of Legislative Affairs for Beech Aircraft Corporation in Wichita, Salina, Liberal, Newton, and Andover.

Beech Aircraft Corporation favors fair, equal, and uniform taxation on a Federal, state and local basis. Therefore we oppose taxation classification.

The major attribute of property taxes is that they are visible to voters and voters have a strong influence on those responsible for them.

HCR 5009 would ask utilities, the oil industry, manufacturers and commercial real estate to pay a disproportionate amount of property tax. These are the segments which provide employment in this state. We believe the legislature of the State of Kansas would be making a serious mistake to further tax the industries which provide the state's employment. Not only would it be difficult to attract new industries, it will encourage migration of employers from this state.

We feel that reappraisal of real property in Kansas is the first step to determine current values in order to make the tax uniform and equal and right.

We, as a manufacturing industry, pay our fair share of taxes. But we strongly object to legislation which will cause an unwarranted burden on a specific section of taxpayers, specifically certain segments of the business community.

Tax dollars expended by Beech Aircraft Corporation are an important consideration to our total costs. Ultimately taxes have an affect on the number of jobs available today as well as in the future.

Beech Aircraft is in the middle of a \$44M expansion in Wichita. This expansion will continue to give a tremendous economic boost to the State of Kansas.

The most visible benefit will be a continuation of Beech Aircraft's upward employment trend. In December of 1982 it was announced that with proposed expansion plans our Company's employment would increase by 1987 by more than 4,000 manufacturing jobs. The Company is already moving towards that goal and has added approximately 917 employees to its payroll since that date. There could be more to come.

Jobs at Beech Aircraft as well as thousands of others across Kansas are provided by manufacturers making that segment an important aspect

of the state's economic structure and viability. Increasing taxes as significantly as proposed by HCR 5009 could force Beech Aircraft Corporation to reconsider further expansion plans. Equal taxation treatment will encourage future and continued growth.

Mr. Chairman and members of the committee, we believe that matters as important as classification and reappraisal call for a special courage from every member of the legislature. We encourage you to vote for a long-term healthy climate within which business and individuals can prosper.

Thank You.

BOEING MILITARY AIRPLANE COMPANY

A Division of The Boeing Company
Wichita, Kansas 67210 . Seattle, Washington 98124

March 27, 1984

Senate Assessment and
Taxation Committee
State House
Topeka, Kansas

Mr. Chairman:
Member of the Committee:

My name is Harry Williford; I am the Director of Business Management for the Boeing Military Airplane Company. I am appearing today in opposition to House Concurrent Resolution No. 5009, the property classification bill.

We, at Boeing, are not opposed to classification as such. We think a bill can be drafted to classify property that would be fair to all taxpayers. The timing is not right.

Our position has been in favor of reappraising the real property in Kansas, evaluating the results and then taking action before implementation to insure that no massive shifts occur between classes of property, if that should occur.


We think that the legislature struck a rational compromise when it considered S.B. 275 that orders reappraisal, but restricts implementation until a proposition to amend the constitution to provide for classification of property is submitted to the voters of the State of Kansas. To us this says you are doing things in an orderly manner; drafting a classification bill after current values of property are known.

As to HCR 5009, the rationale for the amendments made on the floor of the House totally escape us -- exempting farm machinery and equipment in total; reducing residential from the current statewide level of 8% to 6% and exempting merchants and livestock inventory, but retaining manufacturing inventories at 30% and raising industrial and commercial real estate to 15%. Mr. Chairman, this seems to say to manufacturers that we don't need your jobs in Kansas.

Just a note of background on our company -- Boeing embarked on a plant modernization and expansion program at our Wichita plant in 1978. At that time we had approximately 7,000 employees. Since then we have spent in excess of \$400M building new facilities and modernizing the existing plant and equipment. Our employment has increased from 7,000 to over 15,000. The impact on the economy of the State of Kansas is over \$2.2B annually. We have announced additional facility expansion of \$400M, if our business base continues to support the expansion. Mr. Chairman this type of legislation will cause our management to reconsider some of these actions.

Thank you Mr. Chairman for the opportunity to appear today.

Respectfully,


Harry E. Williford

Atch. 10
3/27/84

ANSAS SENATE TAX COMMITTEE HEARING

HCR 5009

March 27, 1984

Tom P. Carrico

Representing Kansas Manufacturers

Attachment #11

Let me open with stating that I was dramatically shocked and upset that the Kansas House of Representatives would pass HCR-5009 in the form it did and especially by a vote of 89-33.

I can also state very strongly that until the 1983 session I was very proud of the government of the State of Kansas and especially the legislature. We have historically had a very responsible legislature in Kansas.

In 1983 the Kansas political process severely hurt business with additional taxes. This was during a year of recession. In 1983, between income taxes (both withheld and paid), property taxes, and unemployment taxes our company remitted \$692,207 to the State of Kansas. This was an increase of \$119,000 or 21% in a year when our actual sales dollars declined. These amounts do not include the Kansas sales and use tax paid which are also significant. In private industry we don't have non-voters to tax to keep increasing spending like this.

We have carefully calculated the expected increase to our total property taxes with HCR 5009 to be plus 57% over our current taxes.

This bill is a clear message that Kansas does not want manufacturers or the jobs and tax base that goes with them. Prospective companies can evaluate this fact, but manufacturers already in Kansas are being singled out unfairly. Why should merchants receive inventory relief and not manufacturers?

Inventory tax is a very regressive tax. It hurts worst during a recession when inventory previously ordered increases inventories without the normal sales and without the income to pay the tax.

Some projections I have seen indicate machinery and equipment relief with HCR 5009. I take strong exception to this projection as compared to the current law. There is a lot of high tech equipment with a proper useful life of five years and this bill would straight line depreciate this equipment over ten years.

Atch. 11
3/27/84

We expanded our plant in 1982. If this bill passes as amended by the house it will make that decision a very foolish one for us.

In the past I have taken great pride in our state government especially as compared to our federal government. I don't like what I am hearing these days from Topeka. Instead of responsible decision making I am hearing many comments like the voters want their taxes cut and at the same time we need to keep spending more for all these good programs.

Some must think there is a free lunch in Kansas. The "free lunch" has not worked at the federal level. If we pass bills like this to shift such a heavy tax burden to business the jobs will move out of Kansas. It would curtail our growth dearly to continue to remove the business climate advantage we had over Missouri and other neighboring states.

We have good programs to educate our youth but I am concerned that we will lose them to Texas and elsewhere where jobs will be more plentiful.

Kansas has been an outstanding place to live and work. As a resident I am very pleased that my property taxes haven't increased much over the past twelve years. Business taxes have increased significantly more during the same years. If we chase the future business growth opportunities from this state for the sake of short term political gains then our children will be the losers. The "free lunch" does not work in the long run. As a resident I don't mind paying a reasonable tax to educate my children. I am the one using the service.

If you pass HCR 5009 it will be a severe blow to business. That along with the 1983 taxes and the coming electric rate increases will paint a very bad climate for even keeping the business we now have.

Since you have more time to study the consequences I have confidence the Kansas Senate will be more responsive than the House and not pass such a damaging bill. The projection I saw from the Kansas Research Department indicated a 123% increase in commercial and industrial real estate taxes for Johnson County, KS.

Page three
Tom P. Carrico

Please do not use classification to shift even greater taxes to manufacturers and other businesses in Kansas. We could all be the eventual losers.

Thank you.



The COLEMAN COMPANY, INC.

OFFICE OF GOVERNMENT AFFAIRS
LARRY D. LANDRITH
316 261-3017

General Offices

P.O. BOX 1762
WICHITA, KANSAS 67201
AREA CODE 316 261-3211

March 27, 1984

Senate Assessment and Taxation Committee
State House
Topeka, Kansas 66612

Mr. Chairman:
Members of the Committee:

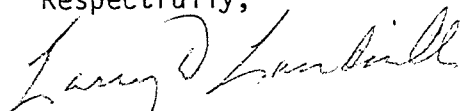
I am Larry Landrith of the Office of Government Affairs of The Coleman Company, Inc. in Wichita.

I am appearing today in opposition to HCR 5009, as ammended by the House committee as a whole. This measure, through the elimination of classes and the granting of preferential treatment would leave manufacturing to shoulder more and more of the tax burden.

We can not simply pass on this additional cost in terms of higher prices to our consumers; we must compete with manufacturers from other states and on a worldwide basis as well. The ability to pass through a cost does not guarantee that there will be a buyer at the other end.

Manufacturing is the underpinning of jobs in Kansas and does not deserve a continually increasing tax burden. The last legislative session certainly did not spare manufacturing. We hope you can restore balance and fairness to this measure and not restrict other classes from their full participation in the cost of government.

Respectfully,


Larry D. Landrith

Atch. 12
3/27/84

FMC Corporation

Phosphorus Chemical Division
Ninth and Maple Street
Lawrence, Kansas 66044
913 749 8100

Attachment #13

March 27, 1984



TO: Chairman Paul Burke
Kansas State Committee on
Assessment and Taxation

FROM: Joel B. Jacobs
Plant Manager
FMC Corporation
Lawrence, Kansas

President
Lawrence Chamber of Commerce

SUBJECT: Remarks in Opposition to HCR 5009

Chairman Burke and members of the Senate Committee on Assessment and Taxation, my comments are offered to urge your opposition to the House proposed "Classification of Property" Constitutional Amendment (HCR 5009).

FMC markets products produced at its plant in Lawrence, Kansas, in both the domestic and international arenas. Competition in the international market is presently very difficult because of the strength of the dollar and unfavorable trade barriers. In the domestic market we are seeing increasing import activity which is already resulting in reduced demand for our products.

Passage of this Constitutional Amendment by the legislature will improperly increase FMC and other manufacturer's costs, without our ability to recover these cost increases through price increases due to the extreme competitive pressures. Further erosion of FMC's competitive sales position will result in reduced demand for our products and potential lost jobs.

*Attch. B34
3/27/84*

2

To: Chairman Paul Burke
From: Joel B. Jacobs

Additionally the Lawrence Chamber of Commerce has initiated a three year Economic Development Marketing Program funded by the city, the county, the University of Kansas and the private sector. \$300 M has been collected and pledged from these sources to finance this effort. Dramatically shifting the tax burden to the industrial and commercial sectors would put Lawrence and the State of Kansas at a competitive disadvantage in attracting new industrial development to Kansas.

I urge you to oppose the House version of Classification of Property for tax purposes and give the state a chance at successful economic development. Thank you for the opportunity to speak before this committee.

Submitted By:

Joel B. Jacobs
Plant Manager
FMC Corporation
9th & Maple Streets
Lawrence, Kansas 66044



AND

President
Lawrence Chamber of Commerce

TESTIMONY IN OPPOSITION TO
H.C.R. 5009 - CLASSIFICATION OF PROPERTY
PRESENTED TO THE SENATE ASSESSMENT AND TAXATION COMMITTEE

Without business and industry there would be few jobs and few homes in Wyandotte County yet H.C.R. 5009 proposes to create an even greater burden on those companies providing the economic backbone of our society - jobs.

More than 80% of the jobs in Wyandotte County are provided by private business. They employ 90,000 workers with annual payrolls of more than 1.1 billion and those payroll dollars have a definite impact throughout the entire community. In addition, \$520 million is provided annually in the form of fringe benefits for workers.

The true impact of the business community goes well beyond those financial figures. For example, business is the dominant customer of the Board of Public Utilities contributing more than 70% of their revenue. In addition, the time it takes for the BPU to recover its fixed costs from a business is three to four years less than it is for an individual customer. What this means is that business makes it possible for residential users to enjoy significantly lower utility rates.

The business sector is already responsible for more than 50% of all property taxes paid in the county. The impact of this should be obvious as not a day goes by that a citizen fails to take advantage of the many things that these tax dollars provide whether its the school system, parks and recreation, public facilities of all kinds or even the existence of the local government itself. Once again, business is already a major provider for the individual citizen.

What impact will the classification resolution have on business? Obviously, it will increase the cost of doing business in our county and based on historical data will result in less business being done. The resulting loss will be felt throughout all facets of the community. Perhaps most importantly fewer jobs will be available and the ability to attract new jobs to our community will be significantly hampered.

In the last five years Wyandotte County has had a net loss of 5,479 manufacturing jobs. Manufacturers inform us this is in part due to the cost of doing business in Wyandotte County and Kansas. Recently a high technology company completed a comparison of operating costs in Wyandotte County vs. Nassau/Suffolk County, New York and Fullerton, California. The taxes in Kansas City, Kansas were more than \$100,000 a year more than in the other two communities with whom we are competing for the plant expansion. Many industries throughout the United States are in an expansion mode. Our already heavy tax burden on manufacturers cannot be further increased if we are to gain our share of those industries and thereby create more jobs for Kansans.

In 1981 the Kansas business climate ranked as the fourth best in the nation; in 1982 it dropped to tenth; we are now waiting the 1983 study and are concerned that the drop will continue. If this classification amendment is passed how much farther will we drop? At a time when we are vitally concerned about the education system in our state shouldn't we also be concerned about the potential for those who receive an education to find gainful employment within the boundaries of Kansas. House Concurrent Resolution 5009 is a measure that will reduce rather than increase the employment potential for Kansans and we therefore request that it be defeated.

PRESENTED BY: D. WESTON STUCKY
KANSAS CITY KANSAS AREA CHAMBER OF COMMERCE

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I am Melvin Jantz the John Deere farm equipment dealer in McPherson, Ks. The purpose of my testimony this morning is to give you a picture of what is happening in the retail farm equipment business now. First, we sell only to approximately 3% of the total tax payers - our farmers. Yesterday I counted the number of farm sales advertised in GRASS & GRAIN published in Manhattan, Ks., FARM TALK published in Parsons, Ks., and HIGH PLAINS JOURNAL published in Dodge City, Ks. In these three weekly papers there were exactly 100 farm sales advertised and they were all scheduled to take place between March 21 and April 7, 1984. These 100 sales, plus all of the large used farm equipment consignment sales now also taking place, are throwing large amounts of ^{FARM} equipment on an already demoralized market and are depressing prices even further. This situation makes it nearly impossible for a farm equipment dealer to sell his equipment and hold his money together.

This brings me to the inequitable ad valorem tax now levied on a retail farm equipment dealer's inventory. This tax has no bearing on whether he makes a profit and out of this profit pays a reasonable portion in taxes to support his local educational system and County, City & Township Governments. The farm equipment dealers must pay these exorbitant taxes even if they experience the huge losses as indicated below. You are probably thinking all successful business and professional people pass the cost of their local property taxes on to their customers and clients or they would soon be out of business. This would be true if farm equipment dealers could now generate sufficient sales to be able to pass their "costs of doing business expenses" on in the price of their products. In the Ag Economy that has existed for the past two years, and probably will exist for the next three years, the majority of farm equipment dealers could not, and will not be able to, in many cases generate enough sales to meet their operating expenses let alone all of the Federal, State and Local Taxes they are forced to pay. For example a Bucklin, Ks. farm equipment dealer was forced to pay \$79,383. in local personal property taxes, approximately 20% of the total taxes paid in the City of Bucklin, in 1983 and, after sales of \$10,000,000., had a "break even" 1983 fiscal year. His mil levy was \$155. per \$1,000. of assessed valuation. A Goodland, Ks. dealer, after sales of \$2,000,000., lost money and yet had to pay \$36,327. in personal property taxes. His mil levy was \$149. per \$1,000.

Melvin Jantz
3/27/84

A Newton, Ks. farm equipment dealer lost \$40,000. during his 1982 fiscal year and \$70,000. during his 1983 fiscal year and yet he was forced to pay over \$19,000. in personal property taxes each year. He found out later through his County Appraiser he had paid more personal property taxes in Newton than did any other tax payer.

Even if all dealers had the same amount of inventory assessed at the same per centage rate there would still be a glaring inequity in their taxes because of the mil levies. I found these range from \$71. per \$1,000 assessed valuation to \$161. per \$1,000. My mil levy for 1983 was \$71. while a neighboring dealer's in Newton, Kansas, was \$136. per \$1,000. In our very competitive market he is at a disadvantage.

The law states that all residential property is to be assessed at 30% of current market value but during the past 8 or 9 years or so it has been assessed at approximately 8%. This is only 27% of what the law says it shall be. The law also states that farm equipment dealers' inventories shall be assessed at 18%, after the 40% reduction for excessive expenses, of current market value. 27% of 18% is 5%. Retail merchants inventories should have been assessed at 5% or a \$1,000,000. inventory should have been assessed at \$50,000. which is considerably less than the \$180,000. assessed valuation many County Appraisers were trying, and in some cases, did assess farm equipment inventories. At a mil levy of \$150. per \$1,000. of assessed valuation this would make a difference of \$19,500. I believe there is not a one of you here on this committee who would not violently protest this inequity if it was being forced on you.

I am made to think just now how quickly the majority of you on this committee voted to give local option on the reinstatement of the intangible tax, instead of making it mandatory State wide, because it affected every one of you. This was a tax only on the earnings from the \$1,000,000. investment and at a 10% return would have cost the tax payer only \$3,000. in local taxes on the earnings of \$100,000. even after income taxes this would leave him a substantial amount to spend as he chose and the original investment of \$1,000,000. ^{WOULD} still be intact. Compare this with the \$27,500. in local taxes a farm equipment dealer would have to pay in local taxes even if he lost \$70,000. of the original principal.

Under HB-5009 our Representatives want to reduce the assessed ^{VALUATION} for tax purposes on residential property to 6% and increase the assessed valuation on retail businessmen's

inventories to 30% with the stipulation that this tax be phased out at the rate of 20% each year over five years with the phase out to begin after reappraisal which will probably be five years down the road.

At the 30% assessed rate I believe many farm equipment dealers would be forced out of business by that time especially when we are losing potential customers at the rate of 100 in the 17 days as mentioned before.

Before any more farm equipment dealers are forced out of business and other property tax payers must pick up the taxes they are now paying I would seriously urge you to consider repealing the ad valorem taxes on retail businessmen's inventories at once and replace it with a mandatory State wide local income tax to fund our local educational systems. Every tax payer would then be paying in proportion to his net income if you Legislators would not deliberately build in tax loop holes for some special interest groups.

I thank you very much for allowing me to speak this morning.

Members of the Committee. My name is Glen Walker. I am Director of Economic Development for the City of Concordia, Kansas. Thank you for the opportunity to appear here this morning regarding this legislation.

This resolution seeks to legitimize the prevailing tax inequities in Kansas. Presumably, this would be advantageous to rural communities such as the one I represent, considering the current favorable assessment rate on farmland. However, as a representative of a rural area with a significant agri-business base, I contend that the long term effect of this resolution--which would perpetuate business disproportionate tax load--would be far from beneficial for communities such as Concordia and Cloud County.

As our farm population shrinks; small, rural communities must--more and more--turn to expanded business and industry to maintain the viable economy, necessary for survival. Cloud County typifies the rural communities that Kansas seeks to enhance and preserve . . . with its basic agricultural roots. However, this resolution is being premised on a significant misunderstanding of the juxtaposition of business and agriculture in rural economies. The economy of Cloud County is an excellent example. According to the 1981 Kansas Statistical Abstract; in 1980, 5.9% of the personal income in Cloud County was farm income. The same year, 52.6% of personal income came from wages, salaries and other labor income.

Many rural Kansas communities - - such as Concordia - - have recently undertaken new (or greatly expanded) economic development programs to attract new business. Many would assume that a close alliance with business and industry is the province of Kansas urban centers; while our many rural communities are content to maintain their agricultural economic base. Frankly, those communities can't survive on it.

For example, over the past two years, new or greatly expanded business and industrial development initiatives have been undertaken and financed in Concordia, Dodge City, Heston, Hillsboro, Atchison, Liberal, Arkansas City, Belleville,

Clay Center, Beloit and Ellsworth . . . and, undoubtedly several more that I , have failed to mention.

All this expanded rural development effort is being initiated in an era when industrial development is as competative as I have ever experienced since I became involved in the field in 1973. Nationally, state governments are generating incentives and funding for business growth and expansion at unprecedented levels. For the state of Kansas to act to legitimatize and perpetuate anti-business inequities in our property tax structures in this national environment would be a gross disservice to all rural communities seeking to expand their business base as an element of economic survival.

Some contend that a constitutional amendment to classify property for tax purposes at its present inequitable basis would be advantageous to rural communities because of their agricultural economy. As a representative of one of those communities I submit that--in the long term-- this is a false and misleading premise. Therefore, I urge the committee to reject this resolution.

PERSONAL INCOME IN KANSAS BY SOURCE, COMPONENT AND COUNTY, 1980
(thousands of dollars)

By broad industrial source			By major component				Less personal contributions to social insurance	Total personal income
Farm income	Government income disbursements	Private non-farm income	Wage and salary disbursements and other labor income	Proprietors' income	Property income	Transfer payments		
3,414	36,238	86,484	73,691	9,608	23,377	19,460	4,273	121,863
3,554	20,013	31,491	21,288	5,453	16,576	11,741	1,393	53,665
5,076	36,936	121,353	102,967	11,021	27,497	21,880	5,822	157,543
4,346	17,924	45,506	30,484	5,881	22,308	9,103	1,881	65,895
16,172	59,348	304,233	232,659	53,093	61,223	32,778	14,828	364,925
1,084	37,248	126,826	107,995	7,856	27,002	22,305	5,893	159,265
9,503	28,056	61,855	45,400	12,509	24,244	17,261	3,020	96,394
8,445	72,155	219,412	174,605	27,696	57,970	39,741	10,413	289,599
3,463	7,781	17,639	11,568	3,914	9,280	4,121	809	28,074
3,440	11,336	18,438	10,505	4,297	10,968	7,444	781	32,433
3,145	46,215	88,747	72,506	8,162	29,481	27,958	4,128	133,979
8,777	9,090	26,122	18,162	8,769	12,083	5,019	1,430	42,630
6,578	7,783	10,172	8,119	6,073	6,599	3,742	766	23,767
1,990	22,978	49,070	36,802	4,933	19,504	12,799	2,143	71,895
6,634	32,126	77,338	59,161	11,551	25,932	19,454	3,653	112,445
2,145	19,375	115,586	103,705	4,254	17,768	11,379	5,468	131,638
1,729	6,822	11,589	8,213	1,505	6,599	3,823	502	19,638
8,559	87,948	232,588	216,967	26,126	38,885	47,117	12,442	316,653
2,184	110,832	204,962	182,817	19,236	52,191	63,734	10,321	307,657
9,743	10,872	26,442	17,769	10,641	12,207	6,440	1,519	45,538
5,086	47,067	111,445	88,775	11,347	36,529	26,947	5,124	158,474
8,552	18,821	34,613	28,162	9,431	14,020	10,373	1,971	60,015
4,043	220,099	365,770	399,562	35,919	63,301	91,130	22,213	567,699
10,733	11,231	24,336	19,744	10,669	9,403	6,484	1,620	44,680
1,872	9,784	10,547	7,291	2,279	6,228	6,405	500	21,703
11,142	63,641	174,528	153,356	28,441	37,893	29,621	9,389	239,922
5,553	15,009	38,373	25,942	8,053	16,003	8,937	1,777	57,158
47,232	43,929	176,707	152,653	62,162	36,205	16,848	11,337	256,531
29,514	52,095	185,793	152,258	46,552	43,625	24,967	10,394	257,008
6,025	46,790	111,732	96,058	14,111	27,792	26,586	5,660	158,887
2,095	194,901	105,685	244,917	13,491	20,573	23,700	13,166	289,515
10,456	8,929	20,423	14,070	10,368	11,262	4,108	1,317	38,491
6,664	10,960	26,358	18,295	8,153	13,276	4,258	1,400	42,582
17,493	10,572	54,762	45,582	17,868	14,887	4,490	3,346	79,481
23,954	10,097	30,418	24,449	22,715	13,199	4,106	2,566	61,903
10,154	3,321	11,125	8,472	8,994	5,655	1,479	955	23,645

PERSONAL INCOME IN KANSAS BY SOURCE, COMPONENT AND COUNTY, 1980 (Continued)
(thousands of dollars)

By broad industrial source			By major component				Less personal contributions to social insurance	Total personal income
Farm income	Government income disbursements	Private non-farm income	Wage and salary disbursements and other labor income	Proprietors' income	Property income	Transfer payments		
2,833	21,869	36,840	25,537	5,728	16,452	13,825	1,622	59,920
12,115	6,730	14,092	10,445	12,421	7,219	2,852	1,254	31,683
12,501	20,059	40,388	25,809	15,102	20,496	11,541	2,186	70,762
8,056	56,621	214,648	185,630	20,967	38,140	34,588	10,551	268,774
31,789	7,059	23,044	21,301	26,488	11,387	2,716	2,631	59,261
8,289	6,175	12,581	9,295	7,456	7,591	2,703	905	26,140
5,953	23,502	51,988	44,356	7,988	16,080	13,019	2,698	78,745
5,390	30,033	53,199	48,778	8,774	16,205	14,865	2,716	85,906
10,650	13,794	23,759	17,163	11,149	12,083	7,808	1,517	46,686
3,859	574,355	2,791,555	2,053,690	212,398	891,543	212,138	113,986	3,255,783
17,347	5,979	15,576	14,958	14,214	7,095	2,635	1,589	37,313
5,934	18,691	40,463	29,775	7,612	17,242	10,459	1,947	63,141
4,863	9,654	21,506	18,793	5,125	6,971	5,134	1,248	34,775
3,690	64,223	128,330	119,063	12,879	30,348	33,953	6,749	189,494
13,977	5,991	15,089	9,720	14,078	8,660	2,599	1,315	33,742
7,061	293,017	202,248	333,494	22,565	48,938	97,329	18,099	484,227
6,669	10,872	22,599	15,434	7,472	10,844	6,390	1,215	38,925
2,029	20,102	55,896	47,567	3,019	15,832	11,609	2,572	75,455
12,601	9,878	22,973	15,347	14,169	11,711	4,225	1,603	43,849
3,670	84,327	234,551	216,915	19,694	43,005	42,934	12,051	310,497
7,661	29,131	54,494	38,686	11,463	22,680	18,457	2,617	88,669
12,061	31,881	71,904	51,297	16,250	29,233	19,066	3,524	112,322
7,952	52,318	194,111	154,630	20,327	48,241	31,183	8,975	245,406
18,809	10,453	28,451	19,943	17,668	14,887	5,215	2,042	55,671
4,544	49,252	105,938	91,254	12,152	32,533	23,795	5,294	154,440
10,058	21,554	44,515	35,247	11,890	17,444	11,546	2,475	73,652
2,975	96,609	297,043	254,778	24,801	61,424	55,624	14,269	382,358
3,159	15,208	23,296	15,709	4,618	11,835	9,501	1,058	40,605
10,727	6,863	24,107	20,206	12,299	6,351	2,841	1,738	39,959
11,725	23,631	49,467	33,930	15,557	21,317	14,019	2,620	82,203
4,640	46,152	122,806	97,480	16,223	34,794	25,101	5,852	167,746
9,805	12,715	27,004	18,718	12,061	12,207	6,538	1,650	47,874
7,915	22,477	33,109	28,639	10,127	14,143	10,592	2,036	61,465
2,808	36,245	49,864	47,652	6,805	16,452	18,008	2,791	86,126
6,132	13,378	29,834	14,669	7,746	18,017	8,912	1,193	48,151
3,168	13,927	32,041	19,838	2,970	18,637	7,691	1,174	47,962

TESTIMONY BEFORE
SENATE ASSESSMENT AND TAXATION
MARCH 27, 1984
BY
JANET STUBBS
HOME BUILDERS ASSOCIATION OF KANSAS

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

MY NAME IS JANET STUBBS, EXECUTIVE DIRECTOR OF THE HOME BUILDERS ASSOCIATION OF KANSAS, A TRADE ASSOCIATION REPRESENTING APPROXIMATELY 1800 MEMBERS IN KANSAS.

I APPEAR IN OPPOSITION TO HCR 5009 AS A CONTINUATION OF OUR POSITION SUPPORTING REAPPRAISAL OF REAL PROPERTY AS A MEANS OF DATA COLLECTION. THIS DATA WOULD ENABLE SOME FUTURE LEGISLATURE TO MAKE A DECISION REGARDING CLASSIFICATION BASED UPON FACTS RATHER THAN PROJECTIONS OR "GUESSTIMATES".

HOW MANY WOULD WANT TO BEGIN CONSTRUCTION ON A NEW HOUSE WITHOUT A BLUEPRINT OR WITHOUT KNOWING THE FINAL COST?

CHANGING THE KANSAS TAX STRUCTURE IS A MAJOR DECISION AND ONE WHICH SHOULD NOT BE DONE WITHOUT A BLUEPRINT WHICH ALLEVIATES THE UNKNOWN. IN THIS CASE, REAPPRAISAL.

ALTHOUGH WE DO NOT CLAIM TO UNDERSTAND THE SCHOOL FINANCE FORMULA, OUR FEARS WERE VERBALIZED BY THE KANSAS ASSOCIATION OF SCHOOL BOARDS IN THEIR TESTIMONY YESTERDAY.

TAXPAPERS DO NOT ENJOY PAYING TAXES. IT APPEARS EVERYONE WANTS SOMEONE ELSE TO PAY THE TAXES. OVER THE YEARS SPECIAL INTEREST GROUPS HAVE CONVINCED THE LEGISLATURE THEY SHOULD BE EXEMPT.

NOW HCR 5009 PROVIDES AN EXEMPTION FOR MERCHANTS AND LIVESTOCK INVENTORY AND FURTHER ERODES THE BASE. HOWEVER, HCR 5009 DOES NOT EXEMPT MANUFACTURERS INVENTORY.

HBAK IS CONCERNED THAT KANSAS IS DISCOURAGING BUSINESS FROM LOCATING IN THE STATE. WITHOUT BUSINESS TO GENERATE EMPLOYMENT, MY MEMBERS WILL HAVE NO MARKET FOR THEIR PRODUCT.

ANOTHER CONCERN OF HBAK IS THE APPARENT ATTEMPT TO CONCEAL TAXES BY PLACING IT ON BUSINESS AND UTILITIES. AFTER ALL, THEY HAVE THE ABILITY TO PASS IT ON TO THEIR CUSTOMERS AND GET THE HEAT FOR THE HIGH UTILITY RATES AND COST OF THEIR MERCHANDISE.

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WE MUST ADMIT IT IS POLITICALLY ASTUTE TO CONCEAL THE TAXES PAID BY THE CITIZENS OF KANSAS. WHAT HAPPENED TO THE CONCERN WE HAVE HEARD THIS SESSION ABOUT PROTECTING THE PUBLIC FROM HIGH UTILITY RATES?

SHOULD THE "LITTLE OLD LADY IN TENNIS SHOES" THAT HAS BEEN PROTECTED FOR YEARS BY THE LEGISLATURE NOW BE TAXED ON THE AMOUNT OF HER UTILITY USAGE OR ON THE OTHER PRODUCTS SHE PURCHASES?

THE HOME BUILDERS ASSOCIATION OF KANSAS URGES THIS COMMITTEE TO WAIT FOR THE RESULTS OF DATA COLLECTED FROM REAPPRAISAL BEFORE MAKING A DECISION ON CLASSIFICATION. PROPONENT CONFEREES YESTERDAY EXPRESSED CONCERN THAT ANOTHER RESOLUTION WOULD BE NEEDED FOLLOWING REAPPRAISAL, IF POLITICAL PRESSURES FORCE PASSAGE OF A CLASSIFICATION RESOLUTION NOW.

THE SECRETARY OF REVENUE EXPRESSED DISTRUST OF FUTURE LEGISLATURES AND WANTS A RESOLUTION NOW, PRIOR TO PASSAGE OF SB 275. WE WISH TO EXPRESS OUR CONFIDENCE IN THE ABILITY OF FUTURE LEGISLATURES AND SHARE THE VIEW EXPRESSED BY SENATOR KERR REGARDING THE LEGISLATURE'S DESIRE TO PROTECT THE PROPERTY OWNERS.

TESTIMONY OF ANTHONY BELL
REGIONAL TAX MANAGER FOR AT&T COMMUNICATIONS
ON HOUSE CONCURRENT RESOLUTION 5009

March 27, 1984

Good morning Mr. Chairman and Members of the Senate Committee on Assessment & Taxation.

My name is Anthony Bell, Regional Tax Manager for AT&T Communications which provides long distance telecommunications service in Kansas. As Regional Tax Manager I am responsible for the processing of tax renditions on property taxes incurred by AT&T Communications in the state of Kansas. I am here today to speak in opposition to HCR 5009, which if passed and approved by the voters, would impose an unfair tax burden on public utilities such as AT&T Communications.

There is no reasonable distinction between AT&T Communications and other industries and commercial properties. Further, classification of public utilities at 30% of fair market value is discriminatory when all other classes of business property are taxed at 15% or lower. Shifting the overall tax burden through telephone bills makes a mockery of the proposition that the property tax system is uniform and nondiscriminatory. Advocates of classification have placed utilities in a discriminatory class, assessed at a higher percentage of fair market value than other

business properties. The apparent motivation underlying such a program is the belief that either the utilities "can afford it" or "they pass it on to customers anyway." In today's environment utilities can no longer afford to carry this disproportionate tax burden nor is it fair to impose it on customers.

Generally speaking, utilities pay a larger portion of the state and local tax burden because historically taxing authorities have attempted to shift the financing of their jurisdictions away from the voters. This shift of tax burden results in a regressive tax because of the essential nature of utility services. A low-income customer spends a greater portion of his income on such essential services than does the more affluent customer. The resulting taxes hidden in utility rates fall disproportionately on the low-income and fixed-income customers. This regressive burden is aggravated by any tax system which levies a heavier tax burden on utilities than on other taxpayers.

AT&T Communications is against classification, in any form, as it is discriminatory and violates the uniformity principle of property taxation. Every taxpayer should be treated equally. Anything less than this increases administrative costs and decreases the likelihood of fair and equitable property taxes.

However, if for the public good, classification is to be a reality in Kansas, then all industry, business, manufacturing and utilities should be grouped in the same class. There needs to be some degree of equity if classification is going to be achieved. This cannot be accomplished if a public utility, such as AT&T Communications, is taxed at 30% of fair market value and all other businesses are taxed at 15% of fair market value.

In closing, I believe there are good intentions surrounding classification. However, because of the emotionalism involved with this issue and the importance of it, I would strongly urge this committee to recommend that the bill be tabled and referred to an Interim Committee for further study. I realize this issue has been studied in the past but I think because of the importance of this matter and the long-range impact of unknown tax shifts this question deserves a thorough and deliberate airing. I, as well as my company, would be most willing to work with an Interim Committee to develop recommendations that would lead to fair and equitable taxation for all Kansans.

Thank you very much for your time. I will be glad to answer any questions you may have in regard to my statement.

SOUTHWESTERN BELL TELEPHONE
before the
SENATE ASSESSMENT AND TAXATION COMMITTEE
March 27, 1984

3/27/84 *Att. 19*

Mr. Chairman, Members of the Committee, my name is Cloyd Metzler. I am the Tax Manager for Southwestern Bell Telephone Company, with primary responsibility in the area of ad valorem tax. I appreciate this opportunity to appear before you and offer brief comments on House Concurrent Resolution 5009, which could establish a classified property tax system.

On numerous occasions since 1978 I have participated in and listened to debates before legislative committees on the merit or lack of merit of a classified property tax system. That lack of merit has been further demonstrated by the make-up of HCR 5009, a classification resolution so suspect that additional tax relief had to be offered to all but a few taxpayers in order to secure passage.

Only that small group who cannot protect themselves at the voting booth will be penalized by the present make-up of HCR 5009. Southwestern Bell will be penalized by HCR 5009. I'm sorry that's an incorrect statement. Southwestern Bell Telephone customers will be penalized by HCR 5009.

Using the 1983 data that accompanied HCR 5009, I would anticipate that Southwestern Bell property tax will increase by about \$2,635,000 as a result of this resolution. At the rate property tax requirements are increasing in our state, this 2.6 million may well turn into 5 or 6 million by the time HCR 5009 goes into effect. Tax increases turn into rate increases. We think telephone users deserve better.

In public statements legislators have almost unanimously said that any classification system will be designed to simply freeze the

status quo. HCR 5009, as amended, does not freeze the status quo.

The granting of additional property tax relief to certain classes of property at the expense of a small group of businesses and state assessed properties tends to fly in the face of a progressive property tax system. The net result is an even more regressive property tax system as the consumer pays his property tax by the month in the cost of necessary goods and services regardless of wealth or ownership. Such a system seems contrary to over-all public interest.

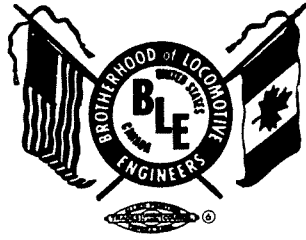
In summary, Southwestern Bell continues to believe that a uniform and equal system of taxation is best, however, we do recognize your dilemma in legalizing our present tax mess. If you, in your wisdom, decide that a system of classification is the best solution, then do design a system that satisfies the requirement but does not further the illusionary cost of government with additional hidden taxes on utility consumers.

Brotherhood of Locomotive Engineers

Attachment
#20

Kansas State Legislative Board

LEROY D. JONES
Kansas State Legislative Representative



12601 W. 105th
Overland Park, Kansas 66215
Res. Phone (913) 492-4096

March 27, 1984

Mr. Chairman and members of the committee, my statement represents the members of the Brotherhood of Locomotive Engineers and Bryan Whitehead and the members of the Brotherhood of Railway and Airline Clerks.

First, I want to make clear that we support a classification amendment and believe one must be passed this year.

Next, we feel that there should be just two levels of classes in HCR 5009. The first class would be rural and urban residential property assessed at less than 10 percent. All other property would then be assessed at 30 percent with no exemptions for any real property. All property should be assessed by the fair-market value method.

If passed in its present form, HCR 5009 will cause, to coin a phrase, a "shift shaft" in different classes of property. HCR 5009 further erodes and narrows the tax base by eliminating the taxing of livestock and merchants inventory. It also locks out, from the constitution, the taxation of farm machinery and business aircraft. We still feel that these items need to be back on the tax rolls which helps broaden our tax base. In the past we have always opposed the elimination of these items from the tax rolls.

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imony
March 27, 1984
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Another problem we have with HCR 5009 is that railroads are assessed at the 15 percent rate. We cannot support railroads being at any percentage less than 30 percent. We are well aware of the f-R Act, which does not allow railroads to be assessed at a higher level than that of commercial real property. This is one reason to place all but homeowners at the 30 percent level.

In the area of agricultural land, we propose it be eliminated from HCR 5009 and placed into a new resolution of its own. This way the question of homes versus land will be voted on separately and decided, up or down, on their own merit.

We do realize the political reality for the need of a classification amendment. We do feel, however, that HCR 5009 needs a certain amount of work. I hope that you will consider our position on HCR 5009.

Thank you for your consideration.