

Approved 4.29.84
Date

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 28, 1984 in room 519-S of the Capitol.

All members were present ~~except~~

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

Conferees appearing before the committee:

Dr. Glenn W. Fisher, Wichita State University

The committee considered HCR 5009 which would amend the Kansas Constitution to classify the property tax system.

The chairman called on Dr. Glenn Fisher, nationally known expert in the area of property taxation.

Dr. Fisher told the committee that some states now classify some kinds of property as an effort to cushion the effect of reappraisal. He said he feels a little negative about classification and thinks it is unfortunate that the property tax situation in Kansas is so bad that classification might be necessary. He would recommend keeping the number of classes as few as possible. Dr. Fisher gave a brief history of the uniform, universal property tax and the comprehensive classification systems adopted by some states.

Dr. Fisher noted HCR 5009 has a difference in ratios of 1 to 5. He said this is higher than any other state. He would like to see all business property put in a lower class and then Kansas can say it is a good place to do business. (See Attachment #1)

He commented on what shifts will occur and explained possible alternatives. He cautioned that when writing a constitutional amendment it is almost forever and noted that this resolution would not go into effect for six years, and things may be changed by then. He suggested keeping it as broad as possible so there wouldn't be a struggle every session such as is going on now. Any time you make a change, it creates a problem for someone. Dr. Fisher answered questions from the committee members.

The chairman called on Wayne Morris to describe the policy options regarding reappraisal and classification. (See Attachment #2)

The chairman suggested beginning work on policy decisions on amendments.

It was suggested to start from a point where only homes and agricultural land would be classified, and nothing is exempt.

Another suggestion was to include a depreciation schedule for machinery and equipment.

It was proposed that everything be set at 30% of its fair market value except homes and agricultural land, then seeing what the percentage is, back it in.

The chairman suggested looking at the broadest base possible and a depreciation schedule that is a variation. Wayne Morris said they could

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,
room 519-S, Statehouse, at 11:00 ~~a.m.~~^{p.m.} on March 28, 1984

do one schedule with depreciation and one without depreciation.

The chairman suggested the committee begin with item 6 of the options which Wayne Morris had explained, which would be for study purposes only.

Senator Angell moved conceptually to amend HCR 5009 by placing intangibles back on the tax rolls. Senator Montgomery seconded the motion, and the motion failed to pass.

Senator Angell moved conceptually to remove all farm machinery from HCR 5009. Senator Montgomery seconded the motion, and the motion failed.

Senator Angell moved conceptually that HCR 5009 be amended so industrial revenue bonds will be placed back on the tax rolls. Senator Montgomery seconded the motion and the motion failed to pass.

Senator Montgomery moved conceptually to amend HCR 5009 to include household goods in the tax base. Senator Allen seconded the motion and the motion failed.

The chairman asked if there was anything else for the staff to include in their study.

The chairman adjourned the meeting at 12:10 p.m. The committee will meet at 11:00 a.m. on March 29.

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE NAME ADDRESS REPRESENTING

MARCH 28

DATE	NAME	ADDRESS	REPRESENTING
	Bill Edds	TOPEKA	REVENUE
	Charles Wilson	Topeka	AT&T
	JOE DWIGANS	K. C.	KC Power & Light Co.
	Gene Sager	Hays	Western Retailers
	Le Roy W. Winkler	Topeka	F. B.
	Ray Winkler	Lawrence	
	Jeanne Temple	Lawrence	KU Intern Atty. General
	WALTER DUNN	TOPEKA	EROGA
	BOB BARNETT	CHANNUTE	✓
	TD Wilder	Topeka	KLSI
	CHARLES BELT	WICHITA	CHAMBER OF COMMERCE
	Marsha Hutcheon	Wichita	Beech Aircraft
	Gerald Wiley	Wichita	KAWG.
	Tom R. Tunnell	HUTCHINSON	KSFDA.
	Mike Bean	Topeka	KLA
	Don Schwack	Topeka	EROGA
	Phil Mart	"	Pen
	Bill Eddy	"	"
	Janis Mura	"	"
	D. Ferrell	"	Budget
	Mr. Hawver	"	Capital - January
	DAN MCGEE	GREAT BEND	WESTERN POWER
	Myra Chiles	Columbus	E.D.E. Co.
	D. WAYNE ZIMMERMAN	TOPEKA	THE ELECTRIC COS ASSOC. OF KS
	JANET STUBBS	"	HBAK
	TREVA POTTER	"	NORTHERN NAT GAS
	Beth Winkler	"	AAUP
	Danny Winkler	Wichita	
	Pat Hull	Topeka	Kansas RR Assn.

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
MAR 28	Jacques Dakes	Yates Center	KASB
	Bill Curtis	Topeka	KASB
	Narmit Lanza	Topeka	Kansas Broadcasters
	Helen Stephens	Prairie Village	LWV - Jolly
	Joe Hodges	Tulsa	Cities Serv. Bd. of Gen.
	Kenneth Feldkamp	Centerville	Farm Bureau
	Dary Becker	Centerville	Farm Bureau
	Hennrich Carpenter	Sabetha	" "
	Randy Baskitchevins	Sabetha	" "
	Daniel Baskitchevins	Centerville	" "
	Edson Blanton	Ladonia	" "
	Sara M. Brude	Topeka	United Way
	JAMES O. FOSTER	WICHITA	BDEING
	Mary Dahl	Republic	
	Jan Nutter	Route 2 Bellville	
	George Stadler	Rossville Kansas	
	Thora Stadler	" "	
	Chip Wheelen	Topeka	KLPG
	Shelly Smith	Wichita	SLANSOW
	John Blythe	Manhattan	K.F.B.
	RON CALBERT	NEWTON	U.I.U.
	Ivan W. Watt	McPherson	Kans Farmers Union
	BRAD MEARS	WICHITA	
	TIM GILES	MULVANE	
	WENDY COUNIHAN	WICHITA	
	BRET WEINGART	WICHITA	CENTER FOR URBAN STUDIES
	Paul E. Fleener	Manhattan	Kansas Farm Bureau

Outline of Testimony
Senate Assessment and Taxation Committee
March 28, 1984
Glenn W. Fisher, Wichita State University

The uniform, universal property tax:

1. Is an American invention--financed state and local govern- until 1930s.
2. Has financed the world's strongest system of local govern- ment.
3. Problems arose as result of greater complexity of property rights--most states have exempted or provided lower rates for some classes of intangible or tangible personal property (limited classification).
4. Uniformity is widely accepted as "fair".
Some argue that all property is not alike and there- for should not be treated alike, but no agreement on any standard for classification.

Comprehensive classification systems:

1. Have been adopted in some states in an attempt to preserve status quo when reappraisal occurs.
2. Reflect political situation at time of enactment--not "scientific principles of taxation."
3. Become the source of endless legislative, administrative and judicial struggle to change classifications or definitions.

Suggestions for writing a classification amendment

1. Keep classes as few as possible.
The more classes there are the more lines between classes have to be drawn by legislative, administrative, or judicial action.
2. Keep the ratio between the highest and lowest class as small as possible.
The greater the differences between assessment ratios the greater will be the incentive to property reclass- ification or constitutional change.

Comments on HCR 5009

1. Creates a difference between the high and low classes which is very large--5 to 1.
2. Creates a large number of classes which will invite litigation. For example: Is oil and gas property personal property?
3. Singles out productive property such as manufacturing machinery for heavy taxation. Other state policies such as IRB policy, enterprise zones, gives special exemptions to such property.

3/28/84 *Glenn W. Fisher*

4. Follows national trend to exempt personal property, (farm machinery, inventories, livestock) but puts some personal property (manufacturing machinery, oil and gas) in higher class.
5. Establishes straight line depreciation for machinery which is a workable solution to difficult problem (if machinery is to be taxed).

What shifts will occur?

1. Shifts in taxes will be very different from shift shown in studies of shifts in tax base which are computed on state-wide or even county-wide basis.
 - a. Taxes are levied in dollar amounts
 - b. Taxes are on property within boundaries of governmental unit.
 - Examples: (1) Taxes in agricultural district will fall on farm property.
 - (2) Taxes in district with much utility or oil property will still be paid largely by that property.
 - (3) Only in "balanced" districts will shifts approximate those computed by using ratios in resolution to compute shift.

Two possible alternatives:

1. Constitutional amendment permitting legislature to establish up to four classes to be assessed at levels varying by no more than a 1 to 2 ratio.
2. Constitutional amendment establishing two classes:
 - a. Residential and agricultural real estate--15%
 - b. All other property--30%.

My experience with classification:

1. Wrote section on Minnesota classification, Governor's Tax Study, 1956.
2. Served as staff counsel, Revenue and Finance Committee, Illinois Constitutional Convention, 1970
3. Author of several articles dealing with Kansas property taxation.

MEMORANDUM

Attachment #2

March 28, 1984

TO: Senate Committee on Assessment and Taxation
FROM: Kansas Legislative Research Department
RE: Options Regarding Reappraisal and Classification

This memorandum is in response to Chairman Burke's request for a list of policy options that are available regarding the issues of reappraisal and classification. The list of options does not necessarily cover all possibilities, and is presented for discussion purposes only.

1. Should reappraisal be undertaken?
 - a. Immediately?
 - b. Only after property tax relief measures are undertaken?

2. If reappraisal is undertaken, should the basis of appraisal be changed?
 - a. Should fair market value be collected for all property?
 - b. Should use-valuation be collected for any or all property?
 - c. Should both use values on fair market values be collected?

3. Should the "uniform and equal" provisions in the Kansas Constitution be retained?

4. Should a reappraisal be implemented at once or "phased-in" over a period of time?

5. Should the property tax be classified?
 - a. By allowing the Legislature to establish the number of classes and assessment ratios?
 - b. With constitutional limits on the permissible variation among classes?
 - c. With constitutional limits on the number of classes?
 - d. By specifying the classes and assessment ratios in the Constitution, e.g. residential, ag land, utility, industrial, commercial, oil and gas, and all other realty?

1 - 3

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6. Should classification attempt to "lock-in" existing median assessment ratios, or should a classification resolution make certain policy changes?
 - a. By implementing use-valuation of agricultural land?
 - b. By exempting certain types of property
 - merchants inventory
 - manufacturers inventory
 - livestock
 - commercial and industrial machinery and equipment
 - other types of personal property
 - all personal property?
 - c. By allowing some types of property to be valued on a depreciated basis?
 - d. By repealing certain existing exemptions?
 - e. By permitting the Legislature to classify personal property by statute?

7. Should forms of property tax relief other than classification be recommended?
 - a. Enlarge the homestead property tax refund program?
 - b. Authorize partial property tax exemptions?
 - c. Authorize a homestead (or farm-stead) exemption (exempting a certain portion of the value of a home or farm)?
 - d. Provide state tax credits for the amount of property tax on certain types of property?