

Approved On: _____

Minutes of the House Committee on Assessment and Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on February 14, 1985 in room 519 South at the Capitol of the State of Kansas.

All members of the Committee were present.

Committee staff present:

Tom Severn, Legislative Research
Melinda Hanson, Legislative Research
Don Hayward, Revisor of Statutes
Millie Foose, Committee Secretary

Dr. Severn presented a memorandum showing estimates of the 1984 property taxes levied on inventories in Kansas, with attached tables showing estimated 1984 inventory taxes levied by counties. (Attachment 1)

Representative Marvin Smith discussed the inventory tax and reported that the time has come to exempt this tax which he said would enhance the state's economic development and competitive ability with other states. (Attachment 2)

Frances Kastner, Director of Governmental Affairs for the Kansas Food Dealers Association, testified in support of HB-2230 and HB-2159. That organization would like a complete exemption of the inventory tax. (Attachment 3)

Ray Boyd, Holton, Kansas, representing Building Supply Center, spoke in favor of HB-2230. He said that any entity involving large inventories would be foolish to locate in Kansas. (Attachment 4)

William Abbott, public affairs manager for Boeing Military Airplane Company, supports HB-2159 and HB-2230, and would prefer an outright exemption rather than a phased out exemption. (Attachment 5)

Bev Bradley, Kansas Association of Counties, appeared in opposition to HB-2230, as the counties in Kansas are opposed to further erosion of the ad valorem tax base. (Attachment 6)

David S. Litwin, Director of Taxation Kansas Chamber of Commerce and Industry, reported that KCCI believes that elimination of the inventory tax has an extremely high priority on the legislative agenda. (Attachment 7)

Steven C. Montgomery, Kansas Oil Marketers Association, appeared in support of HB-2159 and HB-2230. (Attachment 8)

Everett Hoobler, St. Marys, Kansas, manager of Farmers Union Hardware & Implement business, has been trying to get the inventory tax changed or eliminated for 20 years. He said that implement dealers cannot continue paying taxes on items before they are sold. (Attachment 9)

Glenn Underwood, Ottawa, has been a John Deere dealer for over 30 years. He is in favor of HB-2230 and also submitted a petition signed by over 200 people protesting this inventory tax. (Attachment 10)

Maynard Estes, president Bucklin Tractor & Implement Company, pointed out that tax on all merchants' inventories is unfair and nearly impossible to administer. (Attachment 11)

Tom Evans, Salina Implement Company, a John Deere dealer, believes that the inventory tax is unconstitutional because it is not fair and equitable. (Attachment 12)

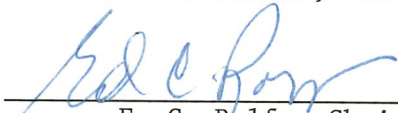
Dee Likes, executive vice president of Kansas Livestock Association, supports HB-2159 and HB-2230 and urged the committee to take favorable action on an exemption for merchants, manufacturers, and livestock inventories. (Attachment 13)

Dr. Severn distributed copies of State Tax Review which included a table showing which states are exempt from this tax or assess it at a lower rate than Kansas. (Attachment 14)

Robert Runnels, Jr., executive director of Kansas Catholic Conference, requested that the committee have a bill drafted for tuition tax deduction by adding a proposal to KSA 79-32, 117. Representative Leach moved, second by Representative Reardon, that the bill be introduced. The motion carried. (Attachment 15)

The minutes of February 13 were reviewed. There being no change, they were approved as presented.

There being no further business, the meeting was adjourned.



E. C. Rolfs, Chairman



County	-----Estimated Inventory Taxes Levied-----			Estimated 1984	Est. Inventory
	Merchants	Manufacturers	Livestock	Inventory Taxes Levied	Taxes as Pct of Total Taxes
Allen	\$157,186	\$322,382	\$101,621	\$581,189	9.54%
Anderson	126,422	23,764	152,002	302,188	8.31
Atchison	285,344	65,995	89,054	440,393	7.24
Barber	113,103	28,619	126,364	268,087	4.53
Barton	1,058,204	393,728	104,127	1,556,059	7.74
Bourbon	257,178	97,026	154,528	508,732	8.35
Brown	173,736	28,663	168,014	370,413	6.71
Butler	413,636	528,674	223,989	1,166,299	5.77
Chase	22,931	4,621	95,811	123,364	5.01
Chautauqua	50,475	2,167	129,010	181,652	7.22
Cherokee	187,696	70,220	86,780	344,696	6.25
Cheyenne	105,338	0	119,305	224,643	9.27
Clark	26,900	0	75,589	102,489	2.94
Clay	167,910	105,925	182,883	456,718	10.59
Cloud	355,207	42,939	137,330	535,476	8.02
Coffey	74,764	11,661	92,534	178,950	1.20
Comanche	30,174	7,404	94,689	132,267	4.97
Cowley	442,981	878,117	204,223	1,525,321	9.72
Crawford	524,577	454,333	127,078	1,105,987	10.46
Decatur	23,085	1,947	120,137	145,169	5.54
Dickinson	326,875	65,928	181,408	574,211	7.56
Doniphan	375,913	202,708	103,127	681,748	15.69
Douglas	797,290	718,663	118,708	1,634,661	6.55
Edwards	67,485	18,283	32,661	118,429	3.28
Elk	33,843	35,382	148,450	217,675	9.40
Ellis	549,118	132,888	112,271	794,277	5.57
Ellsworth	84,942	195,069	97,902	377,912	8.37
Finney	677,663	249,042	42,859	969,564	4.33
Ford	744,330	223,515	246,345	1,214,189	7.94
Franklin	273,068	159,501	149,013	581,582	7.91
Geary	225,521	71,765	44,977	342,263	6.17
Gove	99,511	89,480	196,144	385,134	10.63
Graham	105,252	779	106,071	212,102	4.50
Grant	143,762	14,059	23,855	181,676	2.11
Gray	289,335	374	57,613	347,322	7.00
Greeley	57,567	183	44,856	102,607	4.40
Greenwood	134,651	10,120	254,143	398,915	6.34
Hamilton	34,444	0	34,492	68,936	2.22
Harper	168,905	35,972	99,706	304,583	4.40
Harvey	489,535	357,703	104,760	951,999	7.51
Haskell	82,813	156	13,660	96,629	1.79
Hodgeman	24,806	0	82,376	107,182	2.91
Jackson	128,165	55,600	246,106	429,870	10.09
Jefferson	76,992	29,748	162,932	269,673	5.45
Jewell	97,046	22,761	257,670	377,476	10.16
Johnson	7,664,452	2,425,886	61,219	10,151,558	7.06
Kearny	24,596	0	25,692	50,288	0.68
Kingman	113,977	48,183	118,547	280,707	4.02
Kiowa	67,145	0	47,788	114,933	2.77
Labette	365,778	191,092	199,907	756,777	8.00
Lane	71,740	108	43,340	115,188	3.34
Leavenworth	305,268	658,254	137,102	1,100,623	7.78
Lincoln	64,519	7,986	172,993	245,499	8.49
Linn	83,405	1,980	97,659	183,044	2.52

Estimated 1984 Inventory Taxes Levied, by County

Table 1

County	-----Estimated Inventory Taxes Levied-----			Estimated 1984	Est. Inventory
	Merchants	Manufacturers	Livestock	Inventory Taxes Levied	Taxes as Pct of Total Taxes
Logan	\$66,230	\$1,203	\$79,125	\$146,558	5.36%
Lyon	504,164	584,132	156,624	1,244,920	9.41
Marion	206,021	54,246	191,849	452,116	6.87
Marshall	266,915	48,085	213,679	528,680	8.74
McPherson	412,906	943,714	142,099	1,498,720	9.71
Meade	79,564	422	50,337	130,323	2.59
Miami	183,614	73,659	185,080	442,353	5.78
Mitchell	230,404	54,171	129,756	414,330	10.07
Montgomery	740,927	478,091	157,734	1,376,753	9.04
Morris	65,191	45,168	154,553	264,911	8.97
Morton	75,736	3,658	21,868	101,263	1.67
Nemaha	209,374	87,076	252,937	549,388	10.69
Neosho	314,258	691,231	171,010	1,176,499	13.62
Ness	97,871	9,465	106,196	213,533	3.43
Norton	122,105	9,463	156,986	288,554	8.10
Osage	152,383	105,421	124,194	381,999	7.52
Osborne	152,227	1,583	117,546	271,356	8.87
Ottawa	54,790	10,417	33,636	98,843	2.82
Pawnee	209,838	7,576	152,814	370,228	7.34
Phillips	152,527	43,051	203,297	398,875	8.09
Pottawatomie	239,635	78,798	182,834	501,267	3.69
Pratt	251,635	49,107	64,189	364,930	4.35
Rawlins	76,226	2,773	164,789	243,788	6.65
Reno	1,264,037	735,668	224,148	2,223,853	7.47
Republic	115,837	17,252	171,467	304,556	7.46
Rice	122,422	26,233	65,713	214,369	2.67
Riley	509,933	42,238	128,659	680,830	5.10
Rooks	130,978	4,830	88,757	224,565	3.48
Rush	101,300	15,745	67,179	184,224	4.75
Russell	203,199	33,542	125,802	362,543	3.95
Saline	1,249,761	487,512	111,732	1,849,005	9.71
Scott	165,632	1,850	46,030	213,512	6.50
Sedgwick	7,450,593	11,434,419	131,069	19,016,081	11.65
Seward	567,105	40,206	27,628	634,938	5.11
Shawnee	2,949,228	1,872,521	82,811	4,904,560	6.71
Sheridan	77,383	938	169,182	247,503	7.42
Sherman	226,434	33,650	83,245	343,330	7.13
Smith	135,088	8,490	217,285	360,863	10.77
Stafford	103,764	4,608	71,966	180,338	3.20
Stanton	51,475	392	31,117	82,984	2.11
Stevens	62,897	6,065	14,552	83,515	1.14
Sumner	265,185	69,709	128,263	463,157	3.52
Thomas	311,249	21,260	108,115	440,623	6.48
Trego	69,468	2,008	76,722	148,198	4.29
Wabaunsee	31,224	14,672	168,409	214,305	6.39
Wallace	104,496	0	104,448	208,943	10.36
Washington	173,223	3,210	246,241	422,673	9.52
Wichita	79,205	2,460	165,645	247,311	7.93
Wilson	108,868	157,152	118,623	384,642	8.06
Woodson	50,827	10,091	92,704	153,621	5.12
Wyandotte	3,298,155	2,014,067	6,653	5,318,874	8.65
TOTAL	\$44,290,065	\$29,534,650	\$12,738,722	\$86,563,436	7.40%

Inventory Taxes Levied and Percent of Total Taxes, by County

Table 2

County	-----Estimated Inventory Taxes Levied as Percent of Total Taxes-----							
	Merchants	Percent	Manufacturers	Percent	Livestock	Percent	Total Invent.	Percent
Allen	\$157,186	2.58%	\$322,382	5.29%	\$101,621	1.67%	\$531,189	9.54%
Anderson	126,422	3.48	23,764	0.65	152,002	4.18	302,183	8.31
Atchison	285,344	4.69	65,995	1.09	89,054	1.46	440,393	7.24
Barber	113,103	1.91	28,619	0.48	126,364	2.13	258,087	4.53
Barton	1,058,204	5.26	393,728	1.96	104,127	0.52	1,556,059	7.74
Bourbon	257,178	4.22	97,026	1.59	154,528	2.54	508,732	8.35
Brown	173,736	3.15	28,663	0.52	163,014	3.04	370,413	6.71
Butler	413,636	2.05	528,674	2.62	223,989	1.11	1,166,299	5.77
Chase	22,931	0.93	4,621	0.19	95,811	3.89	123,364	5.01
Chautauqua	50,475	2.01	2,167	0.09	129,010	5.13	181,652	7.22
Cherokee	187,696	3.40	70,220	1.27	86,780	1.57	344,696	6.25
Cheyenne	105,338	4.34	0	0.00	119,305	4.92	224,643	9.27
Clark	26,900	0.77	0	0.00	75,589	2.17	102,489	2.94
Clay	167,910	3.89	105,925	2.46	182,883	4.24	456,718	10.59
Cloud	355,207	5.32	42,939	0.64	137,330	2.06	535,476	8.02
Coffey	74,764	0.50	11,661	0.08	92,534	0.62	178,960	1.20
Comanche	30,174	1.13	7,404	0.28	94,689	3.56	132,267	4.97
Cowley	442,981	2.82	878,117	5.60	204,223	1.30	1,525,321	9.72
Crawford	524,577	4.96	454,333	4.30	127,078	1.20	1,105,987	10.46
Decatur	23,085	0.88	1,947	0.07	120,137	4.58	145,169	5.54
Dickinson	326,875	4.30	65,928	0.87	181,408	2.39	574,211	7.56
Doniphan	375,913	8.65	202,708	4.67	103,127	2.37	681,748	15.69
Douglas	797,290	3.19	718,663	2.88	118,708	0.48	1,634,661	6.55
Edwards	67,485	1.87	18,283	0.51	32,661	0.91	118,429	3.28
Elk	33,843	1.46	35,382	1.53	148,450	6.41	217,675	9.40
Ellis	549,118	3.85	132,888	0.93	112,271	0.79	794,277	5.57
Ellsworth	84,942	1.88	195,069	4.32	97,902	2.17	377,912	8.37
Finney	677,663	3.02	249,042	1.11	42,859	0.19	969,564	4.33
Ford	744,330	4.87	223,515	1.46	246,345	1.61	1,214,189	7.94
Franklin	273,068	3.71	159,501	2.17	149,013	2.03	581,582	7.91
Geary	225,521	4.07	71,765	1.29	44,977	0.81	342,263	6.17
Gove	99,511	2.75	89,480	2.47	196,144	5.41	385,134	10.63
Graham	105,252	2.23	779	0.02	106,071	2.25	212,102	4.50
Grant	143,762	1.67	14,059	0.16	23,855	0.28	181,676	2.11
Gray	289,335	5.83	374	0.01	57,613	1.16	347,322	7.00
Greeley	57,567	2.47	183	0.01	44,856	1.92	102,607	4.40
Greenwood	134,651	2.14	10,120	0.16	254,143	4.04	398,915	6.34
Hamilton	34,444	1.11	0	0.00	34,492	1.11	68,936	2.22
Harper	168,905	2.44	35,972	0.52	99,706	1.44	304,583	4.40
Harvey	489,535	3.86	357,703	2.82	104,760	0.83	951,999	7.51
Haskell	82,813	1.54	156	.00	13,660	0.25	96,629	1.79
Hodgeman	24,806	0.67	0	0.00	82,376	2.23	107,182	2.91
Jackson	128,165	3.01	55,600	1.31	246,106	5.78	429,870	10.09
Jefferson	76,992	1.56	29,748	0.60	162,932	3.29	269,673	5.45
Jewell	97,046	2.61	22,761	0.61	257,670	6.94	377,476	10.16
Johnson	7,664,452	5.33	2,425,886	1.69	61,219	0.04	10,151,553	7.06
Kearny	24,596	0.33	0	0.00	25,692	0.35	50,288	0.68
Kingman	113,977	1.63	48,183	0.69	118,547	1.70	230,707	4.02
Kiowa	67,145	1.62	0	0.00	47,788	1.15	114,933	2.77
Labette	355,778	3.87	191,092	2.02	199,907	2.11	755,777	8.00
Lane	71,740	2.08	108	.00	43,340	1.26	115,188	3.34
Leavenworth	305,268	2.16	658,254	4.65	137,102	0.97	1,100,623	7.73
Lincoln	64,519	2.23	7,986	0.28	172,993	5.98	245,499	8.49
Linn	83,405	1.15	1,980	0.03	97,659	1.35	183,044	2.52

Inventory Taxes Levied and Percent of Total Taxes, by County

Table 2

County	-----Estimated Inventory Taxes Levied as Percent of Total Taxes-----							
	Merchants	Percent	Manufacturers	Percent	Livestock	Percent	Total Invent.	Percent
Logan	66,230	2.42	1,203	0.04	79,125	2.90	146,553	5.36
Lyon	504,164	3.81	584,132	4.41	156,624	1.18	1,244,920	9.41
Marion	206,021	3.13	54,246	0.82	191,849	2.91	452,116	6.87
Marshall	266,915	4.41	48,085	0.79	213,679	3.53	528,680	8.74
McPherson	412,906	2.68	943,714	6.11	142,099	0.92	1,498,720	9.71
Meade	79,564	1.58	422	0.01	50,337	1.00	130,323	2.59
Miami	183,614	2.40	73,659	0.96	185,080	2.42	442,353	5.78
Mitchell	230,404	5.60	54,171	1.32	129,756	3.15	414,330	10.07
Montgomery	740,927	4.87	478,091	3.14	157,734	1.04	1,376,753	9.04
Morris	65,191	2.21	45,168	1.53	154,553	5.23	264,911	8.97
Morton	75,736	1.25	3,658	0.06	21,858	0.36	101,263	1.67
Nemaha	209,374	4.07	87,076	1.69	252,937	4.92	549,388	10.69
Neosho	314,258	3.64	691,231	8.00	171,010	1.98	1,176,499	13.62
Ness	97,871	1.57	9,465	0.15	106,196	1.71	213,538	3.43
Norton	122,105	3.43	9,463	0.27	156,986	4.40	288,554	8.10
Osage	152,383	3.00	105,421	2.08	124,194	2.44	381,999	7.52
Osborne	152,227	4.98	1,583	0.05	117,546	3.84	271,356	8.87
Ottawa	54,790	1.56	10,417	0.30	33,636	0.96	98,843	2.62
Pawnee	209,838	4.16	7,576	0.15	152,814	3.03	370,228	7.34
Phillips	152,527	3.09	43,051	0.87	203,297	4.12	398,875	8.09
Pottawatomie	239,635	1.76	78,798	0.58	182,834	1.35	501,267	3.69
Pratt	251,635	3.00	49,107	0.58	64,189	0.76	364,930	4.35
Rawlins	76,226	2.08	2,773	0.08	164,789	4.49	243,788	6.65
Reno	1,264,037	4.25	735,668	2.47	224,148	0.75	2,223,853	7.47
Republic	115,837	2.84	17,252	0.42	171,467	4.20	304,556	7.46
Rice	122,422	1.52	26,233	0.33	65,713	0.82	214,369	2.67
Riley	509,933	3.82	42,238	0.32	128,659	0.96	680,830	5.10
Rooks	130,978	2.03	4,830	0.07	88,757	1.38	224,565	3.48
Rush	101,300	2.61	15,745	0.41	67,179	1.73	184,224	4.75
Russell	203,199	2.21	33,542	0.37	125,802	1.37	362,543	3.95
Saline	1,249,761	6.57	487,512	2.56	111,732	0.59	1,849,005	9.71
Scott	165,632	5.04	1,850	0.06	46,030	1.40	213,512	6.50
Sedgwick	7,450,593	4.56	11,434,419	7.01	131,069	0.08	19,016,081	11.65
Seward	567,105	4.57	40,206	0.32	27,628	0.22	634,938	5.41
Shawnee	2,949,228	4.04	1,872,521	2.56	82,811	0.11	4,904,560	6.71
Sheridan	77,383	2.32	938	0.03	169,182	5.07	247,503	7.42
Sherman	226,434	4.71	33,650	0.70	83,245	1.73	343,330	7.13
Smith	135,088	4.03	8,490	0.25	217,285	6.48	360,863	10.77
Stafford	103,764	1.84	4,608	0.08	71,966	1.28	180,338	3.20
Stanton	51,475	1.31	392	0.01	31,117	0.79	82,984	2.11
Stevens	62,897	0.86	6,065	0.08	14,552	0.20	83,515	1.14
Sumner	265,185	2.02	69,709	0.53	128,263	0.98	463,157	3.52
Thomas	311,249	4.58	21,260	0.31	108,115	1.59	440,623	6.48
Trego	69,468	2.01	2,008	0.06	76,722	2.22	148,198	4.29
Wabaunsee	31,224	0.93	14,672	0.44	168,409	5.02	214,305	6.39
Wallace	104,496	5.18	0	0.00	104,448	5.18	208,943	10.36
Washington	173,223	3.90	3,210	0.07	246,241	5.55	422,673	9.52
Wichita	79,205	2.54	2,460	0.08	165,645	5.31	247,311	7.93
Wilson	108,868	2.28	157,152	3.29	118,623	2.49	384,642	8.06
Woodson	50,827	1.69	10,091	0.34	92,704	3.09	153,621	5.12
Wyandotte	3,298,155	5.37	2,014,067	3.28	6,653	0.01	5,318,874	8.65
TOTAL	\$44,290,065	3.79%	\$29,534,650	2.52%	\$12,738,722	1.09%	\$86,563,436	7.40%

MARVIN E. SMITH
 REPRESENTATIVE, FIFTIETH DISTRICT
 SHAWNEE AND JACKSON COUNTIES
 123 N.E. 82ND STREET
 TOPEKA, KANSAS 66617



TOPEKA

HOUSE OF
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS
 MEMBER: ASSESSMENT AND TAXATION
 EDUCATION
 TRANSPORTATION

February 13, 1985

Mr. Chairman and Members of the Committee:

Inventory tax in Kansas has been debated on its merits and burdens for time and time again for very many years. Even I can remember when the township trustee arrived annually with his forms to assess the household furniture, tools, livestock and even dogs.

Always an honesty tax - sometimes yester-years the question would arise about the dogs. Sure three dogs would either greet or challenge the assessor. Some of you remember how the story goes about the neighbor who would tell the assessor they only had one dog, the assessor would comment he observed three dogs upon arrival. The standard and anticipated reply usually was, "that mongrel is a stray and the brindle-colored hound is the neighbor's dog."

Yes, even some household items belonged to Uncle Charlie and Aunt Sophie who had moved out of state.

The inventory tax issues today focus on Economic Development and competitive ability with other states. Approximately 75% of the states have exempted inventory taxes.

The inventory tax continues to burden merchants, manufacturers and livestock producers. There is NO doubt that the inventory tax contributes to agricultural crisis in Kansas

Robert H. Malott, Chairman and Chief Executive Officer of FMC Corporation attended and was key note speaker at the Kansas Chamber of Commerce and Industry annual meeting last week. In a press conference, Mr. Malott did offer suggestions on how lawmakers can improve the state's image with U.S. business and industrial leaders.

"(The Legislature) can address the tax burden on business", the 58 year old executive said. Malott added that the state should eliminate the merchants and manufacturer's inventory taxes and reduce employer contributions for unemployment insurance.

The company has 126 manufacturing firms and mines in United States and 15 foreign countries.

Most of you are concerned with the plight of American agriculture and its effect on Kansas business. Last week in the Holton Recorder, the sale directory has 6 farm sales in February and March, all in the 50th District. These farm sales are going to impact on the businesses in this rural community.

It is easy for us to point to Washington - but I submit to you, as Kansas Legislators, the inventory tax is in OUR court. The time has arrived to EXEMPT inventory taxes.

To help Kansas' business image, cut taxes, corporation chief says

By JOHN BOYETTE JR.
Capital-Journal staff writer

The executive of a major U.S. corporation said Tuesday that Kansas "is an excellent place" for businesses to locate and that he disagrees with state political and business leaders who say the Sunflower State has a poor image, which hurts its effort to attract industry.

"I am not sure I can be objective, because I am a Kansan," Robert H. Malott, chairman and chief executive officer of FMC Corp., said at a news conference when asked about the state's image among national business and industrial leaders.

"Kansas is an excellent place to locate," he said. "We are very pleased with our operation in Lawrence, which we expanded two years ago. States can find all kinds of reasons as to how they can improve their economic attractiveness, but I certainly, for one, don't think that Kansas is one of the least attractive states in which to do business."

Malott, a 1948 graduate of the University of Kansas, whose father, Dean, is a former chancellor at KU, was in Topeka Tuesday to speak during the annual meeting of the Kansas Chamber of Commerce and Industry. Gov. John Carlin also was to speak.

FMC, based in Chicago, is an international producer of defense equipment and systems, industrial chemicals, performance chemicals, petroleum equipment and services and specialized machinery for food

processing, material handling and construction. The company has 126 manufacturing firms and mines in the United States and 15 foreign countries. Lawrence is home to one of the company's sodium phosphate plants.

The major topic at this year's KCCI legislative caucus was the

"Kansas is an excellent place to locate."

— Robert H. Malott

state's image and what can be done to improve it.

Of the liquor-by-the-drink and pari-mutuel issues before the Legislature, Malott, a Boston native, said, "As far as I know, neither one of those issues has ever influenced a plant location decision in our company."

But Malott, a graduate of the Harvard Graduate School of Business Administration, did offer suggestions on how lawmakers can improve the state's image with U.S. business and industrial leaders.

"(The Legislature) can address the tax burden on business," the 58-year-old executive said. Malott, who lived in Lawrence for 10 years and

now resides in Kenilworth, Ill., with his wife, Elizabeth, added that the state should eliminate the merchant's and manufacturer's inventory taxes and reduce employer's contributions for unemployment insurance.

At the news conference, Malott touched briefly on the contents of the speech he was to give at the KCCI's banquet Tuesday night. He said President Reagan and Congress should work to cut spending on defense, Social Security and other government programs to help reduce the U.S. deficit and spur world trade, which Malott said "is in turmoil."

But he disagreed with congressional leaders and others who say military programs should bear the brunt of the reductions. Under Reagan's proposed budget, military spending would rise to \$277.5 billion, an increase of 12.7 percent.

"The defense budget should play a part (in reducing the deficit), but not a major part," said Malott, whose company has been a key developer and manufacturer of defense equipment for U.S. armed forces since World War II. "I think all aspects of the budget ought to be addressed."

RECORDER SALE DIRECTORY

- Friday, Feb. 8, Kathrens, Holton. Orv Hutfles, Auct.
- Saturday, March 2, Renyer, Topeka. Bailey and Rezac, Aucts.
- Saturday, Feb. 23, Rickel, Hoyt, Everett Hoobler, Leland Bailey, Dennis Rezac, Auct.
- Saturday, March 9, Richard Guess, Holton. Leland Bailey, Auct.
- Sunday, March 10, Glen Watkins, Holton. Leland Bailey, Auct.
- Friday, March 15, Wade Miller, Holton. Everett Hoobler and Leland Bailey, Auct's.
- Saturday, March 23, Allen Gross, Denison. Leland Bailey, Auct.

Recorder Phone 364-3141

"The crisis of yesterday is the joke of tomorrow." — H.G. Wells



Kansas Food Dealers' Association, Inc.

2509 WEST 47th STREET SHAWNEE MISSION, KANSAS 66205

PHONE: (913) 384-3838

February 14, 1985

OFFICERS

PRESIDENT
CHUCK MALLORY
Topeka

VICE-PRES., TREASURER
AND SECRETARY
LEONARD McKINZIE
Overland Park

CHAIRMAN OF THE BOARD
JOE WHITE
Kingman

BOARD OF DIRECTORS

CHARLES BALLOU
Chanute

BOB BAYOUTH
Wichita

DONALD CALL
Cedar Vale

MIKE DONELAN
Colby

JOE ENSLINGER
Wichita

ROY FRIESEN
Syracuse

STAN HAYES
Manhattan

SKIP KLEIER
Carbondale

DELL KLEMA
Russell

BOB MACE
Topeka

JOHN McKEEVER
Loulsburg

J.R. WAYMIRE
Leavenworth

BILL WEST
Ablene

LEROY WHEELER
Winfield

DIRECTOR OF GOVERNMENTAL AFFAIRS

FRANCES KASTNER

HOUSE ASSESSMENT AND TAX COMMITTEE

SUPPORTING HB 2230 and HB 2159

EXECUTIVE DIRECTOR
JIM SHEEHAN
Shawnee Mission

I am Frances Kastner, Director of Governmental Affairs for the Kansas Food Dealers Association. Our membership includes wholesalers, distributors and retailers of food products throughout Kansas.

Our members support both HB 2159 and HB 2230. We believe that the exemption of inventory tax is necessary to keep Kansas businesses on a competitive level with our surrounding states.

We would like to see a complete exemption of inventory tax, and therefore we are speaking in support of HB 2230. However, since our members understand the loss which would be experienced by the local units of government, we would also support HB 2159 which will provide income tax credits for the inventory taxes paid, and reach 100% in five years.

Thank you for the opportunity of appearing before you today and expressing our concerns about inventory tax. We respectfully request your favorable consideration of either HB 2230 or HB 2159.

Frances Kastner, Director
Governmental Affairs, KFDDA

Assessment and Taxation Committee
Kansas House of Representatives

Mr. Chairman and Members of the Committee:

I am Ray Boyd from Holton, Kansas, representing Building Supply Center.

I am here to testify in favor of House Bill Number 2230 which is the total exemption of the inventory tax as it relates to merchants, manufacturers and livestock. First, I would like to make comment on House Bill 2159 for phase out of the inventory tax. I will refer to my testimony of January 24, in which I said that, "we do not have the resources to wait two, three, five or ten years down the road. In order to survive we have to have this in place this session.....". House Bill Number 2159 does not meet this need.

Previously I made testimony of the unfairness of the inventory tax. The so called "sin issues" that are being promoted in this state will do nothing to increase the

economic conditions in Kansas but this one issue alone, the inventory tax, is causing would be expansion to be located in other states. An example of this is a manufacturer in our tradeline that already has a manufacturing unit in Kansas. It was necessary that their warehouse in Kansas City, Missouri be expanded. I understand that they considered a location in the Lenexa Industrial Area. That new warehouse opened in North Kansas City, Missouri last Monday morning. I know for a fact that the State of Kansas is doing backflips to get General Motors to locate a plant possibly in Johnson County, Kansas. As a businessman and having knowledge of the tax issues in this state, I believe I can safely conclude that the state will allow "special favors" to General Motors to accomplish this. I want to know why I can't be a recipient of these favors? In order to make my point understood, I categorically state that any entity involving large inventories, would be most foolish to locate in Kansas.

I came before this Committee on January 24, offering a suggestion as to how fairness could be accomplished in taxation. I believe there was agreement among those testifying, to the need of a change, that it was one they could consider fair. It was dismissed as unconstitutional, so what, the present system does not comply with the requirement that taxing be fair and equal. Mr. Chairman, as

a matter of fact a member of this Committee made the statement that one of Marvin Smith's constituents had some silly ideas. If this was made out of ignorance I can forget it. If it was made out of political expedience I take issue with it. All over Kansas anger is being generated because the legislative process is hung up along party lines, particularly in taxation. Look, we are citizens of Kansas trying to survive in a faltering economy and all we are doing is making ourselves miserable. By all means we must get together.

Mr. Chairman, I hereby declare support by myself and others for approval, by this Committee, of House Bill Number 2230. We are also in favor of passage into law which afterward, we will be happy to support a fair means of replacing the revenue lost at the local level. By this I do not mean one that is added to the grocery bills of young families in this state.

Respectfully submitted

A handwritten signature in cursive script that reads "J. Raymond Boyd". The signature is written in black ink and is positioned above the printed name.

J. Raymond Boyd

TESTIMONY OF WILLIAM T. ABBOTT
PUBLIC AFFAIRS MANAGER
BOEING MILITARY AIRPLANE COMPANY

H.B. 2159 and 2230

House Assessment & Taxation Committee
February 14, 1985

Mr. Chairman, I have attached a copy of my remarks made before the Committee on January 24, 1985, relative to our concerns and in support of eliminating inventories as a part of the tax base for the state of Kansas.

The Boeing Company does support the exemption of inventories from property tax or ad valorem as specified in House Bills 2159 and 2230; however, we would prefer an outright exemption vs. a phased out exemption and we would recommend a direct refund against property taxes paid instead of a credit on incomes taxes, if the Committee chooses the language in H.B. 2159.

We recognize our situation is unique as to how our taxes paid are treated in doing business with the federal government. To restate our problems: Boeing cannot take taxes paid on inventories as an allowable expense on government contracts; we have to absorb this out of earnings. If we take a credit or a refund against income taxes, then we lose two ways. We lose the allowable on inventories paid and we lose the offset on income taxes paid. The federal government benefits twice.

Mr. Chairman, we recognize the need to maintain the integrity of the tax base for local units of government and we would support any proposal that will do that, if it will solve the problems I have outlined.

Thank you Mr. Chairman for the opportunity to appear.

BOEING

BOEING MILITARY AIRPLANE COMPANY

A Division of The Boeing Company
Post Office Box 7730 • Wichita, Kansas 67277-7730

January 24, 1985

House Assessment & Taxation Committee
State House
Topeka, Kansas

Mr. Chairman
Members of the Committee:

My name is Bill Abbott. I am the Public Affairs Manager for the Boeing Military Airplane Company in Wichita. We are an airplane and aerospace engineering, and manufacturing firm employing approximately 17,500 employees at our plant in Wichita.

I appear today in support of eliminating the inventory tax as a part of the tax base for the state of Kansas.

First, I would like to emphasize to the committee that we do not think Boeing pays too much tax in the state of Kansas. We recognize that as a corporate member of our community we must pay our fair share. However, we do feel we pay too much tax in the wrong categories. We would prefer to pay tax on any base other than inventories.

Ad valorem tax assessment of manufacturers' inventory should be eliminated because of serious defects as a tax base.

1. Manufacturing inventory is not uniformly assessed. In the case of CY 1983, for Sedgwick County, Boeing employed 30% of the manufacturing work force, and was assessed 49% of the total manufacturers' inventory base. In the same year, Boeing employed 9% of the total Kansas manufacturing work force, but was assessed 22% of the total manufacturers' inventory base for the State.
2. Manufacturing inventory is not a stable tax base. Boeing's ad valorem assessment is approximately 70% of the Derby School District's total ad valorem tax base. From 1982 to 1983, the Boeing manufacturer's inventory assessment increased 26%; from 1983 to 1984, it decreased 10%. Those are serious fluctuations to a bedroom community. Those fluctuations in inventory are a function of world wide business conditions.
3. Manufacturers' inventory is assessed differently from other property classes, e.g. Residential at 8% statewide averages and manufacturing inventory at 30%. Uniformity and equality is not achieved.

2/14/85

4. Boeing pays inventory taxes on some inventory three times. Due to the flow time from buying material until final delivery of a build order, some inventory will be assessed for taxes in three different calendar years.
5. Under Department of Defense accounting rules, inventory taxes cannot be passed through as a cost of performing work. Boeing had to absorb out of earnings in the past two years, \$9.7 million of manufacturers' inventory taxes.

Mr. Chairman, as I have stated, Boeing is willing to pay our fair share of taxes. We believe that the time is right for consideration of eliminating the inventory tax. This action will send a strong signal to the business community outside our state borders that Kansas is a good place to do business and will enhance our opportunities for economic development.

Thank you Mr. Chairman. I would respectfully urge the committee to give consideration to this recommendation.

Bill Abbott

Kansas Association of Counties

Serving Kansas Counties

Suite D, 112 West Seventh Street, Topeka, Kansas 66603

Phone 913 233-2271

February 14, 1985

TO: Chairman Rolfs
Members of House Assessment And Taxation Committee

I am Bev Bradley from the Kansas Association of Counties. I appear before you this morning in opposition to HB 2230. The counties in Kansas are opposed to further erosion of the ad valorem tax base. Our county platform reads as follows:

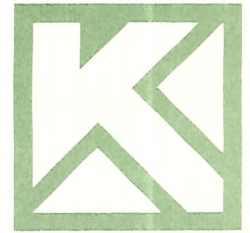
EXEMPTIONS - We object to the granting of the farm machinery and business aircraft exemption and oppose any other exemptions that further erode the ad valorem tax base and recommend a study of existing exemptions in an attempt to arrive at a uniform and equitable method of taxation.

We support a "sunset" concept on all existing exemptions and oppose the passage of legislation without the opportunity for public input at committee hearings.

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

HB 2159 and 2230

February 14, 1985

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

HOUSE ASSESSMENT AND TAXATION COMMITTEE

by

David S. Litwin
Director of Taxation

Mr. Chairman and members of the Committee, my name is David Litwin, Director of Taxation of the Kansas Chamber of Commerce and Industry. I thank you for the opportunity to appear at this hearing and provide our viewpoint with regard to phaseout of merchants', manufacturers' and livestock owners' inventory tax.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

KCCI is an umbrella organization that includes among its over 3000 members the entire spectrum of types and sizes of businesses. Despite this diversity, there is virtual unanimity that elimination of inventory taxation has an extremely high priority on our legislative agenda.

The reasons for this broad consensus are, in brief, that the inventory tax is unsound in theory, unfair, vexatious and corrosive in administration, and an obstacle to economic development of our state.

First, theoretical factors. We tax property at all because it is rightly regarded as one of a number of indicia of ability to pay, and its owners enjoy its use. These considerations do not support taxing inventories. The size or kind of inventory carried says virtually nothing about the ability of the temporary owner to pay, and the owner cannot enjoy the beneficial use of the property, at least so long as he intends to sell goods as new. Inventory is only a means of making a living, mere stock-in-trade that has not yet reached its end user.

Next, this tax is unfair. As a means of making a living, inventory is comparable to the skill of a professional, the money of a bank, or the competence of a person in a service industry. Yet there is no similar or even comparable tax paid by persons who do not earn their livelihood from the exchange of tangible goods.

Moreover, inventory tax is regressive because it ignores ability--or inability--to pay. The tax is due and expected, utterly without any consideration of the financial circumstances of the taxpayer. The merchant or manufacturer who is insolvent and has a cash outflow is required to pay the same tax on a comparable quantity and worth of goods as one who is brimming with success. Indeed at times inventory taxation actually penalizes the very people who, if government should be involved at all, should be aided rather than devastated. Thus the farm implement dealer who is stuck with big-ticket items for two or more years due to the agricultural depression must pay taxes on these goods every year.

Third, inventory taxation has a negative impact on quality of life and on other revenue sources. It penalizes the carrying of large inventories, thus reducing the choice of goods available to consumers. This in turn impacts sales and sales tax revenues.

Finally, inventory taxation has a substantial negative influence on economic development. Thirty states--including 3 of Kansas' 4 contiguous neighbors--exclude inventories from property tax, and 5 others exempt all personal property. Two other states are phasing inventory tax out or tax it at a favored special rate. Thus Kansas is among a small and shrinking group of only 13 to 14 states that still have inventory taxation.

KCCI, then, supports passage of HB 2159 or HB 2230.

Thank you again for the opportunity to testify. I will be pleased to answer any questions.

PREPARED TESTIMONY IN SUPPORT OF HOUSE BILLS NO. 2159 AND 2230

TO: House Assessment and Taxation Commission
FROM: Steven C. Montgomery, Kansas Oil Marketers Association
DATE: February 14, 1985

The Kansas Oil Marketers Association (KOMA) appears in support of House Bills No. 2159 and 2230. KOMA is a statewide association of distributors of petroleum products consisting of approximately 300 members. The association supports the elimination of the merchants' and manufacturers' inventory tax. KOMA leaves to the wisdom of the legislature the policy decision of whether to accomplish this result through the exemption proposed in H.B. 2230 or the income tax credit proposed in H.B. 2159.

The experience of KOMA members is that the inventory tax is not being equitably applied by the counties throughout the state. Because our members are located state-wide, we know that the process of appraising and assessing inventory varies widely from county to county and is sometimes arbitrary. The elimination of the inventory tax appears to be the only realistic remedy for the inequities which presently exist in the implementation of the tax.

Dear Mr. Chairman and Members of the Committee:

My name is Everett Hoobler from St. Marys, Kansas. I have been the Manager of the Farmers Union Hardware & Implement business for the last 20 years. In almost all of these 20 years, I have been trying to get the inventory tax changed or taken away - but to no avail.

I'm also an auctioneer and I can very well tell you that Rural America is ⁱⁿ a very sad & sickening situation at this time. I have booked six sales in the last two weeks, and I'm sure that is not the end.

We, as implement dealers, cannot afford to keep paying taxes on something before it is sold. At the present time with the bad farm economy, I have machinery on my lot that I have paid taxes on for at least 3 years, and some of this is very expensive machinery. It's bad enough having to take a big loss due to economic conditions, but to be penalized with a tax ahead of selling is just not right. In fact, I have notified my suppliers as of now that if this tax is not changed, we are going to order only the bare necessity of merchandise because I figure the tax we will have to pay may be greater than the profit we can make.

I know that you as Legislators are wondering where you're going to get the increased revenue if it's not from our inventories. I say to you: "Without us in business, there will be no place for you to tax fairly." We, as business people, believe in paying our fair and just share but the fairness of the implement dealer's share to most other business is so ridiculous. In fact, for the last 3 years, I have operated our business at a substantial loss and lots has to do with inventory tax.

Another thing that alarms me is that neighboring states do not have an inventory tax, so quite a bit of machinery is coming in from out of state because those dealers can sell it cheaper. I know that they're not going to pay any of our school taxes or local government taxes. If this has affected me and I'm 50 miles from the border, I can only imagine what it is doing to our dealers within 5 or 10 miles of that border.

Please Legislators - let's get rid of this unfair tax.

Chairman Rolfs and Members of the House Assessment and Taxation Committee.

I am Glenn Underwood from Ottawa. I am president of Underwood Equipment, Inc. I have two sons in business with me. We have been John Deere farm equipment dealers for 31 years and G.M.C. truck dealers for 17 years.

I appreciate the opportunity to be here today. I am here on behalf of myself and some of the taxpayers in Ottawa.

The material I have given you has been circulated in our area and includes first, an article out of my home town paper, the Ottawa Herald, dated February 6th, titled "Tax Cutting Best Way to Attract Industry".

See Enclosure Marked #1.

The article concerns a news conference with Robert H. Malott who is Chairman and Chief Executive Officer of F.M.C. Corp. Probably all of you heard Mr. Malott's speech at K.C.C.I.'s legislative caucus annual meeting one night last week. I have highlighted some of his remarks. He suggested some things the Legislature can do to improve the states business climate. "It can address the tax burden on business", Mr. Mallot said. Specifically he said, the State should eliminate the merchants and manufacturer's inventory taxes and reduce employer's contributions for unemployment insurance. I thought that Mr. Malott gave a terrific speech at the dinner and hit the nail squarely on the head on every topic he addressed.

The second, is a Fact Sheet, which reads as follows.

See Enclosure Marked #2.

At this point, I would like to make a comparison between farm equipment and automobile and truck equipment of the same value. Yesterday, I had our County Appraiser's office figure what the tax would be on \$149,186.00 of farm equipment inventory. The reason for using this figure is that, that is the amount of truck inventory we had on hand yesterday morning. The tax in Franklin County in our location which is outside the City limits, would be \$1,783.55. The tax which we will collect at the time we sell each of the trucks and automobiles making up the total of \$149,186.00 will be \$155.00 a difference of \$1,628.55. Percentage wise the tax on the truck and automobile inventory is only 8.70% of that

on the farm equipment. That is, if all of the farm equipment is sold before another tax year rolls around. On the trucks and automobiles the \$155.00 will be all of the tax on them regardless of when they are sold. The tax on a \$25,000 luxury car is the same as on a Ford or Chevrolet weighing the same amount.

Another example is that of used farm equipment and business aircraft which are exempt if owned by a user but taxable if owned by a dealer. I ask you is this uniform and equal?

The third item is a Petition for Fair and Equal Taxation in Kansas, which states as follows.

See Enclosure Marked #3.

The last material contains copies of petitions circulated in our locality and signed by 102 taxpayers. These taxpayers represent farmers, lawyers, druggist, sporting good stores, jewelers, farm equipment dealers, auto dealers, feed and fertilizer dealers, farm supply stores, ministers, homeowners, electrical supply dealers, contractors, manufacturers, tire suppliers, oil suppliers, hardware, appliance dealers, service stations, lumbermans, and many others.

Practically everyone our group has contacted agree that it is past time to correct this problem once and for all.

We aren't opposed to paying taxes. We know that the taxes lost from the elimination of the inventory tax will have to come from somewhere. I speak for myself when I say my first option is income tax, the second a sales tax, and the third a surtax on sales tax.

There is a better way, a fair way. We urge you to eliminate the inventory tax now. Thank you.

Testifying for H. B. 2230
Glen J. Underwood

TO: The House Committee on Assessment and Taxation

February 14, 1985

Presented by Maynard Estes, President, Bucklin, Tractor and Implement Company,

Bucklin, Kansas

Subject: Taxes

Good Morning.

I am Maynard Estes, president of Bucklin Tractor & Implement Co., Inc., Bucklin, Kansas. I had the opportunity to address this committee on January 24th concerning taxes on merchant's and manufacturer's inventories. I explained Bucklin Tractor's experience with merchant's inventory taxes and also pointed out that the tax on all merchant's inventories has built-in defects and is unfair and near impossible to administer. Because of this thirty some states have wisely chosen to eliminate it.

Mr. Fred Weaver recently told the Senate Committee on Assessment and Taxation that disparities in assessments of property have ~~evolved~~^{evolved} because of decades of neglect in the system, with the legislature, property valuation department, local appraisers and Boards of County Commissioners equally to blame. Weaver stated, "there is a lot wrong out there". I feel his statements exactly describe our present situation.

Besides disparities between certain classes of property, the disparities within classes and between counties in most all classes are almost beyond belief. We now have farm real property taxes at up to 6% of fair market value, residential property at from 8 to 10%, commercial property at 10 to 12% and merchant's and manufacturer's (personal property) at 30%. All concerned, including Governor Carlin and Lt. Governor Docking, refer to these disparities as a chaotic mess or give them a similar description. Yet, there are those who are pushing for a classification scheme to make these inequities legal!!! That would simply ignore the problems, as we have done for years, and lock in

the degrading injustices we now have. Not only would this solve no ones present problems but would create many more. This mess will not simply go away by statewide reappraisal (long overdue) and then through classification locking in the present illegal inequities.

The only conceivable reason I can think of for anyone favoring a classification scheme would be that they are not paying their fair share of the tax load now as the Constitution presently mandates.

Therefore, I strongly recommend to you that merchant's and manufacturer's inventories taxes be eliminated. We can not stand a 5 to 10 year phase out or the 5 to 8 years required to implement reappraisal. Something has to be done now or a great number of business and manufacturers will not survive.

Thank you for your attention and concern.

SALINA IMPLEMENT COMPANY
3637 South Ninth
Salina, Kansas 67401
Ph. 913-825-6252



14 February 1985

Ladies and gentlemen of the committee, I am Tom Evans, one of the owners, and manager of Salina Implement Company, a John Deere Dealership located in Salina, Kansas. We employ seventeen people and service the farmers in Saline and Ottawa counties.

I appreciate the opportunity today to share with you my views of the current inventory tax and how they affect me, other farm equipment dealers, and all small businesses across Kansas.

I believe the current inventory tax to be un-constitutional because it is no longer "fair and equitable". In 1968 when the standards were set for example, land that was worth \$1000.00 per acre and a plow worth \$1000.00 were valued the same, today however, the land is still valued at \$1000.00 per acre but, the plow, through inflation, is now valued at \$8000.00 or eight times what it was valued in 1968.

Other problems exist in addition to value, that virtually give me no control over my inventory. In good times for example, when I may be able to pay the tax, my inventories are low; but in bad times, when I am struggling to survive, my inventories are high and there is little I can do about it. Although I am in possession of my inventory, the parent company virtually has control, for if I am asked to transfer a machine to another dealer and refuse, I can be forced to transfer the machine through what is called requisition. Most times I am happy to help another dealer by transferring a machine but, there is no way for me to recover the inventory tax that I have paid. This may be two or three years' worth on the same machine. This may not seem unjust but for example, last year I transferred two (2) combines to dealers, that I had paid taxes on in 1983 and 1984 at approximately \$1400.00 per year per machine. This is a loss of \$5600.00 that I can not recover. I have three (3) remaining combines in inventory that I will pay on for the third year. Some of you in this room may be farmers, and I seriously doubt that you would be willing to pay me an additional \$4200.00 for a three year old "New Combine" so that I can recover my inventory tax.

In 1984 the Western Retailers Association conducted a survey and found that in just the last three years (1980 - 1983) inventory taxes are up an average of 114% while profits among those dealers were down 96%. As you can see, the problem is critical.

I do not propose to tell you how to solve the problem, however, I do feel that a sales tax is the most fair and equitable. If you buy a dollar's worth of goods you pay one dollar three cents or maybe a dollar four cents but you also have the goods. Right now, businessmen across this state are paying but we do not have anything to show for it.

If it is felt by the legislators of this state that this is not a solution to the inventory tax, then please consider the proposed .25% tax that would be paid with sales tax at the time the machine is sold. I am not trying to avoid paying my share of taxes, but I do not want to pay more than my fair share either.

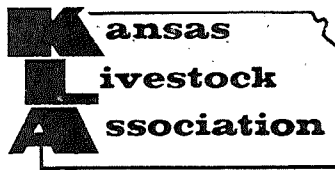
In 1983, Salina Implement Company operated at a loss, yet we will pay in excess of \$25,000.00 in inventory tax. The inventory tax has become "Unfair" and "Unequitable" and is breaking the backs of small businesses throughout Kansas. It is deterring new business from coming to Kansas, which threatens our future.

The farm economy and all Agri-business has been, and remains, under extreme pressure. Help on this issue two or three years from now will be of no help to many of us. So, I urge you to give this your utmost attention in this session, and sincerely hope that you can find a "Fair and Equitable" solution to our problem in 1985.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Thomas J. Evans". The signature is written in dark ink and is positioned above the typed name and title.

Thomas J. Evans, President
Salina Implement Company



13

2044 Fillmore • Topeka, Kansas 66604 • Telephone: 913/232-9358
Owns and Publishes The Kansas STOCKMAN magazine and KLA News & Market Report newsletter.

Statement
of the
Kansas Livestock Association
to the
House Assessment & Taxation Committee
Rep. Ed Rolfs, Chairman
relative to
HB2230 & HB2159
relating to
Tax Credits and Exemptions for
Merchants, Manufacturers & Livestock Inventory Taxes
February 14, 1985
presented by
Dee Likes
Executive Vice President

Mr. Chairman and members of the committee, the Kansas Livestock Association has previously appeared before this committee on numerous occasions to explain the rationale behind the necessity for an exemption for merchants, manufacturers and livestock inventory taxes. We've explained to you that we believe the personal property tax defies equity; that personal property is not a good tax base because it's not a good measure of wealth nor of the ability of the taxpayer to pay; that personal property taxes are difficult to administer and they are basically inequitable. We have also said on numerous previous occasions that more appropriate sources of revenue are a combination of income and sales taxes along with real property which we believe is a more reliable indicator of wealth.

Additionally, I believe most of the members of this committee are aware of the position of KLA that livestock producers in Kansas are rapidly being placed into a situation of being at a competitive disadvantage with livestock producers in other states which have already

exempted livestock from taxation. The livestock tax is a tax on honesty; it's impossible to count inventory; it becomes a negotiated tax between the assessor and the assessed; and there are wide differences of value within a class of livestock. We have expressed to the committee that the tax on livestock raises the breakeven of the calf raised by a mother cow by as much as \$1.50 to \$2.00 per hundred weight at a time when cow-calf/stocker producers have experienced tremendous losses. Additionally, we have also indicated to this committee that the feedlots in Kansas must compete with those located in Texas, Oklahoma, Nebraska, Colorado, Iowa, Arizona and California. Four of those states, Texas, Oklahoma, Nebraska and Colorado, are the closest competition from a custom feeding standpoint. None of those states levies a tax on livestock.

Cattle feeding is a mobile industry that deals with a transient product. Professional cattle feeders who look at professional, well managed feedyards in several states where gain costs and markets are comparable quickly realize that cattle fed in Kansas will have an additional tax ranging from \$1.00 to \$5.00 per head, depending on the type of animal, the county mill levy and other local factors. If an individual feeds 2,000 head of cattle annually, that \$2,000 to \$10,000 cost difference will definitely influence their decision on where to feed them ... especially in view of an industry where losses occur frequently. That is a pretty irritating difference to cattle feeders. Keep in mind also, the average feedlot steer incurs expenses of \$250 to \$300 per head during the feeding period. If economists are correct in calculating that the multiplier effect of the beef industry is somewhere between 5 and 7 to 1 (\$5 of economic activity generated for every \$1 spent, for example), it's easy to see that the property tax on cattle is a losing proposition if it causes just a fairly small diversion of cattle to other states. Cows, feedlot cattle, a sow herd and a ewe flock are the only agricultural production that are subject to personal property taxes in Kansas.

Mr. Chairman and members of the committee, our association supports both of these legislative proposals and we urge your committee to take favorable action on initiating an exemption for merchants, manufacturers and livestock inventories.

State Tax Review



REG. U.S. PAT. OFF.

A CCH Editorial Staff Publication

November 27, 1984

Issued Weekly

Vol. 45, No. 48

TAKING STOCK OF INVENTORY TAX RELIEF

State provisions dealing with property tax treatment of business inventories vary widely. However, most states have provisions which ease the burden that assessment at full value would entail. Details are charted below.

State Property Taxation of Business Inventories¹

State	Exempt from Tax	Assessed at Lower Percentage	Assessed on Average Value	Assessed as Other Property	State	Exempt from Tax	Assessed at Lower Percentage	Assessed on Average Value	Assessed as Other Property
Ala.	X				Mont.	X			
Alas.				X ²	Neb.	X			
Ariz.	X				Nev.	X			
Ark.			X		N. H.	X			
Calif.	X				N. J.	X			
Colo.	X				N. M.	X ³			
Conn.	X				N. C.		X ¹³		
D. C.	X				N. D.	X			
Fla.	X				Ohio ¹¹				
Ga.				X	Okla.			X	
Ida.	X				Ore.	X			
Ind.			X ³		R. I.	X ¹²			
Ia.			X ⁴		S. C.	X ^{11, 13}	X ^{12, 13}	X	
Kan.			X ⁴		S. D.				X ¹⁴
Ky.				X	Tenn.	X			
La.			X		Tex.				X
Me.	X				Utah	X			
Md.			X ⁵		Vt.	X ¹⁵			
Mass.	X ⁶			X ⁶	Va.				X
Mich.	X				Wash.	X			
Minn.	X				W. Va.				X
Miss.	X ⁷				Wis.	X			
Mo. ⁸	X				Wyo.	X			

¹ No personal property tax in Delaware, Hawaii, Illinois, New York, and Pennsylvania.
² Inventories in a foreign trade zone before being cleared by U. S. Customs Service and admitted into domestic commerce are exempt. Municipalities may exempt business inventories.
³ May be assessed on average annual value.
⁴ Dealers' vehicle inventories are exempt.
⁵ Income tax credit allowed for personalty tax paid. Localities may exempt inventories.
⁶ Manufacturing and merchant corporations are exempt except for business machinery of merchant corporations. Individuals and partnerships are taxable.
⁷ No tax applies to manufacturers' products in state if sold or shipped to other than final consumer and not at retail.
⁸ Special tax on merchants and manufacturers.

⁹ Individuals' inventories are generally exempt.
¹⁰ Income tax credit allowed for inventory taxes paid. Certain inventoried property taxed at lower rate.
¹¹ Merchants and manufacturers assessed at 35%. Personal property held in foreign trade zone exempt.
¹² Manufacturers' inventories are exempt unless offered for retail sale.
¹³ Business inventory exempt as follows: 1985 tax year, 17%; 1986 tax year, 50%; 1987 tax year and thereafter, 100%.
¹⁴ Personalty not centrally assessed is exempt.
¹⁵ Municipalities may exempt inventories and tax business machinery and equipment instead.

2/14/85

A PROPOSAL FOR TUITION TAX DEDUCTION LEGISLATION

K.S.A. 79-32, 117, the statute defining gross income for income tax purposes, commences with this language:

- (a) The Kansas adjusted gross income of a resident individual means his federal adjusted gross income for the taxable year, with the modifications specified in this section.

subsections (b) through (e) unrelated provisions

The proposal would be to add a subsection (f), as follows:

- (f) Tuition and Transportation Expense: The amount he has paid to others, not to exceed \$500 for each dependent in grades K to 6 and \$700 for each dependent in grades 7 to 12, for tuition, textbooks and transportation of each dependent in attending an elementary or secondary school situated in Kansas, Oklahoma, Colorado, Nebraska, or Missouri, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and the Kansas Acts Against Discrimination. As used in this subdivision, "textbooks" shall mean and include books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state and shall not include instructional books and materials used in the teaching of religious tenets, doctrines or worship, the purpose of which is to inculcate such tenets, doctrines or worship, nor shall it include such books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, or programs of a similar nature.