

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

The meeting was called to order by Senator Fred A. Kerr at
Chairperson

11:00 a.m./~~pm~~ on Thursday, March 21, 1985 in room 519-S of the Capitol.

All members were present except:
Senator Don Montgomery

Committee staff present:
Melinda Hanson, Research Department
Don Hayward, Revisor's Office
LaVonne Mumert, Secretary to the Committee

Conferees appearing before the committee:
Gerry Ray, Johnson County Board of Commissioners
Donald Schnacke, Kansas Independent Oil and Gas Association

H.B. 2119 - Tax lien on property voluntarily transferred

Melinda Hanson explained the purpose of the bill. She said in cases of voluntary surrender of property to banks or other secured parties, there is a loophole that can prevent the collection of personal property taxes that are due and owing. Under these circumstances, the tax liability can disappear with the transfer. This bill would provide that the tax lien follows the transfer.

Gerry Ray read her written testimony in support of the bill (Attachment 1). She told the Committee about losses suffered in Johnson County as a result of this loophole.

H.B. 2096 - Sale of oil or gas leasehold for delinquent personal property tax purposes

Donald Schnacke said he did not request the bill but would be glad to explain it. He stated that he supports the bill. He advised that in some areas of Kansas, the physical property associated with an oil or gas lease has a very small value. The leasehold interest has far more value. H.B. 2096 simply adds the leasehold interest as an item that can be used to satisfy delinquent taxes.

Senator Hayden moved that H.B. 2096 be recommended favorably for passage. Senator Thiessen seconded the motion, and the motion carried.

Senator Burke moved that H.B. 2119 be recommended favorably for passage. Senator Mulich seconded the motion. The Committee discussed the fact that this would create a fourth type of lien which could be foreclosed like any other lien. Senator Frey made a substitute motion to change lines 23 through 27 of the bill as follows: "assessed and before the tax thereon is paid, by voluntary repossession, then the taxes on the personal property of such". Senator Karr seconded the motion, and the substitute motion carried. Senator Burke renewed his motion to recommend the bill favorably as amended, and the motion carried.

Senator Hayden moved that the minutes of the March 20, 1985 meeting be approved. Senator Burke seconded the motion, and the motion carried.

Meeting adjourned.

Office of the Board of County Commissioners

JOHNSON COUNTY COURTHOUSE
OLATHE, KANSAS 66061
782-5000

SENATE ASSESSMENT AND TAXATION COMMITTEE
HEARING ON HOUSE BILL NO. 2119
THURSDAY, MARCH 21, 1985
TESTIMONY OF GERRY RAY, LEGISLATIVE LIAISON
JOHNSON COUNTY BOARD OF COMMISSIONERS

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS GERRY RAY, LEGISLATIVE LIAISON FOR THE JOHNSON COUNTY BOARD OF COMMISSIONERS. THANK YOU FOR ALLOWING ME TO APPEAR TODAY AS A PROPONENT OF HOUSE BILL NO. 2119.

DURING THE 1984 SESSION A BILL MUCH THE SAME AS THIS WAS REQUESTED BY OUR COMMISSIONERS. IT WAS INTRODUCED AS SENATE BILL 815. IT WAS PASSED BY THE SENATE AND REPORTED FAVORABLY OUT OF THE HOUSE ASSESSMENT AND TAXATION COMMITTEE. UNFORTUNATELY TIME RAN OUT AND THE SESSION ENDED BEFORE THE BILL WAS BROUGHT UP ON THE HOUSE CALENDAR FOR CONSIDERATION. THE REQUEST WAS AGAIN INCLUDED IN JOHNSON COUNTY'S 1985 LEGISLATIVE PROGRAM.

THE NEED FOR THIS TYPE OF LEGISLATION WAS RECOGNIZED IN JOHNSON COUNTY DUE TO OUR LOSSES OF TAX ON PERSONAL PROPERTY INVOLVED IN BANKRUPTCY ACTIONS AMOUNTING TO OVER \$150,000 IN A SINGLE YEAR. ONE CASE INVOLVED THE DISSOLUTION OF A CORPORATION AND THE DISAPPEARANCE OF THE OWNER, RESULTING IN A \$100,000 LOSS TO THE COUNTY. IN ANOTHER INSTANCE A CORPORATION DECLARED BANKRUPTCY, CLOSING TWO DRUG STORES. THE PERSONAL PROPERTY WAS REPOSSESSED BY A BANK, THEN AT A LATER DATE SOLD BACK TO THE SAME PEOPLE UNDER A DIFFERENT CORPORATE NAME. THE LOSS TO THE COUNTY WAS \$25,000.

THESE ARE ONLY TWO EXAMPLES, BUT EACH YEAR SEVERAL SUCH CASES ARE EXPERIENCED, ADDING UP TO THOUSANDS OF DOLLARS IN LOST REVENUE IN OUR COUNTY. WE FEEL SURE IF WE ARE FACED WITH THESE LOSSES, OTHER COUNTIES ALSO ENCOUNTER THE SAME PROBLEM AT VARYING DEGREES. JOHNSON COUNTY URGES YOUR SUPPORT OF HOUSE BILL 2119 TO ALLOW THOSE COUNTIES THE AUTHORITY TO ATTACH LIENS TO SUCH PROPERTY AND THUS CLOSE A SIGNIFICANT TAX LOOPHOLE.