

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./~~p.m.~~ on Monday, April 8, 1985 in room 313-S of the Capitol.

All members were present ~~except~~:

Committee staff present:

Tom Severn, Research Department
Melinda Hanson, Research Department
Don Hayward, Revisor's Office
LaVonne Mumert, Secretary to the Committee

Conferees appearing before the committee:

Barbara Koirtyohann, Hallmark Cards
Mary Ellen Conlee, Kansas Small Business Trust
Chip Wheelen, Kansas Legislative Policy Group
John Blythe, Kansas Farm Bureau
Dee Likes, Kansas Livestock Association
David Litwin, Kansas Chamber of Commerce and Industry
Charles Belt, Wichita Area Chamber of Commerce
Ron Gaches, United Telephone
Janet Stubbs, Home Builders Association
Darrel Fry, Stauffer Communications
Bill Curtis, Kansas Association of School Boards
Leroy Jones, Brotherhood of Locomotive Engineers; Brotherhood of Railway and
Airline Clerks, Freight Handlers, Express and Station Employees (AFL-CIO-
CLC)
Marian Warriner, League of Women Voters of Kansas

H.C.R. 5018 - Constitutional amendment; classification of property for purposes
of taxation

Staff explained that H.C.R. 5018 differs from S.C.R. 1616 in that H.C.R. 5018 provides that business machinery and equipment and other personalty be valued using straight-line depreciation over the economic life of the property and also contains an option for appraisal of ag land. Under H.C.R. 5018, a future legislature would determine whether ag land should be assessed at 30% of use value or at 8% of market value.

Copies of testimony received from Larry Landrith (Coleman Company) and Karen McClain (Kansas Association of Realtors) were distributed to the Committee (Attachments 1 and 2).

Barbara Koirtyohann read her written statement (Attachment 3). She said that straight-line depreciation of machinery and equipment over its economic life would be worse treatment than current methods of appraisal. She advised that if an amendment was made to phase out business machinery and equipment over a period of three to five years, her company would be in support of the bill.

Mary Ellen Conlee read her testimony (Attachment 4). She told the Committee that the Kansas Small Business Trust has appealed its case to the District Court. The decision in that matter will be appealed to the Supreme Court where it will likely receive priority attention. Ms. Conlee stated that they expect a legal answer to the case by this time next year. Her organization supports the original version of H.C.R. 5018 (S.C.R. 1616) but vigorously opposes the amendment regarding business machinery and equipment. They support exemption of personal property taxes on business machinery and equipment. Ms. Conlee agreed with Chairman Kerr that, while she did not testify on S.C.R. 1616, she now supports its.

Chip Wheelen read his written statement (Attachment 5). His organization supports the option for appraising ag land. Mr. Wheelen suggests that the explanatory statement be amended to clearly state that the legislature's intent was to minimize tax shifts upon reappraisal.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
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John Blythe summarized his written testimony (Attachment 6). Farm Bureau supports classification and continued exemption of farm machinery. They recommend that H.C.R. 5018 be amended on line 118 to specifically include farm machinery and equipment. Farm Bureau supports the option concept for appraising ag land contained in H.C.R. 5018. Mr. Blythe pointed out data in his testimony regarding the proportion of property taxes paid by agriculture.

Dee Likes summarized his statement (Attachment 7). He supports the option provision for assessing ag land. He feels that farm machinery and equipment should be included in the list of constitutionally exempt items to resolve any question of interpretation of H.C.R. 5018.

In answer to a question from Senator Hayden, staff advised that it is their understanding that if the legislature was unable to pass some kind of bill choosing one or other of the two options for assessing ag land, then current law for market valuations would continue.

David Litwin read his written testimony (Attachment 8). He is opposed to the taxation of business machinery and equipment as contained in H.C.R. 5018. Mr. Litwin cited employment figures and percentages for small businesses and discussed the importance of small businesses to the economy of Kansas. He pointed out that the provisions in H.C.R. 5018 for taxing business machinery and equipment would completely eliminate any administrative or legislative flexibility in this area. Chairman Kerr asked Mr. Litwin whether KCCI would support a possible compromise concept of placing business and equipment in the 12% category and retaining the current law. Mr. Litwin responded that, while he cannot speak for certain, based upon the feedback from his organization's members, he thinks it is quite likely that KCCI could support such a proposal.

Charles Belt testified that, although the 2,400 members of the Wichita Area Chamber of Commerce have previously opposed classification, they voted to support S.C.R. 1616 because of political realities and because they felt it was good public policy. He said they were willing to agree to some compromises with regard to taxation of business machinery and equipment but that the concept in H.C.R. 5018 is totally unacceptable. In response to Chairman Kerr's question regarding the possible compromise of including business machinery and equipment in the 12% category, Mr. Belt said he did not feel the members would support such a proposal.

Ron Gaches read his written testimony (Attachment 9). He would support H.C.R. 5018 with an amendment to eliminate the disparity in the treatment of tangible personal property.

Janet Stubbs read her statement (Attachment 10) in opposition to H.C.R. 5018. It is her position that personal property should be treated equally -- either all taxed or all exempt.

Senator Frey asked how the definitions of the various subclasses in H.C.R. 5018 would be developed. Staff replied that lines 65 and 90 of the bill provide that these will be defined by law.

Darrel Fry read his testimony (Attachment 11) in opposition to the resolution. He explained his objections to the straight-line depreciation of business machinery and equipment over its economic life and said that this would reverse the recent favorable changes made in the trending factor formula. Responding to Chairman Kerr's question about placing machinery and equipment in the 12% category, Mr. Fry said he thinks he could support such an idea, but has not had time to study it thoroughly.

Bill Curtis summarized his written statement (Attachment 12). He supports classification and urges that due consideration be given to the correlation between a classification amendment and the school finance formula.

Leroy Jones testified that the groups he represents favor a 30-10 amendment with no exemptions, but they would support a change to 10% for residences

CONTINUATION SHEET

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rather than 12% in H.C.R. 5018.

Marian Warriner read her written statement (Attachment 13). She stated that S.C.R. 1616 has the advantage of being more simple and H.C.R. 5018 has the advantage of a broader tax base and two options for valuing ag land.

Meeting adjourned.

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
4-8-85	VIC MILLER	S. O. B.	PVD
	Ken Gaches	TOPEKA	UNITED TELEPHONE
	BUD GRANT	TOPEKA	KCCI
	Bill Curtis	Topeka	KASB
	Chip Moxley	K.C.	Hellbuck Cards
	Barbara Kieritzjohann	KC	"
	Marsha Hutchison	KG7DA Hutchison	KG7DA
	JANET STUBBS	Topeka	Home Builders
	HAROLD FANKHAUSER	MADISON	KLA
	Dee Likes	Topeka	KLA
	Pat Hubbard	Topeka	Kansas Railroad Assn.
	Walter Dunn	"	EKOGA
	BEV BRADLEY	LAURENCE	KS ASSOC COUNTIES
	Mary Ella Simon	Topeka	NWK
	Marian Hammer	Lawrence	NWK
	CHARLES BELT	WICHITA	CHAMBER OF COMMERCE
	Mary Ellen Conlee	Wichita	KS Small Bus. Inst
	Ray D. Shankel	Shawnee	K.C. P & L Co. THE ELECTRIC COS. ASSOC. OF KS.
	D. WAYNE ZIMMERMAN	TOPEKA	AP&L
	Jord Meyer	TOPEKA	AP&L
	Joe Dwyzore	K.C.	KCP L
	John K. Blythe	Manhattan	Ks Farm Bureau
	Don Schuck	Topeka	KI OGA
	Chip Wheelen	Topeka	Leg. Policy Group
	Paul Felt	"	KCCI
	TREVA POTTER	"	NORTHERN NAT. GAS
	LIAN JAMES	"	Inter Am Ind Loan



The COLEMAN COMPANY, INC.

OFFICE OF GOVERNMENT AFFAIRS
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AREA CODE 316 261-3211

April 1, 1985

The Honorable Fred Kerr, Chairperson
Senate Assessment and Taxation Committee
State Capitol Building
Topeka, KS. 66612

RE: HCR 5018

Dear Senator Kerr and Committee Members:

We cannot support HCR 5018 with the present provision regarding economic life on machinery and equipment, which in our estimation would be more adverse than the current use of trending factors. However, a five or seven year straight line depreciation approach would be acceptable (as of course would be a five or seven year phase-out).

An equitable classification approach is probably far more important to the retention of current industry as well as the attraction of new industry than is liquor by the drink.

Yours very truly,

Larry Landrith

/tlw

cc: Senator Eugene Anderson
Senator Norma Daniels
Senator Paul Feleciano, Jr.
Senator James L. Francisco
Senator Bill Morris
Senator Eric Yost



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TESTIMONY BEFORE

THE SENATE ASSESSMENT AND TAXATION COMMITTEE

BY

KAREN MCCLAIN

MR. CHAIRMAN, AND MEMBERS OF THE COMMITTEE, I AM KAREN MCCLAIN, THE DIRECTOR OF GOVERNMENTAL AFFAIRS FOR THE KANSAS ASSOCIATION OF REALTORS®. THE KANSAS ASSOCIATION OF REALTORS® HAS A VERY CLEAR POLICY IN THE AREA OF TAXATION. THAT POLICY IS AS FOLLOWS:

"WE ADVOCATE THE RESTRUCTURING OF STATE AND LOCAL TAXATION SOURCES FOR THE FUNDING OF NON-PROPERTY RELATED SERVICES. WE URGE THE STATE TO WORK FOR THE RESTRUCTURING OF TAXES TO RELIEVE THE INEQUITABLE REAL PROPERTY TAX BURDEN, BUT ALSO NOT TO UNFAIRLY SHIFT THE TAX BURDEN TO ANY TAX PAYING ENTITY."

THE REALTORS® LEGISLATIVE POLICY ON TAXATION WAS REACHED IN RECOGNITION OF THE IMPACT WHICH BUSINESSES AND THE WAGES AND SALARIES WHICH THEY PAY, HAVE ON WHO CAN PURCHASE A HOUSE IN THIS STATE. IF THERE ARE MORE NEW BUSINESSES IN THE STATE OF KANSAS, MORE KANSANS ARE EMPLOYED, AND MORE KANSANS CAN PURCHASE HOMES. IF, HOWEVER, THE BUSINESSES ARE SADDLED WITH BEARING THE SHIFT OF THE TAX BURDEN OF THE STATE, THEY MUST COMPENSATE THAT INCREASED COST IN SOME WAY. IN THE LONG RUN, IT IS, ONCE AGAIN, THE HOMEOWNERS WHO PAY, WITH LOST JOBS OR REDUCED PAY.

HB 5018 PRESENTS ONE OF THE MOST VIABLE CLASSIFICATION SCHEMES PRESENTED TO DATE. WITH THE INCLUSION OF MERCHANT'S MACHINERY, THE TAX BASE IS BROADENED, AND ALL ENTITIES SHARE THE SHIIFT OF BURDEN MORE EQUALLY THAN IN THE ORIGINAL FORM OF THIS PROPOSAL. WE FEEL, HOWEVER, THAT ANY ACTION BY THIS COMMITTEE TO BROADEN THAT BASE FURTHER WILL MAKE THIS PLAN EVEN BETTER, BY SPREADING THE TAX BURDEN OVER A LARGER NUMBER OF ENTITIES, RATHER THAN HITTING ANY ONE ENTITY THE HARDEST.

IN SUMMARY, AS HAS BEEN TOLD YOU BEFORE, WHAT WORKS BEST IS TO HAVE THE BROADEST TAX BASE POSSIBLE. THE CURRENT TAX BASE INCLUDES MERCHANTS INVENTORY AND EQUIPMENT. A SUDDEN CHANGE IN THAT POLICY ONLY SHIFTS THE BURDEN TO OTHER KINDS OF BUSINESS, AND THUS EVENTUALLY, TO ALL RESIDENTS OF THE STATE OF KANSAS. WE ASK THAT YOU EXAMINE ONCE AGAIN THE LONG TERM EFFECTS OF A BILL SUCH AS THIS, KEEPING THE POINTS I HAVE RAISED HERE IN MIND. THANK YOU.

ATTACHMENT 2

Senate Assessment and Taxation Committee
April 8, 1985

Mr. Chairman, members of the Committee, my name is Barbara Koirtyohann, Manager of State and Local Affairs for Hallmark Cards. It has been approximately six weeks since I spoke before you in support of Senate Concurrent Resolution 1616, a classification of property proposal endorsed by this committee.

However, we are opposed to the House version of property classification contained in HCR 5018 as amended by the House Assessment and Taxation Committee.

From an economic standpoint, following reappraisal, this proposal would put Kansas at a competitive disadvantage by placing the highest tax increase on the commercial and industrial class.

This problem is further compounded by the fact that straight-line depreciation of machinery and equipment over its economic life is harsher treatment than under the trending factors of the status quo.

By combining straight-line depreciation and economic life, the result adversely affects any business investing in new machinery and equipment in comparison to the trending factor method currently in use. For an illustration of this concept, please turn to the attachment. You will note there is at least a 60% overall increase in the amount of property taxes which will be paid during the first five years of the machine's life. This provision will threaten future economic development in Kansas because of a significantly higher tax burden on new plant and equipment.

We believe it is patently unfair to ask the business community to accept an assessment ratio which is two and one-half times the residential ratio while granting relief only from inventory taxation. The price of the inventory exemption becomes too high when coupled with the increased taxes on machinery and equipment.

On the other hand, Hallmark remains supportive of those basic premises embodied in HCR 5018 and earlier in SCR 1616. However to provide for an orderly transition and to mitigate the effects of an immediate exemption of business machinery and equipment, we would support an amendment which would phase-out property taxes on business machinery over a period of three to five years. We believe such a provision would provide equitable treatment for all businesses both agricultural and commercial.

We are hopeful that you will consider the alternative which we have suggested. This alternative will make HCR 5018 a bill that all classes of property owners can support.

Without such a change, we urge you to vote against HCR 5018.

Mr. Chairman, thank you for this opportunity to testify.
We'll be happy to answer any questions you may have.

TRENDING FACTORS VS. STRAIGHT-LINE
DEPRECIATION OVER ECONOMIC LIFE

Year of Life	10-Year Property				15-Year Property				20-Year Property		
	Trending Factor	S/L Economic	% Difference		Trending Factor	S/L Economic	% Difference		Trending Factor	S/L Economic	% Difference
1st	1.0	1.0	None		1.0	1.0	None		1.0	1.0	None
2nd	.70	.90	20%	} 64%*	.74	.93	19%	} 63%*	.76	.95	19%
3rd	.61	.80	19%		.68	.87	19%		.72	.90	18%
4th	.54	.70	16%		.64	.80	16%		.70	.85	15%
5th	.51	.60	9%		.64	.73	9%		.72	.80	8%
6th	.48	.50			.64	.67			.74	.75	
7th	.45	.40		.63	.60		.74	.70			
8th	.41	.30		.61	.53		.74	.65			
9th	.37	.20		.58	.47		.73	.60			
10th	.34	.10		.56	.40		.72	.55			

Amounts represent percentages of an asset's original cost that is taxed each year.

*OBSERVATION: This analysis illustrates the increased percentage of taxes that a business will pay during the first five years of an asset's life depending on various economic lives. Thus, although straight-line depreciation may reward businesses which retain old equipment, the proposal discourages economic development for new machinery and equipment in Kansas.

KANSAS SMALL BUSINESS TRUST

P. O. Box 9361
Wichita, Kansas 67277

Attachment 4

Testimony Presented to the House Assessment and Taxation
Committee - April 8, 1985

Senator Kerr, members of the committee, my name is Mary Ellen Conlee. I represent the Kansas Small Business Trust, a new and growing organization of over 200 small Kansas manufacturing businesses which have joined together because of a concern over the impact of the property taxes on small businesses.

The original issue which brought these businessmen and women together was the use of "trending factors" guidelines for determining taxes on business machinery and equipment. Large and unexpected increases in personal property taxes resulted for most of the members of the Kansas Small Business Trust. They soon realized that the defacto classification of an unconstitutional property tax system has brought about an unfair Kansas tax system, which places a heavy burden on Kansas business.

The Kansas Small Business Trust set out to bring legal action - first before the Board of Tax Appeals and now as an appeal in the 18th Judicial District Court, Sedgwick County, Kansas. This case, Dewey Brittan, Walter Groves, Donald Horning and Bert Oakleaf vs. The Kansas Board of Tax Appeals, is one of the lawsuits that may result in court-ordered reappraisal of property in Kansas. Attached is a copy of the Notice of Appeal in this case.

The Kansas Small Business Trust has worked hard and is still working hard to attain a reclassification of property in Kansas to the 30% level required by the constitution as a way to relieve the tax burden on small businesses. While in the past, the organization has opposed classification. The leadership decided to change that position and support the original HCR 5018. The bringing together of the two issues - inequity in personal property tax appraisals and a classification of property in a way that addresses potential shifts in tax burden to homeowners and farmers - was a fair compromise. The Kansas Small Business Trust now opposes HCR 5018 as it came out of the House because it no longer addresses the problem of personal property tax inequity, especially business equipment and machinery.

The elimination of property tax on inventories and business equipment, even balanced with an increase in real business property taxes, would improve the competitive position for small businesses in Kansas. The annual debate with county appraisors over the value of business equipment is an expensive hidden cost for the businesses I represent. In an age of rapidly changing technology, machinery and equipment is often valued by appraisors at amounts that exceed real market value. Each time this happens, the business owner must take time to argue his case or hire someone to do it for him. Our members fear that the language of amended HCR 5018, "straight-line depreciation over its economic life" would continue to result in yearly debates with local assessors. If inventories and farm machinery are to be exempted, if home owners and farmers are to be protected, then

we believe that the 30% tax on business machinery and equipment even with a straight-line depreciation strongly disadvantages small businesses.

Small businesses provide the vast majority of jobs in Kansas. It is imperative that the legislature address the inequities of the property tax system as soon as possible in a way that supports this vital segment of the Kansas economy. In order to grow, small businesses which serve as suppliers to many corporations in and out of Kansas must be granted a competitive environment. These businesses want to stay in Kansas, but every day customers in states with more competitive business taxes try to encourage them to move. It usually doesn't make the headlines when a single small Kansas business moves to another state, but in the aggregate, the impact would be felt.

The President of the Kansas Small Business Trust, Allan Oakleaf, could recoup the costs of moving his business to Hot Springs, Arkansas, which has recruited him, in one year because of its more favorable tax structure. Mr. Oakleaf is a Kansan. He grew up here and wishes to have his family grow up here. While the Kansas business climate may be ranked as attractive for some businesses, the members of the Kansas Small Business Trust, mostly machine tool, printing and industrial supply companies, find it difficult to survive because of high and unpredictable personal property taxes.

Our members expect to pay taxes, but they also expect to be treated in an equitable fashion. Our numbers are small compared to the numbers of homeowners and farmers. Our organization

responds more slowly to political proposals than some sectors of the economy, but now the members have been able to assess the impact of the House-amended HCR 5018 on their businesses. As a result, the Kansas Small Business Trust asks you to reconsider the actions of the House of Representatives and eliminate personal property taxes on business machinery and equipment while dealing with property tax reform.

PHILIP EVERETT CROWTHER
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IN THE EIGHTEENTH JUDICIAL DISTRICT
DISTRICT COURT, SEDGWICK COUNTY, KANSAS

DEWEY BRITTAIN, WALTER L. GROVES,)
DONALD HORNUNG, and BERT A. OAKLEAF,)
)
Petitioners)
)
vs.) FILE NO. _____
)
KANSAS BOARD OF TAX APPEALS,)
)
Respondent)
_____)

NOTICE OF APPEAL

Pursuant to K.S.A. 74-2426, 1984 Supp., Petitioners respectfully Appeal to the Court to review an Order of the Kansas Board of Tax Appeals. In support of this Petition, the Petitioners allege the following:

1. Petitioners Dewey Brittain, Walter L. Groves and Bert A. Oakleaf are property taxpayers in Sedgwick County.
2. Petitioner Donald Hornung is a property taxpayer in Ford County.
3. The "due process clause" of the United States Constitution, Section 1 of the Fourteenth Amendment, provides that:

No State shall make or enforce any law which shall ... deprive any person of life, liberty, or property, without due process of law.
4. The "equal protection clause" of the United States Constitution, Section 1 of the Fourteenth Amendment, provides that:

No State shall make or enforce any law which shall ... deny to any person within its jurisdiction the equal protection of the laws.

5. The "uniformity clause" of the Kansas Constitution, Section 1 of Article 11, provides, inter alia, that:

The legislature shall provide for a uniform and equal rate of assessment and taxation

6. K.S.A. 79-1439 provides that:

All real and tangible personal property which is subject to general property taxes shall be appraised uniformly and equally at its fair market value, as defined in K.S.A. 79-503a, and assessed at 30% thereof.

7. K.S.A. 79-503a provides, inter alia, that:

"Fair market value" means the amount in terms of money that a well informed buyer is justified in paying and a well informed seller is justified in accepting for property in an open and competitive market, assuming that the parties are acting without undue compulsion.

8. K.S.A. 79-1413a provides, inter alia, that:

Whenever upon complaint made to the state board of tax appeals by ... any property taxpayer, and a summary proceeding in that behalf be had, it shall be made to appear to the satisfaction of the board that the assessment of taxable real estate and tangible personal property in any county is not in substantial compliance with law, and that the interest of the public will be promoted by a reappraisal of such property, said board of tax appeals shall order a reappraisal of all or any part of the taxable property in such district to be made

9. K.S.A. 79-1409 provides, inter alia, that:

The state board of tax appeals shall constitute a state board of equalization, and shall equalize the valuation and assessment of property throughout the state

10. K.S.A. 79-1451 provides, inter alia, that:

... inasmuch as it is the desire of the legislature to make a comprehensive study of the ad valorem taxation system and a countywide reappraisal of all of the tangible property within any county in the near future prior to such study would be of questionable merit, no county shall apply valuations established for property by countywide reappraisals of real property within the county ... as a basis for the levy of taxes prior to the certification by the director of property valuation that the countywide reappraisal of property in all counties of the state have been completed and are ready for utilization as a basis for the levy of such taxes. Nothing in this act shall be construed to conflict with any other provision of law relating to the appraisal of tangible property for taxation purposes including the equalization processes of the county and state boards of equalization.

11. The study referred to in K.S.A. 79-1451 was completed in 1979 and resulted in the introduction of S.B. 79. That Bill was passed by the Senate, but died in the House in 1980.

12. Although there are differences between the "equal protection clause" and the "uniformity clause", their rationale is essentially the same:

Each man in the State, county and city, is equally in proportion to his property interested in maintaining the State, county and city governments, and in that proportion should bear the burden equally. State ex rel. Stephan v. Martin, 230 Kan. 759, 764, 641 P.2d 1020 (1982), citing Hines v. City of Leavenworth, 3 Kan. 186 (1865).

13. In *Sioux City Bridge Co. v. Dakota County, Neb.*, 260 U.S. 441 (1923), the United States Supreme Court considered the case of a taxpayer whose property was valued and assessed at a higher rate than other property in the taxing jurisdiction. Even though state law required that all property be valued at fair market value, the Court held that, under the "equal protection clause" of the United States Constitution:

... the right of the taxpayer whose property alone is taxed at 100 per cent. of its true value is to have his assessment reduced to the percentage of that value at which others are taxed even though this is a departure from the requirement of statute. 260 U.S. at 446.

Although the Nebraska courts had held that the rights of the taxpayer could be protected by the remedy of having the assessed value of the property of other taxpayers raised, the Supreme Court concluded that:

... such a result as that reached by the Supreme Court of Nebraska is to deny the injured taxpayer any remedy at all because it is utterly impossible for him by any judicial proceeding to secure an increase in the assessment of the great mass of underassessed property in the taxing district. 260 U.S. at 446.

14. Similarly, prior to 1974, the Kansas Supreme Court had consistently held that, even though state law required that all property be valued at fair market value, a taxpayer who was able to establish that other property in the county was being valued at a lower percentage of fair market value was entitled, under the "equal protection clause" and the "uniformity clause", to have his property valued at such lower percentage of fair market value. *Beardmore v. Ling*, 203 Kan. 802, 457 P.2d 117 (1969); *Addington v. Board of*

County Comm'rs, 191 Kan. 528, 382 P.2d 315 (1963); Kansas City Southern Ry. Co. v. Board of County Comm'rs, 183 Kan. 675, 331 P.2d 899 (1958); Bank v. Lyon County, 83 Kan. 376, 111 P. 496 (1910). The underlying theory was that:

The duty to assess at full value is not supreme but yields to the duty to avoid discrimination. Addington v. Board of County Comm'rs, 191 Kan. at 531.

To the extent that this resulted in different rates of valuation and assessment in different counties, the Court anticipated that such differences could be equalized by the Director of Property Valuation or the Board of Tax Appeals, sitting as the State Board of Equalization. See McManaman v. Board of County Comm'rs, 205 Kan. 118, 468 P.2d 243 (1970); Harshberger v. Board of County Comm'rs, 201 Kan. 593, 442 P.2d 5 (1968).

15. However, in Gordon v. Hiatt, 214 Kan. 690, 522 P.2d 942 (1974), the Kansas Supreme Court decided to take a different approach. As in prior cases, the Court recognized that:

The constitutional requirement of uniformity takes preference over a legislative directive to assess at a fixed percentage of justifiable value. 214 Kan. at 695.

However, the Court held that:

Uniformity of tax burdens can never be achieved in this state between a taxpayer within a county and between taxpayers in different counties by adjusting individual assessments to the median ratio of real property in each county. We are inclined, in the interest of uniformity throughout the state, to stress the legislative directive to assess at thirty percent of justifiable value. 214 Kan. at 695-696.

The Court felt that the right of taxpayers to uniform and equal treatment could be protected:

... by bold action of assessors, reviewing authorities, and the courts to promote uniform assessment at the statutory rate. 214 Kan. at 696.

16. The decision in Gordon v. Hiatt, supra, effectively prevents taxpayers whose property is being valued and assessed at a higher rate, from obtaining uniform and equal treatment by means of obtaining a lower assessment. However, as noted above, the right of taxpayers to be assessed on the same basis as other taxpayers is still guaranteed by the "equal protection clause" and the "uniformity clause". Thus, the clear contemplation of the Court in Gordon v.

Hiatt was that such taxpayers would still be able to enforce their rights by compelling all other property in the county to be valued in accordance with the law. Otherwise, the position of the taxpayers would be no different than that of the taxpayers described by the United States Supreme Court in *Sioux City Bridge Co. v. Dakota County, Neb.*, supra, with the consequence that the decision in *Gordon v. Hiatt*, supra, would be unconstitutional.

17. One method by which taxpayers can compel all other property in a county to be valued in accordance with law is by filing a Complaint with the Kansas Board of Tax Appeals under K.S.A. 79-1413a, supra.

18. One of the requirements of K.S.A. 79-1413a is that the Board find "that the interest of the public will be promoted by a reappraisal of such property". The meaning of this phrase was discussed by the Kansas Supreme Court in *Board of County Commissioners v. Brookover*, 198 Kan. 71, 422 P.2d 906 (1967) where the Court stated that:

... public interest not only requires equality of assessment for taxation as between property owners within a county but also between property owners of the state. 198 Kan. at 77.

As noted above, one of the primary reasons why the Kansas Supreme Court in *Gordon v. Hiatt*, supra, mandated adherence to the requirement of K.S.A. 79-1439 that all property be assessed at 30% of fair market value was to insure that there would be an equality of assessment between all property owners. Taken together, these cases stand for the proposition that the "interest of the public will be promoted" by requiring adherence to K.S.A. 79-1439.

19. Pursuant to K.S.A. 79-1413a, Petitioners made Complaint to the Kansas Board of Tax Appeals requesting the Board:

- a. To order a reappraisal of all taxable real property located in Sedgwick and Ford Counties; and
- b. To order a reappraisal or equalization of all taxable real property located in all other Counties in the State of Kansas.

20. On August 13th and 14th, the Board held a hearing at which the Petitioners presented evidence, which was uncontroverted, establishing that the valuation and assessment of taxable real estate in Sedgwick and Ford Counties and in all

other Counties in the State of Kansas is not in substantial compliance with law.

21. On January 30th, 1985, the Board issued an Order denying the Complaints of the Petitioners and refusing to order reappraisal in Sedgwick or Ford County, or any other County. The Board refused to rule whether the valuation and assessment of taxable real estate in Sedgwick and Ford Counties and in all other Counties in the State of Kansas was in substantial compliance with law. Rather the Board held that the interest of the public would not be promoted by a reappraisal of such property. The following reasons, among others, were given:

- a. Reappraisal should be done on a statewide basis.
- b. An Order requiring reappraisal might be ignored.
- c. Reappraisal would be expensive.
- d. Reappraisal would be useless in light of K.S.A. 79-1451 which would prohibit the Counties from using the reappraised values as the basis for levy of taxes prior to the completion of a statewide reappraisal.
- e. Reappraisal should not be ordered because the legislature might change the law to make the reappraisal unnecessary.

22. On February 11, 1985, Petitioners filed a Motion for Rehearing with the Board.

23. On February 20th, 1985, the Board denied the Motion for Rehearing.

24. Petitioners hereby allege that the Order of the Board denying the Complaints of the Petitioners was unreasonable, arbitrary and capricious for several reasons, including the following:

- a. The Board was presented with uncontroverted evidence establishing that the valuation and assessment of taxable real estate in Sedgwick and Ford Counties and in all other Kansas Counties, is not in substantial compliance with law.
- b. None of the reasons given by the Board provide a sufficient basis for the conclusion that the interests of the public would not be promoted by reassessment.

25. Under K.S.A. 74-2426, this Court has jurisdiction to hear this appeal.

IN CONSEQUENCE OF the foregoing:

1. Petitioners request the Court to reverse the Order in a manner which will compel the Board:
 - a. To order a reappraisal of all taxable real property located in Sedgwick and Ford Counties.
 - b. To order a reappraisal or equalization of all taxable real property located in all other Counties in the State of Kansas.

2. Petitioners request the Court to find that K.S.A. 79-1451 will not prevent any of those counties from immediately applying the reassessed values as the basis for the levy of taxes.

3. In the event that the Court finds that K.S.A. 79-1451 will prevent those Counties from immediately applying the reassessed values as the basis for the levy of taxes, Petitioners request the Court to find that find that K.S.A. 79-1451 is null and void as inconsistent with the "due process clause" and the "equal protection clause" of the United States Constitution and with the "uniformity clause" of the Kansas Constitution.

4. In the event that the Court is unable to compel either the Board or the Director of Property Valuation to order reappraisal or that the Court finds that the Counties will be unable to immediately apply the assessed values as the basis for the levy of taxes, Petitioners request the Court to find that the Legislature has not fulfilled the duty required by the "due process clause" and the "equal protection clause" of the United States Constitution and by the "uniformity clause" of the Kansas Constitution and:
 - a. To order a reappraisal of all taxable real property located in Sedgwick and Ford Counties.
 - b. To order a reappraisal of all taxable real property located in all other Counties in the State of Kansas.

Respectfully Submitted,

By: Philip Everett Crowther

PHILIP EVERETT CROWTHER
Attorney for the Petitioners
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Kansas Legislative Policy Group

200 Jayhawk Tower, 700 Jackson, Topeka, Kansas 66603, 913-233-2227

April 8, 1985

**TESTIMONY TO
SENATE ASSESSMENT AND TAXATION COMMITTEE****HCR 5018, As Amended
by House Committee of the Whole**

Mr. Chairman and members of the Committee, I am Chip Wheelen of Pete McGill and Associates. We represent the Kansas Legislative Policy Group, which is an organization of County Commissioners from primarily rural areas of the State. The members originally formed this association because of mutual concerns pertaining to erosion of the local property tax base.

For quite some time, our members have supported the concept of statewide reappraisal of real estate in conjunction with amendment of the Kansas Constitution for purposes of assessing different classes of property at rates that would minimize shifting of tax burdens among owners of different types of property.

We appear today in support of HCR 5018 because, in its current form, it provides for assessment of agricultural real estate based upon market value appraisal of such properties. We believe that this provision is essential until such time that statewide use value appraisal is conducted.

We agree that the concept of use value appraisal has merit, but we do not believe that this is an appropriate time for the Legislature to constitutionally limit the authority delegated by the voters when Section 12 of Article 11 was adopted. We contend that this statutory option should be retained until the Legislature has the data necessary to

make well informed decisions regarding taxation of farmland.

Although we support HCR 5018, it is my duty to inform the Committee that we cannot endorse certain provisions. We are generally opposed to any further erosion of the property tax base and this obviously means that we cannot endorse any new property tax exemptions.

We acknowledge, however, that compromises are necessary in order to obtain the required two-thirds majority votes and present the proposition to the voters. Therefore, we respectfully recommend that if the Legislature desires to constitutionally exempt certain types of personal property, that the assessment rates applied to farmland and residential real estate be set at percentages that would protect farmers and homeowners from assuming substantial increases in proportionate distributions of assessed valuations. The KLPG Board of Directors has formally endorsed a seven percent assessment rate for both agricultural and residential real estate.

Lastly, we respectfully suggest consideration of amendment of the explanatory statement in order to communicate clearly why the Legislature would present the voters with a classification resolution. Perhaps a statement could be added to the effect that, "In presenting this proposition to the voters, it was the intent of the Legislature to moderate redistributions of assessed values upon completion of statewide reappraisal of real estate." We believe that it is important that the voters better understand the real purpose of this extremely serious and much needed amendment to the Kansas Constitution.

COMPARISONS OF RELATIONSHIPS, USE VALUE TO MARKET VALUE ESTIMATE⁽¹⁾

<u>County Sampled</u>	<u>Land Classes</u>					<u>Unweighted Average</u>	<u>Aggregate x 30%</u>	<u>1984 A/S Ratio (2)</u>
	<u>II</u>	<u>III</u>	<u>IV</u>	<u>VI</u>	<u>VII</u>			
Franklin	38.4%	38.3%	31.1%	34.5%	NC	36.1%	10.8%	4.9%
Neosho	38.4	35.2	42.7	38.0	70.0%	40.0	12.0	5.2
Nemaha	41.4	42.4	42.1	20.0	22.5	37.2	11.2	5.6
Dickinson	40.9	43.0	43.8	18.3	17.1	36.4	10.9	6.5
Greenwood	NC	NC	NC	26.7	20.0	24.4	7.3	5.8
Jewell	41.7	36.2	32.9	33.3	20.0	35.6	10.7	5.4
Ellsworth	42.5	42.9	38.3	30.0	20.0	37.4	11.2	5.5
Sumner	33.1	33.3	40.9	NC	NC	35.3	10.6	5.0
Ness	25.0	21.1	20.0	27.5	30.0	23.4	7.0	5.8
Decatur	25.5	27.5	26.7	14.5	NC	24.4	7.3	5.8
Wallace	NC	27.5	26.7	25.7	NC	26.9	8.1	4.8
Grant	NC	31.4	32.7	26.7	20.0	30.0	9.0	5.5
Clark	NC	25.0	21.4	27.3	18.8	23.6	7.1	5.2

1) Source for comparisons: Memorandum dated January 11, 1985 from Supervisor of Real Estate to Director of Property Valuation.

2) Assessment to sales ratio for unimproved agricultural real estate.

NC - No comparison because values were not reflected in source document.

Prepared by: C. Wheelen, Pete McGill & Associates.



Kansas Farm Bureau, Inc.

2321 Anderson Avenue, Manhattan, Kansas 66502 / (913) 537-2261

Statement of Kansas Farm Bureau
to the
Senate Committee on Assessment & Taxation

RE: H.C.R. 5018--Proposal to amend
the Constitution to Require Classification
of Property

April 8, 1985
Topeka, Kansas

Presented by:
John K. Blythe, Assistant Director
Public Affairs Division
Kansas Farm Bureau

* * * * *

Mr. Chairman and members of the Committee:

We are pleased to have this opportunity to speak on behalf of the farmers and ranchers who are members of the Kansas Farm Bureau as you consider H.C.R. 5018, which proposes to amend the constitution to provide for a system of classification of property ad valorem taxation purposes.

We have appeared before this committee in previous years to discuss taxation issues. We have presented statements regarding the appraisal of property as we have on the classification of property.

We have expressed the views of our members regarding the topic before you today. The policy position of our organization on this matter was refined a bit at the most recent annual meeting of our organization, December 2-4, 1984. That policy and one other relating to farm machinery appear on the next page:

Appraisal, Assessment and Taxation of Real and Personal Property

We believe Kansas should begin the process of reappraisal, and we further believe the new values determined by the reappraisal process should be implemented in all 105 Kansas counties at the same time. Reappraisal procedures should contain provisions for frequent updating of values.

Procedures should be developed to insure against an unfair shift of taxes to agricultural and residential property. We believe that this shift of taxes can be best addressed by classification. The classification issue should not be addressed until reappraisal is completed in all counties.

In 1976, voters approved an amendment to the Kansas Constitution to allow the Legislature to develop use-value appraisal of agricultural land. For eight years we have attempted to enact a use-value appraisal statute. We believe this Constitutional provision should be implemented.

We firmly believe that the income capitalization approach to value is sound and is an equitable method of appraising real property for tax purposes. Statutory or constitutional language should require that all properties valued under use-value, (the income capitalization approach), should have a common capitalization rate based on economic, interest rate and money market factors.

We believe livestock should be exempt from property taxation in Kansas. There are 36 states that presently exempt livestock. Kansas should be added to this list of states so that we can maintain the leadership position in livestock production.

Farm Machinery Tax Exemption

We believe the exemption of farm machinery recognizes the importance of agriculture to the Kansas economy, is in keeping with similar actions in 27 other states and the trend nationally exempting farm machinery from property taxation, and should be defended vigorously.

The farmers and ranchers who were delegates at our annual meeting reiterated the belief that a reappraisal procedure should begin soon. So, while we are talking classification amendment proposals we want you to know at the same time that we are supportive of reappraisal of property.

Our delegates reiterated the belief that "procedures should be developed to insure against an unfair shift of taxes to agricultural and residential property." This year they stressed the belief that this "shift of taxes" would best be addressed by a classification procedure.

We shared with you the policy position of our members concerning the farm machinery tax exemption. It is very straight forward. It recognizes that this exemption is granted in 27 other states, with yet other states that provide a reduced tax or appraisal on farm machinery. Our people want this farm machinery to remain exempt from property taxation and they want us to defend it vigorously. They likewise want you to defend it vigorously.

H.C.R. 5018 does address the exemption for livestock and the inventories of merchants and manufacturers. We strongly recommend that H.C.R. 5018 be amended on page 3 on line 0118 to assure farmers and ranchers that they will continue to have their farm machinery and equipment exempt from ad valorem taxes.

The constitutional amendment approved by the voters of this state in 1976 gave this legislation the authority to value agricultural land according to its income producing capability or its productivity. To date there has been no implementation of use-value appraisal. We express our appreciation that use-value appraisal is incorporated in H.C.R. 5018. We would at this point tell you that we supported S.B. 164, the reappraisal bill that has been approved by the Senate and the House of Representatives.

I have attached two pages to this testimony: one page is taken from the Property Valuation Department Statistical Report that indicates that agriculture is paying in excess of 15 percent of the states property tax; the second page indicating Kansas Personal Income in three broad categories: (1) Farm income, (2) Government income & disbursements, and (3) Private non-farm income. The information for this page was taken from the Kansas Economic Report and a five-year average of farm income (not showing 1983 and 1984 income) indicates that agriculture paid their 15 percent plus property tax out of 3.56 percent of the states personal income. I have included these two pieces of information to indicate that Agriculture is and has been paying their share of the property tax.

Thank you for the opportunity to make a brief statement on H.C.R. 5018. . . If there are questions, I will attempt to answer them.

1983 Statistical Report - PVD

DOLLARS
 ASSESSED VALUATION AS REPORTED TO THE DIRECTOR OF PROPERTY
 VALUATION BY THE COUNTY CLERK, AS OF JULY 1

DOLLARS
 TANGIBLE ASSESSED VALUATION AND TAXES
 AND IN LIEU OF TAXES (As of Nov. 1)

REAL ESTATE			VALUATION			GENERAL PROPERTY TAX		AVG. RATE PER \$100 ASSESSED VALUATION
	Land	Improvements	Total					
RURAL:								
Agri-Non-Investment	\$ 13,785,158	\$ 19,638,244	\$ 33,423,402	Rural (Locally Assessed)	\$ 2,094,913,426		\$ 184,504,589.04	13.64%
Homesites	15,862,546	113,208,516	129,071,062	Urban	3,129,612,681		413,051,440.14	13.20
Planned Subdivisions	23,507,725	116,831,053	140,338,778	Total	5,224,526,107		607,556,029.18	11.63
Spot Indust. & Commercial	9,365,831	135,545,827	144,911,658	PERSONAL PROPERTY (Locally Assessed)				
Recreational	670,533	2,109,195	2,779,728	Rural	2,608,752,276		183,955,419.38	1.63%
Agricultural Investment	1,375,428,497	259,767,324	1,635,195,821	Urban	1,133,997,161		146,950,438.44	12.96
Mineral Interests				Total	3,742,749,437		330,905,857.82	8.84
Non-Severed	38,276	xxxxx	38,276	PUBLIC SERVICE CO'S. (State Assessed)				
Severed	7,453,360	xxxxx	7,453,360	Rural	1,585,846,522		113,809,253.85	7.18
TOTAL RURAL REAL ESTATE	\$1,446,111,926	\$ 647,100,159	\$ 2,093,212,085	Urban	474,362,766		61,673,454.32	13.00
URBAN:								
Residential	\$ 296,353,491	\$1,718,323,909	\$ 2,014,677,400	Total	2,060,209,288		175,482,708.17	8.52
Multifamily	20,156,422	175,296,752	195,453,174	TOTAL RURAL	6,289,512,224		492,269,262.27	7.83
Commercial	157,297,796	613,807,392	771,105,188	TOTAL URBAN	4,737,972,608		621,675,332.90	13.12
Industrial	15,112,797	88,602,656	103,715,453	TOTAL	\$11,027,484,832		\$1,113,944,595.17	10.10
Vacant Lots	46,391,782	xxxxx	46,391,782	IN LIEU OF PROPERTIES TAX				
Mineral Interests				R.E. 13.64 %				
Non-Severed	660	xxxxx	660	Personal 1.63 %				
Severed	12,416	xxxxx	12,416	Total 15.27 %				
TOTAL URBAN REAL ESTATE	\$ 535,325,364	\$2,596,030,709	\$ 3,131,356,073	MONEYS & CREDITS (Intangibles Tax)				
TOTAL REAL ESTATE	\$1,981,437,290	\$3,243,130,868	\$ 5,224,568,158	Rural				
TANGIBLE PERSONAL								
City Personal	\$ xxxxxx	\$ 454,807,292	\$ 74,807,292	Urban				
Township Personal	254,075,609	xxxxx	254,075,609	Total			12,480,125.79	
Merchandising	51,681,928	351,719,486	403,401,414	FINANCIAL INSTITUTIONS (5 mills on Capital Stock)				
Manufacturing	233,084,798	320,192,269	553,277,067	Rural				
Professional Business	1,901,743	36,242,603	38,144,346	Urban				
Contractors	35,082,354	34,440,244	69,522,598	Total			851,980.69	
Organizations	436,656	1,217,598	1,654,254	INDUSTRIAL REVENUE BOND PROPERTIES				
Other Business	51,391,326	179,864,410	231,255,736	Rural				
Ser. Sta. Prop. & But. Plants	5,880,658	18,802,789	24,683,447	Urban				
Oil Production:				Total			2,914,335.00	
Working Int.	897,814,965	3,867,750	901,682,715	GRAIN HANDLERS				
Royalty Int.	210,777,383	451,212	211,228,595	Rural				
Gas Production:				Urban				
Working Int.	670,603,946	770,220	671,374,166	Total			751,586.00	
Royalty Int.	125,095,480	211,330	125,306,810	GRAND TOTAL IN LIEU OF TAX				
Refining & Processing	39,464,992	581,810	40,046,802				16,998,027.48	
Banks, Trusts & Ins. Co's., and Savings & Loan Assn.	370,460	24,621,757	24,992,217	SPECIAL ASSESSMENTS TAX				
Community T.V.	1,584,327	12,452,722	14,037,049	Rural			9,066,809.82	
TOTAL TANGIBLE PERSONAL PROPERTY (Before Penalty)	\$2,579,246,625	\$1,060,243,492	\$ 3,639,490,117	Urban			49,715,882.10	
Penalty	8,170,292	8,190,878	16,361,170	Total			58,782,691.92	
TOTAL TANGIBLE PERSONAL PROPERTY (Taxable)	\$2,587,416,917	\$1,068,434,370	\$ 3,655,851,287	GRAND TOTAL ALL TAX				
STATE ASSESSED PUBLIC SERVICE CO'S.								
	1,585,913,925	474,245,557	2,060,159,482	Rural			507,071,790.37	
GRAND TOTAL TANGIBLE TAXABLE VALUATION	\$6,266,542,927	\$4,674,036,000	\$10,940,578,927	Urban			682,653,524.20	
				Total			\$1,189,725,314.57	

Distribution of Taxes Levied Nov. 1, 1983 for 1984 Expenditures - 'In Lieu of' Tax Distribution
 In Dollars By Type of Taxing District

Taxing Districts	LOCALLY ASSESSED IN LIEU OF TAXES							Totals Col. 1 + 6 + 7
	General Tax (1)	Moneys & Credits (Intangibles Tax) (2)	Financial Institutions (3)	Industrial Revenue Bond Properties (4)	Grain Tax (5)	Total In Lieu of Taxes (6)	Special Assessments (7)	
1. State	\$ 16,541,107.87	\$ ---	\$ 2,672.19	\$ 29,296.80	\$ ---	\$ 31,968.99	\$ ---	\$ 16,573,076.86
2. County	237,804,055.17	3,171,447.33	42,484.04	458,976.85	751,526.00	4,424,494.22	7,205,750.53	249,535,200.02
3. Cities	177,436,326.32	6,015,753.10	197,161.32	1,072,029.44	---	7,284,943.86	46,180,245.67	230,901,515.85
4. Townships	18,057,717.47	3,292,925.36	450,767.45	57,225.47	---	3,800,918.28	3,937,322.46	25,796,458.21
5. Schools	621,231,890.29	---	143,301.61	1,236,463.97	---	1,379,765.58	---	622,611,655.87
6. Cemeteries	1,681,129.50	---	1.69	77.29	---	1,798.78	---	1,681,208.48
7. Drainages	1,186,563.65	---	---	---	---	---	---	1,186,563.65
8. Fires	14,096,831.11	---	---	34,596.71	---	34,596.71	30,933.13	1,252,093.49
9. Hospitals	3,946,649.14	---	8,912.51	414.72	---	9,227.23	---	14,106,159.34
10. Improvements	94,810.38	---	---	86.95	---	86.95	---	3,946,736.09
11. Libraries	7,550,658.67	---	---	---	---	---	636,656.75	731,467.13
12. Lights	6,149.24	---	2,222.17	15,442.84	---	17,765.01	---	7,568,423.68
13. Parks & Recreation	2,021,548.34	---	2,282.28	---	---	2,282.28	---	6,149.24
14. Sewers	7,678,129.31	---	---	---	---	---	---	2,023,830.62
15. Watersheds	1,746,284.49	---	---	---	---	---	171,855.38	7,849,984.69
16. Airport Authorities	2,422,881.46	---	---	---	---	---	12,178.50	1,758,462.99
17. Ambulances	43,821.29	---	2,075.43	9,723.96	---	11,799.39	---	2,434,680.85
18. Community Buildings	2,206.01	---	---	---	---	---	---	43,821.29
19. Ground Water Mgt.	---	---	---	---	---	---	---	2,206.01
20. Industrials	33,403.54	---	---	---	---	---	279,379.42	279,379.42
21. Irrigations	3,630.31	---	---	---	---	---	---	33,403.54
22. Rural Highway Systems	352,443.00	---	---	---	---	---	270,253.32	273,883.63
23. Waters	646.63	---	---	---	---	---	---	352,443.00
24. Zonings	5,711.98	---	---	---	---	---	6,616.66	7,263.29
25. TOTAL	\$1,113,944,595.17	\$12,480,125.79	\$851,980.69	\$2,914,335.00	\$751,586.00	\$16,998,027.48	\$58,782,691.92	\$1,189,725,314.57

PF-AD-27 (Rev. 7/83) * 49,806 assessed value for Dodge City Mobiphone taken by Ford Co. Clerk from 1982 Value by Director.

KANSAS PERSONAL INCOME (add 000,000)

Year	Total Personal Income	* Farm Income	Farm Income		Gov't Income		Private Non-Farm Income	Non-Farm Income % of Total	Reference Source
			% of Total Income	Deductions	% of Total Income				
1950	2,671	529	19.8%	390	14.6%	1,752	65.6%	Kansas Co. Income 50-54	
1951	2,987	463	15.5%	411	13.8%	2,113	70.7%	Office of Econ. Analysis	
1952	3,422	601	17.6%	475	13.9%	2,346	68.5%	"	
1953	3,292	309	9.4%	540	16.4%	2,443	74.2%	"	
1954	3,435	359	10.4%	566	16.5%	2,510	73.1%	"	
1955	3,475	204	5.9%	608	17.5%	2,663	76.6%	" Farm Income Revised in 4th Annual	
1956	3,674	201	5.5%	643	17.5%	2,830	77.0%	"	
1957	3,859	221	5.7%	715	18.5%	2,923	75.8%	"	
1958	4,293	515	12.0%	791	18.4%	2,987	69.6%	"	
1959	4,350	355	8.2%	826	19.0%	3,169	72.8%	"	
1960	4,546	449	9.9%	881	19.4%	3,216	70.7%	"	
1961	4,735	469	10.0%	955	20.1%	3,311	69.9%	"	
1962	4,946	440	8.9%	999	20.2%	3,507	70.9%	"	
1963	5,080	417	8.2%	1,047	20.6%	3,616	71.2%	"	
1964	5,286	379	7.2%	1,130	21.4%	3,777	71.4%	"	
1965	6,039	490	8.1%	1,235	20.5%	4,314	71.4%	5th Annual Report, Office of Econ. Analysis	
1966	6,702	526	7.9%	1,390	20.7%	4,786	71.4%	Farm Income revised in 7th	
1967	7,120	458	6.4%	1,560	21.9%	5,102	71.7%	6th Annual Report, office of Econ. Analysis	
1968	7,754	489	6.3%	1,776	22.9%	5,489	70.8%	Farm Income revised in 9th report	
1969	8,385	580	6.9%	1,976	23.6%	5,829	69.5%	8th Annual Report, Office of Econ. Analysis	
1970	8,860	554	6.3%	2,227	25.1%	6,079	68.6%	9th Annual Report	
1971	9,497	778	8.2%	2,308	24.3%	6,411	67.5%	9th Annual Report	
1972	10,631	1,114	10.5%	2,509	23.6%	7,008	65.9%	11th Annual Report	
1973	12,182	1,664	13.7%	2,746	22.5%	7,772	63.8%	12th Annual Report	
1974	13,199	1,259	9.5%	3,272	24.8%	8,668	65.7%	13th Annual Report	
1975	14,141	756	5.4%	3,767	26.6%	9,618	68.0%	14th Annual Report	
1976	15,553	636	4.1%	4,104	26.4%	10,813	69.5%	15th Annual Report	
1977	17,284	607	3.5%	4,656	26.9%	12,021	69.6%	16th Annual Report	
1978	19,430	797	4.1%	4,767	24.5%	13,866	70.4%	State of State Economic Report	
1979	22,470	1,365	6.1%	5,275	23.5%	15,830	70.4%	of the Governor Jan 1981	
1980	24,318	652	2.7%	6,170	25.4%	17,496	71.9%	Economic & Social Rpt of Gov, Jan	
1981	26,836	333	1.25%	6,990	26.0%	19,513	72.7%	KS Economic Rpt., March 1983	
1982	29,476	1,221	4.14%	7,649	25.95%	20,606	69.91%	KS Economic Rpt., March 1983	
Syn. Ave. 24,506	873.6	3.54%	6170.2	25.18%	17,462.2	71.24%	" " " Feb. 1984		
10-yr Ave. 19,478.9	929	4.77%	4939.6	25.34%	13,420.3	69.92%			

Farm Income = Net income from farm marketings of crops & livestock, government farm payments, value of home consumption and rental value of farm dwellings.

STATEWIDE RECAPITULATION

VALUATION AS REPORTED TO THE DIRECTOR OF PROPERTY
VALUATION BY THE COUNTY CLERK AS OF JULY 1

P.V.D.
1982 Statistical Report

VALUATION AND TAXES
TANGIBLE AND INTANGIBLE PROPERTY
(On County Tax Rolls as of November 1)

REAL ESTATE

RURAL:

Agricultural Non-Investment	
Land	\$ 13,633,878
Improvements	18,901,131
Homesites	
Land	15,557,572
Improvements	111,213,033
Planned Subdivisions	
Land	23,519,947
Improvements	114,422,238
Spot Industrial & Commercial	
Land	9,810,224
Improvements	135,712,598
Recreational	
Land	675,573
Improvements	1,978,285
Agricultural Investment	
Land	1,373,821,883
Improvements	253,317,656
Mineral Interests	
Non-Severed	1,627,139,539
Severed	7,731
TOTAL RURAL REAL ESTATE	\$ 2,079,742,705

LOCALLY ASSESSED
TANGIBLE PROPERTIES:

Real Estate

Rural	\$2,085,643,151
Urban	3,069,458,628
Personal Property	
Rural	3,075,130,410
Urban	1,149,480,898

GENERAL PROPERTY
TAX

136,334,725 = 13% of total tax	
Rural	\$ 174,257,517.475
Urban	376,861,669.31
47,308,054 = 4.5% of total tax	
Rural	205,378,228.90
Urban	137,945,138.64

STATE ASSESSED
PUBLIC SERVICE CO'S.

Rural	1,468,499,938
Urban	466,158,780
TOTAL TANGIBLE PROPERTY	\$11,314,371,805

14.8% of Taxes	
Rural	98,690,034.62
Urban	56,732,979.95
TOTAL INTANGIBLE PROPERTY TAX	\$53,196,019.14

URBAN:

Residential	
Land	\$ 288,441,688
Improvements	1,679,738,856
Multi-Family	
Land	20,052,084
Improvements	172,935,301
Commercial	
Land	156,263,196
Improvements	600,461,956
Industrial	
Land	13,170,753
Improvements	83,831,539
Vacant Lots	
Land	59,538,124
Mineral Interests	
Non-Severed	605
Severed	12,321
TOTAL URBAN REAL ESTATE	\$ 3,074,446,423

Intangible Personal
Property Tax

Rural	\$ 5,953,533.11
Urban	13,239,569.34
TOTAL INTANGIBLE PROPERTY TAX	\$ 19,193,102.45

GRAND TOTAL REAL ESTATE

\$ 5,154,189,128

TANGIBLE PERSONAL

RURAL

URBAN

City Personal	\$		107,543,481
Township Personal		701,216,700	
Merchandising		54,180,977	346,779,679
Manufacturing		208,907,733	306,700,581
Professional Business		3,502,059	34,204,313
Contractors		31,026,581	29,839,453
Organization		521,319	1,189,554
Other Business		54,108,496	191,371,441
Service Stations, Prop. & But. Plants		5,814,428	18,907,649
Oil & Gas Production-Work Int.		1,611,592,854	7,595,630
Oil & Gas Production-Royalty Int.		322,100,941	540,615
Refining & Processing		40,975,884	5,934,290
Banks, Trust & Insurance Co's., Savings & Loan Assn.		251,194	22,194,779
Community Television		1,293,019	7,535,856
TOTAL TANGIBLE PERSONAL PROPERTY (Listed)	\$ 3,035,492,185		\$ 1,080,337,321
Penalty		8,687,000	9,653,168
TOTAL TANGIBLE PERSONAL PROPERTY (Taxable)	\$ 3,044,179,185		\$ 1,089,990,489
STATE ASSESSED PUBLIC SERVICE CO'S.	1,468,096,804		466,440,856
TOTAL TANGIBLE PROPERTY	\$ 6,592,018,694		\$ 4,630,877,768
TOTAL INTANGIBLE PROPERTY (Locally Assessed)	\$ 83,228,600		\$ 69,631,690

TOTAL TANGIBLE TAXES BY TAXING UNITS

State	1.6%	\$ 16,971,867.05
County	21.4%	224,448,642.40
City	16.4%	172,059,134.82
Township	1.6%	17,104,226.15
School	55.5%	582,640,553.36
District	3.5%	36,641,145.11

TOTAL TANGIBLE TAXES LEVIED \$ 1,049,865,568.89

TOTAL INTANGIBLE TAX	*\$ 19,193,102.45
TOTAL SPECIAL ASSESSMENT TAX	53,196,019.14
TOTAL GRAIN TAX	768,512.31
GRAND TOTAL TAXES	\$ 1,123,023,202.79

TAXES PER HUNDRED DOLLARS VALUATION

Average Statewide	\$ 9.28
Average Statewide Rural	\$ 7.22
Average Statewide Urban	\$ 12.20

*Includes \$764,301.47 for in lieu of Ad Valorem Tax: (5 mills on value of capital stock) Finance Companies.

Assessed value of agri. land & improvements = \$1,627,139,539. Property Taxes = \$136,334,725; or 13% of total state property taxes.

Rural township personal property taxes include taxes paid on livestock, farm machinery, trucks over 12,000#, boats, etc. (does not include cars & light pick-ups). Taxes = \$47,308,054; or

WHEAT QUALITY

Samples from 9308 carlots of Kansas wheat arriving at terminals from 94 Kansas counties averaged 11.6 percent protein, slightly above last year's 11.3 percent but below the 10 year average of 11.9 percent. Weight per bushel at 60.4 pounds is below last year's 61.6 pounds and the 10 year average of 61.0 pounds.

Total grade defects at 3.0 percent compares with 2.6 percent last year and the 1973-82 average of 2.9 percent. The percent classified as grading U. S. No. 2 or better at 89 percent compares with 94 percent last year. Twenty-four percent of the carlots were under 0.5 percent dockage, 58 percent in the 0.5-0.9 percent dockage range and 18 percent over 0.9 percent.

If you wish to receive a copy of the full report, write to the Kansas Crop and Livestock Reporting Service or the Kansas Wheat Commission.

Employment on Kansas Farms & ranches totaled 98,000 workers during the week of July 8-14, 1984. Family workers numbered 75,000 and hired workers accounted for the balance of 23,000. A year ago there were 120,000 total workers, with 28,000 hired. Farm operators worked an average of 61.2 hours and hired workers averaged 37.3 hours during the week. Hired field workers averaged \$4.00 per hour, livestock workers \$4.20 and all other workers averaged \$4.69. The overall rate for hired workers was \$4.50 per hour compared with \$4.26 per hour in July 1983.

FARM REAL ESTATE TAXES

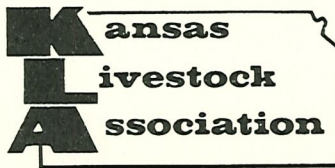
Taxes levied on farm real estate in Kansas totaled \$136.0 million in 1982, 2 percent above the previous year and 21 percent higher than 5 years earlier. Taxes averaged \$2.87 per acre compared with \$2.82 per acre in 1981 and amounted to 49¢ per \$100 of full market value.

1984 KANSAS PRECIPITATION, BY CROP REPORTING DISTRICT

Time Period	NW	WC	SW	NC	C	SC	NE	EC	SE	STATE
	INCHES									
July	1.25	1.69	2.59	.61	.59	.73	1.68	1.26	1.03	1.28
August	2.21	2.10	.60	1.58	1.89	1.30	.81	1.38	1.42	1.44
July-Aug.										
Total	3.46	3.79	3.19	2.19	2.48	2.03	2.49	2.64	2.45	2.72
July-Aug.										
Long Time Avg.	5.37	5.36	5.16	6.41	6.42	5.98	7.99	7.81	7.23	6.35
	PERCENT									
July-Aug. % of										
Long Time Avg.	64	71	62	34	39	34	31	34	34	43

1983 KANSAS PRECIPITATION, BY CROP REPORTING DISTRICT

Time Period	NW	WC	SW	NC	C	SC	NE	EC	SE	STATE
	INCHES									
July	1.59	.73	.30	.26	.70	.75	.25	1.07	1.54	.80
August	1.08	.93	.65	1.89	1.16	1.41	1.55	.90	1.43	1.21
July-Aug.										
Total	2.67	1.66	.95	2.15	1.86	2.16	1.80	1.97	2.97	2.01
July-Aug.										
Long Time Avg.	5.37	5.36	5.16	6.41	6.42	5.98	7.99	7.81	7.23	6.35
	PERCENT									
July-Aug. % of										
Long Time Avg.	50	31	18	34	29	36	23	25	41	32



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Owns and Publishes The Kansas STOCKMAN magazine and KLA News & Market Report newsletter.

Statement of the
Kansas Livestock Association
to the
Senate Assessment and Taxation Committee
with respect to
HCR 5018
Classification of Property Tax Assessment Rates
presented by
Dee Likes
Executive Vice President
April 8, 1985

Mr. Chairman and members of the committee, I'm Dee Likes representing the Kansas Livestock Association. KLA is a statewide voluntary association of livestock producers and represents the entire spectrum of beef cattle production including cow-calf operators, stocker operators and cattle feeders. In addition, KLA also represents swine and sheep producers. A large percentage of our membership is also engaged in farming and crop production activities. For many years our association has actively participated in the legislative process to represent the best interests of Kansas agriculture generally and the livestock producing segments specifically.

We appreciate this chance to appear before you in order to share some of our views relative to property tax classification. Because we have presented testimony on this same topic on numerous prior occasions to this committee, and recognizing the time constraints under which we must work during these particular hearings, we do not intend to go into great detail about each and every aspect of property tax classification or even every detail of this particular proposal. Pursuant to the wishes of the chairman, I will today restrict my oral remarks to mainly addressing the changes HCR 5018 contains which contrasts with the previous property tax classification proposal -- SCR 1616 which was considered by this committee. I have, however, included in my written remarks, background information on use-value appraisal and the taxation of personal property.

The two major topics which I will address today are as follows:

(1) The inclusion of an 8% assessment rate for agriculture land if valued under the "fair market value" concept. While it's obvious to the members of this committee that KLA supports the concept of use-value appraisal for agricultural land, I'm sure most of you will also recall that we have also supported the idea of including an "either/or" provision within a classification proposal because it will act as a safeguard against future legislative action which could enact a use-value appraisal methodology which would not accurately arrive at the value for agricultural land. While we don't pretend to think it is possible to completely eliminate the risk which is always inherent each and every time the legislature meets, we do recognize, sympathize and support the very strong position taken by the majority of those in the House of Representatives to include this provision within the classification proposal in order to protect against such an occurrence. We recognize that it is the desire of many members of the Kansas Senate to enact the classification proposal that creates a minimum number of classes. However, I would remind the committee that while there are two classification rates named for agricultural land, it would be possible to utilize only one of those methodologies and only one of those assessment rates to value that type of property. Therefore, even though the proposal would contain two different assessment rates for agricultural land, only one of those classes, at the discretion of the legislature, would be in operation at any given time.

(2) The amendment which sought to have the personal property class of business and industrial equipment and machinery remain on the tax roles. In our view, there are two basic problems with this amendment:

- (a) To leave this type of property on the tax roles at its "economic life" under a straight line depreciation method is unacceptable to the business community for a multitude of reasons which representatives of business and industry have and will continue to very adequately explain. The practical politics of the matter, however, would seem to indicate a need to modify this provision in order to obtain a two-thirds majority approval of this proposed constitutional amendment.
- (b) Another problem with this amendment also exists. Since the time the House of Representatives gave its approval to HCR 5018, there has been sharply different legal opinions about how the amendment, including the stricken language, would be interpreted. It appears there is significant disagreement about whether or not current statutory exemptions, such as current farm machinery exemption, would still be allowed. We believe there is enough difference of legal opinion that the question should be resolved. There are probably several ways to "fix" the proposal, but we believe the cleanest way to clear up the question about farm machinery taxation is to include farm machinery and equipment in the list of constitutionally exempt items. In this manor, the issue would be resolved once and for all.

In summary, Mr Chairman, KLA supports classification because it may be the only politically practical way to solve the current property tax dilemma. We believe the classification of assessment rates is really no different than classification of appraisal. From a taxpayer's point of view, its the bottom line that really counts. In addition, our association's criteria for an acceptable classification proposal are to appraise agricultural land by use value and/or obtain an assessment rate for agriculture land valued under fair market value which approximates the status quo as closely as possible; exempt merchant's,

manufacturer's and livestock personal property taxes; and continue to exempt farm machinery. HCR 5018, if clarified in order to reflect the House of Representatives intent that farm machinery continue to remain exempt, meets our criteria and we believe this proposal would be the type of property tax policy which addresses the current dilemma and should eliminate or at least significantly reduce future property tax problems. We support working toward a solution during the 1985 legislative session and will certainly attempt to cooperate with this committee in addressing this long standing problem. Thank you.

BACKGROUND

"Use-Value Appraisal

Appraising agricultural land by "use value" or its income producing ability is not a new idea. Back in 1976 the original use value amendment to the Kansas constitution was passed by both houses of the legislature and was overwhelmingly approved by the voters. At last count, 45 of the 50 states employ some type of a use-value appraisal for taxing agriculture land. Obviously, there are a great many people in this state and throughout the country who believe use-value appraisal is an equitable and desirable way to value agricultural land.

I'd like to point out that use-value appraisal is not a tax break for the farm and ranch community. In fact, use-value appraisal is likely to raise valuations of agricultural land from where they are currently. Our members favor use-value appraisal because land would be appraised on a more mathematically certain basis and more importantly, on a more logical and equitable basis that has some relationship to the income that farmers and ranchers are capable of earning from it.

It's been mentioned before that use-value appraisal is of extreme importance to farmers on the fringes of urban areas. If land is appraised by "fair market value" a farmer may eventually be forced to sell out because the land taxes have risen dramatically since it is appraised on its speculative sale value to a real estate developer. Many states have implemented use value laws for the express purpose of providing aesthetically pleasing greenbelt areas on the outskirts of urban areas and to control urban sprawl.

Use-value appraisal is used in most other states, supported by most farm organizations, was approved by the Kansas voters with a constitutional change, and was advocated by the Lt. Governor's Property Tax Review Commission. KLA feels that now is a perfect opportunity to implement use-value appraisal.

Personal Property Taxes

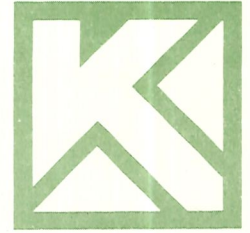
In 1979 personal property comprised 36% of the property tax base in Kansas, second only to West Virginia where personal property was 40% of the tax base. The national average in 1979 was only 11.7%. Past memorandums released by the Legislative Research Department pointed out that historically and currently, Kansas has seen a shift of the general property tax burden from real estate to personal property. KLA's Tax Committee on many occasions has thoroughly discussed the personal property tax issue. KLA believes that we should move away from using personal property as a major tax base to fund local units of government. The KLA Tax Committee has studied this issue for many years and from time to time has tried to develop an equitable approach to the entire area of personal property taxation. Each time we came up with the same conclusion ... personal property tax defies equity. Incidentally, various legislative committees have studied the same issue and arrived at the same conclusions. Personal property is simply not a good tax base because it's not a good measure of wealth or of the ability of the taxpayer to pay. Personal property taxes are difficult to administer and they're basically inequitable. More appropriate sources of revenue are a combination of income and sales taxes along with real property which is a more reliable indicator of wealth.

For the above reasons we have and continue to support the farm machinery personal property tax exemption. Most of you are knowledgeable about the multitude of past problems associated with the taxation of farm machinery. It's no secret that prior to the farm machinery tax repeal this was the biggest tax problem for the preceeding five or six years. Those of you who live in rural areas are probably very, very familiar with the unrest that increasing farm machinery valuations caused for farmers, county officials and state legislators. There were numerous examples of older machinery which was rapidly wearing out receiving large valuation increases. The Property Valuation Division, state legislature, agricultural organizations and others, all tried various solutions to alleviate the problem. These remedies, however, were always either vetoed or struck down by the courts. Finally, the legislature exercised the only option it had left -- total exemption. Twenty six other states have exempted farm machinery from taxation and another seven tax it at a reduced rate. We believe the legislature did the right thing in 1982 by exempting farm machinery.

Merchants', Manufacturers' & Livestock Inventory Taxes

This committee is well aware of another personal property tax problem that needs attention. KLA believes that the merchants', manufacturers' and livestock property taxes should be exempt or phased out. We have appeared before this committee earlier this session and emphasized the arguments about why livestock taxes are undesirable. In a nutshell, it's 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. In addition, it's important to realize that Kansas livestock producers are at a competitive disadvantage with 36 other states that have exempted livestock taxes.

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

HCR 5018

April 5, 1985

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

SENATE TAX COMMITTEE

by

David S. Litwin
Director of Taxation

Mr. Chairman, members of the committee, I am David Litwin, representing the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to appear today to give you our views on HCR 5018.

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.

We regret that we cannot support this resolution in its present form. There are several reasons for this position.

First, as you know, KCCI has supported enforcement of the constitution's mandate for uniform and equal taxation for many years. The principal inducement that made us depart from this long-held policy was the prospect of significant personal property taxation relief for business. We felt that SCR 1616 was well thought-out and was fairly close to uniform and equal, but our support would not have been possible or appropriate without exemption of business machinery and equipment. Fair treatment of business machinery and equipment remains an important part of the package.

The present version of HCR 5018, however, has destroyed this aspect of the tax plan. It would permanently enshrine in the constitution full taxation of business equipment and machinery. It would be inherently hard for us to support a plan that includes this plank. It is even more difficult to do so when the proposed tax treatment of business is compared to that of agriculture. We certainly are aware of and very concerned about the present state of the agricultural economy in Kansas. Legislative concern for the farmer, however, does not justify failure to meet the needs of business. The contrast in treatment of the agricultural business community with that of the rest of the business sector is so great that it has gone beyond reasonableness.

For perspective, it should be noted that small businesses, which are generally the most fragile ones, account for the bulk of Kansas employment. According to University of Kansas data, in 1982, there were 55,475 businesses here, with 54,570 having less than 100 employees. In fact, 53,000, or 96%, had less than 50 and almost 42,000 of these firms had fewer than 9 employees. According to the Bureau of the Census, this same group of small businesses (under 100 employees) accounted for about 64% of all nonfarm jobs surveyed in the study--470,065 jobs.

In contrast with these figures, University of Kansas data for 1983 state that agriculture produced only about 60,000 jobs on farms, compared with over 1 million non-farm jobs. Yet we have seen no legislation initiating special programs or low cost loans for the group providing most of the jobs in Kansas.

Thus, while agriculture is perhaps the soul of Kansas, small business is its heart. Dun & Bradstreet reports that 80% of small businesses shut their doors within the first five years of existence. Therefore the needs of the business community must be carefully considered. Many of these needs are ignored in HCR 5018.

The resolution also contains some serious technical problems in its present form. It implies that farmers would have the option of valuation at 8 percent of fair market value or 30% of use value, but fails to provide any guidance to clarify how this broad concept is to work in practice. Also, since this is a proposed amendment to the constitution, if passed it would presumably supersede the case law holding that under the present version of article 11, the legislature can completely exempt classes of property not mentioned in article 11, since that interpretation resulted from study of the present language. HCR 5018 states, in language that is not contained in the present article 11, that "All other tangible property not otherwise specifically classified which shall be valued at its retail cost when new less straight-line depreciation over its economic life...30%." (underscoring added) I believe that the proposed amendment would repeal and preclude reenactment of the various legislative exemptions, such as business aircraft, agricultural machinery, solar energy systems, and others.

Finally, by enshrining for all time in the constitution the requirement that tangible personal property be valued at retail cost when new less straight-line depreciation, the proposition would completely destroy any future administrative agency or even legislative flexibility. Last December, the Department of Revenue made significant refinements to the trending factor formula, which we feel are putting valuations of large categories of business equipment on a much more sound and fair basis than previously. One desirable feature of the change is the switch to an accelerated method of depreciation, to reflect the reality that equipment loses value much faster at the beginning of its economic life than it does later on. The recommendation leading to this and other changes came from a University of Kansas

study team, which had done careful research and analysis. Yet the proposed resolution would immediately sweep away all of this, and would preclude any future improvements in personal property valuation.

We urge that the Committee remove the House Committee amendment dealing with business machinery and equipment. If it is good for agriculture for its machinery and equipment to be exempt, KCCI would hope that those establishing tax policy for this state would reach the same conclusion about the machinery and equipment of those providing most of the jobs in the state and over 80% of the gross state product.

Thank you for the opportunity to appear today. If there are questions, I will try to answer them.

SENATE ASSESSMENT AND TAXATION COMMITTEE

APRIL 8, 1985

RE: HCR 5018

THANK YOU MR. CHAIRMAN FOR THE OPPORTUNITY TO EXPRESS THE CONCERNS OF UNITED TELEPHONE OF KANSAS REGARDING HCR 5018, A PROPOSAL TO PROVIDE FOR A CLASSIFIED PROPERTY TAX SYSTEM. I AM RON GACHES, GOVERNMENTAL AFFAIRS MANAGER FOR UNITED TELEPHONE.

UNITED ENDORSES THE 30% - 12%, TWO-CLASS PROPOSAL WHICH IS THE BASIS OF THE HCR 5018 PLAN. SUCH A PLAN CAN SERVE AS A FOUNDATION TO PERMANENTLY RESOLVE MANY OF OUR PROPERTY TAX INEQUITIES.

IN ITS CURRENT FORM THE PLAN IS INADEQUATE AND INEQUITABLE IN ITS TREATMENT OF TANGIBLE PERSONAL PROPERTY. FIRST, THE AMENDMENT ADDED BY THE HOUSE TAX COMMITTEE REGARDING VALUATION OF TANGIBLE PERSONAL PROPERTY MAY BE OVERBOARD IN ITS IMPACT. SOME CURRENT STATUTORY EXEMPTIONS MAY BE INVALIDATED. SECOND, IF FARM MACHINERY AND EQUIPMENT IS TO REMAIN EXEMPT, THE DISPARITY IN TREATMENT BETWEEN FARM AND BUSINESS PERSONAL PROPERTY TAXATION WILL SERVE AS A CONSTANT IRRITANT TO MANY BUSINESS TAXPAYERS.

RELIANCE ON A TAX BASE MADE UP PRIMARILY OF REAL ESTATE WOULD HAVE TWO MAJOR ADVANTAGES: ONE, THE INEQUITIES BETWEEN CLASSES OF TAXPAYERS WOULD BE REDUCED; AND, TWO, THE CONTROVERSY SURROUNDING VALUATION OF PERSONAL PROPERTY WOULD BE ELIMINATED, THEREBY REDUCING THE ADMINISTRATIVE COST OF THE PROPERTY TAX.

HCR 5018
APRIL 8, 1985
PAGE TWO

WE URGE YOUR ADOPTION OF AN AMENDMENT TO ELIMINATE THE
DISPARITY IN THE TREATMENT OF TANGIBLE PERSONAL PROPERTY.
FOLLOWING THAT AMENDMENT, WE URGE YOUR SUPPORT FOR THE RESOLUTION.

TESTIMONY BEFORE
SENATE ASSESSMENT AND TAXATION
APRIL 8, 1985
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.

THE HOME BUILDERS ASSOCIATION OF KANSAS IS OPPOSED TO HCR 5018 AS WRITTEN.

WE SUPPORTED SCR 1616 REDUCING VACANT LOTS FROM 30% TO 12%. THIS WAS THE FIRST TIME HBAK HAD SUPPORTED ANY CLASSIFICATION RESOLUTION AND WAS BECAUSE IT GAVE EQUAL TREATMENT ON PERSONAL PROPERTY TO BOTH BUSINESS AND AGRICULTURE.

SCR 1616 WAS A COMPROMISE BY MANY ORGANIZATIONS WHO AGREED ON USE VALUE APPRAISAL OF AGRICULTURAL REAL ESTATE WHILE ACCEPTING A 30% ASSESSMENT OF COMMERCIAL REAL ESTATE AND A SPREAD OF 18% BETWEEN RESIDENTIAL AND COMMERCIAL REAL ESTATE IF THEIR PERSONAL PROPERTY WAS EXEMPT FROM TAXATION.

PASSAGE OF HCR 5018 WOULD SEND A MESSAGE TO BUSINESS CONSIDERING LOCATION IN KANSAS - A MESSAGE THAT BUSINESS AND INDUSTRY IS EXPECTED TO PAY A DISPROP RTIONATE SHARE OF TAXES IN KANSAS.

HOW MANY NEW BUSINESSES WILL NOT SURVIVE, AND HOW MANY NEW JOBS WILL BE LOST DUE TO THE FAILURE OF THESE BUSINESSES OR A PLANT DECIDING TO LOCATE IN ANOTHER STATE, IF THIS TAX POLICY IS ADOPTED?

CONSIDERATION SHOULD BE GIVEN TO THE LONG TERM TAX POLICY OF THE ENTIRE STATE RATHER THAN THE EFFECT OF SPECIFIC PROPOSALS ON INDIVIDUAL COUNTIES BECAUSE THE GOVERNING BODY OF A COUNTY HAS MADE PREVIOUS DECISIONS TO ATTRACT INDUSTRY AND NOW WANT THE ENTIRE STATE TO RESOLVE THE PROBLEMS CREATED BY THOSE DECISIONS.

HBAK STILL BELIEVES ALL PERSONAL PROPERTY SHOULD BE TREATED EQUALLY - EITHER ALL TAXE OR ALL EXEMPT. THEREFORE, WE OPPOSE THE CURRENT HCR 5018.

April 8, 1985

Attachment 11

TO: Kansas Senate Assessment and Taxation Committee, Mr. Fred Kerr, Chairman

FROM: Darrel K. Fry, Controller, Stauffer Communications, Inc.

SUBJECT: Opposition to HCR 5018

Chairman Kerr, my name is Darrel Fry and I am the Controller of Stauffer Communications, Inc. whose corporate offices are located in Topeka, Kansas. Our company is in the newspaper publishing and broadcasting business. We own and operate the Topeka Capital-Journal, Capper's Weekly, and the WIBW television and radio stations in Topeka, as well as the newspapers in Pittsburg, Newton and Arkansas City. We also operate retail computer stores in Topeka and Arkansas City, and a security alarm company in Topeka and Manhattan.

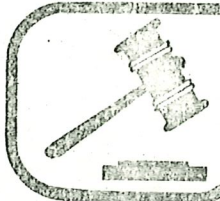
I am here, this morning, to voice our opposition to House Concurrent Resolution ("HCR") 5018. I should point out that we are not opposed to this resolution, as it was originally introduced in the House. Before it was amended, the resolution provided for "uniform and equal" taxation as provided for in the State Constitution. However, this resolution, in its final form, does not, in our opinion, accomplish this objective, because the exemption for business personal property was eliminated. Further, the inclusion in the resolution of a requirement that business equipment and machinery be depreciated by a straight-line method, over the whole economic life of each asset reverses the favorable changes made in the trending factor formula which were recommended by the research team from the University of Kansas and adopted by the Department of Revenue. As you know, the new trending factor formula, in use since December, includes an accelerated depreciation method. This is highly beneficial to most businesses since it allows the deduction of relatively more depreciation early in an asset's life. At least this change was a step in the right direction. When the trending factor formula was first put into effect, the taxes on the business personal property of the Topeka Capital-Journal increased nearly 200%. Likewise, the personal property taxes of the WIBW stations increased over 100%. This was quite a shock, to say the least, and I'm sure you have heard other stories just as shocking, if not worse. Now HCR 5018 proposes to make the situation even worse.

I don't know how much the State spent to have the KU research team complete its study, but it doesn't seem right to let their recommendations

ATTACHMENT 11

fall by the wayside, especially since the Department of Revenue agreed with their findings. Further, we hear a lot of discussion about how the leaders of the State are interested in attracting new business to the State. I wonder how many potential businesses have been detracted from moving to the State because of the unfair property tax system? Isn't it time to make the system fair? Isn't it time to give business machinery and equipment the same exemption that farm machinery has enjoyed for some time, or at the very minimum, give it much better tax treatment than it would receive under the present version of HCR 5018? Please don't misunderstand. We applaud the fact that farm machinery enjoys this exemption. We are in favor of any break the farming community receives, because our business is heavily dependent on its success. We only feel it is time for the business community to get some breaks, as well. Without them, we fear that we will not only be unable to attract new business to the State, but we may very well run the risk of losing some that we already have.

Thank you for your attention, Mr. Chairman and members of the committee. Are there any questions?



Testimony on HCR 5018
before the
Senate Assessment and Taxation Committee
by
Bill Curtis, Assistant Executive Director
Kansas Association of School Boards
April 8, 1985

Mr. Chairman and members of the Committee, we want to express our appreciation for the opportunity to present the views of the school boards of Kansas on this topic of vital interest to the financing of public education. As you know, nearly half the cost of elementary and secondary education in Kansas is borne by local property taxes levied by the 304 unified school district boards of education. Any action which affects that property tax base has grave implications for public school financing.

With that in mind, our members have expressed deep concern over the property tax shifts which have been projected to occur between classes of property if reappraisal of property in Kansas were to be imposed, either by a court order or through legislative action. We are also dismayed by the results of studies undertaken by the Property Valuation Department which show wide disparities in assessment within property classes in the same taxing jurisdiction. The disparities demonstrate the need for some remedial action.

As a result of their study of these factors, our members have reached the same conclusion as the 1981 Interim Committee which studied the subject. Our Delegate Assembly has overwhelmingly adopted a policy statement endorsing the concept of a

constitutional amendment which would provide for the classification of property in Kansas with assessment percentages for each class specified in the amendment. This would be designed to prevent annual legislative battles over which classes of property should be assessed at what level.

The Committee should also be aware that enactment of any such amendment needs to take into consideration the changes in district wealth in the school finance formula that would occur as a result of any classification amendment, so that adjustments can be made to allow for those shifts. We believe that the correlation between a classification amendment and the school finance formula has not received the attention it deserves to this point.

A classification amendment also offers the opportunity for the legislature to deal in a comprehensive manner with the proposed and existing tax exemptions such as livestock, farm machinery and merchants and manufacturers inventories and to resolve those issues in a conclusive fashion.

If Kansas schools are to continue to be supported in any major portion by the property tax, then the concerns which are mounting regarding that tax base must be addressed. We believe that the resolution before you offers the best vehicle to begin addressing those concerns. We believe that they should be addressed by legislative action rather than court fiat. We thank you for the opportunity to address our concerns, and I will be happy to answer any questions.

LWVK LEAGUE OF WOMEN VOTERS OF KANSAS

909 Topeka Boulevard-Annex

913/354-7478

Topeka, Kansas 66612

April 8, 1985

STATEMENT TO THE SENATE ASSESSMENT AND TAXATION COMMITTEE IN SUPPORT
OF HCR 5018.

Mr. Chairman and Members of the Committee:

In order to achieve our goal of reappraisal we are endorsing a simple classification plan for submission to the voters. We favor HCR 5018 over the resolution of last year with its many classes, because it has a logical basis: income-producing property in one class; non income-producing property in a second class.

Your proposal SCR 1616 was better in that it was simpler. HCR 5018 is better in that use value appraisal of agricultural land is not mandated, there is an option, and the base has been broadened. We prefer that it be kept simple, no more exemptions or detail.

Thank you.

Marian Warriner

Marian Warriner
LWVK Lobbyist