

Approved On: _____

Minutes of the House Committee on Assessment and Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on February 19, 1986 in room 519 South at the Capitol of the State of Kansas.

All members of the Committee were present.

Committee staff present:

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

Representative Ott explained the two bills that are being considered today. HB-2859, an act relating to city and countrywide retailers' sales taxes; concerning the disposition of revenue received therefrom by cities; and HB-2959, an act relating to countrywide retailers' sales taxes; concerning the apportionment and use of revenues therefrom.

Mr. John Unger, City Council Member for the City of Mulvane, and Mr. Edward W. Elam, City Administrator, spoke as proponents for these two bills. (Attachments 1 and 2) They also submitted copy of a letter from William L. Ervin, Chief Municipal Accounting Section, suggesting that they prepare only one budget for the city of Mulvane instead of separate budgets for Sedgwick and Sumner Counties. (Attachment 3)

Attachment 4 explains the current policy whenever the territory of any city is located in two or more counties. Attachment 5 (an excerpt from the Wichita Eagle-Beacon) explains that at this time the citizens of the Sedgwick side of Mulvane are receiving a tax break.

Mr. E. A. Mosher, League of Kansas Municipalities, spoke in support of HB-2859. He submitted a list of the 13 Kansas cities that are affected by the existing law because they are located in two counties. (Attachment 6)

Senator Francisco also testified as a proponent for these two bills.

There being no further business, the chairman adjourned the meeting.


Ed C. Rolfs, Chairman

Dear Chairman Ed Rolfs and Members of the Assessment and Taxation Comm.

I am John Unger a City Councilmember for the City of Mulvane, Kansas. I have been a councilmember from May of 1985 and was involved in the preparation of the 1986 Budget. I have been asked by the Mayor and councilmembers to express their concerns on this matter. This Budget was the first one for our city that received any County Sales Tax. We encountered many problems while preparing this budget because of the existing statute and the way the statute tells the city to handle the revenue for property tax reduction. When we increased the expenditures for the budget as our governing body had promised the voters during the campaign for the sales tax to do more road repair. This increase caused a great disparity between the property tax required in Sumner County and Sedgwick County because of the sales tax revenue. The Sumner County side of our city have the majority of our older citizens and business that have been forced to pay much higher property taxes.

We believe that the passage of this bill as presented would help our community determine how this money can be spent. We believe that all the cities should be treated the same and the freedom to put all the revenues against the county in which it is collected or over all the city.

I would like to thank you for the opportunity to address this committee and would answer any of your questions.

Yours truly,



John Unger
Councilmember

Attachment 1

2/19/86
Hs. A&T

Dear Chairman Ed Rolfs and Members of the Assessment and Taxation Com.

I am Edward W. Elam the City Administrator for the City of Mulvane Kansas. I am the one that prepares the city budget and works with the city council. I am here to speak in favor of HB 2959 because of the problems we had in preparing our city's 1986 budget. The existing statute is very difficult to understand and we could not get a clear direction on how to proceed from either by the Sedgwick County County Clerk or the Kansas Department of Administration. We tried to follow the direction that we had received from those two agencies but now it seems that the Department of Administration has additional comments from a letter we received from them on November 7, 1985.

We prepared two budgets showing the different amount of tax that we needed to operate because of the sales tax revenues. We believed that this was the way that we had been told to conform with the existing requirements but now we find that this is not what the Department of Administration wants. From the beginning the preparation of the 1986 Budget was confusion for all parties involved. I believe that if HB 2859 is adopted it would solve the majority of the problems that we encountered.

I would like to thank you for your time to address this committee and would like to answer any questions you might on this matter.

Very truly yours,



Edward W. Elam
City Administrator



DEPARTMENT OF ADMINISTRATION
DIVISION OF ACCOUNTS AND REPORTS

JOHN CARLIN
Governor

JAMES R. COBLER
Director of Accounts and Reports

State Office Building
Topeka, Kansas 66612-1574
(913) 296-2311

NOV 7 1985

Mayor and City Council
City of Mulvane
City Hall
Mulvane, Kansas 67110

Dear Mayor and Council:

We have made a brief review of the 1986 budget and have noted the following items:

The city prepared two budgets, one for Sumner County and one for Sedgwick County. We believe it would be better to prepare one budget and have one publication. The Sedgwick County sales tax should not be included as revenue, but in accordance with K.S.A. 12-192 will be used by the Sedgwick County Clerk to reduce the certified tax levies for the city. This would be much clearer to the citizens and the officials involved than trying to show the different levies. The amount of the sales tax revenue to be used would be an amount agreed upon by the city and county.

If Sumner County were to implement a county-wide sales tax of 1%, then both sales tax revenue items would be included in the general fund budget and the county clerks would not reduce any levies. The 1987 budget should be prepared according to these instructions.

Levy Limits for Tax Funds, page 2, shows a levy limit for the general fund. The general fund has no rate limit and thus it should be left blank. There are four other funds with ** footnote which cite Charter Ordinance #11 but this charter ordinance only exempts the city from the aggregate limit K.S.A. 79-5001 to 5017. The city is not exempt from the individual fund limits under this Charter Ordinance. This sheet should show the correct authorizing statute for each of the funds rather than the charter ordinance. Funds with no rate limit should be left blank.

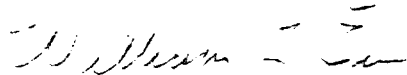
Statement of Indebtedness, page 4, should have the types of indebtedness separated and totals for each category. G.O. bonds and revenue bonds are grouped together.

NOV 7 1985

Notice of Hearing 1986 Budget should not show each county's share of the "Amount of 85 Tax to be Levied". It would be better to show the total amount that corresponds with the individual fund pages but the publication could include a footnote to show what percentage of the levies belong to each county and that the Sedgwick County levies will be reduced by the amount of the sales tax revenue.

We hope this letter clarifies how future budgets should be prepared. If you feel consultation on the budget would be helpful, please call our office at (913) 296-3436.

Very truly yours,



William L. Ervin, Chief
Municipal Accounting Section

WLE:BJB:pr

cc: Sumner County Clerk
Sedgwick County Clerk

imposing a local retailers' sales tax, services performed by such retailer are subject to the tax regardless of whether the service is performed within or without the boundaries of the taxing jurisdiction. If there is no fixed or determinable place of business for any retailer, other than a retailer having its only place or places of business in another state, the place of business of such retailer shall be deemed to be the place where the services are performed.

History: L. 1983, ch. 58, § 2; April 28.

12-192. Countywide retailers' sales taxes; apportionment of revenue from countywide retailers' sales tax; notification of state sales tax collected in county for preceding year. (a) All revenue received by any county treasurer from a countywide retailers' sales tax shall be apportioned among the county and each city located in such county in the following manner: (1) One-half of all revenue received by the county treasurer shall be apportioned among the county and each city located in such county in the proportion that the total tangible property tax levies made in such county in the preceding year for all funds of each such governmental unit bear to the total of all such levies made in the preceding year, and (2) except as provided by paragraph (3), ½ of all revenue received by the county treasurer from such countywide retailers' sales tax shall be apportioned among the county and each city located in such county, first to the county that portion of the revenue equal to the proportion that the population of the county residing in the unincorporated area of the county bears to the total population of the county, and second to the cities in the proportion that the population of each city bears to the total population of the county, except that no persons residing within the Fort Riley military reservation shall be included in the determination of the population of any city located within Riley county, or (3) one-half of all revenue received by the county treasurer of Geary county from countywide retailers' sales taxes levied in any year shall be apportioned among the county and each city located in such county, first to the county that portion of the revenue equal to the proportion that the population of the county residing in the unincorporated area of the county less the population residing on a military reservation bears to the total population of the

county less the population residing on a military reservation, and second to the cities in the proportion that the population of each city bears to the total population of the county less the population residing on a military reservation. All revenue retained by the county shall be paid into the general fund of the county.

(b) For purposes of subsection (a), the term "total tangible property tax levies" means the aggregate dollar amount of tax revenue derived from ad valorem tax levies applicable to all tangible property located within each such city or county. The ad valorem property tax levy of any county or city district entity or subdivision shall be included within this term if the levy of any such district entity or subdivision is applicable to all tangible property located within each such city or county.

(c) All revenue apportioned to the several cities of the county shall be paid to the respective treasurers thereof. Whenever the territory of any city is located in two or more counties and any one or more of such counties do not levy a countywide retailers' sales tax, or whenever such counties do not levy countywide retailers' sales taxes at a uniform rate, the revenue received by such city from the proceeds of the countywide retailers' sales tax shall be used for the purpose of reducing the tax levies of such city upon the taxable tangible property located within the county levying such countywide retailers' sales tax, except when the county which does not levy a countywide sales tax has within its bounds a portion of the Fort Riley military reservation, the city in the county which levies the tax shall be exempt from this requirement. In every other case, all revenue received by a city from the proceeds of a city or countywide retailers' sales tax shall be deposited in the general fund of such taxing subdivision.

(d) Prior to March 1 of each year, the director of taxation shall advise each county treasurer of the revenue collected in such county from the state retailers' sales tax for the preceding calendar year.

History: L. 1978, ch. 56, § 6; L. 1980, ch. 61, § 1; L. 1981, ch. 66, § 1; L. 1981, ch. 67, § 1; L. 1982, ch. 65, § 1; L. 1983, ch. 60, § 1; March 10.

Law Review and Bar Journal References:

"Survey of Kansas Law: Taxation," Sandra Craig McKenzie and Virginia Ratzlaff, 33 K.L.R. 71, 77 (1984).

Sedgwick Side of Mulvane to Get Tax Break

By Susan Freinkel
Staff Writer

When they get their property tax bills this week, residents on the Sedgwick County side of Mulvane will find they owe about one-third less than Mulvane property owners who live to the south, across the Sumner County line.

That's because of a state law that requires that the money from the new 1 percent Sedgwick County sales tax be used to reduce city property taxes for residents on the Sedgwick side of town. The law states that when a city is split by a county line, and one of the counties passes a sales tax, the city can only use the sales tax to reduce property taxes, and only for the residents of that county.

Mulvane officials aren't pleased with the situation, but say they have no choice but to accept it. This year, at least.

"We are thinking about taking some other action, either through the State Legislature or through other avenues that are available to us," said City Administrator Ed Elam. He said one option would be for the city to try to assert home rule to get out from under the law.

The combined property tax rate for Mulvane residents on the Sedgwick County side of the line will be 109.798 mills, which translates

Mulvane

into about \$527 for the owner of a \$60,000 house assessed at 8 percent.

If that same house were situated in Sumner County, the owner would pay about \$235 more, or \$762. The property tax rate for Sumner County residents will be 158.819 mills. A mill equals \$1 per \$1,000 of assessed valuation.

About one third of Mulvane's 4,400 residents live in Sumner County.

The Mulvane City Council decided to use the approximately \$226,000 the town expects to receive from the sales tax in 1986 to cut the tax rate for Sedgwick County residents in half, to 29.130 mills. The city tax rate for Sumner County residents is 59.680 mills, which is about the rate all residents of the city would have been taxed if the sales tax law had not been passed.

The new tax rates are a turnaround for Sumner County residents who for years have paid lower taxes than their neighbors in Sedgwick County.

But residents on the south side

of the line say they are not too disturbed by the change.

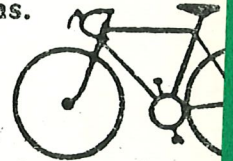
"The taxes over here have been cheaper for years and years than

Sedgwick County was," said Walter Curry, who owns three properties in Sumner County. "I guess they're just catching up."

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FALL SPECIAL



ZETA EPSILON CRAFT FAIR

Saturday, November 9, 10:00 a.m. to 5:00 p.m.

Sunday, November 10, 12:00 p.m. to 5:00 p.m.

Hs. A&T
2-19-86

Attachment 5



League of Kansas Municipalities

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

TO: House Committee on Assessment and Taxation
 FROM: E.A. Mosher, Executive Director
 DATE: February 18, 1986
 SUBJECT: HB 2859--Use of Countywide Sales Tax Revenue by Certain Cities

Outline of Remarks

- Support HB 2859.
- Affects 10 of the 13 two-county cities--see below.
- Constitutional question as to existing law--may a city legally levy a tax rate that is not uniform in rate throughout the city?

Two-County Cities

Following are the 13 Kansas cities located in two counties. All but Geuda Springs receive revenue from a countywide retailers' sales tax. The rate of counties with countywide sales tax are shown within parenthesis. The populations listed are the population figures certified by the State Budget Division in July 1985 for sales tax distribution.

| <u>City</u> | <u>Total Pop.</u> | <u>Pop.--County</u> | <u>Pop.--County</u> |
|---------------|-------------------|---------------------|---------------------|
| Clayton* | 91 | 82 Norton | 9 Decatur(1) |
| Clifton* | 623 | 323 Washington(1) | 300 Clay(½) |
| Geuda Springs | 230 | 213 Sumner | 17 Cowley |
| Lake Quivira* | 1,175 | 1,120 Johnson(½) | 55 Wyandotte(1) |
| Manhattan* | 33,294 | 33,124 Riley(½) | 170 Pottawatomie |
| Mulvane* | 4,456 | 3,160 Sedgwick(1) | 1,296 Sumner |
| Oakley | 2,317 | 2,248 Logan(1) | 69 Thomas(1) |
| Sabetha | 2,340 | 2,331 Nemaha(1) | 9 Brown(1) |
| Sedgwick* | 1,533 | 1,404 Harvey | 129 Sedgwick(1) |
| Simpson* | 109 | 108 Mitchell(1) | 1 Cloud |
| Spring Hill* | 1,808 | 1,761 Johnson(½) | 47 Miami(1) |
| Vining* | 72 | 47 Clay(½) | 25 Washington(1) |
| Willard* | 118 | 113 Shawnee | 5 Wabaunsee(1) |

*Cities affected by existing law.