

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 20, 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

HB-2836, an act relating to the financing of public schools; authorizing the levy of individual income taxes by school districts; providing duties for certain state officers relating to the administration thereof, was the subject discussed today.

Dr. Severn explained the bill to the committee; then Representative Braden, a sponsor, submitted a sheet showing Estimated Millage Equivalent of Estimated Receipts from a Ten Percent School District Income Tax. (Attachment 1) Representative Lowther, also a sponsor, discussed the bill further and answered questions from the committee. He furnished copies of an article taken from the Topeka Capital saying that many rural schools are deteriorating badly and are totally inadequate. He said that it will probably take state intervention to halt the slide toward collapse. (Attachment 2)

Paul Fleenor, Director of Public Affairs for Kansas Farm Bureau, spoke as a proponent and proposed an amendment that the option be removed and the 10 percent surtax proposed be mandated. (Attachment 3)

John Koepke, Kansas Association of Schools, spoke as a proponent and answered questions from the committee.

Kay Coles, representing the KNEA, spoke in support of HB-2836. (Attachment 4)

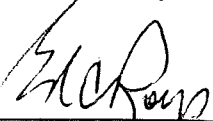
Leroy Jones, representing Brotherhood of Locomotive Engineers, testified as an opponent of the bill. (Attachment 5)

Dennis Shockley, representing Kansas City, Kansas, discussed the bill as an interested party -- neither as a proponent nor an opponent. He supports legislation to allow a local income or earnings tax subject to a vote of the people in the jurisdiction levying the tax. (Attachment 6)

Ron Calbert, Director of Kansas State Legislative Board, United Transportation Union, spoke as an opponent of the bill. He believes the impact would be squarely on the middle income taxpayer and exclude the large corporations and non-resident owners. (Attachment 7)

Representative Leach moved, second by Representative Lowther, to introduce a committee bill similar to 1983 SB-436, which limits the federal income tax deductions allowable on Kansas returns. The motion carried.

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


Ed C. Rolfs, Chairman

ESTIMATED MILLAGE EQUIVALENT OF ESTIMATED RECEIPTS
FROM A TEN PERCENT SCHOOL DISTRICT INCOME TAX

U.S.D. No.	District Name	1 10% Based on 1984 Returns*	2 1985 School District Valuation **	3 Est. Mill Equivalent of Column 1
253	Emporia	\$583,308	\$80,988,214	7.20
259	Wichita	9,252,045	1,047,820,983	8.83
263	Mulvane	161,576	17,108,999	9.44
278	Mankato	31,524	7,596,303	4.15
283	Elk Valley	12,331	4,916,468	2.51
305	Salina	994,387	121,605,825	8.18
331	Kingman	131,572	61,154,002	2.15
342	McLouth	37,376	8,763,939	4.26
345	Seaman	301,855	73,920,179	4.08
409	Atchison	207,840	31,309,909	6.64
444	Little River	34,142	30,521,392	1.12
445	Coffeyville	269,599	47,119,451	5.72
446	Independence	294,405	47,018,790	6.26
475	Junction City	350,934	58,514,528	6.00
482	Dighton	58,675	24,584,788	2.39
489	Hays	472,253	98,466,635	4.80
500	Kansas City, Ka	2,535,965	311,770,744	8.13
501	Topeka	2,826,314	319,783,299	8.84
512	Shawnee Mission	10,085,587	743,936,022	13.56

Source: Reports of the Department of Revenue and the State Department of Education

* Based on school district rebates for 1984 filed in 1985.

** Based on fall 1985 assessed valuations as reported to the State Department of Education for school aid purposes.

Feb 20, 1986

The Topeka Capital-J

Researcher says schools falling apart

By MICHAEL BATES
Associated Press writer

WICHITA — With sloping floors, weakening roofs, and other symptoms, aging rural school buildings in Kansas are deteriorating badly, according to a researcher at Kansas State University.

Dave Honeyman, a K-State college of education assistant professor, says it probably will take state intervention to halt the slide toward collapse.

"They're not in danger of collapse on the kids, I hope," said Honeyman. "But it disrupts the whole educational process when you have floors sagging, ceiling tiles falling, water running down the blackboards and plaster falling off the shifting walls.

"It's hard enough to try to teach little people in ideal surroundings, but we're talking about situations that are totally inadequate."

A flooded school gymnasium in Concordia, the evacuation of elementary students from unsound structures in Scott City and Ness City and the filing of a lawsuit by some parents concerning the safety of a school in Marquette are a few indications during the past month of widespread problems, he said.

Honeyman said the scope of the repairs needed now and in the future because of neglected maintenance is so overwhelming that local districts need help from the state. He believes some sort of state-operated school repair loan fund could be established.

About two-thirds of the school districts in Kansas are located in rural areas and have fewer than 1,000 students, Honeyman said. In a recent survey of the 600 buildings in those districts, Honeyman found the age of the structures ranged from turn-of-the-century to the mid to late 1960s. The average age was about 37 years.

In Scott City, voters have rejected a bond issue for a new elementary school twice during the past year. On Jan. 22, officials closed three wings of the grade school building because the roof trusses were near collapse. About 230 pupils had to be moved to other classrooms in the district.

A voluntary survey conducted by the State Department of Education about six months ago found 412 structures, or 24 percent of the school buildings in the sampling, were constructed prior to 1930. In several counties, buildings first occupied in the late 1800s still are in use.

Terry Karlin, Ness City school superintendent, said he gave the order to vacate the district building that housed 160 fourth through eighth graders Feb. 7 after an engineer said the structure could collapse at any moment.

"Until we saw actual cracks in the main support structures, the floor deflection wasn't bothering us," Karlin said. "But with the shear cracks in the main support beams, any failure could be instantaneous."

The state education department's Blair said luckily most school buildings give their occupants plenty of warning before they fall.

"Most of these recent ones have been caught in the severe warning stage," he said. "When ceiling tiles start falling and walls are cracking, you know you need to take a closer look."

by



PUBLIC POLICY STATEMENT

HOUSE ASSESSMENT AND TAXATION COMMITTEE

RE: H.B. 2836 - Local Option Income Tax for School Districts

February 20, 1986
Topeka, Kansas

Presented by:
Paul E. Fleener, Director
Public Affairs Division
Kansas Farm Bureau

Mr. Chairman and Members of the Committee:

My name is Paul E. Fleener. I am the Director of Public Affairs for Kansas Farm Bureau. I come before you today as PROPONENTS of H.B. 2836. Even as proponents we would offer what we consider to be a "friendly" amendment. Sponsors of the bill are familiar with our proposed amendment. The fact they are familiar does not indicate endorsement nor implied consent.

Some members of this committee will remember our testimony in 1981 on H.B. 2370 and in 1983 our testimony on H.B. 2053, both of which were bills to provide a local option income tax for school districts. On those occasions, and again today, we suggested, even urged, that the option be removed and the 10 percent surtax proposed be mandated.

Every member of this committee knows that the School District Equalization Act **requires** a local effort to be made to generate some of the revenue before a determination is made as to state aid entitlement. The mandate for local effort falls on the property

tax. It is not optional. We feel an appropriate mechanism would be to require a similar effort ... say, 15 mills on **assessed valuation** and a 1.5 percent tax on taxable income ... to meet the local effort requirement. If in its wisdom this committee wants that to say a 10 percent surtax, at least it is a start.

The farmers and ranchers of this state have had a deep and abiding interest in elementary and secondary education in the state. They have long felt the reliance on the property tax is too great and revenues to fund elementary and secondary schools should be more balanced ... i.e. come from nonproperty tax sources, too ... and reduce the reliance on the property tax. Two paragraphs from our resolution on school finance speak to the issue before you today. We will address those briefly. Further, the full text of our policy position on school finance is attached to our statement. Below you will find reference to our support for a school district income tax and additional revenues to be used for school finance purposes to be derived from an income tax on other entities.

We support legislation to create a school district income tax to be collected by the state from every resident individual and returned by the state to the school district of residence of the individual taxpayer.

State General Fund revenues should be enhanced for school finance purposes by increasing the rates of income and privilege taxes imposed on corporations, financial institutions, insurance companies, and nonresident individuals.

The local option income tax for school districts is not a new idea. We think the option **should be there** for districts AFTER an initial local effort on income as well as the modest (but equal ... 15 mills equates to 1.5 percent) effort from the property tax. The school district should be able to decide which, or in what combination the resources available should be used.

In 1981 we supported H.B. 2370, a bill which passed the House Assessment and Taxation Committee, passed the full House of Representatives, and was recommended favorably by the **three** committees to which it was assigned in the Senate. Likewise, since there was no action on H.B. 2370, we supported H.B. 2053 in 1983, another local option income tax measure. We are here today to support H.B. 2836 but we convey to you in all candor our desire for you to mandate the first portion of income tax and leave the option to the district when, whether, and to what extent the income tax would be used for **additional** (beyond the minimal **required** effort) funds within the school district.

Thank you very much for the opportunity to appear on H.B. 2836. We would be pleased to respond to questions if there are any.

School Finance

We believe the Kansas Legislature should develop a school finance formula to assist in the delivery of and funding for a "basic education" for every child enrolled in public schools in each unified school district in the state.

We continue to believe that there should be minimal reliance on the property tax for support of our elementary and secondary schools. As long as property is used as a measure of wealth, then intangible property should be a part of such measurement of wealth.

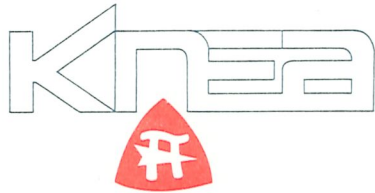
We support legislation to create a school district income tax to be collected by the state from every resident individual and returned by the state to the school district of residence of the individual taxpayer.

We will support legislation to increase the state sales tax by one cent, PROVIDED the revenues from such increase are used for financing elementary and secondary schools and to reduce property taxes now levied for school finance.

State General Fund revenues should be enhanced for school finance purposes by increasing the rates of income and privilege taxes imposed on corporations, financial institutions, insurance companies, and non-resident individuals.

We believe that federally and state-mandated programs should be fully funded by the federal or state government, whichever mandates a given program.

We have opposed in the past, and we will continue to oppose efforts to establish a statewide property tax levy.



Kay Coles Testimony before the
House Assessment and Taxation Committee
February 20, 1986

Thank you, Mr. Chairman. Members of the committee, my name is Kay Coles and I'm here today representing the 22,000 members of Kansas-NEA. I appreciate this opportunity to speak in support of HB 2836.

Historically, Kansas-NEA has been an advocate of reducing the reliance on the property tax as a means to finance our public schools. We support increasing the state share of education funding to 50% and we support other proposals that would ease the property taxpayers' load.

HB 2836 provides an attractive opportunity for voters to choose between property taxes and an individual income tax to support their local schools. This bill also gives school districts an alternative to raising property taxes year after year, which may make it more palatable for them to use their full budget authority.

Kansas-NEA supports HB 2836 and we encourage you to report it favorably.

Thank you, Mr. Chairman. I'd be glad to answer any questions.

Brotherhood of Locomotive Engineers

Kansas State Legislative Board



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OPPOSITION TO THE PASSAGE OF HOUSE BILL 2836

I AM LEROY JONES, CHAIRMAN OF THE KANSAS LEGISLATIVE BOARD FOR THE BROTHERHOOD OF LOCOMOTIVE ENGINEERS. I AM HERE TODAY IN OPPOSITION TO HB 2836, AN ACT THAT WOULD AUTHORIZE THE LEVY OF INDIVIDUAL TAX BY SCHOOL DISTRICTS.

OUR POSITION IS THAT SCHOOL DISTRICTS SHOULD BE FUNDED BY PROPERTY TAX. WE OPPOSE ANY GOVERNMENTAL BODY, OTHER THAN THE STATE, TO IMPOSE AN INCOME TAX ON INDIVIDUALS.

WE FEEL THAT THIS BILL WOULD BE ANOTHER TAX BURDEN ON THE WORKING MEN AND WOMEN IN OUR STATE. WE FEEL THAT THIS PROPOSAL IS JUST ANOTHER TAX BRAKE FOR BUSINESS AT THE COST OF INDIVIDUAL CITIZENS.

THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOUR COMMITTEE.

TESTIMONY OF LEROY D. JONES
CHAIRMAN
KANSAS LEGISLATIVE BOARD
BROTHERHOOD OF LOCOMOTIVE ENGINEERS
FEBRUARY 20, 1986



DENNIS M. SHOCKLEY
Federal and State Affairs

1986 Kansas Legislature

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VE #3:

a vote of the people in the jurisdiction levying the tax.

OVERVIEW:

The City of Kansas City, Kansas and the League of Kansas Municipalities have supported the local option earnings tax concept for several years as an alternative to an over-reliance on the property tax. The City of Kansas City, Kansas has contended for some time that due to fundamental changes in the American economy as well as other factors, ownership of property is no longer a valid measure of the ability to pay taxes. A tax based directly on income or earnings is a much fairer tax because, under such a tax, no payment is due unless the taxpayer actually received income during the taxable period. The City of Kansas City, Kansas believes that an earnings tax, if approved by voters and levied, would provide a more equitable tax mix for local units of government in Kansas. A local option earnings tax may be an idea whose time has come, given cuts in federal revenue sharing and other federal grants-in-aid. Also, implementation of an increase in the state sales tax rate would practically and politically preempt the levying or increasing of local sales tax.

The local option earnings tax is not a new idea. Several states allow it and, in fact, Kansas allowed cities to have the tax between 1970 and 1972, although during that period no city opted for it (1970 Session Laws of Kansas, Ch. 402, Sec. 18; KSA 79-4427, repealed 1972 Session Laws, Ch. 380, Sec. 15, April 11).

Kansas City, Kansas and other Kansas cities in our metropolitan area have a unique tax situation. Currently 23% of our city's workers pay a 1% earnings tax to Kansas City, Missouri where they earn their income. Kansas City, Missouri has had an earnings tax since 1964 and a 1% earnings tax since 1972. Of persons employed in Kansas City, Kansas, 53% live outside Kansas City, Kansas. We feel a fairer tax situation would be created if Kansas City, Kansas had an earnings tax. That is why we support legislation to allow our citizens the opportunity to vote on how they are taxed.

COMMENTS:

Introduce bill.

See Appendix "A" for 1970 legislation.

See Appendix "B" for employment figures, workplace and residence.

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TAXATION

[Ch. 402]

Sec. 12. This act shall take effect and be in force from and after April 2, 1970, and its publication in the official state paper.

Approved March 27, 1970.

Published in the official state paper April 3, 1970.

CHAPTER 402 *

House Bill No. 1225

An Act relating to certain taxing subdivisions; prescribing limitations on the amount of money produced by property tax levies by such subdivisions; authorizing certain adjustments in such limitations; providing for suspension of such limitations under certain circumstances; prescribing limitations on the basis of such subdivisions; providing for suspension of such limitations; authorizing adoption of local earnings and privilege taxes and retailer sales taxes by certain taxing subdivisions; providing for the administration, enforcement and collection of such local taxes; providing for distribution of revenues therefrom, repealing K. S. A. 79-2942, 79-2943, 79-2947, 79-2948, 79-2949, 79-2950, 79-2951, 79-2952, 79-2953 and 79-2957.

As enacted by the Legislature of the State of Kansas:

Section 1. The provisions of this act shall apply to every city, county, school district and community junior college district, which shall be referred to in this act as a taxing subdivision.

Sec. 2. As used in this act, the following words and phrases shall have the meanings respectively ascribed to them herein.

(a) The term "base year" means the year 1970.

(b) The phrase "taxes levied for the base year" shall refer to taxes levied in the year 1969 and which became due on November 1, 1969, for the use of an expenditure by a taxing subdivision during the base year.

Sec. 3. Except as otherwise hereinafter provided, no taxing subdivision shall during the base year or thereafter certify to the county clerk of any county, any tax levies upon tangible property, other than special assessments, which in the aggregate will produce an amount in excess of the amount which was levied by such taxing subdivision for the base year, excluding taxes levied as special assessments and including levies specified in section 8 of this act, except where any community junior college district opened classes for the first time in the 1969-70 school year, the limitation imposed on property tax levies by this section shall be imposed on the amount which could have been levied in the base year under the district's maximum lawful levy or levies. *Provided*, That the state board of tax appeals is hereby empowered to authorize a community junior college district to levy additional ad valorem taxes upon a finding by the board that the construction of new or additional facilities by said district necessitates ad valorem tax levies in excess of the amount prescribed herein in order to finance the operations of said facilities. Whenever any taxing subdivision shall certify aggregate tangible property tax levies in

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excess of that permitted under the provisions of this act, the county clerk of such county shall forthwith adjust the aggregate amount of such levies to the maximum levy authorized under the provisions of this act and send notification of the same to the taxing subdivision certifying the same. It is the intent of this act to prescribe a limitation upon the amount which may be levied upon tangible property by each of the several taxing subdivisions of the state and not to prescribe a limitation upon the amount produced by each of the several levies imposed by such taxing subdivisions for its various tax supported funds. It shall be the duty of the governing body of each taxing subdivision to adjust legally authorized levies for separate funds or functions of the subdivisions within the aggregate limitation imposed under the provisions of this act.

All existing statutory debt limitations which are computed on the basis of a percentage of assessed valuation are hereby suspended for each taxing subdivision whose total assessed valuation is increased or decreased due to a countywide reappraisal, and such statutory limitations shall be limited in the manner prescribed by K. S. A. 70-1440, but the provisions of said statute relating to suspension of fund and aggregate tax levy limitations in certain taxing districts shall not be applicable to taxing subdivisions hereunder.

Sec. 4. Whenever the taxable assessed tangible valuation of any taxing subdivision is increased by new improvements on real estate and by increased personal property valuation over the amount of such valuation in the base year, the amount which would be produced by the aggregate tax levy of such subdivision shall be computed first in accordance with the provisions of section 3 of this act, omitting the assessed valuation of such new improvements and such added personal property, and the rate of the levy so computed shall then be applied to the assessed valuation of such new improvements and such added personal property, and the taxing subdivision may then levy the amount permitted under section 3 of this act and in addition thereto the amount produced by a levy on such new improvements and such added personal property as provided in this section.

Sec. 5. In the event that any territory is added to an existing taxing subdivision, the amount which would be produced by the aggregate tax levy otherwise authorized under sections 3 and 4 of this act shall be adjusted to increase the amount authorized in the proportion that the assessed valuation of the tangible taxable property in the territory added bears to the total taxable assessed tangible valuation of the taxing subdivision, including the property in such added territory.

Sec. 6. In the event that any taxable tangible property, upon which there were taxes levied for the base year, is excluded from the boundaries of any taxing subdivision, the amount which would be produced by the aggregate tax levy authorized under the provisions of section 3 of this act shall be adjusted to decrease the

amount authorized in the proportion that the assessed valuation of the tangible property assessed bears to the total taxable assessed valuation of the taxing subdivision, including such excluded property.

Sec. 7. (a) For the purpose of fixing the limitation on the amount which can be produced by the levy of taxes by any taxing subdivision, all or part of which is located in a county which has been recognized as required by law, and for which subdivision there were no taxes levied for the base year, the county clerk shall determine the amount that would have been produced by taxes levied for the year preceding the reappraisal by applying the maximum lawful levy or levies which could have been made by such taxing subdivision in such year to the total of the following:

- (1) The amount that the equalized assessed valuation of real property, exclusive of state assessed real property, would have been in the taxing subdivision for the year preceding the reappraisal, if such taxing subdivision had been in existence at that time; plus
- (2) the equalized assessed valuation for the current year of all tangible personal property within the taxing subdivision; plus
- (3) the equalized assessed valuation for the current year of any improvements placed upon the real property located within the boundaries of such taxing subdivision subsequent to the year in which the reappraisal became effective; plus
- (4) the equalized assessed valuation of all real property within the district and assessed by the director of property valuation for the current year.

(b) For the purpose of fixing the limitation on the amount which can be produced by the levy of taxes by any taxing subdivision, all or part of which is located in a county which has not been recognized as required by law, and for which subdivision there were no taxes levied for the base year, the county clerk shall determine the amount that would have been produced by taxes levied for such year by applying to the current taxable assessed tangible valuation of such taxing subdivision the maximum lawful levy or levies which would have been made for such taxing district for the base year, if such taxing subdivision had made such levy or levies for such year.

(c) The amounts determined in subsections (a) and (b) of this section shall be used for the purpose of determining the limitation prescribed in section 3 of this act.

Sec. 8. The provisions of this act shall not apply to or limit the levy of taxes for the payment of:

- (a) Principal and interest upon bonds and temporary notes;
- (b) No-fund warrants issued prior to the effective date of this act;
- (c) No-fund warrants issued after the effective date of this act, when authorized by the state board of tax appeals subject to the conditions and requirements of K. S. A. 70-2038, 70-2039, 70-2041 and 70-2051 and whose said board in addition specifically finds that an extreme emergency exists;
- (d) Judgments rendered against taxing subdivisions;

(e) Rent due under any lease with a public building commission authorized by K. S. A. 1000 Supp. 12-1767 to 12-1768, inclusive, and acts amendatory thereof, which rent is for a facility specified in a resolution adopted prior to the effective date of this act, pursuant to K. S. A. 1000 Supp. 12-1767, and is pledged to retire bonds issued under the authority of such act; or

(f) Special assessments.

The provisions of this act do not apply to the tax levies required under K. S. A. 13-14, 100, 13-1402, 40-4305 and 74-4060 and K. S. A. 1000 Supp. 30-710, 30-713 (1), 72-4410, 72-4480, 72-4910, 72-7007 and 74-4067.

Sec. 9. The limitation imposed by this act upon the amount produced by the aggregate levy of taxes upon tangible property by any taxing subdivision, except as provided in section 14, may be suspended for any given year, and levies made for such year which will produce an amount in excess of that prescribed by this act, whenever a majority of the electors of such taxing subdivision vote in favor thereof. On motion of the governing body of such taxing subdivision, such proposition may be submitted at a special election to be held on the first Tuesday in July, 1970, or thereafter it may be submitted at any general election in any year, and the proposition shall be submitted at any such election whenever a petition requesting the same, signed by electors of such subdivision equal in number to not less than ten percent (10%) of the electors of such subdivision who voted at the last preceding general election for the governing body of such subdivision, shall be filed in the office of the appropriate election officer at least sixty (60) days prior to the date of such election. The proposition shall be placed on the ballot in substantially the form provided in K. S. A. 1000 Supp. 72-7024, as amended.

Sec. 10. (a) Subject to the provisions of subsection (c) of this section, as used in this act, the term "operating expenses" shall mean the total expenditures of a taxing subdivision for all purposes, except expenditures for:

- (1) The payment of bonds, no-fund warrants, temporary notes and interest thereon;
- (2) Capital improvements, where such expenditures are from any special building fund or other non-tax supported fund authorized by statute or from federal funds available for such purpose;
- (3) The payment of judgments authorized by law;
- (4) Expenses caused by any unforeseen occurrence for the payment of which the board of tax appeals has authorized the issuance of no-fund warrants in accordance with the requirements of section 22 of this act;
- (5) The operation of a municipally-owned utility, as defined in K. S. A. 10-1201, if such utility does not derive any revenue from tangible property taxes;

(6) Purposes authorized by law, where the money expended is derived from gifts or bequests from private sources;

(7) Rent due under any lease with a public building commission authorized by K. S. A. 1969 Supp. 18-1757 to 18-1768, inclusive, and acts amendatory thereof, which rent is for a facility specified in a resolution adopted prior to the effective date of this act, pursuant to K. S. A. 1969 Supp. 18-1757, and is pledged to retire bonds issued under the authority of such act;

(8) All public and social welfare expenditures of a county pursuant to the acts contained in article 7 of chapter 39 of the Kansas Statutes Annotated, and acts amendatory thereof;

(9) Payments by a county of community junior college out-district tuition;

(10) Payment of employer contributions required under K. S. A. 13-14,109, 13-14,602, 40-8305 and 74-8990 and K. S. A. 1969 Supp. 74-8987;

(11) Programs financed from federal grants or aid except to the extent the local share of federally-assisted projects must be budgeted as provided by law; and

(12) Payment of special assessments.

(b) Except as provided in subsection (d) of this section and sections 11, 12 and 14 of this act, no taxing subdivision shall budget for operating expenses in any fiscal year more than one hundred five percent (105%) of the amount legally budgeted for operating expenses in the preceding fiscal year or in the base year, whichever is greater.

(c) The operating expenses for a unified school district shall be as provided in K. S. A. 1969 Supp. 72-7018, except that expenditures from the fund established pursuant to K. S. A. 1969 Supp. 72-4429 shall not be an operating expense. The operating expenses of area vocational schools and community junior colleges shall be as determined by the state board of education, but the expenditure of moneys received by area vocational schools and community junior colleges as tuition or as out-district tuition payments which exceed the amount received by any such area vocational school or community junior college as tuition or out-district tuition payments, respectively, in the 1969-70 school year shall not be considered as operating expenses only for the purpose of the limitation provided in this section.

(d) The limitation provided in this section on a taxing subdivision's budget for operating expenses shall not apply in the 1970-71 school year for any community junior college district which opened classes for the first time in the 1969-70 school year, but said limitation shall apply to the budget for operating expenses for all subsequent school years. Whenever the construction of new or additional facilities causes an increase in operating expenses greater than a community junior college district is permitted to budget under the limitation provided in this act, said district may appeal to the state board of tax appeals which is hereby empowered to authorize such district to exceed said budget

limitation to finance the operations of said new or additional facilities.

Sec. 11. Except as provided in section 14 of this act, the limitation imposed by section 10 upon the budget or expenditures for operating expenses of taxing subdivisions may be suspended for any fiscal year, whenever a majority of the electors of such subdivision voting on such proposition at any election provided for in section 9 of this act shall vote in favor thereof. The proposition shall be placed on the ballot in substantially the form provided in K. S. A. 1969 Supp. 72-7084, as amended. If the proposed increase in budget for operating expenses requires an increase in the tangible property taxes of such subdivision, which increase would result in total tangible property tax levies for such subdivision that would produce an amount in excess of the limitation prescribed in section 3 of this act, then the proposition to approve such increase in the tangible property tax levies shall be submitted to the electors as required by section 6 of this act.

If a majority of the electors voting thereon shall vote in favor of the proposition to increase the budget for operating expenses of such taxing subdivision, said subdivision shall be authorized to budget and expend in such year an amount not to exceed the amount specified in the proposition, but unless any proposed increase in the property tax levy shall be approved in like manner, the provisions of section 3 of this act shall limit the tangible property tax levies of such subdivision.

Sec. 12. In any school year commencing after June 30, 1970, no district shall budget for operating expenses more than one hundred five percent (105%) of the amount legally budgeted for operating expenses in the preceding school year or in the 1969-70 school year, whichever is greater, except as otherwise provided in this act; *Provided*, That whenever the construction of new or additional school facilities causes an increase in operating expenses greater than the district is permitted to budget under the limitations provided in this act, said district may appeal to the state board of tax appeals which is hereby empowered to authorize such district to exceed said budget limitation to finance the operations of said new or additional facilities.

Sec. 13. Within the limitations provided in this act, districts are authorized and empowered to levy ad valorem taxes each year for all school operating expenses. The state board of tax appeals is hereby empowered to authorize a district to levy additional ad valorem taxes upon a finding by the board that the construction of new or additional facilities by said district necessitates ad valorem tax levies in excess of the amount prescribed herein in order to finance the operations of said facilities.

Sec. 14. Notwithstanding the limitations imposed by sections 3 and 12 of this act, in any year the board of any district may budget, expend and levy the necessary ad valorem taxes therefor in an amount which is not in excess of an amount which has

been approved by the electors of the district in the manner provided in this section, except as otherwise provided in section 13 of this act. Any such board proceeding under the alternative of this section shall first adopt a resolution which shall state in dollars the amount of operating expenses the district has budgeted in the current year and the amount of mills of tax levied for such budget; the amount in dollars of operating expenses the district is authorized to budget in the ensuing year and the estimated amount of mills of tax required to be levied to provide for such budget; the amount in dollars of the proposed increase and the proposed increase in estimated amount of mills of tax to be levied, if any, for the increase. The board of any district shall proceed under the alternative of this section and adopt the foregoing resolution whenever a petition requiring the same, signed by electors of such school district equal in number to not less than ten percent (10%) of the electors of such subdivision who voted at the last preceding general election for the board of education of such district, shall be filed with such board. All of the amounts provided for in this section shall be for operating expenses only.

Such resolution shall state that a proposition is to be presented at an election in the district for approval of the increase and the date of the election shall be specified, and such date shall be not less than ten (10) days and not more than twenty-one (21) days after the date of the publication required in this section.

Such resolution shall be published one time in a newspaper having general circulation in the district in a legal advertisement which shall be no less than three (3) columns wide and ten (10) inches from top to bottom and the type used in such publication shall not be smaller in size than ten points. At the top of the publication there shall appear the words "notice of election to increase school budget," which heading shall be printed with type not smaller than twenty-four points. The elections shall then be held in the manner provided by law for elections on questions submitted in the district. The proposition on the ballot shall read as follows: "Shall the budget of unified school district No. _____

_____ county, state of Kansas, be increased by _____ dollars?" The blanks shall be filled respectively with the number and county of the district and the amount of the proposed increase. If the proposed increase in the budget for operating expenses requires an increase in the tangible property taxes of such district, which increase would result in total tangible property tax levies for such district that would produce an amount in excess of the limitation prescribed in section 3 of this act, then there shall be placed on the ballot a proposition to read as follows: "Shall the mills of tax to be levied by unified school district No. _____ county, state of Kansas, be increased by not to exceed _____ mills?" The blanks shall be filled, respectively, with the number and county of the district and the amount of the proposed increase.

If a majority of the votes cast and counted at such election are in

favor of the increased budget, the district shall be authorized to budget and expend in such year an amount not exceeding the amount specified in the resolution adopted by the board under authority of this act, but unless the proposed increase in mills of tax is approved in like manner, the provisions of section 3 of this act shall limit the tangible property tax levies of such district.

Sec. 15. (a) No city shall impose an excise tax or tax in the nature of an excise, upon a sale or transfer of personal or real property, or the use thereof, or the rendering of a service without first having submitted such proposition to and having received the approval of a majority of the electors voting thereon at any election authorized by section 9 of this act, except the election to be held in July, 1970, and the only such tax which may be enacted by a city is a retailers' sales tax which conforms to the requirements of this act.

(b) The board of county commissioners of each county may submit the question of imposing a countywide retailers' sales tax to the electors at any election authorized by section 9 of this act, and any such board shall submit said question upon submission of the petition provided for in said section 9.

(c) Any city or county proposing to adopt a retailers' sales tax shall give notice of its intention to submit such proposition for approval by the electors in the manner required by K. S. A. 10-120 for giving notice of elections for the issuance of bonds. Said notice shall state the time of the election and the rate and effective date of the proposed tax. If a majority of the electors voting thereon at such election fail to approve the proposition, such proposition may be resubmitted under the conditions and in the manner provided in this act for submission of the proposition. If a majority of the electors voting thereon at such election shall approve the levying of such tax, the governing body of any such city or county shall provide by ordinance or resolution, as the case may be, for the levy of the tax. Any repeal of such tax or any reduction or increase in the rate thereof, within the limits prescribed by section 11 of this act, shall be accomplished in the manner provided herein for the adoption and approval of such tax.

Sec. 16. The rate of any city or countywide retailers' sales tax proposed to be levied shall be fixed in the amount of either one-half of one percent (.5%) or in the amount of one percent (1%). Any county or city levying a retailers' sales tax is hereby prohibited from administering or collecting such tax locally, but shall utilize the services of the state department of revenue to administer, enforce and collect such tax. Such tax shall be identical in its application and exemptions therefrom, to the Kansas retailers' sales tax act and all laws and administrative rules and regulations of the state department of revenue relating to the retailers' sales tax shall apply to such local sales tax insofar as such laws and regulations may be made applicable. The state director of revenue is hereby authorized to administer, enforce and collect such local sales taxes and to adopt such rules and regulations as may be necessary for the

efficient and effective administration and enforcement thereof. Upon receipt of a certified copy of an ordinance or resolution authorizing the levy of a local retailers' sales tax, the director of revenue shall cause such taxes to be collected within the boundaries of such taxing subdivision at the same time and in the same manner provided for the collection of the state retailers' sales tax. All amounts collected by the director of revenue under the provisions of this section shall be credited to a "county and city retailers' sales tax fund" which fund is hereby established in the state treasury. Any refund due on any county or city retailers' sales tax collected pursuant to this act shall be paid out of the sales tax refund fund and disbursed by the director of revenue from collections of local retailers' sales tax revenue. All local retailers' sales tax revenue collected from any county or city pursuant to this act shall be certified at least quarterly by the state treasurer, on instruction from the director of revenue, to the treasurer of such county or city.

Sec. 17. All retail transactions consummated within a county or city having a retail sales tax, which transactions are subject to the Kansas retailers' sales tax, shall also be subject to such county or city retail sales tax. All retail sales, for the purpose of this act, shall be considered to have been consummated at the place of business of the retailer. In the event the place of business of a retailer is doubtful the place or places at which the retail sales are consummated for the purposes of this act shall be determined under rules and regulations adopted by the department of revenue which rules and regulations shall be considered with state and federal law insofar as applicable. Retail sales involving the use, consumption or furnishing of gas, water, electricity and heat, for the purposes of this act, shall be considered to have been consummated at the situs of the user or recipient thereof, and retail sales involving the use or furnishing of telephone service, shall be considered to have been consummated at the situs of the subscriber billed therefor. The department of revenue is hereby authorized to request and receive from any retailer or from any city or county levying the tax such information as may be reasonably necessary to determine the liability of retailers for any county or city sales tax. In all cases the collection of any county or city sales tax shall commence on the first day of the month, except in no event shall collection of a city or county sales tax begin prior to November 1, 1970, nor prior to the first day of the month next following the sixtieth day after the date of the election authorizing the levy of such tax.

Whenever any sales tax, imposed by any city or county under the provisions of this act, shall become effective, at any time prior to the time that revenue derived therefrom may be budgeted for expenditure in such year, such revenue shall be credited to the funds of the taxing subdivision or subdivisions and shall be carried forward to the credit of such funds for the ensuing budget year in the manner provided for carrying forward balances remaining in such funds at the end of a budget year.

Sec. 18. (a) No city shall levy and collect taxes upon income or earnings, from whatever source derived, without first having submitted such proposition to and having received the approval of a majority of the electors voting thereon at any election authorized by section 9 of this act, except the election to be held in July, 1970, and the only such tax which may be enacted by a city is an earnings tax which conforms to the requirements of this act.

(b) The board of county commissioners of each county may submit the question of imposing a countywide earnings tax to the electors at any election authorized by section 9 of this act, and any such board shall submit said question upon submission of the petition provided for in said section 9.

(c) Any city or county proposing to adopt an earnings tax shall give notice of its intention to submit such proposition for approval by the electors in the manner required by K. S. A. 10-120 for giving notice of elections for the issuance of bonds. Said notice shall state the time of the election and the rate and effective date of the proposed tax. If a majority of the electors voting thereon at such election fail to approve the proposition, such proposition may be resubmitted under the conditions and in the manner provided in this act for submission of the proposition. If a majority of the electors voting thereon at such election shall approve the levying of such tax, the governing body of any such city or county shall provide by ordinance or resolution, as the case may be, for the levy of the tax. Any repeal of such tax, within the limits prescribed by section 14 of this act, shall be accomplished in the manner provided herein for the adoption and approval of such tax.

Sec. 19. (a) As used in this section, unless the context clearly requires otherwise, "earnings" means:

(1) Kansas taxable income of a resident individual, as defined by K. S. A. 79-32,116, for the same year as any city or county tax imposed;

(2) Kansas nonresident taxable income, as defined by K. S. A. 79-32,122, for the same year as any city or county tax imposed; and

(3) Kansas taxable income of a corporation, as defined by K. S. A. 79-32,136, for the same year as any city or county tax imposed.

(b) The rate of any earnings tax shall be two percent (2%) of an individual taxpayer's earnings and two percent (2%) of the earnings of a corporation. If a county or city adopts an earnings tax, there shall be imposed by resolution or ordinance, respectively, on every bank, trust company and savings and loan association located within such county or city a privilege tax in addition to the privilege tax imposed under K. S. A. 79-1107 and 79-1108, and any amendments thereto, at the rate of two percent (2%) according to or measured by the net income, as defined in K. S. A. 79-1109, of such bank, trust company or savings and loan association. No earnings tax shall be imposed by a county or city on any such bank, trust company or savings and loan association. The repeal of a local

earnings tax, as provided in section 18, by a county or city, shall also repeal any privilege tax imposed by such city or county hereunder. Any taxpayer's business income which is or could be subject to more than one earnings or privilege tax by cities or counties in this state shall be allocated and apportioned in the same manner and under the same limitations and conditions as provided in the uniform division of income for tax purposes act, insofar as the same can be made applicable, and under rules and regulations adopted for such purpose by the director of revenue. The total amount of any other individual taxpayer's earnings are subject to an earnings tax hereunder in the city or county of such taxpayer's residence, but only that portion of an individual taxpayer's earnings which are earned in another city or county shall be subject to the earnings tax of such other city or county. Where such individual taxpayer changes his residence, the city or county of his new residence may impose an earnings tax on the taxpayer's earnings for only that portion of the year in which he is a resident of such city or county. Any individual taxpayer, whose earnings are subject to more than one (1) local earnings tax, shall be allowed by each such taxing subdivision a credit of not to exceed fifty percent (50%) of the earnings tax due each of the other taxing subdivisions, or a credit of not to exceed fifty percent (50%) of the earnings tax due that taxing subdivision, whichever is less.

(c) Any city or county levying an earnings and privilege tax is hereby prohibited from administering or collecting any such tax locally, but shall utilize the services of the state department of revenue to administer, enforce and collect such tax. Any ordinance or resolution authorizing the levy of a city or county earnings tax shall incorporate by reference the provisions of article 33 of chapter 78 of the Kansas Statutes Annotated, and acts amendatory thereof, providing the procedure for the collection and administration of income taxes, insofar as the provisions of such law may be made applicable to a city or county earnings tax. The department of revenue is hereby authorized to adopt such rules and regulations as may be necessary to provide for the withholding by employers of any local earnings tax and may require any employer in the state of Kansas to furnish any information necessary for the administration, enforcement and collection of such tax.

(d) Upon the receipt of a certified copy of an ordinance or resolution authorizing the levy of a city or county earnings and privilege tax, the director of revenue shall cause all necessary forms to be prepared and such taxes to be collected at the same time and in the manner provided for the collection of the state income tax and privilege tax. The director of revenue is hereby authorized to administer and collect the earnings tax and privilege tax of any such city or county and to adopt such rules and regulations as may be necessary for the efficient and effective administration and enforcement thereof. The director shall credit all moneys received therefrom to a "city and county earnings and privilege tax fund,"

which fund is hereby established in the state treasury. The director of revenue shall transfer from the "city and county earnings and privilege tax fund" to the "city and county earnings and privilege tax refund fund," which fund is hereby created, an amount deemed sufficient by the director to pay any refunds due from any tax levied under the provisions of this section. All local earnings and privilege tax revenue collected from any county or city pursuant to this act shall be remitted at least quarterly by the state treasurer, on instruction from the director of revenue, to the treasurer of such county or city.

(e) Any city or county earnings and privilege tax adopted under the provisions of this act shall not become effective until January 1 next following the date of its adoption. Whenever any such tax shall become effective at any time prior to the time that revenue derived therefrom may be budgeted for expenditure in such year, such revenue shall be credited to the funds of the taxing subdivisions or subdivisions and shall be carried forward to the credit of such funds for the ensuing budget year in the manner provided for carrying forward balances remaining in such funds at the end of a budget year.

Sec. 80. All revenue received by any county treasurer from a countywide earnings and privilege tax or retailers' sales tax shall be apportioned among the county and each city, school district, community junior college district, all or part of which is 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, except bond and interest funds, bear to the total of all such levies made in the preceding year. All such moneys retained by the county shall be apportioned and paid into the several funds of the county for which tangible property taxes are levied, except bond and interest funds, in the proportion that the levy for each such fund in the preceding year bears to the total of all such levies made in the preceding year.

All such moneys apportioned to the several cities, school districts and community junior college districts of the county shall be paid to the respective treasurers thereof. Whenever the territory of any city or school district is located in two (2) or more counties and any one (1) or more of such counties do not levy a countywide earnings and privilege tax, the revenue received by such taxing subdivision from the proceeds of the countywide earnings and privilege tax shall be used for the purpose of reducing the tax levies of such subdivision upon the taxable tangible property located within the county levying such countywide earnings and privilege tax, and whenever the same circumstances exist with respect to countywide retailers' sales taxes, or whenever such counties do not levy countywide retailers' sales taxes at a uniform rate, the revenue received by such taxing subdivisions from the proceeds of the countywide retailers' sales tax shall be used for such purpose. In every other case, all revenue received by a school

district or community junior college district from the proceeds of a countywide earnings and privilege tax or retailers' sales tax and all revenue received by a city from the proceeds of a city or countywide earnings and privilege tax or retailers' sales tax shall be deposited in the general fund of such taxing subdivision.

Prior to March 1 of each year, the director of revenue shall advise each county treasurer of the revenue collected in such county from the state retailers' sales tax for the preceding calendar year, and the amount of taxable income reported for individual taxpayers in such county in the preceding calendar year.

Sec. 21. Notwithstanding the provisions of sections 15 and 18 of this act, no city shall authorize and provide for the levy of either an earnings and privilege tax or retailers' sales tax if the county in which such city is located is levying a countywide tax upon such base. Whenever any county shall approve the levy of a countywide earnings and privilege tax or retailers' sales tax, the levy of any such tax by a city located within such county shall terminate and cease on the date fixed for the application of such countywide levy, but in no event shall such countywide tax be less than the highest rate or rates imposed by a corresponding tax of any city located within such county.

Sec. 22. (a) The state board of tax appeals shall not authorize the issuance of no-fund warrants by any taxing subdivision of the state under the provisions of K. S. A. 79-2938, 79-2939, 79-2941 or 79-2951, except upon the basis of a finding of extreme emergency. The term "extreme emergency" shall include but not be limited to additional costs of a school district arising out of the closing of a nonpublic school which offered any of grades 1 to 12, or the closing of a primary or secondary school operated by any institution under the jurisdiction of the state board of regents, which costs cannot be met under the provisions of this act without impairing the educational program of the school district.

(b) Whenever any school district or community junior college district shall appeal to the state board of tax appeals pursuant to sections 3, 10(d), 12 or 13 for authorization to levy ad valorem taxes or budget for operating expenses in excess of the limitations provided in this act due to the construction of new or additional facilities, the state board of tax appeals may permit any such additional ad valorem tax levies so authorized to be considered as part of the amount of taxes levied in the base year, and may permit any such additional expenditures so authorized to be considered as included within the budget of operating expenses for the fiscal year for which the appeal was made.

Sec. 23. The limitation imposed by this act on the budget for operating expenses by taxing subdivisions shall also apply to other political subdivisions of this state which do not have authority to levy taxes upon tangible property, but tax levies on their behalf are required by law to be made by a taxing subdivision, and any such tax levy which may be made, or is required by law to be made,

for such political subdivision by a taxing subdivision shall be subject to the limitation imposed on property tax levies by section 3 of this act.

Sec. 24. Any public officer or employee, as such terms are defined by K. S. A. 1989 Supp. 21-3110, who violates any of the provisions of this act shall be guilty of a class A misdemeanor and shall be subject to forfeiture of office through ouster proceedings provided by law.

Sec. 25. Any election held under the provisions of this act shall be held in accordance with the provisions of the general election law relating to question submitted elections, unless a contrary requirement is specifically provided herein.

Sec. 26. All other existing aggregate tax levy limitations prescribed by law are hereby suspended, and the limitation upon the aggregate of the tax levies of taxing subdivisions is hereby imposed under the provisions of this act.

Sec. 27. The provisions of this act shall expire on December 31, 1972, and until said date the operation of the following statutes shall be and are hereby suspended: K. S. A. 12-136, 12-140, 12-142, 79-1904, 79-1904a and 79-1904b and K. S. A. 1989 Supp. 72-7016, 72-7018, 72-7020, 72-7021, 72-7022, 72-7023, 72-7024, 72-7025 and 72-7026.

Sec. 28. K. S. A. 79-2945, 79-2946, 79-2947, 79-2948, 79-2949, 79-2950, 79-2953, 79-2954, 79-2955, 79-2956 and 79-2957 are hereby repealed.

Sec. 29. This act shall take effect and be in force from and after April 1, 1970, and its publication in the official state paper.

Approved March 23, 1970.

Published in the official state paper March 27, 1970.

TABLE 1

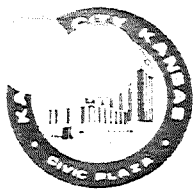
**KANSAS CITY, KANSAS RESIDENTS, WORKERS 16 AND OVER,
BY PLACE OF WORK (1980 U.S. CENSUS)**

<u>Workplace</u>	<u># of Workers</u>	<u>% of Total</u>
Kansas City, Kansas	34,678	58.5
Remainder Wyandotte County	1,111	1.9
Johnson County	7,538	12.7
Kansas City, Missouri	13,516	22.8
Remainder Jackson County	573	1.0
Remainder Platte County	178	0.3
Remainder Clay County	935	1.6
Cass County	36	0.1
Ray County	4	0.0
Outside SMSA	710	1.2
Workplace not reported	6,446	---
Total	65,725	100.0

TABLE 2

**EMPLOYED PERSONS IN KANSAS CITY, KANSAS, WORKERS 16 AND OVER,
BY PLACE OF RESIDENCE (1980 U.S. CENSUS)**

<u>Residence</u>	<u># of Workers</u>	<u>% of Total</u>
Kansas City, Kansas	34,678	47.5
Outside Kansas City, Kansas	38,359	52.5
Remainder Wyandotte County	1,450	2.0
Johnson County	13,358	18.3
Kansas City, Missouri	10,797	14.8
Remainder Jackson County	4,704	6.4
Remainder Platte County	850	1.2
Remainder Clay County	1,799	2.5
Cass County	391	0.5
Ray County	261	0.3
Outside SMSA	4,749	6.5
Total	73,037	100.0



CITY OF KANSAS CITY, KANSAS

INFORMATION AND RESEARCH DEPARTMENT
701 NORTH 7TH STREET, KANSAS CITY, KANSAS 66101
(913) 573-5150



MEMORANDUM

TO: Dennis Shockley, Legislative Specialist
FROM: Lew Levin, Research Director *Lew Levin*
SUBJECT: Earnings Tax Revenue Estimate
DATE: January 23, 1986

This memorandum is in response to your request to estimate the amount of annual revenue Kansas City, Kansas would receive if the City enacted a one-percent earnings tax. In developing the estimate, it was assumed that the tax would be levied upon: the earnings of persons employed in Kansas City, Kansas; the earnings of Kansas City, Kansas residents employed outside of Kansas City, Kansas; and the net profits of businesses and corporations located within Kansas City, Kansas. Kansas City, Kansas residents employed in Kansas City, Missouri would receive a tax credit for the amount of earnings tax paid to Kansas City, Missouri.

It is estimated¹ that Kansas City, Kansas would have received \$18,491,000 in 1985, from a one-percent earnings tax². The attached table presents a distribution of the tax liability by type of taxpayer and residence of the taxpayer. The table indicates that Kansas City, Kansas residents will pay approximately 38.4 percent of the earnings tax.

¹A number of data sources were used in preparing the revenue estimate. The primary data sources included: (1) total wages for Wyandotte County workers (July 1984 thru June 1985)- Kansas Department of Human Resources; (2) adjusted gross income of Wyandotte County residents, 1983- Kansas Department of Revenue; (3) net taxable income of Kansas Corporations and Financial Institutions, 1983- Kansas Department of Revenue; (4) journey to work data for the Kansas City metropolitan area- 1980 U.S. Census; and (5) 1983 Kansas County Business Patterns- U.S. Bureau of the Census.

²The earnings tax revenue estimate includes a three-percent deduction of withholdings by employers, and an estimated two-percent non-collection rate.

TABLE 1

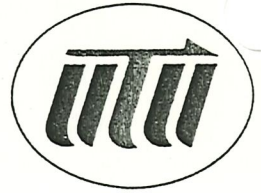
ESTIMATED EARNINGS TAX LIABILITY BY
TAXPAYER RESIDENCE AND TYPE

<u>Taxpayer</u>	<u>Est. Tax Liability</u>	<u>% of Total</u>
(A) Individuals by Residence		
(1) KCK residents employed within KCK	\$6,308,000	32.6
(2) KCK residents employed outside KCK	\$1,124,000	5.8
(3) Other Wyandotte County residents	\$ 263,000	1.4
(4) Johnson County residents	\$3,441,000	17.8
(5) KCMO residents	\$2,750,000	14.2
(6) Other residents within the KC metropolitan area	\$2,040,000	10.5
(7) Residents outside the KC metropolitan area	\$1,366,000	7.1
(B) Corporations and Financial Institutions	\$2,060,000	10.6
(C) Total	\$19,352,000*	100.0

* Employer withholdings and non-collections are estimated to reduce the actual revenue receipts to \$18,491,000.

R. E. (RON) CALBERT
DIRECTOR CHAIRMAN

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KANSAS STATE LEGISLATIVE BOARD

STATEMENT OF

RON E. CALBERT, DIRECTOR

KANSAS STATE LEGISLATIVE BOARD
UNITED TRANSPORTATION UNION

REGARDING HOUSE BILL NO. 2836

February 1986

Mr. Chairman and members of the Committee, thank you for the opportunity to appear before you today on House Bill No. 2836. I am Ron E. Calbert, Director, Kansas State Legislative Board, **UNITED TRANSPORTATION UNION**. I am authorized to speak for our some seven thousand (7,000) active and retired members and their families who reside in Kansas.

For several reasons, Mr. Chairman, we rise in opposition to H.B. 2836, which proposes authority for boards of education to levy a surtax upon the state income tax liability of residents of a school district.

Perhaps I've missed a "loophole," but H.B. 2836 seems to contravene the Kansas Constitution; Article 6, Section 6, Sub-Section (b) provides:

"The legislature shall make suitable provision for finance of the educational interests of the state."

And, Article 11, Section 2, provides:

"The state shall have power to levy and collect taxes on incomes from whatever source derived which taxes may be graduated and progressive."

Moreover, in Article 12, Section 5 I read numerous "home rule" provisions for authority to levy taxes by "cities" but none for "boards of education."

I have heard estimates that over half of Kansas' agricultural investment land is owned by non-residents. Yet, you have heard proponents of H.B. 2836 praise it as an "alternative revenue source" and as "property tax relief." Non-residents cannot be taxed on their income so over half the district's income wealth would escape taxation. My questions are: "Whose alternative?" and "Whose property tax?" The taxpayers I represent only have one "pocketbook" and they do not have Schedule "F" to write off their expense!

Department of Revenue officials will apprise the Committee of the numerous administrative problems should H.B. 2836 be enacted. While they are before you it would be helpful if the Committee heard some statistics as to just how many Kansas residents with high gross or adjusted gross income on federal form 1040 arrive at the bottom line on Kansas form K 40 with "zero" state income tax liability. A surtax of ten percent (or more) of "zero" income tax liability is "zero." But to the average wage earner with a \$500.00 Kansas tax liability, it's another \$50.00 or more!

The federal tax code has squeezed out the average payday-to-payday wage earner and forced him to standard deductions and short form 1040. He's already lost the gasoline and medical expense deductions and interest and insurance deductions are in jeopardy. He has had an increase in his Social Security and Railroad Retirement tax. Meanwhile, he looks at all the wonderful tax benefits enacted by the 97th Congress such as the \$2,000 exemption if he had \$16,000 to invest in All-Savers and the \$2,000 to \$4,000 adjustment if he could afford to invest in an Individual Retirement Account. Finally, he looks at the record and discovers that he pays more federal and state income tax than the Boeing Corporation, Dow Chemical Company, and Westinghouse Electric Corporation! Mr. Chairman, and members of the Committee, I suggest that if Kansas must have increased general revenue, there are more equitable vehicles than the federal income tax.

Money collected from H.B. 2836 is supposed to go for property tax relief. I quote from H.B. 2836, Section 6 (c): "The tax levy of each school district upon taxable tangible property located within such district shall be reduced by an amount equivalent to the amount of revenue distributed to the school district pursuant to this section." However, corporations, insurance companies, banks, and savings and loan associations are not being taxed, while they enjoy the same property tax reduction!

Why not repeal the retail sales tax on food for people and raise the rate statewide to increase general revenue? Our Sales Tax Refund Act responds to the needs of low income taxpayers. Certainly we have an excellent Homestead Tax Refund Act to benefit those taxpayers who are truly hurt by property taxes.

The tax incidence in Kansas impacts squarely on the middle-income taxpayer who pays the highest ratio of taxation to income. I urge you to reject the proposition of H.B. 2836.

I will add a quote from my good friend, Bryan Whitehead, whom I am sure you all miss:

"We have all heard the line from a popular western song: "This gun don't care who it shoots." I close by suggesting a paraphrase: "These tax shifts don't care who they shaft!"

I appreciate the opportunity to express my views on this most important and controversial subject. I will now attempt to respond to any questions which you may have.