

Approved On: _____

Minutes of the House Committee on Assessment and Taxation. The meeting was called to order by Jim Lowther, Vice Chairman, at 9:00 a.m. on March 5, 1986 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Rolfs

Committee staff present:

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

Representative Fox explained HB-3066, an act concerning county-wide retailers' sales tax; relating to the distribution of the proceeds derived therefrom. This bill is localized to Johnson County. It is not an endorsement of an additional 1/2 cent sales tax increase but provides for a change in distribution. (Attachment 1) Gerry Ray, Inter-governmental Coordinator for Johnson County also appeared as a proponent of HB-3066. Her testimony included a detailed discussion of the effects of such a change. (Attachment 2) Dr. Severn responded to committee's questions about county taxes.

Scott Lambers, Assistant to the City Manager of Overland Park, testified in support of HB-3066. (Attachment 3) This concluded the public hearing on HB-3066.

Dennis Shockley, Legislative Specialist representing Kansas City, Kansas, spoke as a proponent of HB-2968. an act relating to taxing authority of cities, and submitted a table showing estimated earnings tax liability by taxpayer residence and type. (Attachment 4) He said the City of Kansas City and the League of Kansas Municipalities have supported the local option earnings tax concept for several years as an alternative to the over-reliance on the property tax. (Attachment 5)

Jim Kaup, attorney for League of Kansas Municipalities, testified in support of HB-2968. (Attachment 6) He said that the original Kansas tax lid law authorized a locally-levied state-collected tax on income as well as the local option sales tax.

Bill Ramsey, testifying for the City of Olathe, said that the city has a very real need for additional funds to repair local roads and bridges which receive extremely heavy use because of its proximity to Kansas City.

John Blythe, Assistant Director Public Affairs Division Kansas Farm Bureau, spoke in opposition to this bill because they believe their elementary and secondary schools should be the beneficiary of such an income tax. (Attachment 7)

Ron Calvert, United Transportation Union, spoke as an opponent of the bill. Mary Turkington, Kansas Motor Carriers, said their operators work in many cities and it would be difficult to determine where the tax liability would be. Leroy Jones, testifying for Brotherhood of Locomotive Engineers, said that passage of this bill would create a nightmare for their organization.

David Litwin, testifying for KCCI, believes that the bill requires more study and planning, and that the taxing authority should be more clearly defined. This concluded the public hearing on HB-2968.

The minutes of March 4 were approved by the committee.

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



STATE OF KANSAS



TOPEKA

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March 5, 1986

To Committee on Assessment and Taxation
Testimony on House Bill 3066

House Bill 3066 is a bill which would restructure the local sales tax distribution of an additional 1/2 cent sales tax if approved by the voters.

The bill is localized to Johnson County. It is not an endorsement of an additional 1/2 cent sales tax increase. It only provides for a change in distribution. I have attached a detailed discussion of the effects of such a change.

This was prepared by Gerry Ray. If you have specific questions related to the proposed changes, I believe they are answered in the attachment or can be answered by Gerry.

Thank you.


Ron Fox

A. B. Laffer Associates

Economic Study

THE STATE COMPETITIVE ENVIRONMENT: 1985-86 UPDATE

By Victor A. Canto

As the United States completes the transition from a slow growth, high inflation economy to a dynamic, low inflation economy, competition among individual states for increased shares of the new economic pie will become dramatic. In determining a state's competitive position, one of the most significant distinctions to make is the change in a state's tax burden relative to other states and to the national average.

Changes in a state's tax rates relative to the average for all states will alter its competitiveness and, therefore, its relative growth rate during the period of adjustment to higher or lower tax rates. Central to this theory is the assumption that capital and labor are mobile and will seek out the highest after-tax rate of return. Initially, this will take the form of a shift in production to existing facilities or perhaps even an increased utilization of existing labor in the form of overtime. As time horizons lengthen, individuals and plants will actually move to those states with falling relative tax burdens.

An analysis of the most recent tax data suggests that Wisconsin, Connecticut, Kansas, Minnesota, Pennsylvania and Rhode Island have reduced their relative tax burdens and therefore improved their competitive positions. New York and Ohio are soon due to complete phased-in tax rate reductions and also deserve close attention. Oklahoma, Mississippi, Arkansas, Kentucky, Indiana, Nebraska and Florida have all raised their relative tax burdens and are expected to grow less rapidly.

December 20, 1985

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THE STATE COMPETITIVE ENVIRONMENT: 1985-86 UPDATE

Changes in a state's tax rates relative to the average for all states will alter its relative growth rate during the period of adjustment to higher or lower tax rates. For example, a reduction in tax rates reduces the cost of doing business in a state. This increases the demand for the now less expensive goods and services produced within the state. The higher demand for the state's goods and services will result in an increased demand for capital and labor services within the state.

If all else remains the same, a reduction in tax rates also increases the return to capital and work effort, leading to an increase in the supply of capital and work within the state. Higher returns to labor and capital also induce a migration of mobile factors into the state. Initially, this migration may take the form of a shift in production to existing facilities or perhaps an increased utilization of existing labor in the form of overtime. As time horizons lengthen, migration will incorporate the actual movement of individuals and plants to the state and the retention of plants and jobs that might otherwise have left the state. This migration will continue until after-tax returns for the mobile factors within the state are equalized with after-tax returns for their counterparts elsewhere in the economy. The returns of state-specific factors will unambiguously increase.

Changes in tax rates have the greatest impact on the supplies of factors of production that are highly mobile. For example, consider the case of a highly mobile worker, one who is prepared to relocate in order to improve his or her standard of living. This worker's availability to the work force within a state will be extremely sensitive to a change in state tax rates. By contrast, capital in the form of a new steel mill is highly immobile. Its operating level initially will be relatively unaffected by a change in a state's tax rates. The major impact of state tax rate change will be on the mill's profits.

Whether the price of a commodity or factor of production is equilibrated across states on a pretax or after-tax basis depends on each item's mobility. The price of mobile factors of production will be equilibrated across states on an after-tax basis. This means that changes in tax rates will have two general effects:

- They will change the quantity and pretax price of mobile factors within the state and leave their after-tax rates of return unchanged.
- They will change the rate of return of factors of production that cannot leave the state and leave the quantity within the state unchanged.

An implication of this analysis is that taxes levied on mobile factors will be passed on to the immobile factors located within the state. Thus the burden of state taxes may very well be different from its initial incidence.

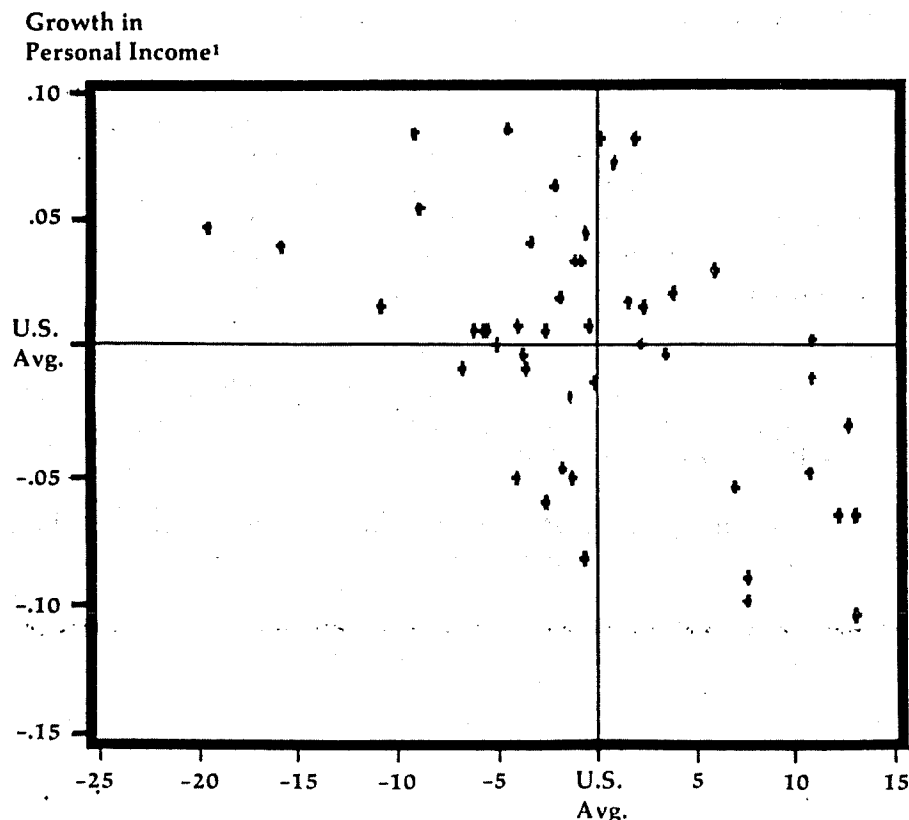
Consider the case of a company which is located in a high tax state and which manufactures a product for sale in the national market. Any attempt to pass on a tax increase to highly mobile workers will result in migration of those workers to other states. Similarly, any attempt to pass the price hike on to consumers will be met by a decline in the company's sales and loss of market share. Therefore, to the extent that factors of production are mobile across state lines, an increase in state taxes will be borne entirely by the shareholders of the company.

Changes in state and local taxes may be used to implement a portfolio strategy. Implementation of this portfolio strategy requires the identification of changes in state tax policies as well as the identification of producers who are unable to pass state and local taxes forward or backwards.

THE CHANGING COMPETITIVE ENVIRONMENT

From a competitive point of view, it is important to identify changes in relative tax burdens among states. States that are lowering their relative burdens can be expected to experience accelerated economic growth. On the other hand, those that are increasing their relative tax burdens should exhibit a slower pace of economic expansion. During the 1980-84 period, a negative and significant relation between changes in state's relative tax burden and their economic growth was evident (Figure 1).

Figure 1
Economic Growth and Changes in the Relative Tax Burden*
 1980-1984



* Excluding Alaska, Hawaii, Wyoming

1 Change in (log of real personal income by state relative to log of U.S. average)

2 Change in (tax revenue per \$1,000 of personal income by state relative to U.S. average)

THE PERFORMANCE OF THE 1984 STATE COMPETITIVENESS FORECAST

The negative relation between relative tax burden and economic performance combined with knowledge of enacted and proposed tax legislation can be used to forecast which states are most likely to gain or lose competitiveness.

In May 1984, our analysis of state competitiveness predicted that Massachusetts, Arizona, Nebraska, Missouri and South Dakota were most likely to gain a competitive advantage.¹ The analysis also suggested that California, Delaware, New York, Rhode Island, and Oregon deserved close monitoring as candidates for improvement.

State economic performance is measured by the growth rate of personal income. Consistent with our predictions, Massachusetts, South Dakota, Delaware, Rhode Island, and Oregon had higher performance rankings during 1982-84 than during 1977-82 (Table 1).

Table 1
Ranking of States on Basis of Personal Income Growth

	Most Likely to Improve Ranking in 1984	
	1977-82 Ranking Personal Income Growth	1982-84 Ranking Personal Income Growth
Massachusetts	2	2
Arizona	3	42
Nebraska	7	35
Missouri	19	21
South Dakota	11	2
Likely to Improve in Ranking in 1984		
California	1	13
Delaware	25	16
New York	5	27
Rhode Island	34	9
Oregon	35	32
Likely to Decline in Ranking in 1984		
Florida	15	30
Texas	30	35
Most Likely to Decline in Ranking in 1984		
North Dakota	18	38
Idaho	20	15
Michigan	33	44
Arkansas	32	22
Colorado	6	39

* Based on "The State Competitive Environment," A.B. Laffer Associates (May 1984).

A.B. Laffer Associates

Arizona, a state we predicted would increase its competitive position, subsequently raised taxes. As a consequence, its performance ranking declined. Similarly, California and New York, which were on our "watch list," lost competitiveness. California defeated Proposition 36 and New York phased-in its tax reduction.

Our May 1984 analysis identified Texas and Florida as states likely to lose competitiveness. As predicted, the relative rankings of both states declined. Finally, North Dakota, Idaho, Michigan, Arkansas, and Colorado had slated the largest increases in tax burden and were pegged as the most likely to lose competitiveness. The declines in the performance rankings of these states are consistent with our forecasts.

STATE COMPETITIVE FORECAST FOR 1985²

Tax Changes in 1984 (for FY 1985)

For fiscal year 1985, more states lowered tax rates than increased them. Excluding very small changes (i.e., those involving less than 1 percent of total tax revenue) there were 11 reductions and 7 increases. Twenty-one states showed no major change in taxes (Table 2).

State tax increases in FY85 added up to \$2.8 billion while tax decreases were \$1.9 billion; thus the net increase in state taxes was \$0.9 billion. Two states—Texas and Louisiana—accounted for 66 percent of the total increases:

- Texas raised taxes \$1.1 billion;
- Louisiana raised taxes \$720 million;
- Tennessee raised taxes \$350 million.

The expiration of temporary tax increases accounted for a significant portion of the tax cuts. Such tax rate reductions in Illinois (\$600 million), Pennsylvania (\$108 million), Michigan (\$309 million), Colorado (\$104 million), Nebraska (\$37 million), and Idaho (\$17 million) totalled \$1.2 billion.

Tax rate changes differed regionally. The region with the heaviest concentration of tax decreases was the Great Lakes where all states except Illinois lowered their personal income taxes. The region with the most significant tax increases was the sunbelt. These increases are in part an attempt to offset falling severance tax revenue resulting from declining energy prices. In addition, many of these states have also placed particularly high priority on improving their school systems, intensifying their need for additional revenue.

Tax rate changes also differed by type of tax. In most cases, income tax rates were lowered and sales taxes were increased. Income taxes were lowered in 9 states in fiscal year 1985. Rhode Island, Delaware, Michigan, Ohio, Minnesota, Wisconsin, and Nebraska voted to lower taxes; Pennsylvania and Illinois allowed temporary tax decreases to expire. Income taxes were increased in 2 states: Mississippi extended an increase that was due to expire in 1986, and Vermont voted to increase its income tax in 1984.

Table 2
State Tax Changes in 1984 (for FY 1985)

State	No Major Tax Act	Sales	Personal	Corp./ Franch.	Motor Fuels	Tob.	Alcoh.	Misc.
Alabama						+		
Alaska	N					+		
Arizona		+	+			+		
Arkansas	N							
California	N							
Colorado		-						
Connecticut					+			
Delaware				+				
Florida		-						
Georgia	N							
Hawaii	N							
Idaho		-	-	-				-
Illinois		+	-		+			+
Indiana	N							
Iowa	N							
Kansas	N							+
Kentucky				+				
Louisiana		+			+	+	+	+
Maine			-	-	-	+	+	
Maryland				+				
Mass.	N							
Michigan			-		+			
Minn.		-	-					
Miss.		+	+	+				
Missouri	N							
Montana	N							
Nebraska			-	+/-1				
Nevada	N							
New Hamps.	N							
New Jers.	N							
New Mexico								+
New York	N							
N. Carol.	N							
N. Dakota	N							
Ohio								-
Oklahoma		+			+	+	+	
Oregon				-				
Pennsylvania			-	-				
Rhode Island			-					+
S. Carolina		+						+
S. Dakota	N							+
Tennessee		+		+				+
Texas		+		+	+	+	+	+
Utah				+	+			+
Vermont		+	+	+				
Virginia				+/-2				
Washington	N							
W. Virg.	N							
Wisconsin			-	-	+			-
Wyoming	N							

+ = Tax Increase - = Tax Reduction N = No Major Tax Action

Notes = 1) Nebraska corporate tax rates were reduced, however a revision of multinational corporate taxation will increase state revenues.

2) Virginia repealed an inventory tax, but extended the A.C.R.S. deferral.

Source: "State Budget Actions in 1984," National Conference of State Legislatures.

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Table 3
State Tax Changes in 1985 (for FY 1986)

State	No Major Tax Act	Sales	Personal	Corp./ Franch.	Motor Fuels	Tob.	Alcoh.	Misc.
Alabama								+
Alaska						+		
Arizona					+	C+		
Arkansas					+		+	
California			+*					
Colorado			E+	E+/-*		E+		
Connecticut		-*			+	C+		-
Delaware			-*					-
Florida					+	+/C+		+/-
Georgia	N							
Hawaii	N				+			+
Idaho	N							
Illinois								+
Indiana			-*	-*	+			
Iowa		+*/-*			+	+	+	+
Kansas			Z-		-	+		+
Kentucky		+*		+				-
Louisiana							-	
Maine								+
Maryland						C+		-
Mass.								+/-
Michigan			-					
Minn.		-*	-			+/C+		-
Miss.		+*				+/C+	+	
Missouri	N					C+		
Montana						C+	+	+/-
Nebraska		+*			+	C+	+	
Nevada					+	E+/C+	E+	Z-/E
New Hamps.				-		C+		-
New Jers.					+			-
New Mexico						C+		
New York			-			E+	E+	-
N. Carol.			-*					-
N. Dakota		+*/C+	E+	E+				-
Ohio			-					E+/-
Oklahoma		+/E+		+	+	C+	+	+
Oregon		C+	Z-		+	+/E+		-
Pennsylvania			-					-
Rhode Island			-		+	+/C+		-
S. Carolina								+
S. Dakota		+*				+		+
Tennessee		E+/-*			+			+
Texas	N							
Utah		-*		-*		C+		
Vermont		+*				+		
Virginia						+		+
Washington								+/-
W. Virg.			Z-					-
Wisconsin			-			C+		-
Wyoming								

+ = Tax Increase

- = Tax Reduction

N = No Major Tax Action

C+ = Contingent Increase

Z- = Temporary Increase Expired

E+ = Extended An Increase Which was Due to Expire

* = Base Change

Source: "State Budget Actions in 1985," National Conference of State Legislatures.

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Pennsylvania, Nebraska, and Wisconsin lowered their corporation income tax rate, and Oregon abandoned its unitary method of apportioning income (this lowered taxes for some companies involved in international trade). Two states, Utah and Vermont, raised their corporation income tax rate. Mississippi extended a temporary increase, and Delaware raised its corporation franchise tax. Maryland changed its corporate tax base to a variation of the unitary tax.

Five states raised their sales tax rates—Louisiana, South Carolina, Tennessee, Oklahoma and Texas. Three states made temporary increases permanent—Mississippi, Arizona and Utah. Nebraska and Colorado allowed temporary increases to expire. Idaho dropped its sales tax rate to 4.0 from 4.5 percent.

Tax Changes in 1985 (for FY 1986)

For fiscal year 1986, 25 states are increasing tax rates while 20 states are reducing tax rates (Table 3). Although more states are increasing taxes than reducing them, the magnitude of the reductions are larger than the tax increases. No state will increase income tax rates although Colorado and North Dakota are extending increases which were due to expire. Oklahoma is the only state to raise its sales tax rate. This action is largely in response to falling oil prices. Connecticut, which does not have a broad-based personal income tax, has lowered its sales tax. Most of the increases in taxes are small and involve changes in excise taxes or small changes in exemptions.

Twelve states are lowering their personal income tax for FY1986. These reductions for the most part reverse the tax increases enacted in 1982 and 1983. Minnesota, New York, and Ohio are enacting the largest cuts. In New York and Ohio, the cuts are being phased-in over three years. The list of states lowering their tax rates also includes Delaware, Indiana, Kansas, North Carolina, Oregon, Rhode Island, Pennsylvania, West Virginia, and Wisconsin. Of these states, the most significant reform is taking place in Wisconsin. Wisconsin is broadening its base in order to lower tax rates.

Oklahoma and Kentucky are increasing their corporate income tax rate while New Hampshire's has been lowered. Colorado, Indiana, and Utah have repealed worldwide unitary taxation. The most significant business tax change is in West Virginia: Business and occupations taxes are being replaced by a new franchise tax based on net worth.

Regionally, states from the South and West continue to lead the U.S. in tax increases. Florida, for example, has raised its taxes more than \$100 million for FY1986. By contrast, the largest tax cuts are concentrated in the industrial belt including Michigan, Minnesota, New Jersey, New York, Ohio, and Pennsylvania. Finally, among the most competitive states, North Carolina has reduced taxes by more than \$100 million, and Texas and Virginia report no tax changes for FY86.

Table 4
Major Taxes and Rates Used by States As of January 1, 1985

State	Income taxes		General sales and use tax	Gasoline tax (per gallon)	Cigarette tax (per pack of 20)	Property tax
	Corporation	Individual				
Alabama	5% (F)	2 to 5% (F)	4% ^a	11¢	16.5¢	X
Arizona	2.5 to 10.5 (F)	2 to 8 (F)	5 ^a	13	15	X
Arkansas	1 to 6	1 to 7	4 ^a	9.5	21	X
California	9.6	1 to 11	4.75 ^a	9	10	X
Colorado	5 ^b	3 to 8 (F)	3 ^a	12	15 ^b	X
Connecticut	11.5 ^c	6 to 13 ^d	7.5	15 ^e	26	X
Georgia	6	1 to 6	3 ^a	7.5 + 3% of retail	12	X
Hawaii	5.85 to 6.435	2.25 to 11	4	12.5 to 16	40% wholesale	
Idaho	7.7	2 to 7.5	4	14.5	9.1	X
Illinois	4	2.5	5 ^a	12 ^e	12	X
Indiana	3 ^f	3	5	11.1	10.5	X
Iowa	6 to 12 (F)	.5 to 13 (F)	4	13	18	
Kansas	4.5 ^g	2 to 9 (F ^h)	3 ^a	11	16	X
Kentucky	3 to 6	2 to 6 (F ^h)	5 ^a	10 ⁱ	3	X
Louisiana	4 to 8 (F)	2 to 6 (F)	4 ^a	16	16	X
Maine	3.5 to 8.93	1 to 10	5	14	20 ^e	X
Maryland	7	2 to 5	5	13.5 ⁱ	13	X
Massachusetts	8.33 ^j	5 ^k	5	11	26	X
Michigan	2.35	5.35 ^b	4	15	21	X
Minnesota	6 to 12	1.6 to 16 (F)	6 ^a	17	18	X
Mississippi	3 to 5	3 to 5	6	9	11	X
Missouri	5 (F)	1.5 to 6 (F)	4.125 ^{a,e}	7	13	X
Nebraska	4.75 to 6.65	19% of Federal income tax	3.5 ^a	14.9	18	X
New Jersey	9 ^l	2 to 3.5	6	8	25	X
New Mexico	4.8 to 7.2	.7 to 7.8 ^m	3.75 ^a	11	12	X
New York	10 ^c	2 to 14	4 ^a	8	21 ^b	
North Carolina	6	3 to 7	3 ^a	12	2	X
North Dakota	3 to 10.5 (F)	2 to 9 ^{b,n} (F)	4	13	18	X
Ohio	5.1 to 9.2	.95 to 9.5	5 ^a	12	14	X
Oklahoma	4	.5 to 6 ^m (F)	3 ^{a,b}	9	18	
Pennsylvania	9.5	2.35	6 ^a	12	18	X
Rhode Island	8 ⁱ	24.9% of Federal income tax	6	13 ⁱ	23	X
South Carolina	6	2 to 7 (F)	5	13	7	X
Tennessee	6	6 ^d	5.5 ^{a,b}	9	13	
Utah	5	2.25 to 7.75 (F)	4.625 ^{a,b}	14	12	X
Vermont	6 to 9 ^b	26.5% of Federal income tax	4 ^b	13	17	X
Virginia	6	2 to 5.75	3 ^a	11	2.5	X
West Virginia	6 to 7 ⁿ	2.1 to 13	5	10.5	17	X
Wisconsin	7.9	3.4 to 7	5 ^a	16	25	X
Florida	5		5 ^a	4	21	X
Nevada			5.75 ^a	10.25	15 ^b	X
South Dakota	These 5 states have no corporate income tax	These 7 states have no individual income tax	4 ^a	13	15	
Texas			4.125 ^a	10	19.5 ^c	
Washington			6.5 ^a	18		X
Wyoming			3 ^a	8	8	X
Alaska	1 to 9.4	These 5 states have no general sales tax	8	8	8	X
Delaware	8.7	1.3 to 10.7 (F)	5 states	11	14	
Montana	6.75 ^m	2 to 11 (F)	have no	15	16	X
New Hampshire	8 ⁿ	5 ^o	general	14	17	X
Oregon	7.5	4 to 10 (F)		10	19 ^b	X

(X) Indicates state levies a property tax.
(F) Allows Federal income tax as a deduction.

^aLocal taxes are additional.

^bFuture reduction scheduled under current law.

^cAlternative methods of calculation may be required.

^dIn Connecticut, New Hampshire, and Tennessee, tax applies to income from intangibles only, at various rates according to type.

^eFuture increases scheduled under current law.

^fTax is 3% of adjusted gross income. A supplemental net income tax is imposed at 4%.

^gA 2½% surtax is imposed on taxable income in excess of \$25,000.

^hDeductions limited.

ⁱTax imposed at percent of wholesale value.

^jAdditional 14% surtax is imposed.

^kTax of 10% on income derived from intangibles, and 5% on all other income, and an additional 7.5% tax.

^lAdditional tax on net worth is part of the corporate franchise tax.

^mQualified taxpayers may elect to pay alternative taxes at varying rates.

ⁿOptional tax of 7.5% of taxpayer's adjusted Federal income tax liability.

^oFrom January 1, 1983 through June 30, 1985, a 15% surtax is imposed.

^pSurtax of 13.5% is imposed.

Source: Compiled by Tax Foundation from data reported by Commerce Clearing House.

A.B. Laffer Associates

Table 5
Changes In States' Relative Tax Burdens

1980-84			1982-84			FY 1986 Tax Increases		
Rank	State*	Change ¹	Rank	State	Change	Rank	State	Change ²
1	Mass.	-19.80	1	S.D.	-12.07	1	Minn.	-5.34
2	S.D.	-15.46	2	Mass.	-6.90	2	Wisc.	-3.37
3	Neb.	-11.02	3	La.	-5.83	3	Conn.	-2.68
4	Ariz.	-9.18	4	N.M.	-4.77	4	Ohio	-2.12
5	Ky.	-7.85	5	Iowa	-4.53	5	N.Y.	-1.63
6	Del.	-5.93	6	Ky.	-4.45	6	R.I.	-1.63
7	Ark.	-5.68	7	Ga.	-4.26	7	Penn.	-1.62
8	Mo.	-5.25	8	Okla.	-4.23	8	N.H.	-1.50
9	Ga.	-4.70	9	R.I.	-4.20	9	Del.	-1.40
10	Ill.	-4.38	10	Tenn.	-3.36	10	Kansas	-0.91
11	Cal.	-4.23	11	Mont.	-3.28	11	W. Va.	-0.83
12	Tenn.	-3.91	12	Texas	-3.11	12	Colo.	-0.49
13	N.C.	-3.64	13	Cal.	-2.77	13	N.C.	-0.43
14	Md.	-2.90	14	N.C.	-2.38	14	Utah	-0.32
15	Kansas	-2.82	15	Idaho	-1.70	15	Md.	-0.21
16	Iowa	-2.82	16	Del.	-1.67	16	La.	-0.20
17	Colo.	-2.69	17	D.C.	-1.10	17	N.J.	-0.16
18	Miss.	-2.45	18	S.C.	-0.66	18	Ore.	-0.14
19	Idaho	-2.14	19	N.H.	-0.59	19	N.D.	0
20	Penn.	-1.54	20	Ill.	-0.32	20	D.C.	0
21	S.C.	-1.38	21	Mo.	0.05	21	Idaho	0
22	N.J.	-0.99	22	Ark.	0.06	22	Ga.	0
23	Va.	-0.78	23	Miss.	0.19	23	Mich.	0
24	R.I.	-0.57	24	Md.	-0.65	24	Texas	0.03
25	N.H.	-0.05	25	Penn.	0.81	25	Va.	0.07
26	La.	-0.01	26	Va.	1.09	26	Maine	0.14
27	Texas	0.36	27	N.Y.	1.15	27	Nev.	0.16
28	Maine	1.36	28	N.J.	1.30	28	Mass.	0.20
29	Fla.	1.50	29	Vt.	1.39	29	N.M.	0.24
30	Ala.	1.56	30	Fla.	1.50	30	Ala.	0.25
31	Mont.	1.91	31	Ala.	1.54	31	Cal.	0.28
32	N.Y.	1.96	32	Ore.	1.81	32	Wash.	0.33
33	N.M.	2.29	33	Kansas	1.82	33	Ariz.	0.37
34	Vt.	3.18	34	Nev.	1.85	34	Mont.	0.38
35	Okla.	4.38	35	Neb.	1.91	35	Vt.	0.45
36	Utah	5.02	36	Ind.	2.07	36	Tenn.	0.51
37	Conn.	5.62	37	Maine	2.58	37	Mo.	0.67
38	Ore.	6.11	38	N.D.	2.64	38	S.D.	0.87
39	N.D.	6.20	39	Colo.	2.79	39	Ill.	0.93
40	Ind.	6.61	40	Conn.	3.52	40	S.C.	1.02
41	W. Va.	7.27	41	W. Va.	3.88	41	Iowa	1.13
42	Minn.	9.76	42	Ariz.	4.74	42	Fla.	1.19
43	Wisc.	10.47	43	Utah	5.39	43	Neb.	1.21
44	Nev.	10.56	44	Mich.	6.21	44	Ind.	1.30
45	Ohio	11.95	45	Ohio	6.42	45	Ky.	1.49
46	Wash.	12.12	46	Wisc.	7.14	46	Ark.	2.46
47	D.C.	12.44	47	Wash.	11.04	47	Miss.	3.45
48	Mich.	12.97	48	Minn.	12.98	48	Okla.	4.03

* excluding Alaska, Hawaii, and Wyoming

1. change in tax burden relative to mean in dollars per \$1,000 of personal income.

2. Fiscal Year 1986 tax increases as a percent of 1984 state and local government tax revenue.

Source: "Governmental Finances," U.S. Department of Commerce; "State Budget Actions in 1985," Steven D. Gold, Corina L. Eckl, and Max Price, National Conference of State Legislatures, September 1985.

A.B. Laffer Associates

Another variable influencing effective state and local tax rates is a reduction in Federal tax rates. Although a reduction of Federal tax rates lowers all state tax rates proportionately, an absolute reduction in Federal rates will accentuate the differences in the effective tax rates across states. This is certainly evident if state and local taxes are not allowed as a deduction in the Federal taxes. However, even if the deduction remains, at the lower Federal tax rates low tax states will gain relative to high tax states on an aftertax basis. A summary of states' top marginal tax rate is reported in Table 4.

States Gaining Competitiveness

Gains in relative economic performance can be expected in states that are currently cutting taxes or where large tax reductions have recently taken place. An examination of recent changes in each state's tax burden relative to the national average and legislated tax changes for fiscal year 1986 (Table 5) point to Wisconsin, Connecticut, Kansas, Minnesota, Pennsylvania, and Rhode Island as the states most likely to gain in competitiveness in the coming year. New York and Ohio, which have nearly completed phase-ins of tax rate cuts, also deserve close attention as potential winners.

States Losing Competitiveness

In general, every state that has raised its tax burden substantially more than the national average will find it more difficult to retain existing facilities and increasingly difficult to attract new businesses. Corporations with a significant number of facilities in these states can be expected to fare poorly relative to companies with facilities concentrated in states that are reducing their relative tax burden.

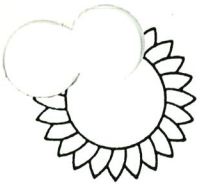
Recent changes in relative tax burdens and legislated tax changes for fiscal year 1986 (Table 5) point to Oklahoma, Mississippi, Arkansas, Kentucky, Indiana, Nebraska, and Florida as the states most likely to lose competitiveness.

* * *

FOOTNOTES

1. Victor A. Canto, Charles W. Kadlec and Arthur B. Laffer, "The State Competitive Environment," A.B. Laffer Associates, (August 8, 1984).
2. This section of the paper draws heavily from Gold, Eckl, and Price, "State Budget Actions in 1985," published by the National Conference of State Legislatures, Fiscal Affairs Program, Denver, Colorado, (August 1985).

* * *



HOUSE ASSESSMENT AND TAXATION COMMITTEE

HEARING ON HOUSE BILL 3066

MARCH 5, 1986

TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL COORDINATOR
JOHNSON COUNTY BOARD OF COMMISSIONERS

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE MY NAME IS GERRY RAY, REPRESENTING THE JOHNSON COUNTY BOARD OF COMMISSIONERS. THANK YOU FOR THE OPPORTUNITY TO APPEAR IN SUPPORT OF HB 3066.

IN 1983 THE JOHNSON COUNTY COMMISSIONERS TOOK ACTION TO IMPLEMENT A CAPITAL IMPROVEMENT PROGRAM WHICH INCLUDED THE COUNTY ASSISTED ROAD SYSTEM OR BETTER KNOWN AS "CARS". THIS PUT IN PLACE A PROCEDURE BY WHICH THE COUNTY WOULD SHARE THE COST WITH THE CITIES OF BUILDING AND MAINTAINING A COORDINATED ROAD SYSTEM WITHIN JOHNSON COUNTY. WE UNDERSTAND THIS IS THE ONLY FORMAL REVENUE SHARING PROGRAM A COUNTY AND CITIES EXISTING IN THE STATE.

AFTER THE PROJECT REQUESTS WERE SUBMITTED BY THE CITIES, IT BECAME EVIDENT TO THE BOARD THAT INNOVATIVE MEASURES WOULD BE NECESSARY TO FUND THE PROGRAM TO THE DEGREE NEEDED IN OUR COUNTY. HENCE, THE BOARD TOOK THE INITIATIVE TO REQUEST LOCALIZED LEGISLATION APPLICABLE ONLY TO JOHNSON COUNTY THAT WOULD PROVIDE AN ALTERNATE METHOD OF DISTRIBUTION FOR A SECOND ONE-HALF CENT COUNTY WIDE SALES TAX. THE PROPOSED LEGISLATION FOUND IN HB 3066 ALLOWS THE COUNTY TO RETAIN 1/4 CENT OF A ONE CENT SALES TAX AND DISTRIBUTE 3/4 CENT USING THE EXISTING FORMULA. AS A POINT OF CLARIFICATION, THIS IS NOT AN QUESTION OF GRANTING ADDITIONAL TAXING AUTHORITY OR A TAX INCREASE. EXISTING LAW GIVES THE COUNTY COMMISSIONERS THE AUTHORITY TO LEVY A FULL ONE CENT SALES TAX SUBJECT TO APPROVAL BY THE MAJORITY OF THE VOTERS WITHIN THAT COUNTY. JOHNSON COUNTY CURRENTLY HAS A 1/2 CENT COUNTYWIDE SALES TAX AND WOULD BE REQUIRED TO SUBMIT ANY INCREASE TO REFERENDUM.

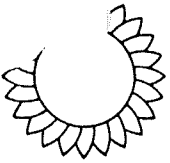
A RESOLUTION OF INTENT HAS BEEN ADOPTED BY THE BOARD DEDICATING THE REVENUE REALIZED BY THE COUNTY FROM THIS NEW FORMULA TO THE CAPITAL IMPROVEMENT PLAN WITH AN EMPHASIS ON THE CARS PROGRAM. BECAUSE THE COMMISSIONERS PERCEIVED THIS AS A JOINT EFFORT BETWEEN THE COUNTY AND CITIES, THE CITIES WERE ASKED FOR THEIR INPUT OF THE PROPOSED FORMULA AND THE NECESSARY LEGISLATION. OF THE 20 CITIES IN JOHNSON COUNTY SEVENTEEN FORMALLY ACTED TO SUPPORT THE PROPOSAL, ONE REMAINED NEUTRAL AND TWO DID NOT RESPOND. IN ADDITION TWO CHAMBERS

OF COMMERCE VOICED THEIR SUPPORT FOR THE LEGISLATION.

TO ILLUSTRATE WHAT THE FORMULA CHANGE WOULD MEAN TO THE COUNTY, IT WOULD RECEIVE APPROXIMATELY \$10,427,245 IN ADDED REVENUE SHOULD A SECOND HALF CENT RECEIVE VOTER APPROVAL AND THE NEW FORMULA WAS IN PLACE. THIS WOULD THE CARS PROGRAM COULD BE FUNDED WITH A "PAY AS YOU GO" METHOD RATHER THAN THROUGH THE USE OF BONDS. SAVINGS ARE ESTIMATED TO RUN AS MUCH AS 40% ON CERTAIN PROJECTS WITH THIS UP-FRONT FUNDING APPROACH. IT IS FURTHER PROJECTED THAT THE CITIES WOULD RECEIVE \$6,191,350 IN NEW REVENUE. SEVERAL CITIES HAVE EXPRESSED INTEREST IN DEDICATING THIS NEW REVENUE TO FUNDING THEIR SHARE OF THE JOINT PROJECTS. ANOTHER ASPECT OF THE BONDING ISSUE IS THE PENDING FEDERAL LEGISLATION IN HR 3838. THIS WOULD SEVERLY DECREASE THE TAX FREE STATUS OF MUNICIPAL BONDS. ALTHOUGH IT HAS NOT BECOME LAW IT HAS HAD DRASTIC EFFECTS ON THE BOND MARKET AND HAS PUT MANY PROJECTS IN JEOPARDY.

IN THE REDWOOD STUDY, RECOMMENDATION NO. 29 SUGGESTS THAT "A GENERAL LOAN POOL FOR INFRASTRUCTURE DEVELOPMENT SHOULD BE AVAILABLE FOR USE BY COMMUNITIES TO PROMOTE ECONOMIC DEVELOPMENT. IT GOES ON TO INCLUDE ROADS AS PART OF THAT INFRASTRUCTURE SUPPORTING OUR BELIEF THAT A WELL PLANNED AND MAINTAINED ROAD SYSTEM IS A KEY FACTOR TO ATTRACTING BUSINESS. THUS IMPROVING THE GROWTH FACTOR IN THE COMMUNITY AND THE STATE. IN OUR PLAN, HOWEVER WE ARE NOT ASKING FOR A LOAN FROM THE STATE OR FOR NEW TAXING AUTHORITY. WE ARE ASKING TO BE ALLOWED TO SOLVE OUR PROBLEMS THROUGH A COOPERATIVE EFFORT BETWEEN THE OFFICIALS OF THE CITIES AND THE COUNTY FOR THE BENEFIT OF THE CITIZENS THAT ARE MUTUALLY REPRESENTED BY THOSE OFFICIALS.

CONTINUED ECONOMIC DEVELOPMENT IS A MAJOR CONCERN IN JOHNSON COUNTY AS THE COMMUNITIES ACROSS STATE LINE IN MISSOURI ACCELERATE THEIR EFFORTS TO ATTRACT NEW BUSINESS. WE MUST BE ABLE TO COMPETE ON THE KANSAS SIDE. HB 3066 PROVIDES OUR COUNTY AND CITIES A TOOL WITH WHICH TO MOVE AHEAD IN THIS COMPETITION. WE NEED YOUR HELP IN THIS ENDEAVOR AND ASK THAT YOU SUPPORT THE PASSAGE OF THIS LEGISLATION.



TO: REPRESENTATIVE RON FOX
FR: GERRY RAY
RE: MISC. INFORMATION ON JOHNSON COUNTY SALES TAX

COLLECTED IN 1985: \$14,115,904.20 TOTAL
 3,577,746.50 COUNTY'S PORTION

1985 COLLECTION USING PROPOSED FORMULA AND ADDITIONAL 1/2 CENT TAX

\$28,231,808.40 * TOTAL
12,424,571.80 * COUNTY'S PORTION

*THE FIGURES DO NOT INCLUDE A MINIMUM PROJECTED
GROWTH FACTOR OF 6%.

FORMULA CHANGE APPLIES ONLY TO SECOND HALF CENT, AND IS AN OPTION
ONLY TO JOHNSON COUNTY, HAVING NO STATEWIDE EFFECT.

The incubator program should be sufficiently flexible to allow private sector operation of incubators even though the state provides initial financing assistance.

29. A general loan pool for infrastructure development should be available for use by communities to promote economic development.

The purpose of the loan pool would be to allow local communities to make improvements in infrastructure that would encourage or facilitate economic development. Included would be roads, sewers, water lines and other improvements with the potential for making possible the attraction of firms, the start up of new firms, or the expansion of existing firms. All funds would be targeted for specific economic development purposes such as improvements associated with an industrial park, improvements associated with an incubator or the preparation of a site for business use.

The intention is to assist local communities with the financing of infrastructure improvements that would directly improve the communities prospects for economic development.

30. Substantially expand technical assistance to local communities on how to promote economic development.

Firms considering a site for locating or expanding a business will look at characteristics of the state and the local community in making that decision. Many local communities have only recently begun economic development programs and are in need of technical assistance in many areas. It is important that assistance be given not only on how to attract firms to a community but also in areas that are important to the retention and expansion of existing industries. Some specific areas where technical assistance to local communities would be important include:

- incubator development
- industrial parks
- site development
- financing programs
- existing industry programs
- providing information to site consultants and firms
- identifying and targeting industrial prospects
- international markets

Such technical assistance would best be provided by an expansion of KDED field offices as proposed in Recommendation 21. Kansas is too large and diverse a state to have all communities served by Topeka. Staffing for technical assistance should be sufficient to serve all parts of the state and to allow employment of specialists in key areas such as international trade.

REMARKS BY SCOTT M. LAMBERS
BEFORE THE HOUSE ASSESSMENT & TAXATION COMMITTEE
REGARDING HOUSE BILL 3066
WEDNESDAY, MARCH 5, 1986

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I AM SCOTT LAMBERS; AND I AM THE ASSISTANT TO THE CITY MANAGER OF OVERLAND PARK. ON BEHALF OF OVERLAND PARK'S GOVERNING BODY, I WOULD LIKE TO EXPRESS OUR SUPPORT FOR HOUSE BILL 3066.

ON DECEMBER 17, 1984, THE GOVERNING BODY OF OVERLAND PARK UNANIMOUSLY ADOPTED RESOLUTION No. 1851, WHICH IS ATTACHED, TO EXPRESS SUPPORT FOR THE JOHNSON COUNTY BOARD OF COUNTY COMMISSIONERS' PROPOSAL TO AMEND THE DISTRIBUTION OF AN ADDITIONAL HALF-CENT COUNTYWIDE RETAILERS' SALES TAX IN JOHNSON COUNTY.

THEREFORE, I URGE YOU TO REPORT THIS BILL OUT AS FAVORABLE FOR PASSAGE, AND I THANK YOU FOR YOUR CONSIDERATION IN THIS REGARD.

#

RESOLUTION NO. 1851

A RESOLUTION SUPPORTING THE BOARD OF COUNTY COMMISSIONERS OF JOHNSON COUNTY, KANSAS, IN ITS EFFORT TO SEEK APPROVAL OF AN ADDITIONAL ONE-HALF CENT COUNTYWIDE SALES TAX UNDER A REVISED DISTRIBUTION FORMULA TO BE PRESENTED TO THE KANSAS LEGISLATURE FOR STATUTORY ENACTMENT.

WHEREAS, the Johnson County Board of Commissioners is contemplating seeking voter approval of an additional one-half cent Countywide sales tax under a revised formula of distribution to be presented as an amendment to the Kansas legislature for enactment; and

WHEREAS, the Board of County Commissioners has adopted Resolution No. 161-84 setting forth its intent to pledge all funds received as a result of the additional tax to the County Assisted Road System (CARS) or other capital improvements; and

WHEREAS, the Board of County Commissioners has requested the support of the City of Overland Park, Kansas, in such efforts.


NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF OVERLAND PARK, KANSAS:

The City of Overland Park, Kansas, supports the efforts of the Board of County Commissioners as set forth herein.

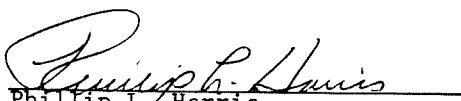
ADOPTED by the City Council of the City of Overland Park, Kansas, this 17th day of December, 1984.


Ed Eilert, Mayor

ATTEST:


Bernice Crummett
Finance Director/City Clerk

APPROVED AS TO FORM:


Phillip L. Harris
City Attorney



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.

OBJECTIVE #3:

Support legislation to allow a local income or earnings tax subject to 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.

Sec. 13. 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. 1885

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 levies of such subdivisions; providing for suspension of such limitations; authorizing adoption of local earnings and privilege taxes and retailers' sales taxes by certain taxing subdivisions; providing for the administration, enforcement and collection of such local taxes; providing for distribution of revenues therefrom; amending K. S. A. 79-2048, 79-2049, 79-2047, 79-2048, 79-2049, 79-2050, 79-2051, 79-2052, 79-2053, 79-2054, 79-2055, 79-2056 and 79-2057.

Be it 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 excluding 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

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. 79-1440, 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 enclosed bears to the total taxable assessed valuation of the taxing subdivision, including such enclosed 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 organized 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 each 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 organized 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 where 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. 1969 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. 1969 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, 13-14a02, 40-4305 and 74-4920 and K. S. A. 1969 Supp. 30-710, 30-713 (j), 72-4419, 72-4420, 72-6916, 72-7007 and 74-4927.

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 voting on such proposition at any election provided for herein shall 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. 1969 Supp. 72-7034, 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. 12-1757 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. 1969 Supp. 12-1767, 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. 13-14,102, 13-14a02, 45-2305 and 74-4020 and K. S. A. 1969 Supp. 74-4027;

(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. 72-4420 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. 72-7024, 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 9 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. 10-190 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 reimbursed 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 remitted 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. 10-190 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. 70-32,116, for the same year as any city or county tax imposed;

(2) Kansas nonresident taxable income, as defined by K. S. A. 70-32,122, 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. 70-32,138, 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. 70-1107 and 70-1108, 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. 70-1109, 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 70 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 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. 20. 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 basis. 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. 1969 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. 12-138, 12-140, 12-142, 79-1964, 79-1964a and 79-1964b and K. S. A. 1969 Supp. 72-7010, 72-7019, 72-7020, 72-7021, 72-7022, 72-7022a, 72-7023 and 72-7024.

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



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: Jim Kaup, Attorney
DATE: March 5, 1986
SUBJECT: HB 2968--City Income Tax Option

The League of Kansas Municipalities is in general support of HB 2968, by action of a League committee. While our convention-adopted Statement of Municipal Policy provides that we "recommend that a local income or earnings tax be authorized as provided in the original Kansas tax lid law," we have consistently supported home rule and maximum local tax options to meet varying local conditions. The original Kansas tax lid law, some of you may recall, authorized a locally-levied, state-collected tax on income as well as the local option sales tax. HB 2968 is a home rule bill. It simply repeals a statute (K.S.A. 12-140), which now prohibits cities from levying "taxes on incomes from whatever source derived," except for the gross earnings intangibles tax. By repealing this prohibitory statute, cities would have the constitutional home rule authority to levy taxes based on income.

We would call to your attention the provisions of K.S.A. 12-137 which essentially authorizes cities, when exercising home rule tax power, to use the same procedure provided by the Constitution for charter ordinances. This statute requires such an income ordinance to receive a two-thirds vote of the governing body and to be subject to a petition for a referendum.

We frankly have no idea how many cities would exercise their home rule income tax authority. We think they should have this

President: Ed Eilert, Mayor, Overland Park • **Vice President:** John L. Carder, Mayor, Iola • **Past President:** Peggy Blackman, Mayor, Marion
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House Committee on Assessment & Taxation
March 5, 1986
Page Two

authority, and be able to exercise it if they can convince a majority of the voters that it is in the public interest.



PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON ASSESSMENT AND TAXATION
Representative Edward Rolfs, Chairman
March 5, 1986

RE: H.B. 2968 - Income Taxing Authority of Cities

Presented by:
John K. Blythe, Assistant Director
Public Affairs Division
KANSAS FARM BUREAU

Mr. Chairman and Members of the Committee:

I am John K. Blythe, Assistant Director of the Public Affairs Division of Kansas Farm Bureau. I am speaking on behalf of the farmers and ranchers who are members of Kansas Farm Bureau in opposition to H.B. 2968 which would repeal the Kansas statute (K.S.A. 12-140) which prohibits cities from levying taxes on income.

Our members are not opposed to a local income tax. We have, for years, supported a local income tax -- we want our elementary and secondary schools to be the beneficiary of such an income tax. Our reason and rationale for this position is very simple: **A person's residence is the situs of his or her income tax return and that same residence determines the burden of the school district.** Therefore, we believe that the local income tax should be reserved for the financing of elementary and secondary schools in this state.

This committee heard testimony from Farm Bureau regarding H.B. 2585, a concept of financing our schools on February 5. Local income tax is an important ingredient of that proposal.

We outlined our policy and reasons for supporting a "local" income tax, that was to be uniform in levy and have statewide application. Each school district would receive the revenues from its resident individuals.

Farm Bureau also testified before this committee on February 20 in **support of H.B. 2836 -- A local option income tax for school districts.** We did encourage an amendment that would provide statewide application of the local income tax for school districts.

We supported in 1981 and again in 1983 House bills to provide local income tax support for education. Below you will find Farm Bureau's Policy Statement in 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.

In an effort to save the local income tax for elementary and secondary education, we must oppose H.B. 2968. We sincerely feel that if even one city were to impose a local income tax --

education could kiss this source of revenue good-bye and our property taxes would continue to increase and become more unequal.

Thank you for the opportunity to appear on H.B. 2968. We would be pleased to respond to questions if there are any.