

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 March 28, 1986 in room 519 South at the Capitol of the State of Kansas.

All members of the Committee were present.

Committee staff present:

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

Representative Wunsch distributed copies of the Assessment & Taxation report on SB-400 and SB-450. (#1) After extensive discussion, Representative Wagnon moved, second by Representative Moomaw, that the subcommittee report and amendments recommended by the subcommittee be adopted. The motion carried. (#1) (#2)

Representative Vancrum moved, second by Representative Moomaw, that SB-400 as amended be reported favorably. The motion carried.

Representative Wunsch presented the subcommittee report on SB-450. He explained that new provision SEVENTH was intended to exempt organizations such as YMCAs, YWCAs, Salvation Armies and other charitable organizations such as these. Representative Ott moved, second by Representative Wagnon, that the subcommittee report be adopted. The motion carried. Representative Lowther moved, second by Representative Fox, that a conceptual amendment be adopted which would specifically exempt veterans organizations. After extensive committee discussion, the committee concluded that those organizations would be exempt under new provision SEVENTH.

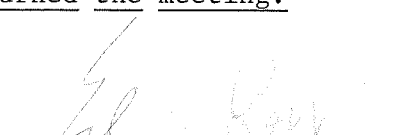
Representative Leach moved, second by Representative Jarchow, that the bill be amended conceptually to exempt 25% of the property taxes paid by someone caring for a disabled blood relative. The substitute motion lost. The original motion of Representative Lowther lost.

Representative Leach moved, second by Representative Jarchow, that consideration of SB-450 be postponed until Monday. Representative Wunsch moved, second by Representative Wagnon, that SB-450, as amended, be reported favorably. The substitute motion carried.

HCR-5047 was then considered. Representative Jarchow moved, second by Representative Leach that wording contained in Attachment 3 be adopted. After considerable discussion, the chairman announced that the time for adjournment had arisen and that the motion of Representative Jarchow would be the first order of business when the committee met on Monday, March 31.

The committee reviewed the minutes and they were approved as presented.

There being no further business to come before the committee, the chairman adjourned the meeting.

  
\_\_\_\_\_  
Ed C. Rolfs, Chairman

STATE OF KANSAS

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REPRESENTATIVE, ONE HUNDRED AND FIRST DISTRICT  
KINGMAN AND RENO COUNTIES  
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TOPEKA

HOUSE OF  
REPRESENTATIVES

COMMITTEES  
VICE CHAIRMAN: JUDICIARY  
MEMBER: ASSESSMENT AND TAXATION

RE: Assessment & Taxation Subcommittee Report  
on SBs 400 and 450

To the House Assessment & Taxation Committee:

Mr. Chairman, your subcommittee has amended into SB 400, the church parsonage bill, HB 2695, which deals with day care centers conducted on church property. We have restricted HB 2695 from its original draft to apply to only not-for-profit day care centers.

The Board of Tax Appeals has expressed concern over language found on lines 39 and 40 of HB 2695. Their concern is expressed as follows:

"It says, in a building or a portion thereof, used as a place of worship. We are not sure the language will accomplish what we believe was the intent. Does this mean that if a portion of a building is used as a place of worship, only that portion of the building is exempt? A lot of places have a chapel within the confines of a large structure. The way the language reads, I think it could be interpreted that we are going to exempt that portion that used as a place of worship, but we are going to exempt all of the grounds that the building is located on."

We do not share their concern. The language of this new section is identical to lines 33 through 38 of HB 2695, which is current law. We believe that the language is adequate and should not be subject to misinterpretation.

SB 450 was originally drafted to allow for dual use of an exempt property, even though there may be some consideration involved.

Into SB 450, we have folded the concept of HB 2694. The concept of HB 2694 is found on page 3 of the balloon under "seventh". This language is intended to provide an exempt status for YWCA's, etc. It is couched in language of "humanitarian services". We are of the opinion that "humanitarian services" can adequately be interpreted and is an appropriate use for the identification of those groups privileged to be afforded an exemption under the concept of HB 2694. There are various criteria which must be met. We

call specific attention to criterion "e", which states that contributions to the corporation must be deductible under the Kansas Income Tax. This is tantamount to saying that the organization must have federal income tax exemption status. We hope that the various criteria are significant and broad enough to afford intended exemptions and to prohibit unintended exemptions. We realize there will be room for argument on a case by case basis, but we feel that this is the job of the Board of Tax Appeals and the courts thereafter.

The balance of the balloon amendment to SB 450 encompasses HB 2644. This bill covers the exemption request for housing of elderly and handicapped persons. This bill is the result of Proposal 10 from the summer interim study. We believe the language of HB 2644, as it is reflected in this balloon, to be sufficient and appropriate.

Mr. Chairman, your subcommittee recommends, favorably, SBs 400 and 450 as represented by the attached balloons.

If both of these bills are passed out of committee favorably, we would urge that SB 400 be first considered on the floor of the House. If, for any reason, it does not pass, we would then propose that the day care center language be amended into SB 450. We had a concern as to which bill should contain the day care center language. We opted for SB 400, thinking it made more sense but, if it does not pass, we want to be ready to so amend SB 450.

Respectfully submitted,

Robert S. Wunsch, Chairman, Subcommittee on SBs 400 and 450

Members:

Robert Vancrum

Marvin Smith

Joan Wagnon

Richard Schmidt

SENATE BILL No. 400

By Senators Reilly, Arasmith, Bogina, Burke, Gordon,  
Harder, Montgomery, Thiessen, Vidricksen and Yost.

1-6

0018 AN ACT relating to property taxation; exempting parsonages  
0019 therefrom; amending K.S.A. 1985 Supp. 79-201 and repealing  
0020 the existing section.

concerning the exemption therefrom of certain property used  
for religious purposes;

0021 *Be it enacted by the Legislature of the State of Kansas:*

0022 Section 1. K.S.A. 1985 Supp. 79-201 is hereby amended to  
0023 read as follows: 79-201. The following described property, to the  
0024 extent herein specified, shall be and is hereby exempt from all  
0025 property or ad valorem taxes levied under the laws of the state of  
0026 Kansas:

0027 *First.* All buildings used exclusively as places of public wor-  
0028 ship and all buildings used exclusively by school districts orga-  
0029 nized under the laws of this state, with the furniture and books  
0030 therein contained and used exclusively for the accommodation of  
0031 religious meetings or school district purposes, whichever is  
0032 applicable, together with the grounds owned thereby if not  
0033 leased or otherwise used for the realization of profit, except that  
0034 any school building, or portion thereof, together with the  
0035 grounds upon which the building is located, shall be considered  
0036 to be used exclusively by the school district for the purposes of  
0037 this section when leased by the school district to any other  
0038 political or taxing subdivision of the state or to any association,  
0039 organization or nonprofit corporation entitled to tax exemption  
0040 with respect to such property.

: (a)

0041 *Second.* All real property, and all tangible personal property,  
0042 actually and regularly used exclusively for literary, educational,  
0043 scientific, religious, benevolent or charitable purposes. This  
0044 exemption shall not apply to such property, not actually used or  
0045 occupied for the purposes set forth herein, nor to such property

and (b) any building, or portion thereof, used as a place of worship,  
together with the grounds upon which the building is located, shall  
be considered to be used exclusively for the religious purposes of  
this section when used as a not for profit day care center for  
children which is licensed pursuant to K.S.A. 65-501 et seq., and  
amendments thereto

0046 held or used as an investment even though the income or rentals  
0047 received therefrom is used wholly for such literary, educational,  
0048 scientific, religious, benevolent or charitable purposes.

0049 *Third.* All moneys and credits belonging exclusively to uni-  
0050 versities, colleges, academies or other public schools of any kind,  
0051 or to religious, literary, scientific or benevolent and charitable  
0052 institutions or associations, appropriated solely to sustain such  
0053 institutions or associations, not exceeding in amount or in in-  
0054 come arising therefrom the limit prescribed by the charter of  
0055 such institution or association.

0056 *Fourth.* The reserve or emergency funds of fraternal benefit  
0057 societies authorized to do business under the laws of the state of  
0058 Kansas.

0059 *Fifth.* All buildings of private nonprofit universities or col-  
0060 leges which are owned and operated by such universities and  
0061 colleges as student union buildings and student dormitories.

0062 *Sixth.* All real and tangible personal property actually and  
0063 regularly used exclusively by the alumni association associated  
0064 by its articles of incorporation with any public or nonprofit  
0065 Kansas college or university approved by the Kansas board of  
0066 regents to confer academic degrees or with any community  
0067 college approved by its board of trustees to grant certificates of  
0068 completion of courses or curriculum, to provide accommodations  
0069 and services to such college or university or to the alumni, staff  
0070 or faculty thereof.

0071 *Seventh.* All parsonages owned by a church society and actu-  
0072 ally and regularly occupied and used exclusively as a residence  
0073 and a place of ministrations by a minister or other clergyman of  
0074 any such church society who is actually and regularly engaged  
0075 in conducting the services and religious ministrations of such  
0076 society, and the land upon which such parsonage is located to  
0077 the extent of ~~one-half~~ acre necessary for the accommodation of  
0078 such parsonage.

0079 The provisions of this section shall apply to all taxable years  
0080 commencing after December 31, ~~1983~~ 1985.

0081 Sec. 2. K.S.A. 1985 Supp. 79-201 is hereby repealed.

0082 Sec. 3. This act shall take effect and be in force from and  
0083 after its publication in the statute book.

SENATE BILL No. 450

By Committee on Assessment and Taxation

1-23

0018 AN ACT relating to property taxation; concerning property ex-  
0019 empt therefrom; amending K.S.A. 1985 Supp. 79-201 and  
0020 repealing the existing ~~Section~~.

exempting certain property used for providing humanitarian  
activities and certain property used for special care housing;

and 79-201b

sections

0021 *Be it enacted by the Legislature of the State of Kansas:*

0022 Section 1. K.S.A. 1985 Supp. 79-201 is hereby amended to  
0023 read as follows: 79-201. The following described property, to the  
0024 extent herein specified, shall be and is hereby exempt from all  
0025 property or ad valorem taxes levied under the laws of the state of  
0026 Kansas:

0027 *First.* All buildings used exclusively as places of public wor-  
0028 ship and all buildings used exclusively by school districts orga-  
0029 nized under the laws of this state, with the furniture and books  
0030 therein contained and used exclusively for the accommodation of  
0031 religious meetings or school district purposes, whichever is  
0032 applicable, together with the grounds owned thereby if not  
0033 leased or otherwise used for the realization of profit, except that,  
0034 any school building, or portion thereof, together with the  
0035 grounds upon which the building is located, shall be considered  
0036 to be used exclusively by the school district for the purposes of  
0037 this section when leased by the school district to any other  
0038 political or taxing subdivision of the state or to any association,  
0039 organization or nonprofit corporation entitled to tax exemption  
0040 with respect to such property.

0041 *Second.* All real property, and all tangible personal property,  
0042 actually and regularly used exclusively for literary, educational,  
0043 scientific, religious, benevolent or charitable purposes, includ-  
0044 ing property used exclusively for such purposes by more than  
0045 one agency or organization for one or more of such exempt

0046 purposes. This exemption shall not apply to such property, not  
0047 actually used or occupied for the purposes set forth herein, nor to  
0048 such property held or used as an investment even though the  
0049 income or rentals received therefrom is used wholly for such  
0050 literary, educational, scientific, religious, benevolent or charita-  
0051 ble purposes. *This exemption shall not be deemed inapplicable*  
0052 *solely because an agency or organization is partially reimbursed*  
0053 *by individuals receiving services for the actual expense of using*  
0054 *property exclusively for literary, educational, scientific, reli-*  
0055 *gious, benevolent or charitable purposes to property which*  
0056 *would otherwise be exempt pursuant to this paragraph because*  
0057 *an agency or organization is reimbursed for the provision of*  
0058 *services accomplishing the purposes enumerated in this para-*  
0059 *graph based upon the ability to pay by the recipient of such*  
0060 *services, or is reimbursed for the actual expense of using such*  
0061 *property for purposes enumerated in this paragraph.*

0062 *Third.* All moneys and credits belonging exclusively to uni-  
0063 versities, colleges, academies or other public schools of any kind,  
0064 or to religious, literary, scientific or benevolent and charitable  
0065 institutions or associations, appropriated solely to sustain such  
0066 institutions or associations, not exceeding in amount or in in-  
0067 come arising therefrom the limit prescribed by the charter of  
0068 such institution or association.

0069 *Fourth.* The reserve or emergency funds of fraternal benefit  
0070 societies authorized to do business under the laws of the state of  
0071 Kansas.

0072 *Fifth.* All buildings of private nonprofit universities or col-  
0073 leges which are owned and operated by such universities and  
0074 colleges as student union buildings and student dormitories.

0075 *Sixth.* All real and tangible personal property actually and  
0076 regularly used exclusively by the alumni association associated  
0077 by its articles of incorporation with any public or nonprofit  
0078 Kansas college or university approved by the Kansas board of  
0079 regents to confer academic degrees or with any community  
0080 college approved by its board of trustees to grant certificates of  
0081 completion of courses or curriculum, to provide accommodations  
0082 and services to such college or university or to the alumni, staff

0083 or faculty thereof.

0084 The provisions of this section shall apply to all taxable years

0085 commencing after December 31, 1983 1985.

0086 Sec. 2 K.S.A. 1985 Supp. 79-201 is hereby repealed.

0087 Sec. 3 This act shall take effect and be in force from and

0088 after its publication in the statute book.

Seventh. All real property and tangible personal property actually and regularly used predominantly for the purpose of providing humanitarian services, which is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign not for profit corporation if: (a) The directors of such corporation serve without pay for such services; (b) the corporation is operated in manner which does not result in the accrual of distributable profits, realization of private gain resulting from the payment of compensation in excess of a reasonable allowance for salary or other compensation for services rendered or the realization of any other form of private gain; (c) no officer, director or member of such corporation has any pecuniary interest in the property for which exemption is claimed; (d) the corporation is organized for the purpose of providing humanitarian services with respect to the use of property for which an exemption is claimed, except that, the use of such property for a nonexempt purpose which is minimal in scope and insubstantial in nature shall not result in the loss of exemption if such use is incidental to the purpose of providing humanitarian services by the corporation; and (e) contributions to the corporation are deductible under the Kansas income tax act. As used in this clause, "humanitarian services" means the conduct of activities dedicated to the improvement of the physical, mental, social, cultural or spiritual welfare of others or the relief, comfort or assistance of persons in distress.

Sec. 2 (See next page)

and 79-201b are

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Sec. 2. K.S.A. 1985 Supp. 79-201b is hereby amended to read as follows: 79-201b. The following described property, to the extent herein specified, shall be and is hereby exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

First. All real property, and tangible personal property, actually and regularly used exclusively for hospital purposes by a hospital as the same is defined by K.S.A. 65-425, and amendments thereto, or a psychiatric hospital as the same is defined by K.S.A. 59-2902, and amendments thereto, as in effect on January 1, 1976, which hospital or psychiatric hospital is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation; and all intangible property including moneys, notes and other evidences of debt, and the income therefrom, belonging exclusively to such a corporation and used exclusively for hospital or psychiatric hospital purposes.

Second. All real property, and tangible personal property, actually and regularly used exclusively for adult care home purposes by an adult care home as the same is defined by K.S.A. 39-923, and amendments thereto, which is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation, charges to residents for services of which produce an amount which in the aggregate is less than the actual cost of operation of the home or the services of which are provided to residents at the lowest feasible cost, taking into consideration such items as reasonable depreciation and interest on indebtedness, and contributions to which are deductible under the Kansas income tax act; and all intangible property including moneys, notes and other evidences of debt, and the income therefrom, belonging exclusively to such corporation and used exclusively for adult care home purposes.

Third. All real property, and tangible personal property, actually and regularly used exclusively for private children's home purposes by a private children's home as the same is defined by K.S.A. 75-3329, and amendments thereto, which is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation, charges to residents for services of which produce an amount which in the aggregate is less than the actual cost of operation of the home or the services of which are provided to residents at the lowest feasible cost, taking into consideration such items as reasonable depreciation and interest on indebtedness, and contributions to which are deductible under the Kansas income tax act; and all intangible property including moneys, notes and other evidences of debt, and the income therefrom, belonging exclusively to such a corporation and used exclusively for children's home purposes.

Fourth. All real property and tangible personal property, actually and regularly used exclusively for housing for elderly and handicapped persons having a limited or lower income, assistance for the financing of which was received under 12 U.S.C.A. 1701, et seq., or under 42 U.S.C.A. 1437, et seq., which is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation; and all intangible property including moneys, notes and other evidences of debt, and the income therefrom, belonging exclusively to such a corporation and used exclusively for the purposes of such housing.

Fifth. All real property and tangible personal property, actually and regularly used exclusively for housing for elderly persons, which is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation, in which charges to residents produce an amount which in the aggregate is less than the actual cost of operation of the housing facility or the services of which are

provided to residents at the lowest feasible cost, taking into consideration such items as reasonable depreciation and interest on indebtedness and contributions to which are deductible under the Kansas income tax act; and all intangible property including moneys, notes and other evidences of debt, and the income therefrom, belonging exclusively to such corporation and used exclusively for the purpose of such housing.

Sixth. All real property and tangible personal property actually and regularly used exclusively for the purpose of group housing of mentally ill or retarded and other handicapped persons which is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation, in which charges to residents produce an amount which in the aggregate is less than the actual cost of operation of the housing facility or the services of which are provided to residents at the lowest feasible cost, taking into consideration such items as reasonable depreciation and interest on indebtedness and contributions to which are deductible under the Kansas income tax act, and which is licensed as a facility for the housing of mentally ill or retarded and other handicapped persons under the provisions of K.S.A. 75-3307b, and amendments thereto, or as a rooming or boarding house used as a facility for the housing of mentally retarded and other handicapped persons which is licensed as a lodging establishment under the provisions of K.S.A. 36-501 et seq., and amendments thereto.

The provisions of this section shall apply to all taxable years commencing after December 31, ~~1984~~ 1985.

INITIATIVE NO. 6: PROPERTY TAX ABATEMENT FOR ECONOMIC DEVELOPMENT

REDWOOD/KRIDER REC. NO.: 5

BILL NO.: HCR 5047

A. Statement of Need:

Local government plays a vital role in economic development. Recommendation No. five of the Interim Kansas Economic Development Study provides that county and municipal governments should continue to encourage economic development in their jurisdictions by granting property tax abatements to enterprises that have the potential for primary job creation. These abatements have, in the past, been limited to improvements funded by industrial revenue bonds. With the phasing out federally taxed exempt, IRB's, local Kansas governments will lose the authority to grant property tax abatements.

B. Mission Statement

The purpose of this constitutional amendment is to encourage local economic development efforts for by giving municipal and county governments the option to grant property tax exemptions for new and expanding manufacturing facilities, research and development facilities, equipment and machinery, and other activity having the potential for job creation.

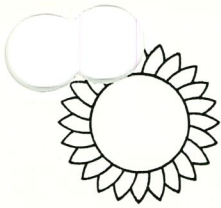
This is a highly targeted exemption only for wealth and job creating new economic activity.

C. Provisions of HCR 5047

1. HCR 5047 proposes to amend the constitution to create a targeted property tax exemption.
  - a. The board of county commissioners or governing body of a city may exempt from ad valorem taxation:
    1. Buildings, land and tangible personal property of a business for the purpose of manufacturing, fabricating, assembling, processing, or finishing articles of commerce, research and development, and warehousing engaged in interstate commerce in this state and which is starting operations after approval of this act.
    2. Modifications made to existing business for the purpose of manufacturing, fabricating, assembling, processing or finishing articles of commerce, research and development, and warehousing engaged in interstate commerce in this state which is expanding operations after approval of this act.
  - b. An exemption or partial exemption is allowed for up to 10 years after commencement of operations.
  - c. The legislature may limit or prohibit the application of this section by enactment uniformly applicable to all cities or counties.

D. Other States:

At least 32 other states now offer such an option.



HOUSE ASSESSMENT AND TAXATION COMMITTEE

HEARING ON HCR 5047

MARCH 27, 1986

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

THE JOHNSON COUNTY BOARD OF COMMISSIONERS WOULD LIKE TO EXPRESS STRONG SUPPORT OF HCR 5047 THAT WILL ALLOW THE VOTERS AN OPPORTUNITY TO DECIDE ON AN AMENDMENT TO THE CONSTITUTION GRANTING LOCAL GOVERNMENTS THE AUTHORITY TO EXEMPT PROPERTY TAX UNDER CERTAIN CONDITIONS.

WHEN HB 2802 WAS HEARD BEFORE THIS COMMITTEE WE PRESENTED TESTIMONY IN OPPOSITION TO IT. AT THAT TIME IT WAS POINTED OUT THAT OUR COMMISSIONERS AGREED AND SUPPORTED THE INTENT OF THE PROPONENTS TO CARRY OUT THE RECOMMENDATIONS OF THE REDWOOD STUDY AND ENCOURAGE ECONOMIC DEVELOPMENT IN KANSAS. THE OJECTIONS WERE BASED ON LOCAL GOVERNMENTS BEING REQUIRED TO GIVE TEN YEAR TAX EXEMPTIONS TO A LARGE SEGMENT OF NEW BUSINESS, EVEN IN SITUATIONS WHEN ECONOMIC DEVELOPMENT IS TAKING PLACE WITHOUT SUCH INCENTIVES.

HCR 5047 ADDRESSES OUR COUNTY'S CONCERNS AND CARRIES OUT THE INTENT OF REDWOOD RECOMMENDATION, BY PROVIDING A TOOL AT THE LOCAL LEVEL THAT CAN BE VERY EFFECTIVE IN THE ENHANCEMENT OF THE STATE'S ECONOMIC GROWTH. WE AGREE THE SCOPE OF THE CONSTITUTIONAL AMENDMENT SHOULD BE BROAD IN GRANTING THIS AUTHORITY, WHILE ACCOMPANING STATUTES BE ENACTED TO RESTRICT AND LIMIT ITS USE TO BETTER ACHIEVE THE INTENDED PURPOSE.

AGAIN, JOHNSON COUNTY EXPRESSES ITS SUPPORT OF HCR 5047 AND URGES THE COMMITTEE TO REPORT IT FAVORABLE FOR PASSAGE.

3/28/86 Hs. A&T

*written testimony only*