

MINUTES OF THE Senate COMMITTEE ON Assessment and TaxationThe meeting was called to order by Senator Fred A. Kerr at  
Chairperson11:00 a.m./~~XXX~~ on Wednesday, January 29, 1986 in room 519-S of the Capitol.All members were present ~~except~~.

## Committee staff present:

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

## Conferees appearing before the committee:

Jim Murphy, Governor's Office  
Bud Grant, Kansas Chamber of Commerce and Industry  
Carol Wiebe, Kansas Industrial Developers Association  
Leo Hafner, Legislative Division of Post Audit

Jim Murphy requested that the Committee introduce a concurrent resolution which would give the state additional authority to participate in works of internal improvements (Attachment 1). Senator Mulich moved that such a resolution be introduced. Senator Karr seconded the motion, and the motion carried. Mr. Murphy said that the Governor's proposed 1¢ sales tax increase bill would be, according to his understanding, introduced by the Ways and Means Committee and referred to the Assessment and Taxation Committee. Chairman Kerr agreed that he also understood that to be the plan.

Bud Grant explained a provision in the law that is scheduled to sunset in July, 1986. The statute provides for a refund of sales tax for manufacturing equipment and machinery in excess of \$50,000 that is used to create at least two jobs and is used in either a new facility or expansion of an existing facility. Mr. Grant requested that the Committee introduce a bill to extend the exemption for two years. Senator Allen moved that the bill be introduced. Senator Mulich seconded the motion, and the motion carried.

Senator Frey told the Committee that K.S.A. 79-2801 provides that in cases of unredeemed real estate, the county commissioners must institute an action in district court to foreclose on delinquent property whenever the aggregate assessed valuation is more than \$10,000. If the assessed valuation is less than \$10,000, it is discretionary whether or not foreclosure is instituted. Senator Frey moved that the Committee introduce a bill to raise the \$10,000 figure to \$1 million. Senator Hayden seconded the motion, and the motion carried.

Senator Montgomery moved that the Committee introduce a bill changing the redemption period for general foreclosures from 6 months to 18 months. Senator Thiessen seconded the motion, and the motion carried.

Carol Wiebe stated that her association supports the Redwood study on economic development and helped to fund it. They are very supportive of any kind of funding for economic development.

The Committee was provided with copies of a statement from the Harper County Commission (Attachment 2).

Staff distributed a memorandum detailing various sales tax options (Attachment 3). It was explained that the figures are annualized.

Leo Hafner reviewed the Performance Audit Report on Property Tax Exemption of Church Parsonages (Attachment 4). They found that about 2,500 church parsonages appear to have been deemed tax exempt by the counties and they represent \$1.4 million in tax revenues. They did not find any substantial abuse in usage of the exemption. They found that approximately half of the clergymen are housed in church-owned parsonages. In answer to a question

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,  
room 519-S Statehouse, at 11:00 a.m./~~XXX~~ on January 29, 1986

from Senator Karr, Mr. Hafner said they do not have figures on how many parsonages were on the taxrolls before the recent Property Valuation Division directive. Mr. Hafner pointed out that the 54% figure is the total clergy housed in church-owned parsonages; he said more than 54% of the churches have parsonages. He noted that they did not find very many instances where there was more than one parsonage being claimed as exempt.

Senator Burke moved that the minutes of the January 28, 1986 meeting be approved. Senator Frey seconded the motion, and the motion carried.

ASSESSMENT AND TAXATION

OBSERVERS  
(PLEASE PRINT)

| DATE    | NAME                 | ADDRESS              | REPRESENTING                           |
|---------|----------------------|----------------------|--|
| 1/29/86 | Darlene Stearns      | 4125 Gage Crater Dr. | Consultation of Churches               |
|         | Paul Wiebke          | Topeka               | Life Savers                            |
|         | Curt Winegarner      | Topeka               | Leg. Post Audit                        |
|         | Leo Hofner           | Topeka               | Legislative Post Audit                 |
|         | Rick Riggs           | Topeka               | " " "                                  |
|         | Jim Murphy           | Leavenworth          | Rev. Office                            |
|         | Harold Pitts         | Topeka               | TARTA                                  |
|         | BRUCE GRAHAM         | TOPEKA               | Ks Motor Carriers                      |
|         | TREVA POTTER         | "                    | NORTHERN NAT. GAS                      |
|         | CARON Wiehe          | Hillsboro            | Ks Industrial Developers               |
|         | Harold Wiehe         | "                    | ASSOC. PRES.<br>Mayor - City           |
|         | BOB GRANT            | "                    | CCI                                    |
|         | Marcus Kohleit       | Independence KS      | PAGE                                   |
|         | Dimitri Ravensberger | Independence KS      | PAGE                                   |
|         | Robert Schmolling    | "                    | "                                      |
| 1/29/86 | Martha Klemmner      | Olathe, Kans         | Foster <sup>F. G. P.</sup> Grandparent |
|         | Rev. A C Lewis       | Olathe KS            | ✓ ✓ ✓                                  |
|         | Charlene Wilson      | Topeka               | ATT                                    |
|         | Elizabeth C. Taylor  | Topeka               | KAEYC                                  |
| 1/29/86 | Chip Wheelen         | Topeka               | McGill & Assoc's                       |
|         | JANET STUBBS         | "                    | HBAK                                   |

SENATE CONCURRENT RESOLUTION NO. \_\_\_\_\_

A Proposition to repeal section 9 of article 11 of the constitution of the state of Kansas, relating to internal improvements.

Be it resolved by the Legislature of the State of Kansas, two-thirds of the members elected to the Senate and two-thirds of the members elected to the House of Representatives concurring therein:

Section 1. The following proposition to amend the constitution of the state of Kansas shall be submitted to the qualified electors of the state for their approval or rejection: Section 9 of article 11 of the constitution of the state of Kansas, relating to internal improvements, is hereby repealed.

Sec. 2. The following statement shall be printed on the ballot with the amendment as a whole:

"Explanatory statement. This proposed amendment would eliminate the current restrictions regarding the state being a party to certain works of internal improvements.

"A vote for the proposed amendment would eliminate the current restrictions regarding the state being a party to certain works of internal improvements.

"A vote against the proposed amendment would continue the current restrictions on the state being a party to works of internal improvements."

1/29/86 Sen. A+T  
Attachment 1

Sec. 3. This resolution, if approved by two-thirds of the members elected (or appointed) and qualified to the Senate and two-thirds of the members elected (or appointed) and qualified to the house of representatives, shall be entered on the journals, together with the yeas and nays. The secretary of state shall cause this resolution to be published as provided by law and shall cause the proposed amendment to be submitted to the electors of the state at the general election in the year 1986 unless a special election is called at a sooner date by concurrent resolution of the legislature, in which case it shall be submitted to the electors of the state at such special election.

held taxable. *Kansas City Dist. Advisory Bd. v. Board of Johnson County Comm'rs*, 5 K.A.2d 538, 540, 620 P.2d 344.

187. Tax for sewage treatment construed to be special assessment and not tax within meaning of section. *Sossoman v. Board of County Comm'rs*, 230 K. 210, 215, 630 P.2d 1154 (1981).

188. Port Authorities Act not improper interference with school taxes. *State ex rel. Tomasic v. Kansas City, Kansas Port Authority*, 230 K. 19, 21, 630 P.2d 692 (1981).

189. Port Authorities Act not violative of section; uniform and equal provision compared to equal protection clause of U.S. Constitution. *State ex rel. Tomasic v. Kansas City, Kansas Port Authority*, 230 K. 404, 411, 412, 413, 636 P.2d 760 (1981).

190. Provisions of 79-343 (L. 1981, ch. 373) violate section; valuation of farm machinery for ad valorem tax purposes declared unconstitutional classification of personal property and discriminatory. *State ex rel. Stephan v. Martin*, 230 K. 559, 640 P.2d 316 91982).

191. Petition by attorney general for writ of quo warranto to prevent utilization of 79-331 and challenging constitutionality thereof denied; not violative hereof. *State ex rel. Stephan v. Martin*, 230 K. 747, 751, 753, 754, 758, 641 P.2d 1011 (1982).

192. Uniform and equal requirements hereof violated by provisions of 79-343 relating to assessment of farm machinery and equipment. *State ex rel. Stephan v. Martin*, 230 K. 759, 760, 762, 767, 768, 769, 770, 771, 776, 777, 641 P.2d 1020 (1982).

193. Intangibles tax is a specific property tax, separately classified and not subject to the uniform and equal clause. *Von Ruden v. Miller*, 231 K. 1, 3, 5, 6, 7, 9, 10, 13, 14, 15, 642 P.2d 91 (1982).

194. Cited by dissent where majority upheld constitutionality of tax payments before registering motor vehicle under 8-173. *State v. Raulston*, 9 K.A.2d 714, 721, 687 P.2d 37 (1984).

195. National headquarters of NCAA held to be used exclusively for educational purposes. *National Collegiate Realty Corp. v. Board of Johnson County Comm'rs*, 236 K. 394, 404, 690 P.2d 1366 (1984).

196. Exemption under 79-201b applicable to both elderly and handicapped where housing financed by national housing act. *Board of Johnson County Comm'rs v. Ev. Luth. Good Samaritan Soc.*, 236 K. 617, 619, 622, 694 P.2d 455 (1985).

197. Cited; extensive legislative and case history review of taxation on personal property acquired after tax day. *Litho Stepping, Inc. v. Wyandotte County*, 10 K.A.2d 308, 312, 698 P.2d 842 (1985).

## § 5.

### Law Review and Bar Journal References:

"Urban Redevelopment: Utilization of Tax Increment Financing," *Randall V. Reece and M. Duane Coyle*, 19 W.L.J. 536, 551 (1980).

### CASE ANNOTATIONS

58. Section not violated by provisions of 12-1770 et seq.; section does not preclude tax levy statute from having more than one object as long as allocation formula is provided to distribute tax money. *State ex rel. Schneider v. City of Topeka*, 227 K. 115, 117, 118, 119, 120, 121, 122, 126, 605 P.2d 556.

## § 9. Internal improvements; state highway system; flood control; conservation

or development of water resources. The state shall never be a party in carrying on any work of internal improvement except that: (1) It may adopt, construct, reconstruct and maintain a state system of highways, but no general property tax shall ever be laid nor general obligation bonds issued by the state for such highways; (2) it may be a party to flood control works and works for the conservation or development of water resources; (3) it may, whenever any work of internal improvement not authorized by (1) or (2) is once authorized by a separate bill passed by the affirmative vote of not less than two-thirds of all members then elected (or appointed) and qualified to each house, expend or distribute funds received from the federal government therefor and may participate with the federal government therein by contributing any state funds appropriated in accordance with law for such purpose in any amount not exceeding the amount received from the federal government for such improvement, but no general property tax shall ever be laid nor general obligation bonds be issued by the state therefor; and (4) it may expend funds received from the federal government for any public purpose in accordance with the federal law authorizing the same.

### CASE ANNOTATIONS

34. Legislative approval of port authority not unconstitutional state involvement in internal improvement. *State ex rel. Tomasic v. Kansas City, Kansas Port Authority*, 230 K. 19, 22, 630 P.2d 692 (1981).

35. Prohibition is on the state as a state; legislature may authorize public or private corporations or individuals to construct internal improvements. *State ex rel. Tomasic v. Kansas City, Kansas Port Authority*, 230 K. 404, 421, 636 P.2d 760 (1981).

## § 12.

### Law Review and Bar Journal References:

"The Kansas Property Tax: Mischievous, Misunderstood, and Mishandled," *Lori M. Callahan and Linda Parks*, 22 W.L.J. 318, 324, 334, 336 (1983).

## Article 12.—CORPORATIONS

### § 1.

#### CASE ANNOTATIONS

93. Property at Fort Leavenworth belonging to an association that is neither a de jure nor a de facto corporation is not taxable. *In re Armed Forces Cooperative Insuring Ass'n*, 5 K.A.2d 787, 793, 625 P.2d 11.

### § 2.

#### CASE ANNOTATIONS

30. Property at Fort Leavenworth belonging to an association that is neither a de jure nor a de facto



AMENDMENTS AND PROPOSED AMENDMENTS TO THE KANSAS CONSTITUTION

List of Amendments and Proposed Amendments to the Kansas Constitution

| YEAR  | SUBJECT   | ART. | SEC. |
|-------|---|------|------|
| 1980. | A proposition to amend section 9 of article 11 of the Kansas Constitution, relating to works of internal improvements. (L. 1980, ch. 350; S.C.R. 1669.) Adopted Nov. 4, 1980: For, 513,971; against, 199,747 .      | 11   | 9    |
| 1980. | A proposition to amend section 1 of article 14 of the Kansas Constitution, relating to amendment of the state constitution. (L. 1980, ch. 355; S.C.R. 1652.) Adopted Nov. 4, 1980: For, 488,357; against, 196,021 . | 14   | 1    |
| 1980. | A proposition to revise article 13 of the Kansas Constitution, relating to banks and currency. (L. 1980, ch. 356; S.C.R. 1655.) Adopted Nov. 4, 1980: For, 582,367; against, 146,278 . . . . .                      | 13   | —    |

OFFICE OF  
HARPER COUNTY APPRAISER  
COURTHOUSE  
ANTHONY, KANSAS 67003

Attachment 2

January 21, 1986

Senate Committee on Assessment & Taxation

We the County Commissioners of Harper County being concerned about Harper County, the property owners of Harper County, and all residents of Harper County and the State of Kansas, hesitate to support the farther eroding of the tax base of Harper County, due to increased exemptions of property. Changing the method of taxation of oil and gas revenues in Harper County, as this is one of our largest revenue generators. For a small, sparsely populated county like ours, this would be a disaster.

Harper County Commissioners

Stanley Wethington

*Stanley Wethington*

Eldon Martin

*Eldon Martin*

Gerald Fisher

*Gerald Fisher*

*1/29/86 Sen. A+T  
Attachment 2*



Kansas Legislative Research Department

January 13, 1985

## MEMORANDUM

Sales Tax Options

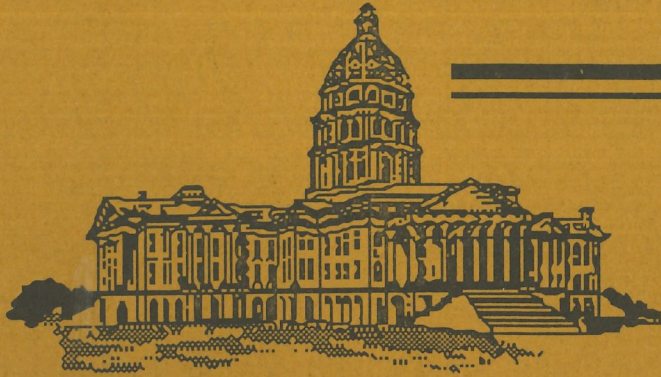
The following are estimates for FY 1987 of the fiscal impact of certain sales tax options. They are based on consensus estimates for FY 1987, annualized.

| Option   | FY 1987<br>Increase<br>(Decrease) |
|--|-----------------------------------|
| 1. Exempt food and repeal food sales tax refund  | \$ (70.0) million                 |
| 2. Increase sales and use taxes from 3 to 4 percent  | 199.3 million                     |
| 3. Increase sales and use taxes from 3 to 4 percent, exempt food, and repeal food sales tax refund     | 105.5 million                     |
| 4. Increase sales and use taxes from 3 to 3 1/2 percent  | 99.6 million                      |
| 5. Increase sales and use taxes from 3 to 3 1/2 percent, exempt food, and repeal food sales tax refund | 17.8 million                      |
| 6. Increase sales and use taxes from 3 to 4 1/2 percent  | 299.0 million                     |
| 7. Increase sales and use taxes from 3 to 4 1/2 percent, exempt food, and repeal food sales tax refund | 193.3 million                     |
| 8. Increase sales and use taxes from 3 to 5 percent  | 398.7 million                     |
| 9. Increase sales and use taxes from 3 to 5 percent, exempt food, and repeal food sales tax refund     | 281.1 million                     |

All of the sales and use tax collections (after refunds) are deposited in the State General Fund, but 4.5 percent of such collections is earmarked for transfer to the Local Ad Valorem Tax Reduction Fund, and 3.5 percent to the County and City Revenue Sharing Fund. Also, in FY 1987, 20/42 of the sales tax receipts attributable to sales of new and used motor vehicles (currently, 9.19 percent) is to be transferred to the State Highway Fund.

An exemption on the state sales tax will also be an exemption from the local sales tax unless the item is specifically retained in the local sales tax base.

These estimates do not reflect the impact of a recently enacted federal law which could influence state taxation of food purchased with food stamps. A preliminary estimate of the cost of exempting such sales is \$2.0 million annually.



# PERFORMANCE AUDIT REPORT

## Property Tax Exemption Of Church Parsonages

A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
January 1986

*1/29/86 Sen. A+T  
Attachment 4*



# *Legislative Post Audit Committee*

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## *Legislative Division of Post Audit*

THE LEGISLATIVE POST Audit Committee and its audit agency, the Legislative Division of Post Audit, are the audit arm of Kansas government. The programs and activities of State government now cost about \$3 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by Legislative Post Audit helps provide that information.

As a guide to all their work, the auditors use the audit standards set forth by the U.S. General Accounting Office and endorsed by the American Institute of Certified Public Accountants. These standards were also adopted by the Legislative Post Audit Committee.

The Legislative Post Audit Committee is a bipartisan committee comprising five senators and five representatives. Of the Senate members, three are appointed by the President of the Senate and two are appointed by the Senate Minority Leader. Of the Representatives, three are appointed by the Speaker of the House and two are appointed by the Minority Leader.

Audits are performed at the direction of the Legislative Post Audit Committee. Legislators or

committees should make their requests for performance audits through the Chairman or any other member of the Committee.

### **LEGISLATIVE POST AUDIT COMMITTEE**

Representative Robert H. Miller, Chairperson  
Representative Bill Bunten  
Representative Duane A. Goossen  
Representative Ruth Luzzati  
Representative Bill Wisdom

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Senator Joe Warren

### **LEGISLATIVE DIVISION OF POST AUDIT**

Suite 301, Mills Building  
Topeka, Kansas 66612-1285  
(913) 296-3792



## **PERFORMANCE AUDIT REPORT**

### **Property Tax Exemption of Church Parsonages**

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#### **OBTAINING AUDIT INFORMATION**

This audit was conducted by Leo Hafner, Senior Auditor, and Rick Riggs and Curt Winegarner, Auditors, of the Division's staff. If you need any additional information about the audit's findings, please contact Mr. Hafner at the Division's offices.

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## PROPERTY TAX EXEMPTION OF CHURCH PARSONAGES

### Summary of Legislative Post Audit's Findings

**How many church parsonages have been granted tax exemptions, and what is the magnitude of property taxes associated with these parsonages?** In total, 65 counties, or about 62 percent of all counties in the State, were able to supply the auditors with accurate and up-to-date lists of tax-exempt church parsonages. The 65 counties reported having about 1,500 tax-exempt parsonages in 1985. The combined assessed valuation of these parsonages is \$6.4 million, which represents approximately \$874,000 in additional property tax revenues in those counties. The majority of churches maintain only one parsonage. There were, however, 25 churches in 14 counties that maintained two or more. The average assessed valuation for parsonages in the responding counties is about \$4,000, and the average tax liability is about \$550. The auditors estimated that Statewide for 1986 as many as 2,500 parsonages, representing \$1.4 million in additional property tax, are being returned to the tax rolls.

**How are tax-exempt parsonages being used?** A survey of churches showed that 91 percent of church-owned residential properties were used to house clergy while nine percent were used for other purposes. These other purposes included rental income, Sunday school classes, day care, a community thrift store, and housing for church employees other than clergy. It appears that some of these uses may not qualify for tax exempt status.

**In addition to providing parsonages, what provisions do Kansas churches make for housing their clergy?** Eighty-nine churches responded to a survey regarding provisions made for housing clergy. Nine of these churches reported having no clergy, six made no provision for housing clergy, 12 provided a housing allowance, and 62 provided a parsonage or some combination of a parsonage and housing allowance.



## Property Tax Exemption of Church Parsonages

The Kansas Constitution provides a property tax exemption for "all property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes... ." In 1872, the Kansas Supreme Court ruled that this provision did not exempt church parsonages from property taxation. In 1909, the Legislature provided specific statutory exemptions for certain property owned by churches. Parsonages were included among these exemptions. In 1929, the Legislature expanded the parsonage exemption to include the residences of district church officials as well as the residences of pastors of particular churches. These exemptions remained in effect until 1969 when the Legislature repealed the parsonage exemption as a result of an interim study of property tax exemptions conducted in 1968.

Even after the exemption was repealed, most jurisdictions continued to allow tax-exempt status for church parsonages. In 1984, Johnson County filed suit in district court challenging a Board of Tax Appeals order granting a tax exemption to a church parsonage. The court ruled that use as a residence for clergy does not qualify a property for a tax exemption under the "exclusive religious use" provisions of the Kansas Constitution. In 1985, as a result of the court's ruling, the Director of Property Valuation directed all county appraisers to review their tax rolls and to restore all church parsonages to the tax rolls for the 1986 tax year.

Legislative concerns have been raised about the impact of the Director of Property Valuation's directive. In particular, there are concerns about the number of parsonages that have been granted tax-exempt status by the Board of Tax Appeals, the amount of property tax that such parsonages represent to their counties, and the uses of parsonages across the State. On October 22, 1985, the Legislative Post Audit Committee directed the Legislative Division of Post Audit to conduct a performance audit addressing the following questions:

1. **How many church parsonages have been granted tax exemptions, and what is the magnitude of property taxes associated with these parsonages?**
2. **How are tax-exempt parsonages being used?**
3. **In addition to providing parsonages, what provisions do Kansas churches make for housing their clergy?**

To answer these questions, the auditors reviewed the history of legislation and appropriate court decisions affecting church parsonages. They talked with members of the Board of Tax Appeals and county appraisers and surveyed all 105 counties. In addition, the auditors surveyed a sample of 150 churches in three counties to determine what residential property they owned and how that property was used.

Based on survey results and projections, the auditors estimate that there are about 2,500 tax exempt parsonages Statewide. These parsonages represent a total valuation of nearly \$10 million and property taxes of about \$1.4 million. These and other findings are discussed in more detail on the following page.

## How Many Church Parsonages Have Been Granted Tax Exemptions, And What is the Magnitude of Property Taxes Associated With These Parsonages?

To determine how many tax-exempt church parsonages exist in Kansas, the auditors initially contacted the Board of Tax Appeals. Although the Board has a record of all tax exemptions granted, these records are filed by the year the exemption was granted, and are not cumulative or filed by type of exemption. Because the time available for this audit was not sufficient to conduct an exhaustive search of the Board of Tax Appeals' records, the auditors contacted several county appraisers to determine whether they could provide a comprehensive listing of all parsonages in their counties.

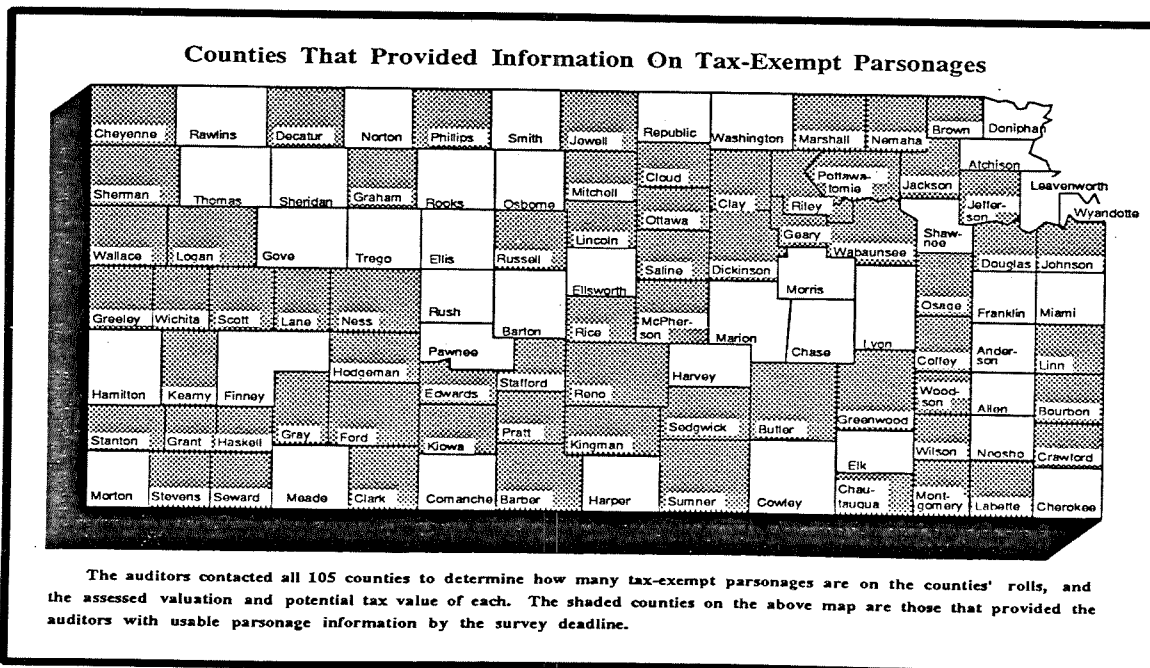
Most of the county assessors contacted by the auditors indicated that such a listing could be produced rather easily. However, some said they had not yet completed updating their records, so their records would not be accurate. Therefore, the auditors surveyed each county assessor to determine which could supply a complete and accurate listing of church parsonages. Those who could were asked to provide the following data:

- the number of parsonages that were previously tax-exempt
- the assessed valuation of each such parsonage, and the applicable mill levies
- the total potential property tax represented by each parsonage

In total, 84 counties responded in time to be included in the audit. Of those, 65 said they had accurate up-to-date records for tax-exempt parsonages. The remainder of the audit provides information on these counties.

### **In 65 Counties, There Were More Than 1,500 Tax-Exempt Parsonages, Representing \$874,000 In Property Tax Revenues**

In response to the auditors' survey, 65 counties, or about 62 percent of all counties in the State, were able to supply the auditors with accurate and up-to-date lists of tax-exempt church parsonages. These counties are shown on the following map.



The 65 shaded counties shown on the map reported having 1,542 tax-exempt parsonages in 1985. The combined assessed valuation of these parsonages is \$6.4 million, which represents approximately \$874,000 in additional property tax revenues in those counties. The majority of churches maintain only one parsonage. There were, however, 25 churches in 14 counties that maintained two or more. The average assessed valuation for parsonages in the responding counties is about \$4,000, and the average tax liability is about \$550. Appendix A lists the number of parsonages and the assessed values in each county reported in this audit.

### **Statewide, There Appear To Be About 2,500 Tax-Exempt Parsonages Representing \$1.4 Million In Tax Revenues**

Based on the number of parsonages and the assessed valuations supplied by the counties that completed the survey, the auditors estimated the total number of parsonages Statewide. The auditors grouped the counties into several categories based on population. Per-capita figures were computed for each county grouping, and were then applied to the similar-sized counties that were unable to supply exact figures. Using this process, the auditors estimated that there are as many as 2,500 parsonages, representing \$1.4 million in additional property tax dollars Statewide.

### **There May Be Additional Parsonages That Have Always Been Taxed**

County appraisers have indicated some parsonages have always been taxed because they have not applied for a tax exemption. If a tax exemption for parsonages becomes law, it is likely that these parsonages will be removed from the tax rolls along with the parsonages summarized in this report that have enjoyed an unofficial exemption since the parsonage exemption was repealed in 1969. This would tend to increase the financial impact of granting an exemption to church parsonages. However, this problem may not be significant. Legislative Post Audit tried to determine how much this might occur, by surveying 50 churches that were not shown on county records as having a tax-exempt parsonage. The auditors' assumption was that some of these churches may have a parsonage that has always been taxed. Although eight of the 30 churches responding to the survey indicated that they owned taxable residential properties, none of these properties were currently being used as a parsonage.

### **How Are Tax-Exempt Parsonages Being Used?**

To answer this question and the final question of this audit, the auditors mailed a survey to a sample of 150 churches in three counties. The counties selected were Johnson, Douglas and Jefferson. These counties were selected on the basis of population to provide data from a large, medium, and small county. There were two groups of churches in the survey. The first group of 100 churches were those that county tax records showed owned at least one tax-exempt parsonage. Surveys from these churches were used to determine how tax-exempt parsonages are used, and are discussed in the section that follows. The second group of 50 churches were those that did not appear to have a tax-exempt parsonage. The results from both groups are discussed under the final question on page 5 of the audit. A copy of the survey form can be found in Appendix B.

### **Most Churches Surveyed Indicate Tax-Exempt Residential Properties Have Been Used to House Clergy**

Of 100 churches with tax-exempt parsonages surveyed by the auditors, 59 churches responded. Officials from those 59 churches indicated the churches owned 73 residential

properties, 66 of which were tax-exempt. A summary of the indicated uses of the tax-exempt properties is shown below.

### Church Usage of Tax-Exempt Residential Property

| <u>Type of Usage</u>  | <u>Number of Residential Properties</u> | <u>Percent</u> |
|-----------------------|---|----------------|
| House Clergy          | 60                                      | 91.0%          |
| House Church Staff    | 2                                       | 3.0            |
| Sunday School Classes | 1                                       | 1.5            |
| Day Care Center       | 1                                       | 1.5            |
| Thrift Store          | 1                                       | 1.5            |
| Rental                | 1                                       | 1.5            |
| Total                 | <u>66</u>                               | <u>100.0%</u>  |

Of the 66 tax-exempt residential properties, 60 (91 percent) were used to house clergy while six (nine percent) were used for other purposes. For the six properties not used as parsonages, the auditors reviewed county records to determine if they were exempted as parsonages or for some other reason. Two of the six were exempted as parsonages, four were exempted for other reasons. Of the two exempted as parsonages, one is being used for rental income, and the other is used to house a parish life director. The remaining four are used for Sunday school classes, day care, housing for a custodian, and a community thrift store. It appears that some of these uses may not qualify for tax exempt status.

### In Addition To Providing Parsonages, What Provisions Do Kansas Churches Make For Housing Their Clergy?

The auditors learned from a survey of 150 churches in Johnson, Douglas, and Jefferson counties, that most provide one or more of the following: a church-owned parsonage, a housing allowance, or a rented home. Some churches make no provision for housing their clergy.

Of 89 total respondents, 74 (83.2 percent) indicated that they make some provision for housing their clergy. Six churches (6.7 percent) indicated they did not make any type of housing arrangement, while nine (10.1 percent) reported they did not employ any clergy. In all, the 89 responding churches reported employing 117 clergy. The following table shows the housing arrangements made for these clergy.

### Church Provisions For Housing Clergy

| <u>Type of Housing Provision</u> | <u>Number of Clergy</u> | <u>Percent</u> |
|----------------------------------|-------------------------|----------------|
| Church-Owned Parsonage           | 63                      | 53.8%          |
| Housing Allowance                | 32                      | 27.3           |
| Parsonage and Housing Allowance  | 1                       | 0.9            |
| Rented House                     | 1                       | 0.9            |
| No Housing Provision             | 20                      | 17.1           |
| Total                            | <u>117</u>              | <u>100.0%</u>  |

As the table shows, 63 (53.8 percent) of the clergy were provided with a church-owned parsonage to live in. One was provided with a home rented by the church, 32 clergy (27.3 percent) were provided with a regular housing allowance, and one was provided with both a parsonage and a housing allowance. Housing allowances ranged from \$1,200 to \$15,600 per year. The average housing allowance was about \$ 8,700 per year. Twenty clergy (17.1 percent) were not provided with any type of church-sponsored housing.

In sum, approximately 2,500 church-owned residences were tax exempt before the recent district court ruling that parsonages did not qualify for a property tax exemption. For 1986, it appears that churches will pay an additional \$1.4 million in property taxes to the counties where those properties are located. County records indicate that most churches maintain only one parsonage; however, in the 65 counties providing information for this audit, 25 churches maintained two or more tax-exempt parsonages. A survey of churches in Douglas, Jefferson, and Johnson counties indicates that 91 percent of the residences that have been tax exempt are used to house clergy. The remaining nine percent were used for other purposes such as day care centers, thrift stores, rentals, or to house Sunday school classes. Some of these other uses would appear to be taxable regardless of whether a specific exemption is granted for parsonages. Eighty-nine churches responded to the auditors' survey regarding what provisions are made for housing clergy. Nine of these churches reported having no clergy, six made no provision for housing clergy, twelve provided a housing allowance, and sixty-two provided a parsonage or some combination of a parsonage and housing allowance.

## APPENDIX A

### Assessed Valuations and Potential Tax Revenues From Parsonages in the 65 Counties Responding To Legislative Post Audit's Survey of Kansas County Assessors

| <u>County</u> | <u>Reported<br/>Number of<br/>Tax-Exempt<br/>Parsonages</u> | <u>Total<br/>Current<br/>Assessed<br/>Valuations</u> | <u>Total<br/>Potential<br/>Property<br/>Tax</u> |
|---------------|---|--|---|
| Barber        | 15  | \$45,480   | \$5,373   |
| Bourbon       | 22  | 63,725   | 9,747   |
| Brown         | 25  | 76,156   | 10,311  |
| Butler        | 53  | 207,195  | 27,763  |
| Chautauqua    | 9   | 14,050   | 2,195   |
| Cheyenne      | 13  | 36,815   | 4,528   |
| Clark         | 12  | 36,493   | 3,779   |
| Clay          | 13  | 44,025   | 5,852   |
| Cloud         | 21  | 99,240   | 16,325  |
| Coffey        | 16  | 38,090   | 3,789   |
| Crawford      | 33  | 73,090   | 10,784  |
| Decatur       | 12  | 31,285   | 3,270   |
| Dickinson     | 37  | 102,485  | 13,556  |
| Douglas       | 36  | 158,860  | 20,947  |
| Edwards       | 16  | 34,945   | 4,202   |
| Ford          | 24  | 98,095   | 13,407  |
| Gearry        | 18  | 88,915   | 9,011   |
| Graham        | 12  | 29,120   | 3,707   |
| Grant         | 8   | 52,810   | 4,441   |
| Gray          | 12  | 53,505   | 7,488   |
| Greeley       | 6   | 33,685   | 3,894   |
| Greenwood     | 17  | 29,041   | 4,924   |
| Haskell       | 13  | 61,810   | 5,904   |
| Hodgeman      | 3   | 8,605  | 1,157   |
| Jackson       | 16  | 47,060   | 6,615   |
| Jefferson     | 24  | 149,270  | 20,765  |
| Jewell        | 21  | 28,320   | 4,929   |
| Johnson       | 65  | 481,185  | 69,458  |
| Kearney       | 10  | 43,045   | 4,254   |
| Kingman       | 22  | 51,240   | 6,297   |
| Kiowa         | 8   | 29,156   | 2,643   |
| Labette       | 52  | 167,860  | 26,872  |
| Lane          | 5   | 20,925   | 2,136   |
| Lincoln       | 15  | 31,530   | 3,898   |
| Linn          | 12  | 17,980   | 2,236   |
| Logan         | 10  | 45,910   | 5,395   |
| Marshall      | 25  | 66,825   | 9,828   |
| McPherson     | 20  | 98,785   | 12,176  |
| Mitchell      | 17  | 53,460   | 7,933   |
| Mongomery     | 69  | 279,270  | 37,695  |
| Nemaha        | 18  | 45,300   | 5,419   |



| <u>County</u> | <u>Reported<br/>Number of<br/>Tax-Exempt<br/>Parsonages</u> | <u>Total<br/>Current<br/>Assessed<br/>Valuations</u> | <u>Total<br/>Potential<br/>Property<br/>Tax</u> |
|---------------|---|--|---|
| Ness          | 17  | 63,590   | 8,788   |
| Osage         | 14  | 39,125   | 4,599   |
| Ottawa        | 18  | 43,880   | 5,574   |
| Phillips      | 22  | 97,335   | 12,663  |
| Pottawatomie  | 19  | 65,335   | 6,625   |
| Pratt         | 22  | 92,015   | 10,738  |
| Reno          | 69  | 252,870  | 37,550  |
| Rice          | 21  | 88,740   | 10,244  |
| Riley         | 15  | 86,480   | 10,996  |
| Russell       | 18  | 57,471   | 7,190   |
| Saline        | 29  | 109,770  | 15,673  |
| Scott         | 9   | 34,080   | 4,710   |
| Sedgwick      | 246   | 1,611,940  | 239,765   |
| Seward        | 13  | 67,515   | 8,500   |
| Sherman       | 16  | 55,560   | 8,202   |
| Stafford      | 18  | 43,745   | 5,894   |
| Stanton       | 7   | 29,580   | 3,003   |
| Stevens       | 13  | 61,990   | 4,972   |
| Sumner        | 37  | 114,000  | 19,014  |
| Wabaunsee     | 12  | 28,380   | 3,627   |
| Wallace       | 6   | 23,520   | 3,030   |
| Wichita       | 8   | 48,515   | 6,221   |
| Wilson        | 29  | 77,176   | 9,662   |
| Woodson       | 9   | 16,730   | 2,324   |
| <b>TOTAL</b>  | <b>1,542</b>  | <b>\$6,383,983</b>                                   | <b>\$874,469</b>                                |

**NOTE:** Dollar totals may not add due to rounding.

## APPENDIX B

### LEGISLATIVE POST AUDIT SURVEY OF CHURCHES

This survey is being conducted by the Kansas Legislative Division of Post Audit as part of a performance audit examining the use of church parsonages. The audit is designed to provide the Kansas Legislature with information about the impact of granting or repealing tax exempt status for church parsonages. We will not specifically identify you or your church by name in our report.

In order to meet our reporting deadlines, **we need to receive your response by no later than Monday, December 30, 1985.** A postage-paid return envelope is enclosed for your convenience. If you have any questions about the survey, please call Leo Hafner at (913) 296-3792. Thank you for your help.

#### Part 1: Information About You and Your Church

1. Name of Church: \_\_\_\_\_
2. Name of person completing this form: \_\_\_\_\_  
Title (if appropriate): \_\_\_\_\_  
Telephone No. (during working hours): \_\_\_\_\_  
Date Completed: \_\_\_\_\_
3. How many clergy are employed by your church? \_\_\_\_\_
4. How many clergy reside in parsonages owned by your church? \_\_\_\_\_
5. For any clergy not housed in parsonages, please indicate what arrangements, if any, are made for their housing:  
  
\_\_\_ no provision for housing -  
    number of clergy receiving no provision for housing \_\_\_\_\_  
  
\_\_\_ housing allowance (indicate amount) \$ \_\_\_\_\_ per \_\_\_\_\_  
    number of clergy receiving a housing allowance \_\_\_\_\_  
  
\_\_\_ other (please specify) \_\_\_\_\_  
    number of clergy affected \_\_\_\_\_

---continue on other side---

Part 2: Information about residential property owned by your church.

1. In the spaces provided below, please list the addresses of all **residential** properties owned by your church and indicate information about their use and tax status.  
**Note: List residential property only -- do not list church buildings, vacant lots, or cemeteries.**

| Location       |       |          |       | 1985 Tax Status          |                          | Type of Structure         |                          |                          | Uses of This Property                                    |  |  |  |  |
|----------------|-------|----------|-------|--------------------------|--------------------------|---------------------------|--------------------------|--------------------------|--|--|--|--|--|
| Street Address | City  | Township | Zip   | Tax Exempt               | Non Tax Exempt           | Free Standing Residential | Part of Church Building  | Other                    | a) Is this property used to house clergy?                | b) If not used to house clergy, please indicate the primary usage of the property (check only one):  |  |  |  |
| _____          | _____ | _____    | _____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>  | <input type="checkbox"/> | <input type="checkbox"/> | Yes <input type="checkbox"/> No <input type="checkbox"/> | Vacant <input type="checkbox"/> Rental for Income <input type="checkbox"/> Day Care <input type="checkbox"/> Other <input type="checkbox"/> Specify: _____ |  |  |  |
| _____          | _____ | _____    | _____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>  | <input type="checkbox"/> | <input type="checkbox"/> | Yes <input type="checkbox"/> No <input type="checkbox"/> | Vacant <input type="checkbox"/> Rental for Income <input type="checkbox"/> Day Care <input type="checkbox"/> Other <input type="checkbox"/> Specify: _____ |  |  |  |
| _____          | _____ | _____    | _____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>  | <input type="checkbox"/> | <input type="checkbox"/> | Yes <input type="checkbox"/> No <input type="checkbox"/> | Vacant <input type="checkbox"/> Rental for Income <input type="checkbox"/> Day Care <input type="checkbox"/> Other <input type="checkbox"/> Specify: _____ |  |  |  |
| _____          | _____ | _____    | _____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>  | <input type="checkbox"/> | <input type="checkbox"/> | Yes <input type="checkbox"/> No <input type="checkbox"/> | Vacant <input type="checkbox"/> Rental for Income <input type="checkbox"/> Day <input type="checkbox"/>  |  |  |  |
| _____          | _____ | _____    | _____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>  | <input type="checkbox"/> | <input type="checkbox"/> | Yes <input type="checkbox"/> No <input type="checkbox"/> | Vacant <input type="checkbox"/> Rental for Income <input type="checkbox"/> Day <input type="checkbox"/>  |  |  |  |

**APPENDIX C**  
**Agency Responses**

JOHN CARLIN • Governor

THE STATE  OF KANSAS

BOARD OF TAX APPEALS

1030-S, STATE OFFICE BUILDING

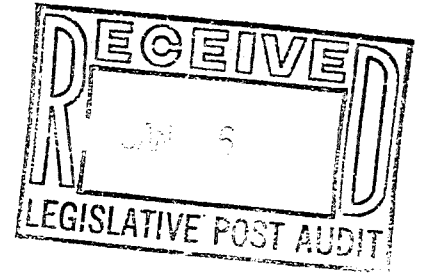
Telephone 296-2388 AC-913

TOPEKA, KANSAS 66612-1582

Fred L. Weaver, *Chairman*  
Dallas E. Crable, *Member*  
John P. Bennett, *Member*  
Robert C. Henry, *Member*  
Keith Farrar, *Member*

January 15, 1986

Legislative Post Audit  
109 West 9th, Suite 301  
Mills Building  
Topeka, Kansas 66612-1285



Gentlemen:

I appreciate the opportunity to comment on the performance audit report on Property Tax Exemptions of Church Parsonages. I believe this is a relative accurate assessment of the situation as it now stands.

If you have any questions, please do not hesitate to call.

Sincerely,

BOARD OF TAX APPEALS

A handwritten signature in cursive script that reads "Fred L. Weaver".

Fred L. Weaver  
Chairman

FLW:rm



KANSAS DEPARTMENT OF REVENUE  
*Division of Property Valuation*  
State Office Building · Topeka, Kansas 66612-1585

January 21, 1986

Meredith Williams  
Legislative Post Auditor  
109 West 9th, Suite 301  
Mills Building  
Topeka, Kansas 66612-1285



Dear Meredith:

I find no needed corrections or clarification.

Thank you for your time and effort in this regard.

Sincerely,

A handwritten signature in cursive script that reads "Victor W. Miller" with a small flourish at the end.

Victor W. Miller, Director  
Division of Property Valuation

VWM:jd