

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

The meeting was called to order by Senator Fred A. Kerr at
Chairperson

11:00 a.m./~~PM~~ on Tuesday, February 4, 1986 in room 519-S of the Capitol.

All members were present ~~XXXX~~

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:

Alan F. Alderson, Western Retail Implement and Hardware Association
Jerry Howard, Howard's Inc., Mount Hope
Max Redding, Midwestern Farm Implement, Inc., Salina
Fred Weaver, Board of Tax Appeals
Bev Bradley, Kansas Association of Counties
Chip Wheelen, Kansas Legislative Policy Group
Vic Miller, Property Valuation Division, Department of Revenue

Testimony received from Johnson County Board of Commissioners (Attachment 1) and Mendel Adams, The First Congregational United Church of Christ, McPherson (Attachment 2) with regard to S.B. 399, S.B. 400 and H.B. 2632 were distributed to Committee members. Testimony of Kansas Farm Bureau regarding S.B. 407 was also distributed (Attachment 3).

Senator Hayden moved that the minutes of the January 29, 1986 meeting be approved. Senator Thiessen seconded the motion, and the motion carried. Senator Mulich moved that the minutes of the January 30, 1986 meeting be approved. Senator Allen seconded the motion, and the motion carried.

S.B. 471 - Exemption of farm machinery and equipment held as inventory from property taxation

S.B. 472 - Procedure utilized in valuing merchants inventory for property tax purposes

Alan F. Alderson testified in support of both bills (Attachment 4). He explained that S.B. 471 provides that self-propelled farm machinery and equipment is not subject to property tax after tax has been paid for one year. S.B. 472 would provide that county appraisers are authorized to net out manufacturers discounts so that implement dealers are not required to pay property tax on the book value figure. Mr. Alderson advised that the Board of Tax Appeals has been granting reductions in inventory value for discounts and rebates -- the bill would statutorily grant the reductions at the county level. Mr. Alderson described the critical situation of implement dealers. He said even if the classification resolution is passed in November, many dealers cannot wait until 1989 for relief. He pointed out that those taxpayers who honestly report their inventory are being penalized. In response to a question from Senator Montgomery, Mr. Alderson said that if classification fails, the bills would remain in effect. He said that they did not intend the exemption to extend to equipment that might be resold to a dealer subsequent to that same dealer selling that same equipment. Senator Salisbury voiced concerns about equipment used by the construction industry. Mr. Alderson advised that they have no objection to S.B. 471 being broadened to include other types of equipment but he is concerned such a bill might be vetoed if it becomes too broad.

Jerry Howard spoke in support of the bills (Attachment 5). He detailed the unfair competitive position of his company and the problem with the inventory tax.

Max Redding urged that the bills be passed (Attachment 6). He described the heavy tax burden of his corporation.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S, Statehouse, at 11:00 a.m.~~XXX~~ on February 4, 1986

Fred Weaver stated that the Board is taking no position on S.B. 471. With regard to S.B. 472, he said the Board is currently granting relief in these instances and he feels this should continue. Mr. Weaver advised that these rebates are for different lengths of time and from different companies. He said that S.B. 471 would also grant relief to taxpayers who file inaccurate renditions. (Attachment 7).

Bev Bradley testified in opposition to the bills (Attachment 8). She said the counties object to any further erosion of the tax base.

Chip Wheelen spoke in opposition to both bills (Attachment 9). He said such legislation would cause an even greater burden on the remaining taxpayers. He also mentioned potential problems with administration of the program and constitutionality questions.

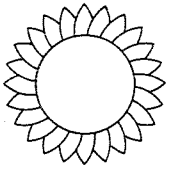
Vic Miller testified concerning S.B. 472. He agrees that an adjustment should be made with regard to the incentives but said it would be impossible to issue a directive that covers each and every circumstance. He feels that the present practice of the Board of Tax Appeals granting relief is the best solution.

Meeting adjourned.

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
2/4/86	Jerry Howard	Mt Hope, Ks	Thompson's Inc
	Melissa Ohls	Emporia, Ks	Sen. Hayden
	BEV BRADLEY	LAURENCE, K5	KS Assoc Counties
	Chip Wheelen	Topeka	Legis. Policy Group
	Gerry Ray	Olathe	Johnson Co
	ANAN ROBERTSON	TOPEKA	IMPLEMENT DEALERS
	Mal Spedding	Salina	Farm Equipment
	Dale Amuck	Jefferson City Mo.	WESTERN Retail Implement ASA
	D. Ferrill	Topeka	Budget
	Dallas Bensch	Rella	
	Dwayne Dechow	Rella	
	Marian A. White	R#1 Belton, 66407	Ks Agri Women
	Dorcas Dechow	R#1 Belton, 66502	Ks Agri Women
	Frances Kastner	Topeka	Ks Feed Dealers



Johnson County
Kansas

TO: SENATE AND HOUSE ASSESSMENT AND TAXATION
COMMITTEES

FROM: JOHNSON COUNTY BOARD OF COMMISSIONERS

SUBJECT: PARSONAGES EXEMPTED FROM PROPERTY TAX
SB 399, SB 400 AND HB 2632

DATE: January 31, 1986

The Johnson County Board of Commissioners are opposed to the exemption of parsonages from property tax in Senate Bills 399 and 400 and House Bill 2632. As a matter of policy we must oppose these and all legislation that will adversely affect the local tax base.

The church properties the proposed bills exempt, are generally used for residential purposes only and do not support religious activities. It is difficult to understand why taxpayers should be required to subsidize the living quarters of a particular profession. Even within that profession such exemptions create inequity. Members of the clergy who receive housing allowances or churches that rent housing for this purpose do not enjoy the proposed exemption.

The argument can be made that until a 1984 court ruling these properties were not taxed, therefore the local governments will not experience a loss. In response to that reasoning two major points must be considered. First, there is no data on how many churches have never applied for an exemption and have been paying property tax on their parsonages. Should these bills be adopted, all such properties will automatically be taken off the tax rolls. Second, and of most concern, is the statement by the Post Audit staff that the state is not able to determine what constitutes a church. The strongest proponents of the bills must have some anxiety on the problems this can bring about. Answers to these and other concerns should be provided before a decision is reached on this group of bills.

As you reflect on the issue of property tax exemptions we ask you to carefully review all the consequences and the potential effect on the local governments and your constituents.

2/4/86 Sen. A+T
Attachment 1



The First Congregational United Church of Christ

Mendle Adams, Minister
Study Phone 241-0809

224 South Maple
McPherson, Kansas 67460



~~Joint Hearing~~
House and Senate Committees
on Taxation and Assessments
Capitol Building
Topeka, Kansas

Dear Legislators and Senators:

My name is Mendle Adams, I am president of the McPherson Ministerial Alliance, and pastor of the First Congregational United Church of Christ in McPherson.

Membership in the McPherson Ministerial Alliance is open to all clerics and pastors in McPherson, regardless of denomination. We are an autonomous body of clerics and have no structural ties to any organization at the state or national level whatsoever. Our membership is comprised of protestant and catholic, urban and rural, liberal and conservative, charismatic and peace churches, male and female, black and white, democrats and republicans and independents.

Out of this exciting mix of ideas and approaches to our faith have come a variety of ministries to our constituencies and the community at large. These include day care, parenting classes, food banks, Scouts, 4H, sports programs, teen dances & socials, diet & exercise programs, counseling, community groups of various kinds, as well as prayer groups, bible studys, worship services and bazaars and church suppers.

As the funds available from Federal and State programs have been cut since 1980, many of us responded by opening our doors wider to provide facilities for needed social programs asking only for a contribution toward the utilities and upkeep of our buildings. (in some cases at no cost at all to the group.)

The Director of the Division of Property Valuation's interpretation of recent court rulings places the continuation of all of these program in jeopardy. Many of our smaller churches are able to afford professional leadership only because previous generations were able to purchase adequate housing for parsonages. Without the tax advantage to the congregation of owning a parsonage, many of them will have to go without professional leadership.

If you lived in Roxbury, Kansas where the Methodist and Presbyterian Churches merged, due to declining population and dwindling resources, and where the federated church and parsonage are the only facilities available for community social functions, such a narrow tax ruling could very well mean the death of your town. Across Kansas there are other little towns, such as Groveland, New Gottland, Marquette and hundreds of others for which this ruling will mean disaster.

The McPherson Ministerial Alliance strongly supports the restoration of the tax exemption for churches and parsonages in order that we may continue to serve the needs of the people who

2/4/86 Sen. A+T
Attachment 2

are in our area.

It would cost the state much more than what this tax would generate to duplicate the services we provide each day.

Please use the influence of your elected office to correct this reversal of the traditional taxation policy of Kansas.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mendle Adams", with a horizontal line extending to the right from the end of the signature.

Mendle Adams, president
McPherson Ministerial Alliance

Kansas Farm Bureau



PUBLIC POLICY STATEMENT

SENATE ASSESSMENT AND TAXATION COMMITTEE
Senator Fred Kerr, Chairman
February 3, 1986

RE: S.B. 407 - Mortgage Registration Tax - Interim
Committee Proposal No. 9

Presented by:
Bill R. Fuller, Assistant Director
Public Affairs Division
KANSAS FARM BUREAU

Since we were attending out-of-town meetings at the time of Committee hearings on S.B. 407 concerning the mortgage registration tax, we express our SUPPORT of the bill at this time.

At the Interim Committee hearings August 23, 1985, we expressed this concern:

As you are aware, many farmers are now experiencing the most serious financial crisis since the Great Depression of the 1930's. As a result, a great deal of refinancing is going on in the farming and ranching industry today. Some of this activity is the result of attempts by farmers to reduce operating expenses by acquiring lower interest rates on loans, while others are refinancing because existing lenders are no longer willing to accept the risks.

I also posed these questions:

1. **WHY** should borrowers be required to **pay** the mortgage registration **tax** a **second time** when they are refinancing and changing lenders?
2. Is there **uniformity** among the counties in the **administration** of this locally collected tax?

2/4/86 Sen. A+T
Attachment 3

We believe the recommendation by the Interim Committee addresses our concerns. Therefore, **we support S.B. 407 and urge its passage.** Thank you Mr. Chairman for this opportunity to express our interest in this issue. Please contact us if you have questions.

MEMORANDUM

TO: SENATE ASSESSMENT AND TAXATION COMMITTEE

FROM: ALAN F. ALDERSON, ATTORNEY, WESTERN RETAIL IMPLEMENT AND HARDWARE ASSOCIATION

RE: SENATE BILL NOS. 471 AND 472

DATE: FEBRUARY 4, 1986

WRIHA would like to thank the Chairman and members of this committee, not only for agreeing to introduce Senate Bills 471 and 472, but also for giving us ample opportunity for hearing on these property tax relief measures.

We know you are already aware, from testimony presented by implement dealers last year on HB 2159, that implement dealers believe they are in a somewhat unique position. In fact, we believe that we may represent the only group of taxpayers in this State who are paying property tax on a full thirty percent assessed valuation. This fact alone would seem to warrant relief.

Now, however, the situation facing implement dealers has been exacerbated by the same factors which this legislature found to exist and warrant exemption of farm machinery and equipment actually used by farmers and ranchers in this state. The same conditions which depress the actual value of farm machinery used in the field and which have depressed the farm economy generally are prohibiting the purchase of farm machinery and equipment. For the last few years, very expensive equipment which, in many instances the dealers are required to maintain in their inventory, are sitting on the dealer's lot for two, three or four years, and are being taxed over and over at 30% of the dealer's invoice cost.

*2/4/86 Sen. A+T
Attachment 4*

As I indicated to you when I appeared before you to request introduction of Senate Bills 471 and 472, we are very much aware that the Classification Amendment will be voted upon in November of this year. We feel it is only prudent to operate at this time under the assumption that the Amendment will pass and that inventory will be exempt in 1989. In other words, we believe it would be foolish to ask the Legislature for a constitutional amendment or any broad-based exemption in light of this assumption.

Why, then, can't the implement dealers of this State wait until inventory is fully exempt? The answer is straightforward - many implement dealers will not survive to see inventory exempted. In Kansas and Missouri, the Association lost nearly 100 dealers last year to economic conditions. Many of you have dealers in your districts who are hanging on by a thread or who will go under this next year.

Tax relief may not save some of these dealers, but in many cases, the inventory tax assessments will make the difference between survival and business failure. I have personally handled an inventory tax appeal for one dealer who is now operating at a loss and whose tax bill last year was \$ 167,000.

I also want to point out a fact that is well-known to you, the State Board of Tax Appeals and the Property Valuation Division: There are many abuses in reporting and listing property for taxes in parts of this State. Our experience shows, however, that most County Appraisers are doing things by the book. It is in these counties where the dealers suffer the most. My point is that we are not trying to hide from you the fact that, in some cases, retail merchants are not required to fully list their inventory

valuation because the inequity of doing so is recognized. This further hurts the majority of retailers who are required to fully list beginning and ending inventory values at dealer invoice cost (the figures reported for federal income tax purposes).

We are asking only for some equitable interim relief for implement dealers in Senate Bills 471 and 472. We are not seeking to apply this relief broadly to all retailers, as House Bill No. 2159 attempted to do last year, for two reasons:

(1) Farm machinery and equipment dealers are in a position unique amongst most other retailers. The farm economy in particular is suffering and the nature of the inventory consists of high-dollar pieces of equipment, many of which sit on the dealer's lot year after year. We are aware of no other group of retailers with this problem.

(2) We do not want to erode the county tax bases as House Bill No. 2159, which was vetoed, might have done. If this committee, in its wisdom, wishes to expand the terms of Senate Bill No. 471 to include more than self-propelled farm machinery and equipment, we would only request that you give deference to the potential drain on the county coffers which might give rise to another veto. Senate Bill No. 472, by its own terms, applies to any property held in inventory but, as a practical matter, because farm implement dealers are in such a unique position, SB 472 should have little application to other retailers. If it does apply to others, we believe they are also entitled to its benefits.

What, specifically, do these two bills provide?

Senate Bill No. 471 makes a finding of the need for a limited exemption much the same as the one this legislature made when it exempted farm machinery and equipment used in the field. The findings show the public purpose for the exemption.

The exemption is limited to farm machinery and equipment which has already been taxed in the inventory of the dealer claiming the exemption. Farm machinery and equipment is defined as the same type of property the Legislature has previously exempted when it is actually and regularly used exclusively in farming and ranching operations. The bill further requires any property claimed exempt as having already been listed in the dealer's inventory to be listed as exempt. This would provide an audit trail for the county appraiser.

In short, Senate Bill No. 471 would still require the listing and taxation of farm machinery and equipment in a dealer's inventory for one year. For all the reasons we have previously discussed, that property would be exempt if it continued to sit in the dealer's inventory in subsequent years.

Senate Bill No. 472 would provide very limited relief - relief which is now being granted, upon properly presented facts, by the State Board of Tax Appeals. As I previously mentioned, farm machinery and equipment is now selling very poorly. In recognition of this fact, virtually all manufacturers are, and have been, offering substantial rebates and discounts, through their dealers, to purchasers as incentives to buy. The net effect of these rebate and discount programs is to reduce the price at which equipment is sold. A year ago, a survey conducted by the Association indicated that the statewide average discount on equipment subject to these programs was approximately 25%. Larger prices of equipment can be subject to discounts in excess of 50%. The program discounts vary periodically. For example, one major dealer issues a new program every two months which change the figures on each item to reflect further need to reduce prices. The trend has been to continue to increase the discounts.

Unfortunately, the dealer must continue to carry the equipment on his books at dealer invoice cost. We believe the manufacturers prefer not to reduce prices because it would be more difficult to raise prices when the economy improves than to reduce discounts on rebates. Quite simply, the manufacturers are, in reality, reducing prices to find fair market value - the price at which a willing buyer will buy.

As you are aware, inventory is taxed on a fair market concept. However, our current statutes require the listing of inventory at the values required for federal income tax purposes - the dealer's invoice cost from the manufacturer. Because the "true" fair market value is more nearly reflected by invoice cost less discounts in effect during the period the equipment is in inventory, Senate Bill No. 472 would give the county appraisers the authority they now lack to net out the discounts to arrive at fair market value.

As I mentioned, the State Board of Tax Appeals has already recognized in several cases that the netting of the discounts is a legitimate means of arriving at fair market value. Unfortunately, the only way a dealer can get the relief to which he is entitled is to file a protest - an expensive and time-consuming process involving an appeal and hearing before the Board of Tax Appeals. The passage of Senate Bill No. 472 will simply allow the county appraisers to accept these net valuations.

I would be pleased to answer any questions you might have about either of these bills. Also here to testify briefly today are Jerry Howard and Max Redding, both of whom are implement dealers who can tell you better than I can, what is really happening to the implement business today. We know you are aware, from prior years, that dozens of dealers would have been happy

to appear here today, but we know you are already aware of the problems and don't want to be beseiged with repetitious testimony. Mr. Howard and Mr. Redding, I believe, can adequately represent the dealers generally.

Thank you again for the opportunity to appear.

I am Jerry Howard, and I represent Howard's Inc. of Mt. Hope, and the dealers of Western Retail Imp. & Hdw. Association. Our company employes 16 people and has been in business since 1909. I have been involved in the business for 30 years, and have never seen conditions as bad as they are today. We have lost 15% of our dealers in 1985 and will lose another 15% in 1986. We have many problems, but the worst is property tax, which we have to pay whether we make a profit or not. Most dealers would be happy if they had a profit equal to their property tax. I don't think any other type of business in Kansas would think that would be acceptable. If we were paying our property tax proportionately with other business we would have a much better chance to survive.

We have farmers going bankrupt daily and dealers bankrupt weekly. All of this machinery goes to auction and is sold at distress prices. F.D.I.C. has over 700 pieces of machinery that has been repossessed by Kansas bankers, which they are disposing of. I doubt if any banks have been reporting any of this machinery on their tax statements.

We also have farmers who have turned to used machinery for extra income. They can buy at auction, take it to their farms and resell it and not pay property tax because they are exempt. I have driven by these farmers lots, and some have more machinery than a dealer. All of the above are competitors of ours and none pay property tax.

Many of us have had the same piece of machinery on our lots for 3 or 4 years. We have no way to sell this equipment, but we continue to pay taxes and interest year after year.

We have quit ordering machinery from manufacturers, including Krause Plow in Hutchinson, and Bush Hog of Galesburg, because of property tax. We have cut down on purchases from Hesston Corp., because we cannot afford to pay property tax on the equipment. This in turn puts more people out of work, and Kansas has more unemployment claims to pay.

We have a large inventory of parts. Less than 20% of these parts turn 3 times or more per year. We have some that don't sell for up to 25 years. Yet we pay taxes on that same part every year.

A farm machinery business today is fortunate to turn his inventory once a year. Most business turn their inventory 3 or 4 times a year. Therefore, we are paying 3 to 4 times the tax for the same amount of business. I have checked taxes that were reported by other retail businesses on property tax reports, against inventory valuations reported on Kansas Domestic Corp.

2/4/86 Sen. A+T
Attachment 5

Annual Report, and have found that many of these figures are 75% less on property tax statements. However, nothing is done to correct this. Therefore, those of us who pay our fair taxes are paying more because most business are vastly under reported. I have had dealers tell me that their assessor has told them not to report their inventory at cost, but at a much lower rate.

Another problem we have is the invoice price from our manufacturer, which is used to establish the tax base. Most manufacturers have raised their list prices every year, and then give rebates to lower the cost to 1980 levels. Many times the extra discount from the manufacturer is greater than our standard discount. For example, a new 1983 MF 850 combine has an invoice list price of \$100,000.00. Our invoice net would be \$77,000.00. However, we had an extra 40% discount for a net cost of \$46,200.00 as of 12/31/85.

I would like to thank you for allowing me this time, and would be glad to answer any questions you might have.

Jerry E. Howard
Howard's Inc.
Mt. Hope, KS. 67108

Midwestern FARM IMPLEMENT INC.

DISTRIBUTORS OF SPECIALIZED FARM IMPLEMENTS

614 East Pacific

913/825-1556

P.O. BOX 333

Salina Kansas

67402-0333

SENATE ASSESSMENT AND TAXATION COMMITTEE

Senator Kerr, Chairman

Member of the Committee

Statement

I am Max Redding. I am a farm equipment dealer in Salina, Kansas. I came here today to tell you how beneficial the two bills you are considering here today would be to us.

As you know, inventory taxes have devastated us in the farm implement business since the agriculture industry has come on very difficult times. By the nature of our business we must stock expensive farm machinery and invest in a great number of expensive parts to be able to service our customers in the trade area we serve. Since we have been unable to turn our inventories, the inventory tax has eaten us up.

The tax levy in Salina, Kansas, in Saline county is 143.185. For example, a standard L3 Gleaner combine, the most popular in our line is invoiced to us for \$72,608.69. In my county the inventory taxes on that machine is \$3,118.94. I would be very lucky in today's market to sell that machine for that much net profit. If Deutz-Allis would have a sale for that machine before I do, the machine would be transferred and I would lose all my taxes paid. This example would be assuming the machine was in stock over the end of the year, and we used the beginning and ending system. Also let me give you two examples on how inventory taxes effect our parts department. I have a short block on hand that we haven't needed so it has set there for 66 months. The cost on this block is \$4500.97. $4500.97 \times 30\% = 1350.20$ taxable value. I have paid taxes on it 5 times so $\$1350.20 \times 143.185 = \$193.34 \times 5 \text{ years} = \966.70 . The possible profit is about eaten away by the taxes, and I make nothing on the investment. Take the same example on a 51 cent part.

2/4/86 Sen. A+T
Attachment 6

$51 \times 30\% = 15$ taxable value. $15\text{¢} \times 143.185 = \$.02 \times 5 \text{ years} = 10 \text{ cents taxes}$. Possible profit is about 17 cents.

As you can see in both examples of wholegoods and parts the two bills you are considering, allowing dealer to deduct manufacture rebate and discount programs in determining their fair market value of their inventory and provide for property taxation of farm equipment in dealers inventory only during the first year it is in a dealers possession would be extremely beneficial to us as farm equipment dealers. I have attached a copy of the affidavit I signed for the tax appeals board stating what the company rebates have amounted to during the first 9 months of 1985. The discounts are still about the same now. As you can see the settlements were 33.64% less than the invoice prices.

We have paid hundreds of dollars in inventory taxes on farm equipment that was over valued to comply with the state tax laws. I am very happy to see this committee address these problems and I urge you to act as quickly as possible on these matters. We have been telling you for two years that farm equipment dealers cannot pay these kind of taxes and stay in business and I don't have to tell you dealers in this state have gone out of business in large numbers in the last 24 months and there will be many more in the next few months.

The problem is very serious. Thank you for trying to help us.

Questions.

BEFORE THE BOARD OF TAX APPEALS
OF THE STATE OF KANSAS

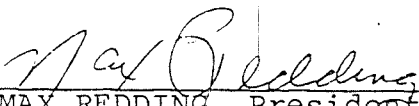
IN THE MATTER OF THE PROTEST)
OF SALINA IMPLEMENT COMPANY FOR) Docket Nos. 5070-84-PR
TAXES PAID FOR THE YEAR 1984) 2254-85-PR
IN SALINE COUNTY, KANSAS)
)
and)
)
MIDWESTERN FARM IMPLEMENT,)
INC., a/k/a MIDWESTERN FARM) Docket Nos. 5069-84-PR
IMPLEMENT FOR TAXES PAID FOR) 2253-85-PR
THE YEAR 1984 IN SALINE COUNTY,)
KANSAS)

AFFIDAVIT

COMES NOW Max Redding, President, Midwestern Farm Implement, Inc., a/k/a Midwestern Farm Implement, who is first duly sworn on oath on this 6th day of September, 1985, who states as follows:

1. That he is the President of Midwestern Farm Implement, Inc., a/k/a Midwestern Farm Implement.
2. That on the average, for the past twelve month period, 33.64% of the original invoice price of new farm equipment received from manufacturers was returned by the manufacturers to Midwestern Farm Implement, Inc., a/k/a Midwestern Farm Implement, and its customers in the form of discounts, rebates and other adjustments.

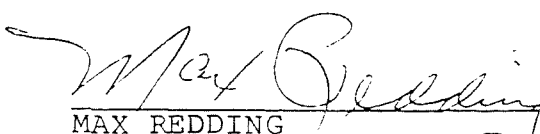
FURTHER AFFIANT SAITH NAUGHT.



MAX REDDING, President, Midwestern
Farm Implement, Inc., a/k/a
Midwestern Farm Implement

STATE OF KANSAS, COUNTY OF SALINE, SS:

MAX REDDING, of lawful age, being first duly sworn, upon oath, states and alleges that he is the above-mentioned President of Midwestern Farm Implement, Inc., a/k/a Midwestern Farm Implement; that he has read the above and foregoing Affidavit and knows the contents thereof and that all the statements therein contained are true and correct.

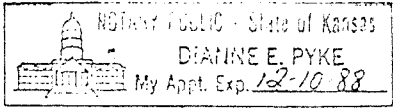


MAX REDDING

COPY

SUBSCRIBED TO AND SWORN TO before me this 10th day of
September, 1985.

Dianne E. Pyke
NOTARY PUBLIC



JOHN CARLIN • Governor



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*

Date: February 4, 1986
To: Senate Tax Committee
From: Fred L. Weaver
Re: Statement on Senate Bill 472

Senate Bill 472 is a bill that provides for a reduction in the valuation of the personal property or the inventory held by an implement dealer.

This bill does basically what the Board of Tax Appeals has done to provide accuracy in the valuation of certain machinery and equipment, on a case by case basis. The Board has chosen to grant this relief only on a case by case basis, rather than a general order which would apply state wide, because the Board is aware of the lack of equality or accuracy in reporting of dealer inventories at the present time. To make a general or state wide application we think would provide some relief to dealers which already have gotten their relief by either under reporting or by negotiating with county officials for something less than a full inventory.

We feel that these cases should be handled by taxpayer protest, and relief should be granted only after the dealer has shown that he has reported all of his inventory, according to law. The Board has taken action in those cases to grant relief. We feel that this is consistent with the law which

*Sen. A+T 2/4/86
Attachment 7*

places responsibilities on the Board to provide equity within the system.

It is questionable to me that there is any equity or justice for the dealer who reports accurately. If the one who under reports gets the same break as the one who has been reporting properly. We would question whether this bill is really necessary. We feel we can handle this and provide the equity that is necessary. Most dealers in the state are aware that the Board has taken this action. We think, without question, we have made a decision in reducing the valuation that is justified based on the dealer incentives and various reductions that have been made by the manufacture.

But I would question whether you are going to get any equity in the system by passing a bill such as this, which would do what the Board has the authority to do today if it felt it was appropriate.

Kansas Association of Counties

Serving Kansas Counties

Suite D, 112 West Seventh Street, Topeka, Kansas 66603

Phone 913 233-2271

February 4, 1986

Senator Fred Kerr
Senate Assessment And Taxation Committee

Re: SB-471 and SB-472

Good morning Ladies & Gentlemen. I am Bev Bradley, Legislative Coordinator for Kansas Association of Counties.

Kansas Counties oppose further erosion of the ad valorem tax base. This committee, probably more than any other, understands the concerns for funding local governments, as well as state government. There has been a gradual erosion of the tax base over the past several years - intangibles, now county option, farm machinery, and now perhaps parsonages, farm machinery in extended inventory, and rebate from manufacturers. We understand there are inequities in our tax laws, but suggest a complete review after reappraisal instead of the "piece meal" approach suggested in SB-472 & 471.

2/4/86 Sen. A+T
Attachment 8



Kansas Legislative Policy Group

301 Capitol Tower, 400 West Eighth, Topeka, Kansas 66603, 913-233-2227

TIMOTHY N. HAGEMANN, Executive Director

February 4, 1986

TESTIMONY TO

SENATE ASSESSMENT AND TAXATION COMMITTEE

Senate Bills 471 and 472

Mr. Chairman and members of the Committee, I am Chip Wheelen of Pete McGill and Associates. We represent the Kansas Legislative Policy Group which is an organization of County Commissioners from primarily rural areas of the State. The members originally formed this association because of mutual concerns pertaining to property taxation.

As we have told you before, we are opposed to any further erosion of the property tax base and therefore cannot endorse any new property tax exemptions. If enacted, Senate Bills 471 and 472 would represent partial exemptions of a subclass of personal property. Consequently we must oppose both bills as a matter of general principle.

As you may recall, most of our member counties benefit from ad valorem taxes paid by the oil and gas industry. In addition agricultural real estate comprises a substantial portion of our assessed valuations. We do, however, have some assessed valuations attributable to residential and commercial properties.

During recent years, since enactment of the severance tax, local taxing jurisdictions statewide have lost almost 8.6 percent of the assessed valuations attributable to oil and gas production (1985 vs. 1982). Obviously this has tended to shift some of the property tax burden to farmers, homeowners, and owners of commercial properties (including implement dealers). If you were to enact Senate Bills 471 and 472, this

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would tend to again reallocate some of the tax burden.

We sympathize with the implement dealers who are suffering from the general recession in our agri-business sector. We also sympathize with farmers and the owners of oil and gas properties who are suffering from unfavorable market conditions.

For these reasons, we cannot support legislation which would provide selective property tax relief at the expense of our other property owners. Instead, we respectfully submit that this Committee may wish to examine other options that would provide more equitable property tax relief of a general nature.

Once again, thank you for your time and consideration. We sincerely appreciate the opportunity to appear and express our concerns.