

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./~~XXX~~ on Thursday, February 13, 1986 in room 519-S of the Capitol.

All members were present ~~except~~ <sup>XXXX</sup>:

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:

- Fred Deppner, Sunco Power, Inc.
- Senator Jim Allen
- Harley Duncan, Department of Revenue
- Terry Humphrey, Kansas Manufactured Housing Institute
- Dick Barrett, Citation Homes, Ottawa
- William H. Ewert, Skyline Corporation, Halstead
- Larry Landrith, Coleman Company, Wichita
- Don Christman, Wilcox Homes, Topeka
- Robert E. Glasse, Aetna Mobile Homes, Silver Spur Development, Wichita
- Bruce Sloan, Green Tree Acceptance, Topeka
- Onis L. Lemon, Commerce Bank and Trust, Topeka

Senator Thiessen moved that the minutes of the February 11, 1986 meeting be approved. Senator Hayden seconded the motion, and the motion carried. Senator Allen moved that the minutes of the February 12, 1986 meeting be approved. Senator Thiessen seconded the motion, and the motion carried.

Fred Deppner requested that the Committee introduce a bill regarding solar energy tax credit which corresponds to the bill passed by the U.S. House of Representatives (Attachment 1). Senator Allen moved that the bill be introduced. Senator Karr seconded the motion, and the motion carried.

S.B. 516 - Sales tax exemption for new mobile home sales

Senator Jim Allen explained that the Legislature passed a bill last session to eliminate sales tax on sales of used mobile homes. S.B. 516 would apply to new mobile homes.

Harley Duncan advised that the fiscal note on the bill is between \$400,000 and \$500,000 annually.

Terry Humphrey testified in support of S.B. 516 (Attachment 2). She said that the bill would provide a 40% reduction on sales tax paid on new manufactured housing. Ms. Humphrey stated that this would be consistent with the manner in which sales tax is assessed on stick-built homes.

Dick Barrett spoke in favor of the bill (Attachment 3). He discussed difficulties his industry is experiencing.

William H. Ewert testified in favor of the bill (Attachment 4). He feels S.B. 516 would be beneficial to the manufactured housing industry.

Larry Landrith testified in support of S.B. 516 (Attachment 5). His company produces heating and air conditioning units for manufactured housing.

Don Christman spoke in favor of S.B. 516 (Attachment 6). He described the savings that would be experienced if the bill is passed. Mr. Christman pointed out that many purchasers of manufactured homes are on a fixed income.

Robert E. Glasse urged that S.B. 516 be passed (Attachment 7).

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,  
room 519-S, Statehouse, at 11:00 a.m./~~noon~~ on February 13, 19 86

Bruce Sloan testified in favor of the bill (Attachment 8). He discussed the potential benefits of the legislation.

Onis L. Lemon spoke in support of S.B. 516 (Attachment 9). Mr. Lemon said the bill would eliminate the unfair advantage on-site housing has with regard to sales tax.

Testimony from Congoleum Corporation (Attachment 10); DMH Company, Inc. (Attachment 11); Bonnavilla Homes (Attachment 12) and Kit Manufacturing Company (Attachment 13) in support of S.B. 516 was distributed to the Committee.

S.B. 407 - Mortgage registration fees; exemption of previously taxed amount; Re Proposal No. 9

After discussion, Senator Burke moved that the bill, as amended, be recommended favorably for passage. Senator Karr seconded the motion, and the motion carried.

S.B. 462 - Appointment of advisory hearing panels to hear taxpayer appeals from valuations obtained from program of statewide reappraisal

The Revisor said he has worded the conceptual amendment made to the bill (February 10 meeting) as follows: "that the director of property valuation shall prescribe guidelines governing the composition and duties of such panels" added to line 109. There was discussion about setting a "cut-off" time for the recommendations of such panels and about the possibility that a whole new property tax calendar may be required for the last year of the reappraisal.

Senator Frey made a conceptual motion that the bill be amended to provide that such hearing panels may be established only in the four largest counties: Wyandotte, Johnson, Shawnee, Sedgwick. Senator Allen seconded the motion, and the motion carried. Senator Burke moved that the bill, as amended, be recommended favorably for passage. Senator Mulich seconded the motion, and the motion carried.

Meeting adjourned.





SOLAR ENERGY TAX CREDIT EXTENDER

AN ACT concerning solar energy system income tax credits; extending the applicability thereof; (providing for qualification limitations;) amending (K.S.A. 79-32,168 and) K.S.A. 1982 Supp. 79-1118, 79-32,166 (79-32,167 and 79-32,169) and repealing the existing sections.

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

Section 1. K.S.A. 1982 Supp. 79-1118 is hereby amended to read as follows; 79-1118. (a) Any taxpayer who completes installation of a solar energy system upon real property located within this state prior to January 1, 1989, which real property is either used in a trade or business or held for the production of income, or any taxpayer who acquires title to real property located within this state prior to January 1, 1989, which real property is used in a trade or business or held for the production of income and is equipped with a solar energy system for which the credit allowed by this section has never been claimed, shall be entitled to claim a tax credit in an amount not to exceed 30% of the cost of the system, including installation costs, or \$4,500.00, or an amount equal to the taxpayer's tax liability in the taxable year for which the credit is claimed, whichever is least, against the tax liability imposed against such taxpayer pursuant to K.S.A. 79-1106 to 79-1116, inclusive, and amendments thereto. Such tax credit shall be deducted from the taxpayer's tax liability for the taxable year following the year in which such system is installed.

PHASE OUT SCHEDULE

RESIDENTIAL

MAXIMUM ALLOWABLE CREDIT FOR TAXABLE YEARS:

1986 - NOT TO EXCEED 30% or \$3,000.00  
1987 - NOT TO EXCEED 20% or \$2,000.00  
1988 - NOT TO EXCEED 20% or \$2,000.00

BUSINESS

MAXIMUM ALLOWABLE CREDIT FOR TAXABLE YEARS:

1986 - NOT TO EXCEED 30% or \$4,500.00  
1987 - NOT TO EXCEED 20% or \$3,000.00  
1988 - NOT TO EXCEED 20% or \$3,000.00

Active solar systems shall be subject to the following "Performance Factoring" table. Solar panels shall be certified and rated by SRCC. For the purpose of Performance Factoring, Category C of the 1,500 BTU's per Sq. Ft. will be used as a base for figuring the TAX CREDIT.

(1) For every 40 BTU's the total system is rated at, there will be \$1.00 of TAX CREDIT GENERATED. Furthermore, every active solar system shall also be subject to the following factoring.

(2) Part (1) will be further factored by the following:

Tax Credit Generated X .50 Liquid/Air System With No Storage  
Tax Credit Generated X 1.00 Liquid/Air System With Thermal Storage  
Tax Credit Generated X 1.00 Air System With Solid Thermal Storage

(b) As used in this section, "solar energy system" means a solar energy system as defined by K.S.A. 79-32,169 and amendments thereto.



# Hiding the True Costs of Energy Sources

By H. RICHARD HEEDE  
And AMORY B. LOVINS

How much does the federal government spend to subsidize energy to make it look cheaper than it really is? Ten billion dollars a year? Twenty billion?

That was the range of conventional wisdom before Rocky Mountain Institute started counting. We've conservatively compiled government and industry assessments of 17 kinds of tax breaks, program outlays (net of revenues) from 21 agencies, budgets, and the reduced marginal cost of capital from eight agencies, loans and guarantees.

These major items just for fiscal year 1984 totaled more than \$46 billion. We're still counting. Adding smaller items should bring the total to more than \$50 billion a year. And it's so unevenly allocated that 1984 energy output per dollar of subsidy varied by a factor of nearly 200 between different energy technologies (see chart).

Everyone loses, except the recipient industries. Taxes are \$46 billion a year higher. Skewed subsidies steer an even larger amount of private investment into capital intensive but uneconomic projects, forcing up interest rates. The U.S. trades new multibillion-dollar export markets (losing in solar cells to Japan, in wind turbines to Denmark) for largely imaginary ones (synfuels, nuclear plants to China). Finally, uneconomic energy investments make everyone pay bloated energy bills for decades to come, making American industry less competitive abroad. We end up exporting fewer goods, importing more oil, and increasing the trade deficit.

So what if energy is subsidized? The beneficiaries say: Government underwrites airports, water projects, hospitals, factories, condos—practically everything (except analyses of federal energy subsidies). But though regrettably true (and outside the scope of this study), that self-serving view ignores two key issues.

First, when true energy costs are concealed, people underinvest in energy productivity, wasting much of the \$400 billion-plus in annual U.S. energy expenditures.

Second, unequal subsidies to competing energy options leverage and amplify the misallocation of private capital. Investments in conventional new energy supply (excluding energy-saving measures) totaled \$125 billion in 1982 alone, or two-fifths of all U.S. investment in new plant and equipment.

For example, the most capital-intensive form of energy, electricity, delivered 13% of U.S. energy but got \$30 billion (65%) of fiscal 1984 subsidies, decreasing its apparent average price by about a fifth. Electricity, counted at its heat value, got more than 11 times as much subsidy per unit of energy as directly used oil, gas and coal, and was at least 48 times as heavily subsidized as energy-saving technologies. No wonder utilities are still investing about a

dollar per household per day to build power plants they don't need and can't afford: Their subsidies almost equal their investments. That's not just a free lunch, it's a lunch the Treasury pays them to eat.

Nuclear power provided 13% of U.S. electricity sold in 1984, or 4.8% of the nation's primary energy consumption counting the heat produced by the reactors. The nuclear electricity sold, however, was only

the federal nuclear trough.

Why is that trough kept so full? Partly by sheer political muscle—the electronuclear industry has several Washington lobbyists per member of Congress. Often, subsidies simply outlive their purpose: Depletion allowances were introduced in 1918 to spur energy output for World War I, rural electrification began in the 1930s, 1951 capital-gains treatment of coal royalties

fields. Yet diverting one year's R&D budget into well-designed weatherization programs would eliminate Mideast oil imports. Experience over the past decade proves that displacing foreign oil and husbanding scarce resources at home can be done cheapest and quickest by energy efficiency and renewables—the chief causes of today's durable fuel and power glut.

Subsidies to efficiency and renewable energy sources (such as solar tax credits) will abruptly expire at the end of this year without legislation such as that by Rep. Cecil Heftel (D., Hawaii) and Sen. Mark Hatfield (R., Ore.). However, other energy subsidies will continue (even, by and large, under the Treasury II proposal). This worsening imbalance will prevent the free market from smoothly replacing exhaustible with sustainable resources over the coming decades. Meanwhile, lopsided subsidies cheat the taxpayer, destroy fair competition, boost future oil imports and erode national security.

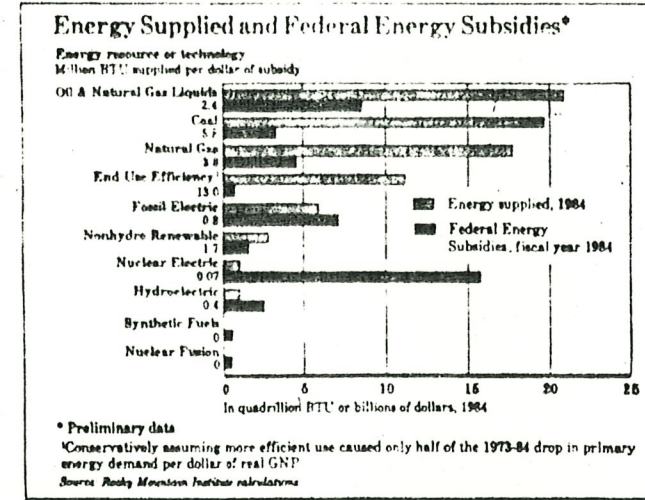
You'd think the free-market Reagan administration would love to find all this out. Well, hardly. No federal agency has studied energy subsidies since 1978; this spring, the Department of Energy canceled its contract for an update. The DOE insists today's subsidies are fair, but has no data: No federal agency, despite our entreaties, has studied who is getting how much subsidy, yet Congress is making major subsidy decisions.

Our analysis used the best data available, but it can doubtless be refined, and we solicit everyone's help. Nonetheless, our findings, though preliminary and approximate, suffice to indict present subsidies and proposed Treasury II tax revisions: They both make the playing field on which our nation's energy options are competing about as level as the Capitol dome.

Our nation's energy bills today are about \$150 billion a year less than they would have been at 1973 levels of efficiency. Yet, if the U.S. were now as energy-efficient as Western Europe is, that annual bill would fall by an additional \$200 billion—enough to balance the federal budget. By the year 2000, the cumulative net savings would be several trillion 1985 dollars—enough to pay off the entire national debt.

To capture such immense savings, America needs energy prices that tell the truth. If we can't desubsidize the entire energy sector—by far the best solution—let us at least be fair and subsidize all supply and savings options equally. Or is tax reform only a cover for selective corporate socialism?

Mr. Heede and Mr. Lovins are respectively research associate and director of research at Rocky Mountain Institute in Old Snowmass, Colo.



1.9% of all delivered energy, about half as much as wood delivered. Yet nuclear power got 34% of all federal energy subsidies. Each dollar of those subsidies yielded only 1/80th as much energy delivered or saved as a dollar of subsidies to renewable sources (other than large hydro) and energy savings.

What are all those nuclear subsidies? Nine agencies' civilian line-item expenditures in fiscal 1984 provided \$2.32 billion directly. Eight kinds of tax breaks totaled \$10.2 billion, some of them are unknown in other industries, and all are unavailable for (say) insulating your roof. Finally, federal loans and guarantees saved the nuclear enterprise \$3.32 billion in financing costs. We still haven't evaluated some subsidies to the nuclear fuel cycle or to several federal power marketing administrations, and we exclude imponderables such as the Price-Anderson Act's ceiling on liability for nuclear accidents. Still, direct nuclear subsidies last year totaled \$15.8 billion—nearly as much as the total net revenue from 1984 nuclear output.

In 1982 the U.S. invested twice as much in building nuclear plants, many of which won't even be finished, as it invested in the motor-vehicle, iron and steel industries combined. Surprised we have a rust belt? Investors were just continuing to feed at

matched subsidies to timber lessors and spurred postwar mining.

One 1985 rationale—energy independence for national security—cannot withstand scrutiny. During 1979-83, savings provided more than a hundred times as much new energy as all net expansions of energy supply combined. Of those expansions, more new energy came from sun, wind, water and wood than from oil, gas, coal and uranium. These renewable sources now provide 10% of this nation's total primary energy, and the fastest-growing part, outpaced only by efficiency improvements. Just the increase in renewable energy's annual output during 1979-84 exceeded all Arab oil burned in America last year.

In fact, every dollar spent on slow and costly ways to save oil, like building power plants, retards oil displacement. That dollar can't finance fast, cheap ways to save oil, such as weatherizing buildings and making cars efficient—either of which could eliminate oil imports before a power plant ordered new could deliver any energy whatever, and at a tenth the cost.

Recent terrorist attacks in more than 50 countries confirm that reliance on fragile pipelines, transmission lines and power plants degrades energy security. The Rapid Deployment Force, too, probably couldn't save and protect Mideast oil

LOOK

of spying for the Russians. The high West German intelligence official defected to many, exposing other long-last-Eloc penetrations of the man ministries, Norway ex-Soviet Embassy officials vary.

to illustrate our argument need to permanently lower r of Soviets working in the hee two years ago expelled for industrial spying. nt things in leather trench- the 47 exposed agents, 12 UNESCO in Paris, six for trade mission, four for the scientific section, and two

estimates that one-third of Communist-bloc nationals the U.S. for their govern- the United Nations are enjoying. The Soviet Embassy gton alone lists some 279

It's widely known that lets visiting the U.S. with scientific and technical ex- grams either willingly aid nage effort or are coerced -lating.

s the U.S. responded? Per- here are calls in Congress to the FBI's counterespion- meaning that U.S. agents base Soviet agents. More y, the Defense Department strained to require routine tests from its employees k restrictions on exchanges and scientific information U.S. and European special- pleasurable that Western so- remain free, feel a need to ore like the Soviets' closed restricted, paranoid, closely

n leaders will always have decisions balancing the ne- do business with the Soviets eed to protect their own so- frequent exposure and ex- Soviet agents in the West, curring corruption by those Western citizens, suggest hat the Soviets have chosen less about better ties and t what they can get. Absent



(c) For the purposes of this section, the cost of a passive solar system shall be those costs incurred which exceed the costs that would have been incurred in the conventional construction of a building.

Section 2. K.S.A. 1982 Supp. 79-32,166 is hereby amended to read as follows: 79-32,166. (a) Any resident individual taxpayer who completes installation of a solar energy system supplying energy for such taxpayer's principal dwelling prior to January 1, 1989, or who acquires title to a dwelling prior to January 1, 1989, which dwelling is to be used as the taxpayer's principal dwelling and is supplied energy from a solar energy system for which the credit allowed by this section has never been claimed, shall be entitled to claim a credit in an amount not to exceed 30% of the cost of such system, including installation costs, or \$3,000.00 (See Phase Out Schedule for years two and three), whichever is less, against the income tax liability imposed against such taxpayer pursuant to article 32 of chapter 79 of the Kansas Statutes Annotated. (The total amount of credit allowed under this section shall not exceed \$3,000.00 for any one dwelling.) Such tax credit shall be deducted from the taxpayer's income tax liability for the taxable year in which the solar energy system was acquired by the taxpayer. If the amount of such tax credit exceeds the taxpayer's income tax liability for such taxable year, the amount thereof which exceeds such tax liability may be carried over for deduction from the taxpayer's income tax liability in the next two succeeding taxable years until the total amount of the tax credit has been deducted from tax liability.

(b) Notwithstanding the provisions of subsection (a), if the amount of the taxpayer's tax liability is less than \$1,000.00 in the first year in which the credit is claimed under this section, an amount equal to the amount by which 1/3 of the credit allowable under this section exceeds such tax liability shall be refunded to the taxpayer and the amount by which such credit exceeds such tax liability less the amount of such refund may be carried over for the next two succeeding years. If the amount of the taxpayer's liability is less than \$1,000.00 in the second year in which the credit is claimed under this section, an amount equal to the amount by which 1/2 of the amount of the credit carried over from the first taxable year exceeds such tax liability shall be refunded to the taxpayer and the amount by which the amount of the credit carried over from the first taxable year exceeds such tax liability less the amount of such refund may be carried over to the next succeeding taxable year. If the amount of the credit carried over from the second taxable year exceeds the taxpayer's income tax liability for such year, the amount thereof which exceeds such tax liability shall be refunded to the taxpayer.

(c) For the purposes of this section, the cost of a passive solar system shall be those costs incurred which exceed the costs that would have been incurred in the conventional construction of a building.

Section 3. K.S.A. 1982 Supp. 79-32,167 is hereby amended to read as follows: 79-32,167. Any taxpayer who completes installation of a solar energy system upon real property located within this state prior to January 1, 1989, which real property is either used in a trade or business or held for the production of income, or any taxpayer who acquires title to real property located within this state prior to January 1, 1989, which real property is used in a trade or business or held for the production of income and is equipped with a solar energy system for which the credit allowed by this section has never been claimed, shall be entitled to claim an income tax credit in an amount not to exceed 30% of the cost of such system, including installation costs, or \$4,500.00, (See Phase Out Schedule for years two and three), or an amount equal to the taxpayer's income tax liability in the taxable year for which the credit is claimed, whichever is less, against the tax liability imposed against such taxpayer pursuant to article 32 of chapter 79 of the Kansas Statutes Annotated. Such tax credit shall be deducted from the taxpayer's tax liability for the taxable year in which such system is acquired and placed into service by the taxpayer. For

the purposes of this section the cost of a passive solar system shall be those costs incurred which exceed the costs that would have been incurred in the conventional construction of a building.

Section 4. K.S.A. 79-32,168 is hereby amended to read as follows: 79-32,168.

(a) In addition to the income tax credit allowable pursuant to the provisions of K.S.A. 79-32,167, and amendments thereto, any taxpayer who completes installation of a solar energy system upon real property located within this state prior to January 1, 1989, which real property is either used in a trade or business or held for the production of income, may elect to amortize the adjusted basis of the solar energy system based upon a period of 60 months. In computing Kansas taxable income, such amortization shall be allowed as a deduction from Kansas adjusted gross income ratably over such sixty-month period beginning with the month in which such solar energy system is completed or acquired and placed into service by the taxpayer. The election of the taxpayer to claim the amortization deduction allowed by this section shall be indicated in an appropriate statement attached to the taxpayer's income tax return to the taxable year in which such solar energy system was completed or acquired and placed into service. As used in this section, "adjusted basis of the solar energy system" shall mean an amount that is properly attributable to the construction, reconstruction, remodeling, installation or acquisition of such system.

(b) In any case where a taxpayer, hereinafter referred to as transferor, has qualified and elected to amortize the adjusted basis of a solar energy system pursuant to subsection (a) and the real property equipped with such system is acquired and used in a trade or business or held for the production of income by another taxpayer, hereinafter referred to as transferee, and the transferor has not fully amortized the adjusted basis of such system as provided in subsection (a), the transferee shall be entitled to amortize that portion of the transferor's adjusted basis of such system remaining unamortized, but the total amount to be amortized by the transferee shall not exceed the transferee's adjusted basis in the system. The transferee shall amortize such remaining amount based upon the remaining portion of the sixty-month period unused by the transferor. The amount by which the transferee's adjusted basis exceeds the amount of the transferor's adjusted basis remaining unamortized shall be amortized over the useful life of the system.

Section 5. K.S.A. 1982 Supp. 79-32,169 is hereby amended to read as follows: 79-32,169. As used in this act: (a) "Solar energy system" means either an active or passive solar system or a wind system.

(b) "Active solar system" means a system of apparatus and equipment capable of collecting and converting incident solar radiation into heat, mechanical or electrical energy and transferring these forms of energy by a separate apparatus to storage or to point of use (including, but not limited to, water heating, space heating or cooling, electric energy generation or mechanical energy generation). No active solar system shall be eligible for the solar energy system income tax credit or amortization deduction unless the solar collectors incorporated therein have been certified by an independent national certification organization to have been tested in accordance with standards developed by the United States bureau of standards, the American society of heating, refrigerating and air conditioning engineers, the American society for testing and materials, the solar rating and certification council or the air conditioning and refrigeration institute. Such certificate shall be filed with the department of revenue in the year in which the solar energy system income tax credit or amortization deduction is claimed. No such certification shall be required of any solar collector designed and fabricated on the site of the dwelling and the active solar system in which such collectors are incorporated shall be eligible for the solar energy system income tax credit, if such system otherwise qualifies for such credit.

(c) "Passive solar system" means a space heating, heating and cooling, or hot fluid heating system which is characterized by reliance principally on natural



convection, conduction and radiation for heat transfer, and which collects and stores thermal energy from the sun by devices that are structurally integrated with occupied space, including but not limited to a storage wall, a storage roof, a greenhouse, an atrium or sunspace, reflector assemblies, shading devices, or reflective surfaces or glazings.

(d) "Wind system" means a system of apparatus and equipment capable of intercepting and converting wind energy into mechanical or electrical energy and transferring these forms of energy by a separate apparatus to the point of use or storage.

(New Section 6. The provision of this act shall apply to all taxable years commencing after December 31, 1985.)

Section 4 (7). (K.S.A. 79-32,168 and) K.S.A. 1982 Supp. 79-1118, 79-32,166, (79-32,167 and 79-32,169) are hereby repealed.

Section (8). This act shall take effect and be in force from and after its publication in the statute book.



SOLAR COLLECTOR  
STANDARD  
100-81

COLLECTOR RATING NUMBERS Thousands of BTUs per Day per Panel			
Category $\Delta T(^{\circ}F)$	2,000 BTU/ft <sup>2</sup>	1,500 BTU/ft <sup>2</sup>	1,000 BTU/ft <sup>2</sup>
A (-9)	57.48	43.33	29.26
B (+9)	53.44	39.29	25.22
C (+36)	46.24	32.20	18.57
D (+90)	30.74	17.75	5.84
E (+144)	-	-	-

Manufacturer: Morningstar  
 Address: 138 Industrial Loop West, Orange Park, FL 32073  
 Model No.: MSC-40 Brand Name: SI  
 Gross Area: 40.67 Sq. Ft. Fluid: Water

Manufacturer's Maximum Recommended Flow Rate: 1.5 GPM  
 Dry Weight: 199.2 lbs. Fluid Capacity: 1.6 Gals.  
 Maximum Operating Temperature: 212°F  
 Maximum Operating Pressure: 165 PSI

Collector Materials

Cover: Low-iron glass Frame: Aluminum  
 Absorber  
 Material: Copper tube soldered to copper sheet  
 Coating: Black chrome over nickel  
 Insulation: Foil faced polyisocyanurate

Remarks

Thermal performance rating based on results from model MSC-32  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Technical Information

Efficiency Equation: NOTE:  $(P) = (T_i - T_a)$

$$\eta = .7350 - .5018 (P)/I - .0021 (P)^2/I$$

Incident Angle Modifier: NOTE:  $(P) = (1/\cos\theta - 1)$

$$K_{\alpha T} = 1.0 - .15 (P)$$



**KANSAS MANUFACTURED HOUSING INSTITUTE**  
100 East Ninth Street • Suite 205 • Topeka, Kansas 66612 • (913) 357-5256

TESTIMONY BEFORE THE SENATE  
ASSESSMENT AND TAXATION COMMITTEE

February 13, 1986

TO: Senator Fred Kerr, Chairman, Assessment and Taxation  
Committee

FROM: Terry Humphrey, Executive Director, Kansas Manufactured  
Housing Institute

SUBJECT: In support of SB 516

Mr. Chairman and members of the committee, I am Terry Humphrey, Executive Director of Kansas Manufactured Housing Institute. Thank you for the opportunity to appear before you in support of Senate Bill 516.

The Kansas Manufactured Housing Institute is a trade association representing all facets of the manufactured housing industry, i.e. manufacturers, retailers, park owners, suppliers, financial institutions, insurance companies, service companies and transport companies.

Senate Bill 516 creates a 40% reduction on sales tax paid on new manufactured housing. Currently when an individual buys a new manufactured home, sales tax is paid on the full retail cost of the home. This is in contrast to stick built housing where sales tax is paid only on construction materials used in building.

Under the provision of Senate Bill 516, home buyers will pay sales tax on 60% of the purchase price of a new manufactured home. This percentage ensures that sales tax is being collected on construction materials and any additional items added to the sale at the retail level for set up. The Howard P. Gates study reveals that the cost of materials in a new manufactured home are approximately 43.67% of the retail cost of the home.

If Senate Bill 516 becomes law, two important results will be achieved. First, our consumer who is often a "first time home buyer" in the low to moderate income range, will no longer be taxed unfairly. A recent survey found the medium household income of manufactured home buyer, to be \$16,881.00 annually and the average cost of a new manufactured home approximately \$20,000.00. Obviously, this group of home buyers should not be asked to bare a larger tax burden.



Secondly, the manufactured housing industry is an important part of the Kansas economy. At this time, there are nine mobile home manufacturers located in small cities across Kansas. It has been estimated that these manufacturers and their retailers, generate approximately 91 million dollars into the states economy. In the past 18 months we have seen five Kansas plants close and several of their suppliers relocate, out of Kansas. The present health of the manufactured housing industry is tied to the overall Kansas economy, but certain negative marketing factors hinder us as well. It is our contention, that with the passage of Senate Bill 516 the Kansas Legislature will help create a more favorable environment for the industry to market it's product.

It is important to mention that in recent years several studies have emphasised the need to eliminate road blocks to home ownership of manufactured housing. These studies include:

- The President's Blue Ribbon Housing Commission Report (April 22, 1982)
- The U.S. Savings and Loan League (position paper "Housing in the 80's")
- National Conference of State Legislatures (booklet on affordable housing)

Already several states have taken steps to eliminate these roadblocks, for example, Indiana, Arkansas, Texas, Georgia, Wisconsin, Minnesota and Colorado have enacted similar sales tax legislation.

In conclusion, I would like to remind the Committee that the manufactured housing industry is not asking for special treatment or the complete elimination of a tax - only for equal treatment with similar forms of housing. It is well known that the primary obstacle to the passage of Senate Bill 516 is the small fiscal note that it carries. However, it is our contention that the revenue loss will actually be lessened due to an increase in sales. KMHI strongly urges your support of Senate Bill 516, and we thank you for your attention to this matter.

MOBILE HOME MANUFACTURERS OF KANSAS - 1985

Commodore Home Systems, Inc.  
1550 Davis, P.O. Box 627  
Ottawa, Kansas 66067

DMH Company, Inc.  
P.O. Box 1727  
Hutchinson, Kansas 67504-1727

KIT Manufacturing Company  
P.O. Box 738  
McPherson, Kansas 67460

Liberty Homes, Inc.  
P.O. Box 18  
Yoder, Kansas 67585

River Oaks Homes of Kansas  
P.O. Box 1282  
Hutchinson, Kansas 67504

Schult Homes Corporation  
P.O. Box 409  
Plainville, Kansas 67663

Skyline Corporation  
920 W. 2nd Street  
Halstead, Kansas 67056

Skyline Corporation  
P.O. Box 719  
Arkansas City, Kansas 67005

Zimmer Homes of Kansas, Inc.  
P.O. Box 526, 1400 Spencer Road  
Newton, Kansas 67114

CLOSED MOBILE HOME MANUFACTURERS OF KANSAS

BelleVista Homes - Closed 1984  
Russel, Kansas

DMH Company, Inc. - Closed 1984  
Newton, Kansas

Guerdon Industries, Inc. - Closed 7/85  
Manhattan, Kansas

Marlette Homes - Closed 2/85  
Great Bend, Kansas

# Manufactured Housing Institute

1745 Jefferson Davis Highway, Arlington, Virginia 22202/ (703)979-6620

January 24, 1985

Ms. Terry Humphrey  
Executive Director  
Kansas Manufactured Housing Institute  
100 East 9th Street, Suite 205  
Topeka, KS 66612

Dear Terry:

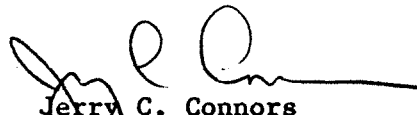
This letter follows up a request made to Holt Blomgren by Robert Glasse, AETNA Mobile Homes, Inc., Wichita, for information which will relate the retail selling price of a manufactured home to the cost of materials in a factory.

In April, 1984, the Manufactured Housing Institute submitted comments on the HUD Proposed Revisions to the Manufactured Home Construction and Safety Standards. At Appendix 5 of that comprehensive submission, we included a consultant's report, "Incremental Cost to Consumer Predicted from Factory Cost Increases", dated January 26, 1984. In that report by Consultant Howard P. Gates, Jr., a prediction was made of the increase in cost to the consumer related to the factory cost of materials. Please note at the top of page 2 of his attached report, the consultant estimates that the consumer cost is 2.29 times the factory materials cost to the home builder. In other words, for any new mobile/manufactured home, the cost of the materials in the home would be equal to the consumer cost (sales price) divided by 2.29. Another way to express this would be to say that the cost of materials in a new home is approximately 43.67% of the retail cost to the consumer.

Please keep in mind that this estimate is based on nationwide trends as reported by Consultant Gates on page 1 of his analysis. Please note for example, he estimates an average state sales tax of 3.25%.

If we can be of further assistance, please do not hesitate to contact me.

Sincerely,



Jerry C. Connors  
President

Enclosure

JCC/ng



Senator Fred Kerr and Members of the Committee:

My name is Dick Barrett. I am the General Manager of Citation Homes, Ottawa, Kansas. When I first started in this industry in 1971 there were 27 manufactured housing plants producing in the state of Kansas. Today there are nine, two of which haven't produced since early November.

In my facility over the last six months 22 people have been laid off and the remaining have had their income reduced 10-20%. Without these cuts, Citation Homes-Ottawa, Kansas would have been gone this past January.

Clearly we know our industry is tied to the sagging Kansas economy however, some marketing factors such as sales tax contributes to our difficulties.

Therefore, the only solution for my industry is to eliminate the major inequities found between factory built and site built housing such as Taxation and Zoning.

I come here today in definite support of the Senate Bill 516 and ask also for your support.

Thank you for your time.



Skyline Corporation  
920 West Second Street  
P O. Box 311  
Halstead, Kansas 67056  
(316) 835-2214

M E M O R A N D U M

To: Senate Assessment and Taxation Committee  
From: SKYLINE CORP., William H. Ewert, Division Manager  
Date: February 13, 1986  
Re: SB 516; 40% Sales Tax Reduction On New Manufactured Housing.

Skyline Corporation has been producing mobile homes in Kansas continuously for the past 27 years. We have two plants, one in Arkansas City and the other in Halstead. During this time, many millions of payroll dollars have contributed to the economy of both of these communities as well as the State of Kansas. The two plants presently employ 130 people with an annual payroll of approximately three million dollars.

We think it is important to the future of our industry to have sales tax parity with the site built housing market which pays sales tax only on materials used. As things stand now, our consumers pay tax on material, labor, manufacturer's and dealer profits, as well as transportation costs.

We have read and been told that, in the foreseeable future, the general economy will be flat in this part of the country. The 40% reduction on the sales tax could have the positive impact of reducing the monthly payments and help more people qualify for home ownership.

The manufactured housing industry is the only industry left that offers a chance for many to fulfill the American dream of home ownership. Support in favor of SB 516 would be a help to our industry and eliminate an unfavorable imbalance of an existing tax.

Attachment 4  
Senate Tax 2-13-86

*Bringing America home.*



*The*

**COLEMAN COMPANY, INC.**

OFFICE OF GOVERNMENT AFFAIRS  
LARRY D. LANDRITH  
316-261-3017

*General Offices*

P.O. BOX 1762  
WICHITA, KANSAS 67201  
AREA CODE 316 261-3211

Testimony provided the Senate Assessment and Taxation Committee  
in support of Senate Bill 516  
Presented by Larry Landrith  
The Coleman Co, Inc., Wichita, Kansas  
on February 13, 1986

Chairperson Kerr, Committee Members and Staff:

My name is Larry Landrith of the Office of Government Affairs of The Coleman Company, Inc. of Wichita. I'm requesting your support of Senate Bill 516 which would have a beneficial effect on the manufactured housing industry in Kansas.

While Coleman is best known for camping and recreation equipment, Coleman is also a very major part of the manufactured housing industry. We've long been manufacturers of heating and air conditioning equipment for mobile home use and in fact, the Kansas-based Coleman Company has been the largest such supplier in the world for many years.

Currently, our manufactured housing heating and air conditioning business amounts to 70 million dollars in sales per year.

At this time, 400 employees of Coleman in Wichita are directly involved producing manufactured housing heating and air conditioning products with about a 7 million dollar payroll. Our sales of these products within the state of Kansas, either to manufacturers, or to after-market distributors in the case of air conditioning, amounts to more than 3 million dollars.

Senate Bill 516, by providing more equitable tax treatment, would serve to strengthen one of Kansas' strongest industries which is a significant provider of jobs of both rural and urban areas. Passage of this bill would be a specific, effective economic development measure.

Sincerely,

Larry Landrith

LL/jlc



**HOMES & RV CENTER, INC.**

835 Northeast Highway 24 • Topeka, Kansas 66608 • 913 357-5111

FEB. 13, 1986

SENATOR KERR AND MEMBERS OF THE COMMITTEE,

MY NAME IS DON CHRISTMAN, I AM CO-OWNER OF WILCOX HOMES AND RV CENTER, INC. OF TOPEKA AND OPERATE THREE MOBILE HOME COMMUNITIES WITHIN THE CITY LIMITS OF TOPEKA. CURRENTLY, 285 FAMILIES RESIDE WITHIN OUR COMMUNITIES.

I APPRECIATE THE OPPORTUNITY TO TESTIFY TODAY IN FAVOR OF SB 516 WHICH WOULD REDUCE THE SALES TAX ON NEW MANUFACTURED HOMES BY 40%.

KANSAS MANUFACTURED HOUSING INSTITUTE HAS ASK ME TO LIMIT MY COMMENTS TO ONE SPECIFIC AREA OF THE 40% REDUCTION ISSUE, THAT BEING THE AFFECT THE REDUCTION MIGHT HAVE ON THE CONSUMER OR THE CONSUMERS POINT OF VIEW.

FIRST LET'S DO THE MATH: A \$20,000.00 AVERAGE SINGLE WIDE HOME IN TOPEKA AT A 4% TAX RATE WOULD REQUIRE THE CONSUMER TO PAY \$800.00 IN SALES TAX. SO, INSTEAD OF A \$20,000.00 HOME WE NOW HAVE A \$20,800.00 HOME. TOTAL COST TO ANY OF US AS CONSUMERS IS ALWAYS AN IMPORTANT CONSIDERATION. THE REDUCTION OR SAVINGS PROVIDED BY SB516 WOULD AMOUNT TO \$320.00, A SIGNIFICANT AMOUNT OF MONEY TO MOST MOBILE HOME PURCHASERS. \$320.00 IN MOST AREAS OF THE STATE WOULD PAY FOR SPACE RENT WHICH INCLUDES WATER, SEWER CHARGES AND TRASH SERVICE FOR 2½ TO 3 MONTHS!

WHAT IF THE HOME WERE FINANCED AS MOST ARE? IN THE EXAMPLE I'VE CITED, THE REDUCTION IN SALES TAX RESULTS IN A LOWER PRINCIPAL

AMOUNT TO FINANCE, IMPORTANT TO THE MARGINAL BORROWER WHOSE DEBT TO INCOME RATIO MAY BE TEETERING ON THE BRINK OF THE LENDING INSTITUTIONS LIMIT. \$320.00 SAVINGS, IF IT HAD TO BE FINANCED AT 14% APR FOR 15 YEARS, WOULD AMOUNT TO A MONTHLY SAVINGS OF \$4.29, A SEEMINGLY INSIGNIFICANT AMOUNT OF MONEY, BUT AGAIN, IT COULD MAKE OR BREAK THE MARGINAL BORROWER. THE TOTAL SAVINGS IN OUR FINANCE EXAMPLE WOULD BE \$772.00, THAT IS \$4.29 FOR 180 MONTHS, NOW A SIGNIFICANT AMOUNT OF MONEY FOR THE BORROWER WHO TYPICALLY COULD ONLY AFFORD A 10% OR \$2,000.00 DOWN PAYMENT IN OUR EXAMPLE HOME.

THE SECOND MAJOR ISSUE I WOULD LIKE TO ADDRESS IS A PEOPLE ISSUE. WHO RECEIVES THE BENEFIT OF OUR PROPOSED REDUCTION IN SALES TAX? MANY RETIRED OR RETIRING KANSANS EACH YEAR CHOOSE MANUFACTURED HOMES TO ESCAPE THE HIGH MAINTENANCE COSTS OF CONVENTIONAL HOMES, PLUS, MOBILE HOME LIVING CAN MANY TIMES ALLOW A FREER LIFESTYLE FOR TRAVEL OR OTHER INTERESTS. I'M SURE THE TAX SAVINGS PROPOSED IN SB 516 WOULD BE OF CONSIDERABLE INTEREST TO THIS FIXED INCOME GROUP SINCE ECONOMY AND LOW COST ARE MAJOR REASONS FOR THE MANUFACTURED HOME PURCHASE DECISION.

I CAN SPEAK PERSONALLY FOR THE SECOND MAJOR CLASSIFICATION OF CONSUMERS WHO WILL BENEFIT FROM OUR PROPOSED SALES TAX REDUCTION. IN 1969 I LEFT WASHBURN UNIVERSITY WITH A DIPLOMA, A LOW PAYING JOB WITH A FUTURE, A PREGNANT WIFE WHO LATER BLESSED ME WITH TWINS, A HOUSING PROBLEM AND VERY LITTLE MONEY FOR A DOWN PAYMENT ON ANY TYPE OF HOUSING. WE CHOSE A MANUFACTURED HOME, THE FIRST OF TWO WE WERE TO OWN, BECAUSE IT MADE SENSE. THE HOME WAS NEW, IT WAS COMPLETE, IT WAS WARRANTED, IT WAS COMFORTABLE, IT WAS ECONOMICAL UTILITYWISE, IT WAS AFFORDABLE, AND IT WAS MINE. FOR MANY YOUNG FAMILIES THE FIRST STEP IN OBTAINING THEIR DREAM HOME IS THE BUILDING OF EQUITY IN A MANUFACTURED HOME. THE TAX SAVINGS PROPOSED IN SB 516 DID NOT ALTER MY DECISION IN 1969 BUT IT WOULD HAVE BEEN ANOTHER POSITIVE REASON TO MAKE THAT BUYING DECISION, AND WILL HAVE A POSITIVE ON MANY YOUNG FAMILIES IN THE FUTURE.



ONE FINAL THOUGHT! THE NEED FOR TAX RELIEF ON CERTAIN HIGH TICKET CONSUMER ITEMS BECOMES MORE IMPORTANT AS THE TAX RATES CLIMB. IT HAS BEEN REPORTED IN THE LOCAL PAPERS THAT LEADERSHIP IN BOTH THE HOUSE AND SENATE NOW FAVOR A 1% TAX INCREASE. A SALES TAX INCREASE WOULD AFFECT MOST THOSE ON FIXED INCOMES AND THE CONSUMER ON THE LOWER END OF THE INCOME SCALE, THE TWO PRE-DOMINATE CUSTOMER GROUPS FOR OUR PRODUCT. IN OUR EXAMPLE HOME THE MANUFACTURED HOME PURCHASER WOULD HAVE TO SPEND AN ADDITIONAL \$200.00 TO COVER THE TAX OR ADD \$200.00 TO THE AMOUNT FINANCED. THE ADDITION OF THE \$200.00 TO THE AMOUNT FINANCED INCREASES THE MONTHLY PAYMENT BY \$2.67 WHICH AMOUNTS TO \$480.00 OVER THE TERM OF THE LOAN. I SUBMIT TO YOU OUR CUSTOMER OR OUR INDUSTRY DOES NOT NEED A HEAVIER TAX BURDEN, BUT A LIGHTER ONE.

I SOLICIT YOUR SUPPORT OF SB 516. THANK YOU FOR YOUR TIME AND ATTENTION.

RESPECTFULLY SUBMITTED,

DON CHRISTMAN, SEC./TREAS.  
WILCOX HOMES & RV CENTER, INC.

SENATE ASSESSMENT TAXATION COMMITTEE

Mr. Chairman and Committee Members:

ROBERT E. (BOB) GLASSE

Chairman Legislative Committee of Kansas Manufactured Housing Institute -  
6 years

In Mobile Home Business since October 1953

President Aetna Mobile Homes, Inc., Wichita, Kansas

President Silver Spur Development, Inc., Wichita, Kansas

Past President, Kansas Manufactured Housing Institute

Kansas Voting Delegate, Treasurer, and Member of Executive Committee  
National Manufactured Housing Federation, Washington, D.C.

I appreciate being given the time to testify for Senate Bill 516.

We in the industry feel that Senate Bill 516 will correct one of the larger inequities for our industry.

With inactment of Senate Bill 516 we would be charging the purchaser of a mobile home the same ratio of sales tax that he would pay on a conventional dwelling.

We would also hope that this measure would help dealers do a better job merchandising plus the lesser amount needed for downpayment hopefully would increase sales. Over all this change will assist the industry. Which might help keep the few manufacturers and suppliers that we have left in the state of Kansas.

I hear rumors every day of a possible state wide increase of one half percent to one percent if this becomes a reality our industry problems without a tax break becomes more complicated then before. If this happens, sales tax in Sedgwick county becomes five percent, making the dollar amount of sales tax the same as the downpayment for a VA loan.

Thank you for your time and may I urge you to vote for Senate Bill 516 not only for fair and equal taxation, but also some possible help to a critically ill industry. Thank you.

To: Senate Assessment & Taxation Committee

Topic: Support of Senate Bill Number 516

Mr. Chairman and Committee Members:

My name is Bruce Sloan and I am the Credit Manager for the Topeka office of Green Tree Acceptance, the leading consumer lender in the manufactured home market.

I am here today to voice my support of Senate Bill 516 and to encourage each of you to weigh the benefits that passage of the bill would have for Kansans. We all know that a strong economy is abetted by a strong housing market. Manufactured homes are a vital part of the housing market. Manufactured homes serve the same purposes as a site built home in that it enables a family to invest in their future. Not many people, once they are on a fixed income, can afford expenditures for housing. Manufactured homes provide an avenue for young people just starting out, middle aged families with lesser incomes, and older people on a fixed income the affordability of purchasing a home. It seems to me to be a little unfair to tax these people on a manufactured home whereas those buying a stick built home are not saddled with the same additional cost. One of the most difficult areas for buyers in qualifying for a mortgage loan are the closing costs. By reducing the amount of sales tax, this would increase the number of potential buyers in that the required down payment would be less and the monthly payment would be reduced.

Passage of Senate Bill 516 would help spur sales in the depressed market of manufactured homes. It would help some people to qualify for a home because their housing cost would be reduced. It would help the local counties as more property taxes would be assessed and paid. It would help the nine remaining manufacturers in Kansas to keep production lines open and people employed. Kansas has already lost five manufacturers due to the depressed housing sales and another is on the verge of closing its doors. Kansas does not need this, it is time to turn the trend.

A strong economy is a desire of all of us here today and passage of Senate Bill 516 is one means of achieving this goal.

Thank you

Senator Fred Kerr, Chairman  
Assessment and Taxation Committee

Subject: Sales tax on new manufactured homes

Mr. Chairman and members of the Committee:

I'm Onis L. Lemon, Senior Vice President of Commerce Bank and Trust,  
here in Topeka. I also serve on the K.M.H.I. Board of Directors.

I'm here in support of Senate Bill 516. Some citizens of our state are being discriminated against because they choose to live in a manufactured home as opposed to <sup>ON-</sup>site built housing. These citizens pay sales tax on the entire price of their homes, while others who choose on-site built housing pay taxes only on the materials that go into their homes.

We in the finance industry feel that this inequity should be corrected. We find that most manufactured homes purchased today are set in parks or on private lots and are seldom moved from these sites. Therefore, they are no longer transit type homes as they may have been classified some years ago.

If the sales tax was reduced to 60% of the total sale price, it would enable more people in the lower income bracket to qualify for purchase of a new manufactured home. This, in turn, would improve sales statewide and increase production within our Kansas plants.

There is no doubt that we now have an unfair tax situation between manufactured and on-site housing. We think now is the time to even the score.

We therefore request that Senate Bill 516 be passed favorably.

Thank you.

  
Onis L. Lemon

Attachment 9  
Senate Tax 2-13-86



February 12, 1986

Senator Fred Kerr  
Chairman  
Committee on Assessment and Taxation  
State Capitol  
Topeka, Kansas 66612

Dear Senator,

I regret that I cannot personally appear before your committee to ask for your support of Senate Bill 516. However, I hope I can make a small contribution to your deliberations with this letter.

The first issue involved is the issue of simple equity. The only low cost housing alternative shouldn't be encumbered with a tax disadvantage. The 40% reduction of the sales tax on manufactured homes will result in equity among home buyers while having only a small effect on revenue; \$400,000 per year.

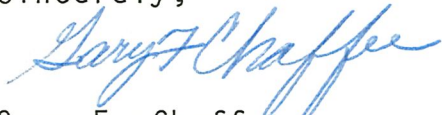
Although the Manufactured Housing industry is still a major contributor to the Kansas economy, it is in a state of severe depression. There has been a slow process of decline that has not received very much notice because the industry has consisted of a large number of manufacturers and suppliers distributed throughout the state.

In my own community there are eighteen firms, with more than 500 employees, that depend in part or all on manufactured housing for their income.

My own firm, a Newton employer since 1955, has seen its market share increase and volume steadily decline. Our employment is down by 50% since 1981. Our ability to maintain a facility in this community is under severe pressure.

I want to thank you for your past support of the Manufactured Housing Industry and express my appreciation for your consideration.

Sincerely,



Gary F. Chaffee  
General Manager

GFC/sr



February 11, 1986

Senator Fred Kerr  
Chairman of Senate  
Assessment & Taxation Committee  
State Capital  
Topeka, Ks. 66612

RE: Support of Senate Bill #516

Dear Senator Kerr:

Several weeks ago several Kansas manufactured housing plant senior management representatives including myself and Terry Bush of our company, expressed our concerns regarding Senate Bill #516. We urge your support of this Bill which will reduce the price consumers pay for manufactured housing and give us parity with site constructed housing. As the law presently stands the manufactured housing industry is at a disadvantage since sales tax is levied on materials, labor and overhead, compared to a levy on materials only for the on site builder.

DMH Company, Inc. employs approximately 125 people in Hutchinson, Kansas. We had a 1985 payroll of \$1,925,000. Because of sluggishness in the agricultural and energy sectors of the twelve states serviced by our Hutchinson, Kansas plant we have been unable to commence production this year. An employment of 125 people has dropped to approximately 10 employees and we do not see any relief soon. It goes without saying that we can not attribute this just to unfavorable tax treatment for manufactured housing, but with the economy as it is any assistance to increase our independent retailers sales helps us all.

Kansas has been a geographical hub for suppliers and manufacturers in the manufactured housing industry for over thirty years. Plants in Kansas can service surrounding states very effectively. However unless business conditions in our own state improve we can expect to see a steady exodus of suppliers and manufacturers. Restrictions on highway movement, high personal property taxes and conservative government policy will encourage larger manufacturers to move marginal operations elsewhere. Plants in Great Bend, Manhattan and Newton were closed within the last year. A modular plant in Hutchinson was closed in January. A couple of more plants may close or consolidate within a year if business conditions do not improve.

A positive course of action is necessary now. A good start would be passage of senate bill #516. We urgently endorse

**DMH Company, Inc.**  
P.O. Box 2676 Hutchinson, Kansas 67504-2676 316-663-1163  
Diversified Manufactured Housing

Attachment 11  
Senate Tax 2/13/86



this bill. We strongly support the progressive steps being considered in the University of Kansas/Wichita State University joint economic development research project. We need your support, Can we count on it?

Very truly yours,

J. Charles Follett  
President,

Terry M. Bush  
Director of Finance  
JCF/TMB/gs





# KIT

# MANUFACTURING COMPANY

One Kit Boulevard, P.O. Box 738 ■ McPherson, Kansas 67460 ■ (316) 241-1500

February 11, 1986

SENATOR FRED KERR - MEMBERS OF THE COMMITTEE

My name is Lionel Clark, and I represent Kit Manufacturing Company of McPherson, Kansas. Manufactured Housing is our only business at this plant. We presently employ about 85 people with an annual payroll of 1.2 million.

Our industry grew here in Kansas to 27 plants by the early 70's, creating jobs for over 3,000 in Kansas. Many other jobs were created in support businesses also.

These manufacturers chose Kansas for it's central location, good highways, and a work force second to none.

Now the Kansas Manufactured Housing Industry is down to nine plants with many support businesses leaving also.

For the past two years as the farm economy has sagged, the oil and aircraft industries declined, we have seen many business failers here in Kansas. I've had the unfortunate experience of working for two major manufacturers of manufactured housing that have closed their doors here in Kansas. Those two being Marlette Homes of Great Bend and Guerdon Industries of Manhattan.

Many of the manufacturers that are left are seriously looking for reasons to stay in Kansas. I have had to justify Kit's staying in Kansas to our Board of Directors.

I do not profess that by reducing the sales tax on new manufactured housing sales by 40%, that this would be a cure all for our industry, but it will help.

I solicit your support of Senate Bill 516 and thank you for time and consideration given to our industry. Together we can make Kansas well again.



P.O. Box 127  
West Highway 34  
Aurora, Nebraska 68818-0127  
Phone 402—694-5250

February 12, 1986  
#20

The Honorable Fred Kerr  
Kansas State Senate  
Capitol Building  
Topeka, KS 66612

Dear Senator Kerr:

I am addressing this letter to you as Chairman of the Assessment Taxation Committee. I am seeking your support on Senate Bill 516, which changes the sales tax on manufactured housing to 60% of the retail selling price instead of the 100% that is now being taxed. You can see this puts manufactured housing in an unfavorable situation against the site builder who is only taxed on the materials he uses in building homes.

Let me introduce myself, I am Mel Auch, President of the Housing Division of Chief Industries, Inc. in Aurora, Nebraska. We have a plant in Russell, Kansas, but due to the economy we were forced to discontinue manufacturing manufactured housing and have changed this facility over to producing recreational vehicles. We have combined the building of manufactured housing at our facility in Aurora, Nebraska, and still do considerable business from this facility in the State of Kansas.

When we had to switch the Russell plant, it had a very negative effect on the economy in Russell, Kansas. When producing manufactured housing the Russell plant had an annual payroll of \$1,800,000. Since switching to recreational vehicles our payroll is less than \$1,000,000.


I know there is a great concern in all states of raising enough revenue to meet the state's budget needs. I do not feel that basing sales tax on 60% of the retail sale will have a negative effect on the amount of sales taxes collected by the state, because any time that we can lower an individuals payment we can qualify that many more people to buy our homes.

So, I feel very strongly that there would be no tax revenue lost by passing Senate Bill 516. I know it will not offset the decline in our economy, but anything we can do to qualify more people in purchasing our product would certainly help to improve the economy for everyone.

I appreciate your taking the time to consider this bill and my letter, and here's hoping for a favorable response.

Sincerely,

BONNAVILLA HOMES

  
MELVIN R. AUCH  
PRESIDENT

MRA:k

Attachment 13  
Senate Tax 2/13/86