

Approved March 6, 1986
Date

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 Wednesday, March 5, 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:

Senator Mike Johnston
Stan Basler, Montgomery County Commissioner
Judge Floyd V. Palmer, Independence
Arthur Schenk, Montgomery County Sheriff
Hazel Allison, Montgomery County
Bev Bradley, Kansas Association of Counties
Robert C. Londerholm, Kansas Land Development Company/Connecticut Mutual Life
Insurance Company
Ralph Skoog, Kansas CATV Association

S.B. 688 - Financing of county law enforcement facilities from countywide
retailers' sales tax proceeds

Senator Mike Johnston explained that the bill authorizes a countywide sales tax to be used for constructing or remodeling a jail or law enforcement center facility (Attachment 1). The proposal would be submitted to the voters, and the tax would expire after payment of all costs incurred in the financing of the facility.

Stan Basler spoke in favor of the bill. He said, although Montgomery County requested the bill, it would apply to any county. Mr. Basler talked about the problems of funding the costs of jails and noted that revenue sharing appears to be quickly disappearing. He said that revenue bonds are strictly financed with property owners and a county jail serves more than just property owners. He understands the present law to prohibit the imposition of a sales tax by a county without apportioning the proceeds to cities. Mr. Basler said it would take an additional half-cent increase in Montgomery County if the proceeds are shared with cities. He believes that the present law prohibits using sales tax proceeds to retire bonds.

Judge Floyd V. Palmer testified in favor of the bill. He discussed the state and national problem of incarceration.

Arthur Schenk testified in support of the bill. He said the problem of needing a new jail but lack of funding is widespread among Kansas counties.

Hazel Allison spoke in support of S.B. 688. She believes the sales tax is more readily acceptable to the public than other methods of funding jails and law enforcement facilities.

Bev Bradley testified in favor of the bill (Attachment 2). Her association supports this alternative source of revenue for funding jails and law enforcement facilities.

S.B. 714 - Interest on refunded property tax

Robert C. Londerholm explained that the bill would require that interest be paid on property taxes paid under protest in cases where the court or Board of Tax Appeals rules in favor of the taxpayer (Attachment 3). He said that in

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S, Statehouse, at 11:00 a.m. ~~xxx~~ on March 5, 1986

some cases it may be several years from the time the protest is filed until a final determination is made. He does not feel the counties should be able to have the use of these funds, because if they lose the case, they will only refund the original amount. Mr. Londerholm suggested that the bill be amended to provide that the interest does not start until 60 days after the protest is filed in order that the county may have an opportunity to review the matter and decide whether to pursue it. He also suggested that the word "payable" in line 88 be changed to "paid".

Ralph Skoog testified in favor of the bill. He said that the cable television industry has a number of cases pending and they feel it is unfair that the counties can accumulate interest on the taxes paid under protest but not be required to pay the interest to the taxpayer if a determination is made in favor of the taxpayer.

S.B. 615 - Statewide reappraisal law repealed

Senator Burke moved that the bill be reported adversely. Senator Salisbury seconded the motion, and the motion carried. Chairman Kerr said he favored adversely reporting the bill so that county officials would know that the Committee supports the continuation of the reappraisal. He said that uncertainty should be avoided so that counties could continue contracting for services.

S.B. 720 - Establishment of state-wide reappraisal cost sharing fund

A balloon copy of S.B. 720 was distributed to the Committee (Attachment 4). The proposed amendments would eliminate the provision that no more than \$8 million of the fund can be spent in one year and provide that the funds may be used for the purchase of computer equipment. Harley Duncan (Department of Revenue) said that the Reappraisal Advisory Committee had voted unanimously to endorse the provision that counties could choose to have the state purchase their computer equipment. This would allow the state to purchase the computer equipment in volume and pass on the savings to the counties. Bev Bradley (Kansas Association of Counties) advised that not only was this concept endorsed by the Reappraisal Advisory Committee, but was supported by county officials at a recent meeting.

After discussion, Senator Burke made a conceptual motion that the amendments (in the balloon copy) be adopted and further that the bill provide that those counties who already possess compatible computer equipment will be reimbursed in an amount equivalent to what is spent on the counties who do purchase the equipment through the state. Senator Mulich 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.

Senator Hayden moved that the minutes of the March 3, 1986 and March 4, 1986 meetings be approved. Senator Thiessen seconded the motion, and the motion carried.

Meeting adjourned.

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
3/5/86	S. Kang	Topeka, Mo.	KCATV
	E. K. Dillon Deputy Sheriff	Independence, KS	Montgomery Co. Sheriff Dept
	Ralph Anthony	Independence, KS	Montgomery County
	Dorrell Allison	Independence	Montgomery Co.
	FLOYD V. PALMER	INDEPENDENCE, KS.	MONTGOMERY CO.
	HAROLD L. KAY	Cheyenne, WY	WYOMING CO.
	Mrs Jim Patterson	Independence	Montgomery
	Mrs. Dan Thiessen	Independence	Montgomery
	Harley D...	Topeka	Revenue
	Donna Jott	Topeka	Sen. Johnston
	Kirby L. Stogman	Mayetta	Dir of Budget
	J DWIGANS	K. City, Mo	KCPL
	Barbara Binn	Topeka	Div of Accounts Rep.
	Ron CALBERT	NEWTON	UNITED TRANSPORTATION UNCON
	M. Hooce	Topeka	c96-1000041

State of Kansas

Senate Chamber



MICHAEL L. JOHNSTON
SENATE MINORITY LEADER
SENATOR, FOURTEENTH DISTRICT
LABETTE COUNTY AND PARTS OF
CRAWFORD, MONTGOMERY AND
NEOSHO COUNTIES
P.O. BOX A
PARSONS, KANSAS 67357-0040

COMMITTEE ASSIGNMENTS
MEMBER: ELECTIONS
GOVERNMENTAL ORGANIZATION
INTERSTATE COOPERATION
LEGISLATIVE BUDGET
LEGISLATIVE AND CONGRESSIONAL
APPORTIONMENT
LEGISLATIVE COORDINATING COUNCIL
WAYS AND MEANS

Office of Minority Leader

STATE CAPITOL
TOPEKA, KANSAS 66612-1565
913-296-3245

Senate Assessment and Taxation Committee
Senate Bill 688 - Financing of County Jail
March 5, 1986

Statement by Senator Michael L. Johnston

Mr. Chairman, Members of the Committee, Senate Bill 688 was requested by Montgomery County as a means to obtain financing for a new county jail. The bill makes several changes to current sales tax and bond laws.

First, it authorizes a countywide retailers' sales tax for the purpose of financing the construction or remodeling of a courthouse jail or law enforcement center facility. The question of imposing the tax and pledging the revenue would have to be submitted to the electors of the county.

Second, all revenue derived from the tax imposed for this specific purpose would be retained by the county and expended only for the purpose for which the revenue was pledged.

Third, the tax would expire upon payment of all costs incurred in the financing of the facility.

Fourth, the bill allows the sales tax proceeds to be used for payment of bonds issued for the purpose of financing the construction or remodeling of a county courthouse, jail or law enforcement center facility.

Fifth, it exempts bonds issued for this purpose and paid for from the proceeds of a county-wide sales tax from the computation of the county's total bonded indebtedness.

The bill provides a mechanism which is currently not available for financing the construction of a county jail. Although the bill was requested only by Montgomery County, it was written for use by all counties because of the widespread problem many counties are facing in securing funds to build a jail that meets Constitutional and State standards.

As counties continue to feel the effects of federal budget cuts, it is imperative that we develop means to help them continue to meet their obligations in carrying out their statutory duties, one of which is to provide a safe and adequate jail.

Senate Bill 688 provides such means and I urge your favorable consideration of this measure.

Kansas Association of Counties

Serving Kansas Counties

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

Phone 913 233-2271

March 5, 1986

To: Senator Fred Kerr, Chairman
Members Senate Assessment and Taxation Committee

From: Beverly Bradley, Legislative Coordinator
Kansas Association of Counties

Re: SB-688

Good Morning, I am Bev Bradley, from the Kansas Association of Counties. I appear today in support of SB-688.

Boards of County Commissions need a method of funding specific improvements such as financing the construction or remodeling of a courthouse, jail or law enforcement facility. With the probable end of Federal Revenue Sharing, alternative revenue sources must be sought and this one seems appropriate.

Kansas Association of Counties joins Montgomery County in urging your favorable consideration of SB-688.

Attachment 2
Senate Tax Comm. - 3/5/86

MEMO

RE: PROPOSED AMENDMENT CONCERNING PAYMENT OF INTEREST UPON REFUND
OF TAXES PAID UNDER PROTEST

TO: ASSESSMENT AND TAXATION COMMITTEES

The tax protest statute, K.S.A. 79-2005, requires a taxpayer to first pay all property taxes assessed on particular property before protesting that the valuation of such property is "illegal or void." Thereafter, the protest is considered by the Board of Tax Appeals, which may later order a refund of the tax already paid if it finds that a specific amount of valuation was invalid (79-2005[k]).

The County is authorized to appeal the BOTA refund order to the District Court. And, it may thereafter appeal the decision through the appellate court system (i.e.; to the Court of Appeals and possibly to the Supreme Court; K.S.A. 74-2426).

Due to the number of steps involved and the extended time frames inherent in such procedures, it may take several years or more from the date of payment before all proceedings and appeals are resolved.

The statutes presently make no express provision for the running of interest on the amount of tax paid out by the taxpayer but found to have been invalid and later refunded, during the period that such proceedings and appeals are taking place.

If there is no interest required to be paid when the illegal tax is finally refunded, then the County has had, in effect, a "free ride" with the taxpayer's money from the date the tax was first paid under protest until refund is actually made. Under this scenario, the County and its taxing units would have an interest free "loan" from the taxpayer, and the full use of the "principal" (illegal tax) in the meantime. This would be patently unfair to the taxpayer.

The IRS, for example, is required to start paying interest on income tax refunds within so many days after the due date for filing returns (Secs. 6611, 6621, IRC). The Board of Tax Appeals has in the past ordered interest to run in protest cases, but this has been challenged in Court as beyond BOTA's statutory authority.

The "Proposed Legislation" attached would clarify and make certain by an express statute that interest runs on taxes paid but later refunded under the tax protest statute. An adjustable interest rate is suggested, using a Federal Treasury Bill discount rate as a base for computation of a reasonable amount of interest to be paid for a period starting sixty (60) days after protest payment until refund.

Robert C. Londerholm
Representing Kansas Land Development Company/
Connecticut Mutual Life Insurance Company

RCL/sl

SENATE BILL No. 720

By Committee on Ways and Means

2-26

0017 AN ACT establishing the statewide reappraisal cost sharing
0018 fund; providing for credits thereto and expenditures there-
0019 from; amending K.S.A. 79-3620 and repealing the existing
0020 section.

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

0022 Section 1. K.S.A. 79-3620 is hereby amended to read as fol-
0023 lows: 79-3620. (a) All revenue collected or received by the
0024 director of taxation from the taxes imposed by this act shall be
0025 deposited daily with the state treasurer. The state treasurer shall
0026 credit all revenue received from this act, less amounts withheld
0027 as provided in ~~subsection~~ *subsections (b) and (c)*, to the state
0028 general fund.

0029 (b) A refund fund, designated as "sales tax refund fund" not
0030 to exceed \$100,000 shall be set apart and maintained by the
0031 director from sales tax collections and estimated tax collections
0032 and held by the state treasurer for prompt payment of all sales tax
0033 refunds including refunds authorized under the provisions of
0034 K.S.A. 79-3635, *and amendments thereto*. Such fund shall be in
0035 such amount, within the limit set by this section, as the director
0036 shall determine is necessary to meet current refunding require-
0037 ments under this act. In the event such fund as established by
0038 this section is, at any time, insufficient to provide for the pay-
0039 ment of refunds due claimants thereof, the director shall certify
0040 the amount of additional funds required to the director of ac-
0041 counts and reports who shall promptly transfer the required
0042 amount from the state general fund to the sales tax refund fund,
0043 and notify the state treasurer, who shall make proper entry in the
0044 records.

0045 (c) *The state treasurer shall credit amounts which total*

0016 \$24,000,000 during the fiscal year ending June 30, 1987, from
 0017 sales and estimated tax collections to the statewide reappraisal
 0018 cost sharing fund which is hereby established. Expenditures
 0019 from such fund shall only be made to counties for the purposes : (1)
 0020 provided in K.S.A. 1985 Supp. 79-1478, and amendments
 0021 thereto, upon warrants of the director of accounts and reports
 0022 issued pursuant to vouchers approved by the secretary of reve-
 0023 nuce, except that, no more than \$8,000,000 may be expended from
 0024 such fund in the fiscal years ending June 30, 1987, 1988 and
 0025 1989.

; and (2) for the purchase or lease of computer
 equipment for use by counties for the estab-
 lishment and maintenance of valuations for
 property for ad valorem taxation purposes,
 and for training programs for the use thereof

0056 Sec. 2. K.S.A. 79-3620 is hereby repealed.

0057 Sec. 3. This act shall take effect and be in force from and
 0058 after its publication in the statute book.