

Approved April 9, 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. ~~XXXX~~ on Tuesday, April 8, 19<sup>86</sup> in room 519-S of the Capitol.

All members were present except:  
Senator Leroy Hayden (Excused)

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:  
Representative Jim Braden  
Bud Grant, Kansas Chamber of Commerce and Industry  
Charles Belt, Wichita Chamber of Commerce

H.C.R. 5047 - Constitutional amendment; providing authority for cities and counties to grant ad valorem taxation exemptions for economic development purposes

Representative Jim Braden provided information on the resolution (Attachment 1). He explained the history of the legislation. Representative Braden said the property tax exemption provided by the resolution would be optional and that all or any part of the taxes could be abated. H.C.R. 5047 speaks to the creation of new jobs by new or expanded manufacturing facilities or warehouses. The resolution contains a 10-year limitation for exemptions, and Representative Braden pointed out that lines 69-71 give authority to the Legislature to limit or prohibit the exemptions. He compared Industrial Revenue Bonds to the legislation and said H.C.R. 5047 is much more restrictive. He talked about the anticipated demise of the use of IRB's.

Chairman Kerr asked whether the resolution would force counties and cities to grant the exemptions in order to compete with each other. Representative Braden answered that these exemptions are not eroding the tax base because only new or expanded facilities would be eligible. Chairman Kerr asked about the effect on district wealth for school finance calculations. Representative Braden replied that under current IRB policy, if there are payments in lieu of taxes, these payments are deducted from the amount of the state aid for that district.

Bud Grant testified in favor of the resolution. He noted that Oklahoma, Missouri, Nebraska, Iowa and Arkansas have a similar exemption.

There was discussion about what entity would actually grant the exemption. The Revisor said the location of the property would determine whether the city or county grants the exemption.

Charles Belt spoke in support of H.C.R. 5047.

Representative Braden stressed that this tax exemption is needed in order to be competitive with other midwestern states and that it is not a new concept because so many states already have this provision.

Senator Burke moved that "(b)" in line 65 be changed to "(a)". Senator Thiessen seconded the motion, and the motion carried. Senator Salisbury moved that line 84 be amended to include "manufacturing, research and development or commodity or goods storing business". Senator Montgomery seconded the motion, and the motion carried. Senator Frey moved that the explanatory statement include a reference to new job creation. Senator Parrish seconded the motion, and the motion carried. Senator Burke moved that "any such" be inserted in line 62 in place of the word "an". Senator

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. ~~p.m.~~ on April 8, 1986.

Mulich seconded the motion, and the motion carried. The Revisor advised that the resolution is self-executing. Senator Burke moved that "all" be inserted in line 44 after the word "from". Senator Mulich seconded the motion, and the motion carried. Senator Burke moved that H.C.R. 5047, as amended, be recommended favorably for adoption. Senator Mulich seconded the motion, and the motion carried.

Meeting adjourned.



INITIATIVE NO. 6: PROPERTY TAX ABATEMENT FOR ECONOMIC DEVELOPMENT

REDWOOD/KRIDER REC. NO.: 5

BILL NO.: HCR 5047

A. Statement of Need:

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

B. Mission Statement

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

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

C. Provisions of HCR 5047

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

D. Other States:

At least 32 other states now offer such an option.

Attachment 1  
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