

Approved On: 2/26/87

Minutes of the House Committee on Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on February 24, 1987 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Adam, Lowther, Roe, Crowell and Vancrum

Committee staff present:

Tom Severn, Legislative Research  
Chris Courtright, Legislative Research  
Don Hayward, Reviser of Statutes  
Millie Foose, Committee Secretary

Marla Howard, Public Affairs Officer, City of Wichita, spoke as a proponent for HB-2243 - AN ACT concerning cities and towns; relating to the issuance of revenue bonds. (Attachment 1) After her presentation, there was discussion and questions from committee members.

Representative Fuller moved, second by Representative Pottorff, that HB-2243 should be amended so that lines 27 through 34 will read "The city or county may charge an origination fee. Such fee shall not be deemed a payment in lieu of taxes hereunder. Such fee shall be used exclusively for local economic development activities." The motion carried.

Representative Fox moved, second by Representative Aylward, that HB-2243 be in force after publication in the Kansas Register. The motion carried. Representative Fuller moved, second by Representative Fox, that HB-2243 be passed as amended. The motion carried.

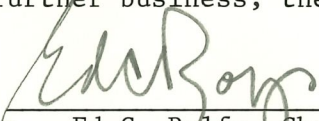
HB-2196 - AN ACT concerning the state board of tax appeals; relating to the powers and duties thereof, was discussed. There were questions concerning the amount of the filing fee, whether there should be a filing fee, and what the hardship poverty level should be. Representative Fox moved that the maximum fee should be increased to \$100.00. There was no second and the motion was lost. Representative Aylward made a substitute motion, second by Representative Shore, that the bill should read "at current poverty level." The motion passed. Representative Leach moved, second by Representative Shore, that HB-2196 as amended be reported favorably. The motion carried.

HB-2208 - AN ACT relating to the taxation of certain financial institutions, was discussed. Representative Fox moved, second by Representative Aylward, that HB-2208 be reported favorably and put on the consent calendar. The motion carried.

HB-2210 - AN ACT relating to inheritance tax was discussed. Representative Wunsch explained the exemptions, the fees charged, and the amount of time usually required to settle an estate.

The minutes of the February 23 meeting were approved.

There being no further business, the meeting was adjourned.

  
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Ed C. Rolfs, Chairman

# THE CITY OF WICHITA

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February 24, 1987

TO: CHAIRMAN ROLFS AND MEMBERS OF THE HOUSE TAXATION COMMITTEE  
FROM: Marla J. Howard, Public Affairs Officer  
RE: House Bill 2243, Economic Development Revenue Bonds

Mr. Chairman and Members of the Committee:

The City of Wichita wishes to express its' support for House Bill 2243 to give cities and counties the authority to levy an origination fee on industrial revenue bond issues to fund local economic development activities.

With recent federal tax reform legislation, industrial revenue bonds may not be the inducement they once were to encourage business/industry development and expansion. Nevertheless, there will continue to be use of this bonding vehicle in the future.

The City of Wichita has been one of the primary issuers of IRBs in the state. Since 1963, the City has closed 243 IRB issues, including refundings, totaling \$1,281,463,500. Significant staff time has been required to work with applicants in developing their bonding proposals. Some fee income has been received to offset part, but not all, of the administrative costs of issuance.

The City currently directly allocates approximately \$200,000 annually for economic development activities. With reduced local resources, including the loss of federal revenue sharing, funding reductions for education, and the potential loss of some State revenue sharing, ad valorem tax and highway funds, the City is looking for alternatives to fund economic development programs without adding to the property tax burden.

Economic Development is obviously important to Wichita and its surrounding environment and State legislators have clearly demonstrated their concern for improving economic development throughout the State. As you may be aware, a Long-Range Planning Task Force has been created through the efforts of private business, the Chamber of Commerce, City of Wichita and Sedgwick County, and has hired a consultant to assist in the development of an economic development action plan for our area. In view of our economy and the activities of this task force, the City believes that economic development related services and activities should be expanded, not reduced. House Bill 2243 allows local governments to levy a surcharge fee on each industrial revenue bond issue, in addition to costs of administering the issue, to help finance local economic development activities. As included in lines 33 and 34 of this bill, it is not our intent that the funds be used for administrative costs, but rather that they be used to fund specific locally supported programs such as employment training. We will be taking a very close look at the economic development programs recommended by the Long Range Planning Task Force for possible funding.

Attached is a list of all City of Wichita IRB issues closed in 1986 and the amount of fees - almost \$85,000 - that would have been levied under the provisions included in House Bill 2243.

IRBs benefit the applicant by providing financing at a lower rate of interest. With the "savings" accruing to the industry, it seems appropriate that qualifying business/industry return something to the community toward other economic development programs.

The City of Wichita appreciates your consideration of this issue and asks for your support of House Bill 2243. Thank you.

CITY OF WICHITA  
INDUSTRIAL REVENUE BOND ISSUES - 1986  
AND RESULTING FEE AMOUNT

NAME OF RECIPIENT	AMOUNT OF ISSUE	FEE
Executive Manor	\$2,200,000	\$ 4,000
Executive Manor	8,435,000	11,793.75
Friends University	4,850,000	7,312.5
A.S.I, Inc.	1,000,000	2,500
Rent-A-Center	9,000,000	12,500
Jayhawk II	945,000	2,362.5
Masterbilt Motors	525,000	1,312.5
Fidelity Savings	7,300,000	10,375
Bradford Real Estate	710,000	1,775
C-K Properties	320,000	800
Big Oak Investments	800,000	2,000
Boeing	67,000,000	25,000*
Multimedia	<u>1,500,000</u>	<u>3,125</u>
TOTALS:	\$104,585,000	\$84,856.25

Fee is based on 1/4 of 1% for the first million dollars issued and 1/8 of 1% for each additional million issued, with the exception of the Boeing issue which is based on \$25,000 maximum.