

Approved On: 3/30/87

Minutes of the House Committee on Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on March 23, 1987 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Adam and Francisco

Committee staff present:

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

Mr. Fred Kern, Executive Director of State Conservation, spoke as a proponent for HB-2156 - AN ACT concerning conservation districts; relating to a tax levy to provide funds for district supervisors. He outlined the three sources of funds available to conservation districts. (Attachment 1)

Mary Alice Horsch, representing Sedgwick County Board of Supervisors, spoke as a proponent of HB-2156, but asked that the \$7500.00 lid be removed.

Mr. Franklin Lane, Chairman Johnson County Conservation District, spoke in support of removing the \$7500.00 limit (Attachment 2) The Johnson County Conservation District requested that the District Law on funding of Conservation Districts be changed because the small amount of extra moneys needed by the Conservation District does not justify making it a line item. (Attachment 3)

Carol Bonebrake, representing Department of Revenue. spoke as a proponent for HB-2552 - AN ACT relating to taxation; imposing personal liability for certain excise taxes upon individuals responsible for collection, and HB-2553 - AN ACT relating to civil procedure; concerning garnishment proceedings relating to debts of certain state taxes. (Attachments 4 and 5)

A representative of Kansas Department of Revenue spoke as a proponent for SB-238 and SB-239. (Attachments 6 and 7) This was followed by questions from committee members and discussion, which concluded the public hearing on these bills.

Mr. George Donatello, representing Kansas Department of Revenue, testified as a proponent for SB-240 - AN ACT relating to property taxation; concerning contents of notices provided to taxpayers relating to valuation of property. (Attach. 8) This concluded the public hearing on SB-240.

(Attachment 9)

Lyle Clark, representing Kansas Department of Revenue, spoke as a proponent for SB-241 - AN ACT relating to property taxation; concerning the distribution of personal property appraisal guides. Bev Bradley, representing the Association of Counties also spoke as a proponent, which concluded the public hearing.

HB-2156 - AN ACT concerning conservation districts; relating to a tax levy to provide funds for district supervisors, was discussed. Representative Fox moved, second by Representative Aylward, that HB-2156 be passed favorably and placed on the consent calendar. The motion carried.

HB-2552 - AN ACT relating to taxation; imposing personal liability for certain excise taxes upon individuals responsible for collection, was discussed by committee members. Representative Lower moved, second by Representative

Fox, that HB-2552 be passed favorably and placed on the consent calendar. The motion carried.

SB-238 - AN ACT relating to property taxation; concerning the apportionment of assessed valuation of state-assessed public utilities, was discussed. Representative Smith moved, second by Representative Grotewiel, that SB-238 be passed favorably and placed on the consent calendar. The motion carried.

SB-239 - AN ACT repealing KSA 70-315 and 70-316. relating to the listing of certain personal property for taxation purposes was considered. Representative Lowther moved, second by Representative Fox, that SB-239 be passed favorably and placed on the consent calendar. The motion carried.

SB-241 - AN ACT relating to property taxation; concerning the distribution of personal property appraisal guides, was considered. Representative Leach moved, second by Representative that the cost of one copy of all guides be reimbursed to the county. The motion failed.

Representative Wagon moved, second by Representative Fry, that SB-241 be reported favorably. The motion carried.

SB-309 - AN ACT relating to sales taxation was discussed. The portion of the bill relating to mental retardation and mental health was discussed. Representative Lowther made a conceptual motion, second by Representative Aylward, that sales tax exemption will apply to mental retardation and mental health units provided however, that no exemption shall be granted for habitation. The motion carried. The committee felt that these groups receive substantial public funding and that it would be inappropriate to raise taxes to pay sales taxes. After committee discussion, Representative Fuller moved, second by Representative Aylward, that SB-309 as amended be passed favorably. The motion carried with Fox and Spaniol being recorded as voting no.

There being no further business, the meeting was adjourned.


Ed C. Rolfs, Chairman



State Conservation Commission

109 S.W. 9th Street, Room 300

Telephone (913) 296-3600

Topeka, Kansas 66612

HOUSE TAXATION COMMITTEE
House Bill No. 2156

TESTIMONY BY
KENNETH F. KERN
EXECUTIVE DIRECTOR

The State Conservation Commission is the state agency that works closely with conservation districts to preserve our natural resources of water and soil.

There have been many changes in the programs of conservation districts.

Attachment No. 1 indicates the basic organization of the conservation districts before 1980 and their program.

Attachment No. 2 is the current organization and programs of the conservation districts.

The conservation districts rely on three sources of funds:

1. County Commission:
 - a. Up to \$7500 from county general fund
 - b. And/or .5 mill levy up to \$55,000
2. State general fund - State matches first \$7500 received from county commission.
3. Enterprise fund - Local fund raising activities authorized in statute. Examples - selling grass seed, owning and renting out grass drill, etc.

Attachment No. 3 is the breakdown of the tax funds from the county commission and matching funds from the state for each of the 105 conservation districts.

HOUSE TAXATION COMMITTEE
House Bill No. 2156
TESTIMONY continued
Page 2

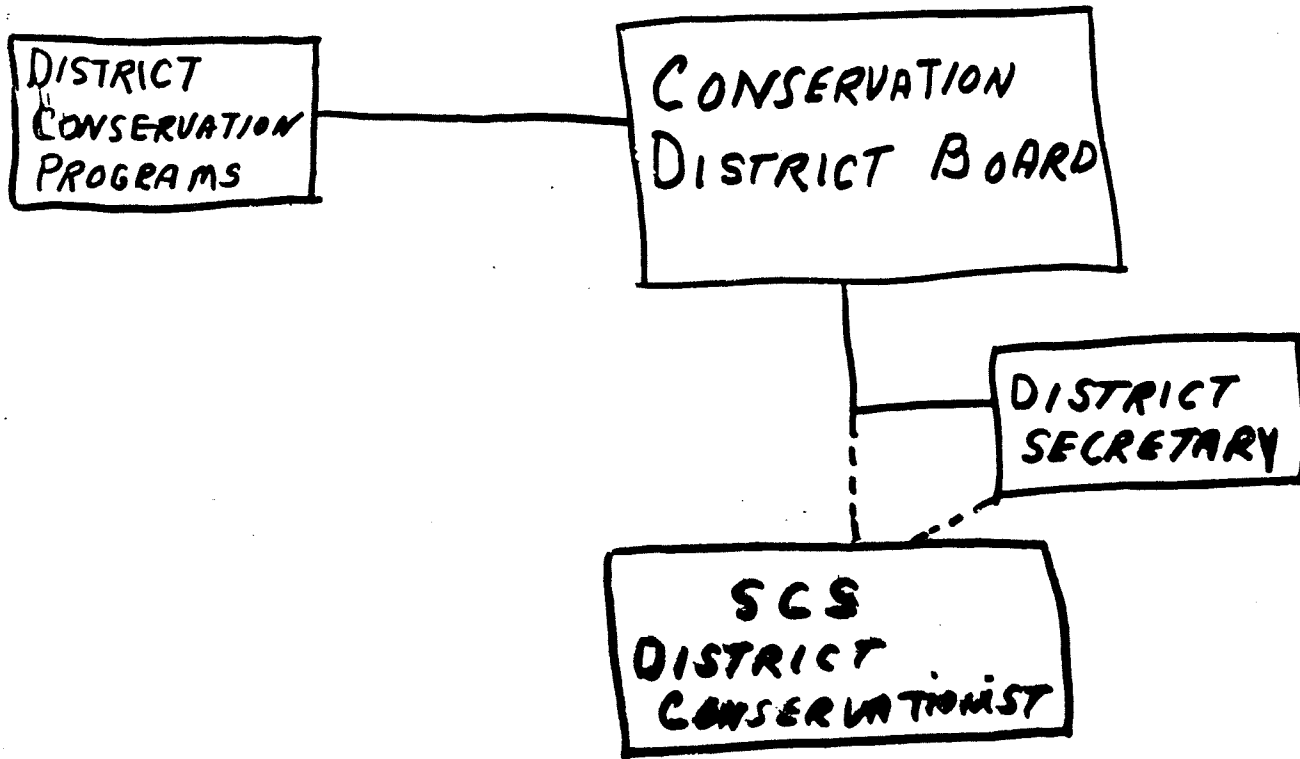
The proposed change to K.S.A. 2-1907b is based upon a suggestion from the Johnson County Financial Administrator. Urban counties with fairly large assessed valuation do not desire, and in some cases, will not establish a separate mill levy for small amounts such as \$10,000, or even \$55,000.

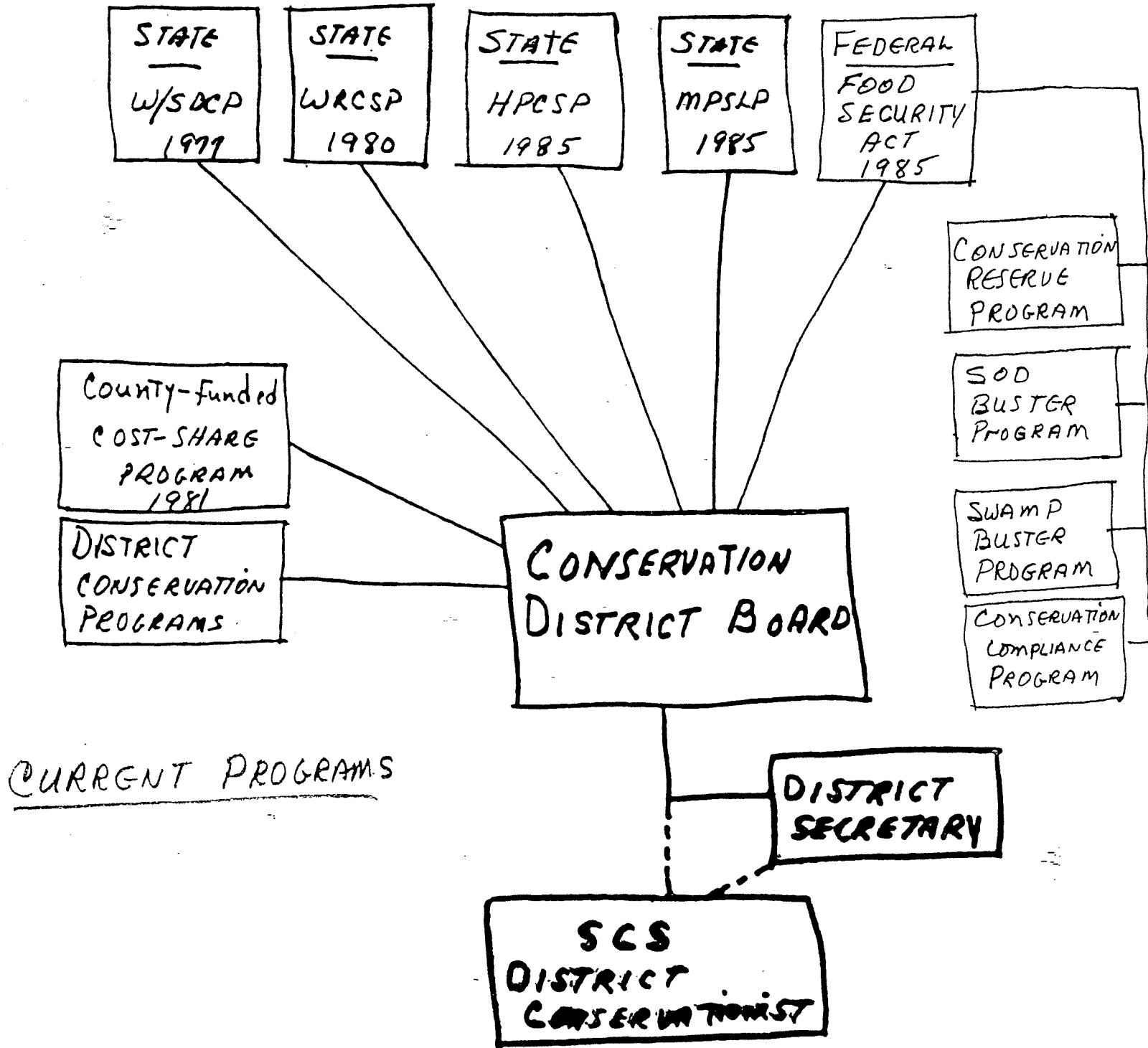
To illustrate this, the mill levy for Johnson County to raise \$10,000 is .00001499. (\$667,051,710 total assessed valuation in 1982.)

For Sedgwick County to raise \$55,000, the mill levy is .00007409.
(\$742,320,220 total assessed valuation in 1982.)

The State Conservation Commission supports the removal of the limitation of general fund monies that the county commissioners may pay to the conservation district and requests your favorable consideration of this amendment.

BEFORE 1980





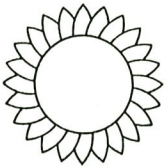
CONSERVATION DISTRICTS FUNDS
FY 1987

	County General Funds	Mill Levy		Other Funds	Total From County	State of Kansas Matched		County General Funds	Mill Levy		Other Funds	Total From County	State of Kansas Matched
		Matched	Unmatched						Matched	Unmatched			
ALLEN	7,500				7,500	7,500	LINN	7,500				7,500	7,500
ANDERSON	7,500			1,380	8,880	7,500	LOGAN	7,500				7,500	7,500
ATCHISON		7,500-			7,500	7,500	LYON	3,600	3,900	14,000		21,500	7,500
BARBER	7,500			2,500	10,000	7,500	MCPHERSON	7,500		10,512		18,012	7,500
BARTON	3,000	4,500	16,500		24,000	7,500	MARTIN		7,500	2,500		10,000	7,500
BOURBON	7,500		15,000		22,500	7,500	MARSHALL	7,500		5,000		12,500	7,500
BROWN	7,500				7,500	7,500	MEADE	7,500				7,500	7,500
BUTLER	7,500				7,500	7,500	MIAMI	7,500				7,500	7,500
CHASE	7,000				7,000	7,000	MITCHELL	7,500				7,500	7,500
CHAUTAUQUA	6,875				6,875	6,875	MONTGOMERY	7,500				7,500	7,500
CHEROKEE	7,500		9,000		16,500	7,500	MORRIS	7,500				7,500	7,500
CHEYENNE	7,500				7,500	7,500	MORTON	7,500		13,162	763	21,425	7,500
CLARK		5,600			5,600	5,600	NEMAHA		7,500	4,226	655	12,381	7,500
CLAY		6,750			6,750	6,750	NEOSHO	7,500				7,500	7,500
CLOUD	7,500		9,500		17,000	7,500	NESS	7,500		7,500		15,000	7,500
COFFEY	7,500		7,500		15,000	7,500	NORTON		7,500			7,500	7,500
COMANCHE	7,500				7,500	7,500	OSAGE	7,500				7,500	7,500
COWLEY	7,500		5,000		12,500	7,500	OSBORNE	7,500				7,500	7,500
CRAWFORD	7,500		3,000		10,500	7,500	OTTAWA	7,500		1,000		8,500	7,500
DECATUR		6,500			6,500	6,500	PAWNEE	7,500				7,500	7,500
DICKINSON	7,500				7,500	7,500	PHILLIPS	7,500				7,500	7,500
DONIPHAN	7,500		1,900		9,400	7,500	POTTAWATOMIE	7,500		55,000		62,500	7,500
DOUGLAS		7,500	5,818	3,182	16,500	7,500	PRATT		7,500	1,000		8,500	7,500
EDWARDS	4,700				4,700	4,700	RAWLINS	6,500				6,500	6,500
ELK		6,000			6,000	6,000	RENO	7,500		32,709.25		40,209.25	7,500
ELLIS	7,500		12,350		19,850	7,500	REPUBLIC	7,500		5,500		13,000	7,500
ELLSWORTH		7,500			7,500	7,500	RICE	7,500		15,000		22,500	7,500
FINNEY	7,500		11,000		18,500	7,500	RILEY	7,500		6,000	3,500	17,000	7,500
FORD	7,500				7,500	7,500	ROOKS		7,500	7,500		15,000	7,500
FRANKLIN		7,500	375		7,875	7,500	RUSH	7,500		15,000		22,500	7,500
GEARY	6,000				6,000	6,000	RUSSELL	7,500				7,500	7,500
GOVE		7,000			7,000	7,000	SALINE		7,500	2,500		10,000	7,500
GRAHAM	7,500		8,000		15,500	7,500	SCOTT	7,500				7,500	7,500
GRANT	7,500				7,500	7,500	SEDGWICK	7,500			52,980	60,480	7,500
GRAY	7,500				7,500	7,500	SEWARD	7,500				7,500	7,500
GREELEY	3,850				3,850	3,850	SHAWNEE	7,500				7,500	7,500
GREENWOOD		7,500	8,910		16,410	7,500	SHERIDAN	7,200				7,200	7,200
HAMILTON	7,500			2,000	9,500	7,500	SHERMAN		7,500	5,000		12,500	7,500
HARPER	6,000	1,500	13,500		21,000	7,500	SMITH		7,500	5,000		12,500	7,500
HARVEY		7,500			7,500	7,500	STAFFORD	7,500				7,500	7,500
HASKELL		7,500	1,500		9,000	7,500	STANTON	7,500		2,500		10,000	7,500
HODGEMAN		7,500			7,500	7,500	STEVENS	7,500		6,770		14,270	7,500
JACKSON	7,500		12,000		19,500	7,500	SUMNER		7,500	6,500		14,000	7,500
JEFFERSON		7,500	5,250		12,750	7,500	THOMAS	7,500				7,500	7,500
JEWELL	7,500				7,500	7,500	TREGO		7,180			7,180	7,180
JOHNSON	7,500				7,500	7,500	WABAUNSEE	7,500				7,500	7,500
KEARNY	7,500		15,000		22,500	7,500	WALLACE	7,300				7,300	7,300
KINGMAN	7,500			3,000	10,500	7,500	WASHINGTON	7,500		30,000		37,500	7,500
KIOWA	7,500				7,500	7,500	WICHITA		7,500			7,500	7,500
LABETTE	7,500				7,500	7,500	WILSON		7,500	825		8,325	7,500
LANE	7,500		28,000		35,500	7,500	WOODSON	7,500				7,500	7,500
LEAVENWORTH	7,500			8,000	15,500	7,500	WYANDOTTE		7,500	6,426		13,926	7,500
LINCOLN		7,500	3,000		10,500	7,500	TOTALS	557,025	213,930	453,233.25	77,960	1,302,148.25	770,955

CD-Handbook
April 1986-Revised

7-11-4

Attachment No. 3



Johnson County
Kansas

January 5, 1986

Mr. Franklin Lane, Chairman
JOHNSON COUNTY CONSERVATION DISTRICT
304 S. Clairborne - Suite 102
Olathe, Kansas 66061

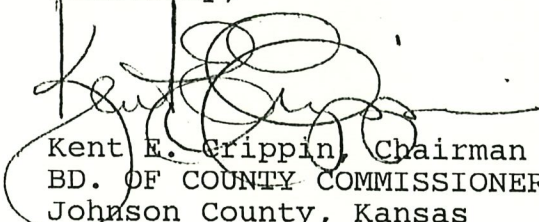
Dear Mr. Lane:

This is to advise you that the Johnson County Board of Commissioners has adopted a position supporting your Board's efforts to obtain legislation removing the \$7,500. limit that counties are allowed to contribute to the Conservation District's budget. We feel this will allow County Commissioners the flexibility to fund the work of the Conservation District, at the appropriate level of their individual county.

This position has been included in Johnson County's 1987 Legislative Program, and Gerry Ray, the County's Intergovernmental Coordinator, is prepared to present supporting testimony before a Legislative Committee at the proper time.

We wish you success in getting the legislation adopted, and suggest that you stay in contact with Ms. Ray during the legislative session.

Sincerely,



Kent E. Grippin, Chairman
BD. OF COUNTY COMMISSIONERS
Johnson County, Kansas

KEC/db

cc: BOARD OF COUNTY COMMISSIONERS
E. H. Denton, County Administrator
Gerry Ray, Jo. Co. Intergovernmental Coordinator
Jack Manahan, Director, Jo. Co. Office of
Management and Budget



JOHNSON COUNTY CONSERVATION DISTRICT

304 South Clairborne, Suite 102
Olathe, Kansas 66062
Phone (913) 764-1931

The Johnson County Conservation District in conferring with the Johnson County Board of Commissioners would like the District Law on funding of Conservation Districts changed because one mill in Johnson County is \$1,000,000. Because of this the small amount of extra monies needed by the Conservation District does not justify making it a line item.

Franklin Lane
Chairman
13750 S. Gardner Rd.
Olathe, Ks. 66061
(913) 884-8198

Tom Boehm
Vice Chairman
17370 W. 175th
Olathe, Ks. 66062
(913) 884-3436

Roy Bowlin
Secretary
31935 W. 115th
Olathe, Ks. 66061
913) 585-1847

Robert Knoche
Treasurer
238 N. Maple
Gardner Ks. 66030
(913) 884-8200

Leonard Finley
Member
16240 S. Sunflower Rd.
Gardner, Ks. 66030
(913) 882-6648

MEMORANDUM

TO: House Taxation Committee

FROM: Harley T. Duncan, Secretary
Department of Revenue

DATE: March 23, 1987

RE: Testimony for House Bill No. 2552

This legislation would impose personal liability upon individuals for non-collection and/or non-payment of the following taxes, regardless of the form under which the taxpayer conducts business: transient guest tax, gallonage tax on liquor, cigarette stamp and tobacco products taxes, all of the various motor fuel taxes, bingo enforcement tax, liquor enforcement tax and liquor excise tax. Therefore, with the enactment of this legislation, the Department could impose personal liability upon corporate officers for any of the just-mentioned taxes.

During the 1986 Legislative Session, a bill with identical language was passed with respect to sales and compensating taxes (see K.S.A. 79-3643). The Department is now requesting that this personal liability be carried over to the other taxes which it administers.

It is important to note that under House Bill 2552 the Department could not impose the tax on just anyone. The tax could be imposed only upon an individual who is responsible for the collection or payment of the tax, or has control, receipt, custody or disposal of funds due and owing under any of the various tax statutes. In addition, the Department would like to stress that the provisions of this bill would be used only as a last resort -- when all other efforts at collecting and satisfying any outstanding tax liabilities have failed.

Should this legislation not be enacted, a corporation merely needs to dissolve and re-incorporate to effectively avoid the tax. The Department has experienced such occurrences with respect to sales taxes. One retailer has re-incorporated at least two times and has a total outstanding sales tax liability of approximately \$150,000 from these "different" corporations. Since all of the liability accrued prior to July 1, 1986, the Department cannot hold the sole/individual officer personally liable.

Barol

On a more positive note, however, the Department was able to collect \$23,349 of outstanding sales taxes during the fall of 1986 due to the passage of K.S.A. 79-3643. The business which owed this amount of sales tax was a corporation and it was only after pursuing one of the officers individually did the corporation pay the outstanding liability in full.

In addition, with respect to liquor excise taxes, the Department is seeing the following occur: clubs are operating as reciprocal clubs for one year; the clubs fall short of the 50% food sales which is required to be reciprocal; the clubs merely re-incorporate after the one year, receive a new liquor license and remain in business. It is not difficult to see how such clubs could end up owing the state not only sales tax but also liquor excise tax.

Finally, it is the Department's opinion that the passage of this legislation will be an aid in reducing the accounts receivable problems which have been identified by both Legislative Post Audit and the Legislative Committee on Governmental Organizations since it will add one more "tool" which can be used by the Department.

The Department strongly supports passage of House Bill 2552.

MEMORANDUM

TO: House Assessment and Taxation Committee

FROM: Harley T. Duncan, Secretary
Department of Revenue

DATE: March 16, 1987

SUBJECT: Testimony for House Bill No. 2553

Passage of this legislation would create what is referred to as a "revolving garnishment" to enforce an outstanding debt due the State under the income, withholding or sales and compensating taxes. Under a "revolving garnishment", the garnishment remains in full force and effect until the liability out of which the garnishment arose is satisfied or becomes unenforceable at law. A "revolving garnishment" would only attach to property, funds, credits or other indebtedness belonging to or owing by the defendant/taxpayer; it would not attach to wages.

The Department has begun to make increasing use of garnishment procedures to collect delinquent taxes. Garnishments have generally been applied to wages; however, recently the Department has begun to use garnishments against bank accounts and other payors, such as Blue Cross/Blue Shield insurance payments. One problem which the Department has encountered is that under the present statutes a garnishment can be applied to only "one normal pay period." After one withholding of funds, the garnishment is released even if the entire delinquency is not satisfied. To reimpose the garnishment, the Department must make another determination of delinquency, obtain another court order and make another service upon the payor. This is time consuming, labor intensive, and fraught with delays, all of which leads to uncollected taxes.

In addition, it is highly likely that under the present garnishment statutes the Department may miss a large contract payment simply because the contract payment did not become due the defendant/taxpayer during the time the garnishment was operative. A "revolving garnishment" will enable the Department's levy to stay in full force and effect until such time that the debt has been satisfied or becomes unenforceable at law.

As a result of the Department using garnishments more frequently and for more than just wages, garnishees have expressed concern that they will become bogged down in excessive paperwork in keeping track of numerous garnishments that may come in from the Department for past due taxes. With a "revolving garnishment", the garnishee only needs to keep track of one garnishment for one defendant/taxpayer at a time.

The language which is contained in House Bill 2553 is modeled after the "revolving garnishment" statute which is used by the IRS in its attempt to collect outstanding taxes.

The Department believes that the benefits of a "revolving garnishment" are threefold:

- 1) less burden on the garnishee who must freeze the defendant/taxpayer's assets and remit them to the state;
- 2) facilitate a higher level of efficiency within the Department in collecting past due income, withholding, sales and compensating taxes; and
- 3) yield a higher rate of collection of past due income, withholding, sales and compensating taxes for the State.

The Department strongly supports the passage of House Bill 2553.



KANSAS DEPARTMENT OF REVENUE
Office of the Secretary
State Office Building · Topeka, Kansas 66612-1588

To: House Committee on Taxation
The Honorable Ed Rolfs, Chairperson

From: Secretary of Revenue
Harley T. Duncan

Date: March 22, 1987

Re: Senate Bill 238

All locally assessed properties are or in 1989 will be levied against by use of a taxing unit aggregate levy (sum of the district levies) basis. Current law requires that railroads and utilities, K.S.A. 79-5a01 properties, return to the director of property valuation by district. The changes set out in Senate Bill 238 merely complete the attitude of all property being levied against by levy unit rather than by district. If such change is not made with effective lead time, commensurate with the task at hand, it will require counties to operate under the unit process for locally assessed properties and by district for state assessed properties. Data management efficiency will be enhanced substantially by the requested changes being effected.



KANSAS DEPARTMENT OF REVENUE

Office of the Secretary

State Office Building · Topeka, Kansas 66612-1588

To: House Committee on Taxation
The Honorable Ed Rolfs, Chairperson

From: Secretary of Revenue
Harley T. Duncan

Date: March 22, 1987

Re: Senate Bill 239

On April 18, 1985, the Court of Appeals of Kansas in Litho Stepping, Inc. v. Wyandotte County, 10 Kan.App.2d 308, 698 P.2d 842, stated that K.S.A. 79-316 is "an anachronistic anomaly, with no real place in our present statutory scheme of taxation." The court pointed out that K.S.A. 79-314, 79-315, and 79-316 were sections 1, 2, and 3, respectively, of the Laws of 1899, ch. 248. Section 1 declared that property acquiring a situs in Kansas after Tax Day was to be taxed. The court further stated that when Section 1 of the act was repealed (L. 1965, ch. 511, section 12), the other two sections were left dangling with no taxing statute left to implement. The court concluded that "[d]espite its general terms K.S.A. 79-316 at best applies only to persons who bring property into this state between January 1 and July 1 who intend to remove the property before the next January 1." The use of the term "at best" implies that the court in a future case might find K.S.A. 79-316 inapplicable in all situations.

General Information (913) 296-3909

Office of the Secretary (913) 296-3041 · Legal Services Bureau (913) 296-2381

96-7719 · Planning & Research Services Bureau (913) 296-3081

au (913) 296-2331 · Personnel Services Bureau (913) 296-3077

K.S.A. 79-316, despite its general term is of limited usefulness in the wake of the Litho decision. It should be repealed, along with K.S.A. 79-315, to prevent unnecessary litigation that may result from misapplication by county appraisers.

If it is the legislature's intention to tax such property, a new statute needs to be enacted. Such statute should provide that when any property shall be located in any county in this state after the first day of January of any year, which shall acquire an actual situs therein, such property is taxable therein for that year.

The legislature, if it enacts such a statute, may want to provide for excluding from taxation such property which has been listed for taxation for that year in some other county in this state or in some other state of the United States.

In summation, the court's principal objection to K.S.A. 79-315 and 79-316 is that they are implementing sections with no taxing sections left to implement. Thus, the legislature is asked to repeal them.



KANSAS DEPARTMENT OF REVENUE

Office of the Secretary

State Office Building · Topeka, Kansas 66612-1588

To: House Committee on Taxation
The Honorable Ed Rolfs, Chairperson

From: Secretary of Revenue
Harley T. Duncan

Date: March 22, 1987

Re: Senate Bill 240

This proposed legislation would assist appraisers in notifying taxpayers of their property's new appraised and assessed values after the completion of Reappraisal. Currently the law provides that appraisers notify property owners of the appraised and assessed values for their land and each building for both the current and previous years. The proposed legislation changes the law to provide the appraised and assessed total for the land and the total for all buildings. Furthermore, the appraised and assessed values for both current and previous years would not be shown in the year reappraisal is implemented.

The reason for the proposed change is primarily one of public relations for the appraiser. Because the current values (both appraised and assessed) are so outdated and tremendously low, they bear no comparison to the reappraised values. Showing such an increase in valuation on the tax notice without the corresponding reduction in mill levies will confuse and unnecessarily alarm many property owners. Confused and alarmed property owners translate into many unnecessary formal and

General Information (913) 296-3909

3) 296-3041 · Legal Services Bureau (913) 296-2381

719 · Planning & Research Services Bureau (913) 296-3081

913) 296-2331 · Personnel Services Bureau (913) 296-3077

informal appeals for the county appraiser. It is anticipated that there will be an excessive number of appeals anyway, and there is no reason to add to the number with taxpayers trying to compare two uncomparable figures.

The second change would eliminate showing a value for each building located on a property. Much of this information is currently unavailable and impossible to determine. Following reappraisal, it would be possible to show the information, but again would be confusing as property owners attempt to identify each building listed. If property owners are interested in more detail than a total building value, they should most likely visit their county appraiser.

Again, both of these changes will help reduce taxpayer confusion and eliminate appeals for county appraisers and boards of equalization. Any measure that can accomplish this is well worth consideration.



KANSAS DEPARTMENT OF REVENUE

Office of the Secretary

State Office Building · Topeka, Kansas 66612-1588

To: House Committee on Taxation
The Honorable Ed Rolfs, Chairperson

From: Secretary of Revenue
Harley T. Duncan

Date: March 22, 1987

Re: Senate Bill 241

Current law requires that one copy of each prescribed guide be furnished each county. 1987 fiscal year costs were \$28,000 to furnish one copy of each prescribed guide. Counties typically desire multiple copies of these guides which entails the billing of one copy to the state and the remainder to the county. A great deal of confusion is experienced in getting billings and mailings straightened out with the publishers. In addition to the one copy per county being billed to the division, office use copies are necessary for in house staff.

The division would still negotiate with the publishers for quantity pricing of these guides, however, the chances of confusion and possible duplication of payment would be reduced substantially.

General Information (913) 296-3909

Tax (913) 296-3041 · Legal Services Bureau (913) 296-2381

196-7719 · Planning & Research Services Bureau (913) 296-3081

Personnel Services Bureau (913) 296-3077