

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 24, 1987 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Fox, Vancrum, Crowell, Gatlin, Smith, Fuller, Wagon

Committee staff present:

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

David Litwin, representing KCCI, spoke in support of SB-76 - AN ACT relating to taxation; concerning the rate of interest upon delinquent or unpaid taxes. Secretary Harley Duncan, Kansas Department of Revenue, spoke as a proponent of SB-76 as he believes it would tie interest rates to a market basis and provide a means to adjust the rate annually so that future legislative changes will not be necessary. (Attachment 1) Timothy O'Sullivan, Wichita, representing the Kansas Bar Association, would like to have the bill amended so that Kansas would impose a "floating" interest rate on all refunds and deficiencies. (Attachment 2) Betty McBride, Cherokee County Treasurer, testified that the variable rate of interest specified in SB-76 would be difficult to administer, especially in counties that are not computerized. (Attachment 3) Mr. Bill ~~McBride~~ O'Brien, Treasurer of Johnson County and president of the County Treasurers' Association, testified that the treasurers feel that there is a problem with a constantly changing yearly interest rate with existing tax statements indicating a set rate. Also, they believe it would lead to increased staff time in monitoring and bookkeeping and there would be a fiscal impact on the counties. (Attachment 4) Warren Rhodes, Douglas County Commissioner, appeared in opposition to SB-76. He said that he and other commissioners are concerned that any proposal to lower the rate will offer an inducement to certain taxpayers to avoid their tax obligations. (Attachment 5) Nancy Welsh, Douglas County Treasurer, representing the Kansas County Treasurers' Association, testified in opposition to SB-76. She said that the adjustable rate factor is not mechanically practical for the county treasurers to work with. Many counties are not computerized so it would require many hours to make the required program changes. (Attach. 6) Gerry Ray, representing Johnson County Commission, testified that they are opposed to Secretary Duncan's suggestion. Beverly Bradley, Legislative Coordinator Kansas Association of Counties, said they were opposed to SB-76 in its present form, and requested that local property taxes be excluded from the bill. (Attachment 7) This concluded the public hearing on SB-76.

Representative Aylward moved, second by Representative Rolfs, that the committee report the following bills adversely: HB-2165, 2213, 2263, 2274, and 2545. The motion carried. Chairman Rolfs requested that HB-2378 be removed from books. There being no further business, the meeting was adjourned.

Ed C. Rolfs
Ed C. Rolfs, Chairman



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

MEMORANDUM

TO: The Honorable Ed C. Rolfs, Chairman
House Committee on Taxation

FROM: Harley T. Duncan, Secretary
Kansas Department of Revenue

RE: Senate Bill 76

DATE: March 24, 1987

Thank you for the opportunity to appear before you on Senate Bill 76 reducing the rate of interest charged on delinquent tax payments. The Department of Revenue supports this measure.

Provisions of the Bill

The principal provision of the bill amends KSA 79-2968 to change the current 18% rate charged on delinquent or unpaid taxes to a rate to be determined annually by the Secretary of Revenue. The rate would be five percentage points above the average prime rate for the three month period ending November 30 and would be applied for the Year beginning January 1, 1988, except for income taxes when the effective date would be January 15. For real and personal property tax interest, the effective date would be December 21 or the first business day thereafter. A new rate would be computed each year and published in the Kansas Register on or before January 1.

Section 2 of the bill amends KSA 79-32,105 to repeal the 12% interest rate paid on overpayment of income taxes. The Secretary of Revenue would determine the new rate by January 1, 1988 and each January as 100% of the average rate received by the Pooled Money Investment Board on time deposit open accounts for the three month period ending November 30 of the preceding year.

Section 3 retains a current law penalty of 18% for underpayment of estimated tax. Section 4 conforms the interest paid on inheritance tax refunds to the provisions of section 2 of the bill.

Based on current rates, the rate charged would be 12 percent and the rate paid would be 6 percent.

Rationale for the Bill

1. It will tie our interest rates to a market basis and provide a means to adjust the rate annually so that future legislative changes will not be necessary. Our rates should not get as far out-of-line as they have in the recent past.

2. The rate proposed to be charged is based on the manner in which banks determine interest rates (i.e., the prime plus 1-5 points depending on creditworthiness of the borrower.) It reflects that delinquent taxpayers are not necessarily the best credit risks; yet it is not usurious. It should be sufficiently high, however, to avoid a situation in which it is a profitable option to be delinquent in tax payments.
3. The rate to be paid on income tax refunds is tied to what the State actually earns on the use of the taxpayer's funds.
4. The annual adjustment represents a balance between the need to keep the rate current and the desire to avoid a splitting of tax years and the limited ability of our automated and manual processing systems to handle variable rates.
5. The approach is similar to that in about 15 other states.

Fiscal Impact

This proposal will reduce State General Fund receipts, but we do not have sufficient data to provide a precise estimate. However, the largest single source of interest receipts is on audit assessments which cover prior years. Therefore, the full impact will not be felt until at least several years in the future for two reasons. We have an inventory of audit assessments with interest assessed at the current rate which will be collected over the next 2-3 years. Also, the current rate will be applied to all taxes payable through 1987 and assessments will be made and collected on these years for the next several years. Despite the negative fiscal impact, the proposed changes are desirable.

Additional Considerations

1. **Local Property Taxes** - Interest charged on local property taxes is also tied to the K.S.A. 79-2968. Unlike state taxes, however, there is no late payment penalty which attached to delinquent property taxes. Only if renditions are filed delinquently or the appraiser must file the rendition is a penalty applied. The Committee therefore may wish to consider whether a separate rate should be established for local property taxes.
2. **Excise Taxes** - The sales and excise taxes administered by the Department are tied to the delinquent tax interest rate set by "subsection (a) of KSA 79-2968." As the section now reads, subsection a is not appropriate. Thus we may need to amend the relevant statutes or provide some generic language to amend in KSA 79-2968.
3. **Inheritance Tax Refund** - Current law provides that no refund of inheritance taxes is to be paid if the refund is less than \$5 which is the same as for income taxes. Given the one-time, rather large nature of most inheritance tax returns, we would suggest increasing this **de minimus** threshold to \$50.

Thank you for the opportunity to appear on this matter. I would be glad to answer any questions.

TESTIMONY BEFORE HOUSE TAXATION COMMITTEE

RE: Interest Rates on Tax Underpayments and Overpayments

DATE: March 24, 1987

By: Timothy P. O'Sullivan of Fleeson, Goong, Coulson & Kitch, Wichita
on behalf of the Kansas Bar Association

Current Law

Underpayments: K.S.A. 79-2968 currently provides for a uniform 18% interest rate on any delinquent or underpaid taxes levied by the State of Kansas or any political subdivision thereof for which interest is charged by law.

Overpayments: K.S.A. 79-32,106(e) currently provides for a 12% per annum interest rate on income tax refunds, with the same rate being applicable to inheritance tax refunds as well. There is no provision for interest on any other overpayment of taxes imposed by the State of Kansas or any political subdivision thereof.

Federal Law: The federal government, pursuant to Internal Revenue Code Section 6621, prior to 1987, utilized the prime rate, adjusted semi-annually, to determine the interest rate on tax overpayments and underpayments. The same rate was applicable to both underpayments and overpayments. Commencing in 1987, the federal government will adjust its rates four times a year and set them 2% above the short-term AFR rate (treasury obligations of three years or less) for tax refunds and 3% above the same rate for tax deficiencies. It is anticipated that these rates will approximate the prime rate index previously used.

KBA Recommendation

In conformity with federal law, and in adapting to changing interest rates in the marketplace, Kansas should impose a "floating" interest rate on all refunds and deficiencies imposed by the State of Kansas and political subdivisions thereof. Any differential between the foregoing rates should be limited to 1%.

Rationale

The current provisions of state law imposing Master Card rates on tax deficiencies, while providing for no interest rate on tax refunds other than income and inheritance taxes is patently unfair, particularly in situations where taxes (such as property and unemployment) must often be paid by the taxpayer prior to any adjudication that the taxes are in fact owing. Such interest provisions provide little incentive for taxing authorities of this state to settle cases based upon their merits or move cases expeditiously. Such taxing authorities often have free use of the taxpayers' money during the appellate process and should there ultimately be any deficiency owing, their 18% return is more than twice that which could be earned anywhere else. In short, taxpayers are faced with an exorbitant interest rate on deficiencies, a system

which furnishes little incentive for equitable treatment by taxing authorities, and a system which no doubt imposes additional costs on the Board of Tax Appeals and the Courts of this state in litigating tax controversies which otherwise would have been settled.

The Committee no doubt will continue to hear arguments that justify a much higher interest rate on tax deficiencies, based upon the theory that to do otherwise would place taxing authorities in the role of lenders, thus encouraging non-payment of taxes. These arguments lack merit. The federal government listened to the same arguments and only imposes a 1% differential between tax underpayments and overpayments. Any taxpayer who is going to deliberately underpay taxes is no going to be dissuaded by imposing an even higher rate on deficiencies. Further, non-payment of tax liabilities, both at the state and federal level, are and should be discouraged by the imposition of penalties, such as non-payment, non-filing, substantial understatement without substantial authority, negligence and fraud penalties, not by extracting an unreasonably high interest rate on all tax deficiencies. Where a reasonable difference exists as to the amount of taxes owing, thereby avoiding imposition of tax penalties, taxing authorities should be compensated upon final resolution of the matter based solely upon reasonable use of money concepts. Nor is a higher rate of interest on tax deficiencies justified by the fact that some tax deficiencies are in fact never paid. This loss should be borne by all taxpayers, not just upon those who happen to owe tax deficiencies.

The Kansas Bar Association urges this Committee to reduce the differential rate in Senate Bill No. 76, as amended on the floor of the Senate, to a maximum of 1%. In its present form it provides an approximate 5-6% differential, although lowering the basic rates about 5%. There simply is no justification for retaining such a differential and imposing an approximate 12-13% interest rate on tax underpayments, particularly as the bill retains the current 18% interest rate on underpayments of tax estimates. It provides little incentive to the state to settle tax controversies, gives an interest windfall to the state on tax underpayments, and imposes an often onerous interest burden on those who have legitimately contested their tax liabilities or simply made an honest mistake on their tax returns. Usually there is a minimum of two years, and often the period is four years or more, after a return is filed before such tax controversy is resolved of such mistake is discovered.

Further, the Kansas Bar Association urges the Committee to further amend the Bill to apply the refund interest rate on sales tax, unemployment tax and property tax refunds as well. There is no rationale which can support non-payment of interest on such refunds. Why is the Kansas taxpayer not entitled to the same refund rate on state sales taxes as is applied to state income taxes? It is doubtful the fiscal note to the state on such interest payments would be significant. Further, unlike income taxes, the taxpayer is required to pay property taxes under protest before an appeal can be made, with the same rule normally being applicable to unemployment taxes. What rationale can support allowing taxing authorities free use of a taxpayer's money when the ultimate resolution of the matter is a determination that such taxes were unlawfully imposed or not owing? What incentive is there for such taxing authorities to be reasonable in their interpretation of tax law when the authorities can still receive interest-free loans of the taxpayer's money on unlawfully

imposed taxes? The Committee is urged to rectify this inequity by extending the refund interest rate to sales, property and unemployment taxes as well.

Betty McBride, Treasurer

CHEROKEE COUNTY, KANSAS



COLUMBUS, KANSAS 66725

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

I AM BETTY MCBRIDE CHEROKEE COUNTY TREASURER. I WANT TO EXPRESS MY APPRECIATION TO YOU FOR ALLOWING ME THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY TO EXPRESS THE CONCERNS WHICH THE COUNTY TREASURER'S HAVE IN REGARDS TO SENATE BILL #76.

SENATE BILL #76 IF ENACTED IN ITS PRESENT FORM WOULD ESTABLISH A VARIABLE RATE OF INTEREST DETERMINATED EACH DECEMBER FIFTEENTH, TO BE CHARGED ON DELINQUENT TAXES COLLECTED IN THE COUNTY TREASURER'S OFFICE.

VARIABLE RATES OF INTEREST WOULD BE DIFFICULT TO ADMINISTER IN THE COUNTY TREASURER'S OFFICE, ESPECIALLY IN COUNTIES THAT ARE NOT COMPUTERIZED. THIS PROCEDURE WOULD HAVE TO BE DONE MANUALLY. SINCE REAL ESTATE TAXES MAY REMAIN DELINQUENT FOR A PERIOD OF THREE YEARS BEFORE ANY TAX SALE PROCEDURE CAN BE IMPLEMENTED BY THE COUNTY THE INTEREST ON EACH DELINQUENT PARCEL COULD POSSIBLY HAVE TO BE COMPUTED AT THREE OR FOUR DIFFERENT INTEREST RATES. UNPAID PERSONAL TAXES REMAIN A JUDGEMENT AGAINST THE PERSON OR BUSINESS FOR A PERIOD OF FIVE YEARS. THE SHERIFF ALSO BECOMES INVOLVED IN THE COLLECTION AND COMPUTATION OF THE TAX AND INTEREST ON DELINQUENT PERSONAL TAXES. THE DIFFERENT RATES OF INTEREST BECOME EVEN MORE COMPLEX TO ADMINISTER WHEN DIFFERENT OFFICES ARE REQUIRED TO COMPUTE THE INTEREST ON THE SAME DELINQUENT PROPERTY.

WHEN TAXES BECOME DELINQUENT AND REMAIN UNPAID IT HAS AN EFFECT ON ALL UNITS OF GOVERNMENT, SUCH AS STATE, COUNTY, CITIES, SCHOOLS AND TOWNSHIPS.

TO REPLACE THIS LOSS EACH TAXING UNIT MUST LEVY ADDITIONAL TAX DOLLARS INTO THEIR NEXT YEARS BUDGET. THEREFORE THE TAXPAYER WHO IS DILIGENT AND CONCERNED IN PAYING HIS TAXES MUST ALSO PICKUP THE DELINQUENT TAXPAYERS PORTION OF TAXES DUE.

THE TREASURER'S OFFICE HAS ALWAYS COLLECTED A FIXED RATE OF INTEREST. INCREASES IN INTEREST HAVE BEEN MADE PREVIOUSLY TO SERVE AS A DETERRENT FOR THE TAXPAYER WHO FOUND IT WAS OF GREATER FINANCIAL BENEFIT TO LEAVE TAXES UNPAID IN THE TREASURER'S OFFICE THAN TO BORROW FROM A LENDING AGENCY.

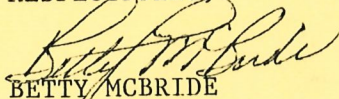
CHEROKEE COUNTY IS PRIMARILY AN AGRICULTURAL COUNTY. HOWEVER THE LARGEST PERCENT OF DELINQUENCY COMES FROM BUSINESS AND SINGLE DWELLINGS. BUSINESS AND INDUSTRY ARE SUPPOSED TO PROVIDE ADDITIONAL VALUE TO LOWER THE TAX RATE, WHEN THEY DO NOT PAY THEIR TAXES IT PLACES ADDITIONAL BURDENS ON THE INDIVIDUAL TAXPAYER. I HAVE ATTACHED AT THE END OF THIS TESTIMONY A SHEET SHOWING STATISTICS REGARDING CHEROKEE COUNTY DELINQUENT TAXES FOR 1986. YOU WILL NOTE THAT WE HAVE A TOTAL OF 22,492 REAL ESTATE PARCELS IN CHEROKEE COUNTY. 1,768 PARCELS BECAME DELINQUENT IN 1986 TOTALING \$171,806.03. 1,424 PARCELS REPRESENTING BUSINESS AND SINGLE DWELLINGS TOTALING \$134,538.05 OR 80.54% OF THIS TOTAL. FARM AND AGRICULTURE PARCELS TOTALED 344 AND \$37,267.98 IN TAX OR 19.46% OF THE TOTAL DELINQUENCY. THE SAME IS REFLECTED IN PERSONAL TAXES WHERE BUSINESS AND PERSONAL LISTINGS TOTAL 86.59% OF THE TOTAL DELINQUENCY AND DELINQUENCY INVOLVING AGRICULTURE WAS 13.41%.

WE DO NOT WISH TO CREATE ANY ADDITIONAL BURDENS ON THE TAXPAYERS, WE DO HOWEVER WANT TAXES COLLECTED SO THAT TAXING UNITS MAY CONTINUE TO OPERATE AND MEET THEIR OBLIGATIONS.

SENATE BILL #76 WILL NOT BENEFIT THE TAXPAYER AND ONLY CREATE CONFUSION. WE ASK THAT SENATE BILL #76 BE AMENDED BY THIS COMMITTEE TO EXCLUDE COUNTY TREASURER'S FROM THE MANDATE THIS BILL WOULD REQUIRE, AND THAT THE LANGUAGE AND STATUTES WHICH MAY BE NECESSARY TO ADDRESS THIS MATTER BE INCLUDED TO INSURE THAT THE TREASURER'S ARE REMOVED.

I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE REGARDING THIS MATTER AT THIS TIME.

RESPECTFULLY,


BETTY MCBRIDE
CHEROKEE COUNTY TREASURER

1986 CHEROKEE COUNTY STATISTICS REGARDING DELINQUENT REAL ESTATE AND PERSONAL PROPERTY TAXES.

CHEROKEE COUNTY POPULATION-----23,000
 TOTAL REAL ESTATE PARCELS IN CHEROKEE COUNTY-----22,492
 PERSONAL PROPERTY TAX TRACTS----- 3,143
 TOTAL 1986 DELINQUENT REAL ESTATE PARCELS----- 1,768 DELINQUENT PERSONAL TRACTS -----82
 TOTAL 1986 DELINQUENT TAX DOLLARS-----\$171,806.03 (REAL ESTATE) \$53,287.23 (PERSONAL)

<u>REAL ESTATE ORIGIN OF DELINQUENCY</u>	<u>NO. TRACTS DELINQUENT</u>	<u>TOTAL DOLLARS DELINQUENT</u>	<u>PERCENTAGE OF TAX DOLLARS</u>	<u>PERCENTAGE OF TOTAL DELINQUENCY</u>
Business and single Dwellings	1424	\$134,538.05	78.31 %	80.54 %
Farm homes and Agriculture land.	344	\$ 37,267.98	21.69 %	19.46 %
<u>PERSONAL PROPERTY ORIGIN OF DELINQUENCY</u>	<u>NO. TRACTS DELINQUENT</u>	<u>TOTAL DOLLARS DELINQUENT</u>	<u>PERCENTAGE OF TAX DOLLARS</u>	<u>PERCENTAGE OF TOTAL DELINQUENCY</u>
Business and personal listings.	71 tracts remained unpaid 10/1/86	\$ 39, 465.41	74.06 %	86.59 %
Farm and Agriculture land.	11 tracts remained unpaid 10/1/86	\$ 13,821.82	25.94 %	13.41 %

REMARKS BEFORE HOUSE TAXATION COMMITTEE ON S.B. 76
TUESDAY, MARCH 24, 1987

Mr. Chairman, Ladies and Gentlemen of the Committee.

My name is Wm. E. "Bill" O'Brien, Treasurer of Johnson County and President of the County Treasurers' Association of the State of Kansas.

Thank you for this opportunity to express concern on S.B. 76 as amended now before you which in its present form provides for a variable interest rate to be charged on delinquent state and local taxes.

The original bill was simply a bill to reduce from 18% to 12% the interest charged on delinquent taxes. The Treasurers' Association had no objection to that although we had some concern that the prompt payers of taxes might be penalized for the delinquencies of others including developers who preferred to use the county as a lending agency.

However, after an amendment to go to a variable rate set each year, suggested by the Department of Revenue, the administrative problems that would create caused us to request the removal of the language "or any taxing subdivision thereof" following the State of Kansas on line 31.

The variable rate advanced by the Secretary of Revenue, I feel, was for the delinquent or unpaid taxes due the state and for refunds due from the state.

The treasurers feel that there is a problem with a constantly changing yearly interest rate with existing tax statements indicating a set rate, sheriff's collection in some counties, compounding, etc. Also the well known cases of cash short developers not paying taxes because it was possible to "use" county's money at a lower interest rate than they could borrow from a financial institution. This leads to increased staff time in monitoring and bookkeeping not to mention the fiscal impact to the counties.

While a changing interest rate would be less of a burden on the few counties on computers (although the data processing people tell us the programming will neither be easy nor cheap), the other county treasurers and sheriffs will be involved in time consuming manual calculations involving many different interest rates over a period of years.

Douglas County

TO : House Committee on Taxation
FROM : Warren Rhodes, Douglas County Commissioner
SUBJECT: Senate Bill 76: Interest on Delinquent Taxes
DATE : March 24, 1987

Thank you for the opportunity to appear today in opposition to 1987 SB 76. Douglas County has been making a concerted effort in recent years to reduce the amount of delinquent real and personal property taxes of the County and the taxing subdivisions within the County. We believe the current delinquent interest charge of 18% per annum has significantly encouraged taxpayers to avoid delinquent status and to pay delinquent taxes as soon as possible. As a practical matter, few taxpayers can borrow money from a commercial lending institution to pay delinquent taxes at a rate which is below the current 18% rate. Many of these persons would, of necessity, do their borrowing from finance companies, where the rate on the lower amounts is 21%. Consequently, lowering the current rate will not provide any incentive for earlier payment of these delinquent taxes. On the contrary, my fellow commissioners and I are concerned that any proposal to lower the interest rate will offer a significant inducement to certain taxpayers to avoid their tax obligations.

As a retired banker, I also cringe at the use of the word "prime" in this bill. There are several substantial lawsuits in the U.S. because of the use and abuse of that term by banks. I also would ask what the plan would be, should the "prime" rate go back up to 16%. Adding 5 points to that would possibly violate our usury statutes for Kansas.

Like other taxing subdivisions, Douglas County will always have a certain percent of delinquent taxes. In preparing our 1987 budget, we assumed a 4% rate of delinquency. We hope to lower this rate in future years through a concerted tax collection program. Quite frankly, we believe that county government and other units of government owe their first obligation to those taxpayers who are prompt in the payment of their taxes. State law already authorizes a 2-3 year redemption period during which property taxes on real estate may be paid in order to avoid foreclosure of the County's tax lien. Personal property taxes do not become a judgment lien against property of the taxpayer until October 1st of

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the year after the levy of the tax. The Douglas County Commission cannot support any further relaxation in the tax payment obligations of property taxpayers.

I'm sure you will agree that fairness and simplicity are the policy objectives of every form of taxation that's ever been devised. I respectfully suggest that if you reduce the interest rate on delinquent personal and real property taxes that you will be further reducing the fairness of our existing system by shifting a greater burden on those taxpayers who are prompt in paying their tax obligations. Creating an interest rate that varies on an annual basis violates the objective of simplicity. A variable rate will be complicated for our county treasurers to compute and explain to the taxpayers. For these reasons, the Douglas County Commission wishes to register its opposition to 1987 SB 76. If legislation of this type is necessary for state taxes, we urge you to consider adopting separate legislation for those taxes administered by the State of Kansas.

Thank you.



Douglas County Treasurer

DOUGLAS COUNTY COURTHOUSE

Eleventh & Massachusetts

Lawrence, Kansas 66044

March 23, 1987

TO: House Taxation Committee

FROM: Nancy Welsh, Douglas County Treasurer

RE: Senate Bill 76

Mr. Chairman and members of the committee. My name is Nancy Welsh, Douglas County Treasurer. I am representing the Kansas County Treasurer's Association in opposition of Senate Bill 76. The Treasurer's Association is not protesting the intent of this bill which seeks changes in payments and refunds on income tax and inheritance tax, but only to separate local government from the adjustable interest rate factor. If local government were separated from this bill and the Legislature felt the need to address the interest factor on delinquent property taxes, it could be addressed under House Bill 2130 or 2171. By doing this, we can address our concerns without detaining Senate Bill 76.

Several factors need to be addressed concerning the adjustable interest rate. Currently, we are having to calculate interest on delinquent taxes at three different rates (10%, 12% & 18%). The adjustable rate factor is not mechanically practical for the County Treasurer's to work with. For a large number of counties, calculating interest manually is very time consuming. Having to calculate several interest rates for several years back taxes and figuring the number of days at each interest rate takes considerable time. For those counties on computer as we are, a constant reprogramming change is costly. In our county, eight program changes would have to be made in order to change the interest rate. Each of those programs would have to be edited and tested. The initial cost for making those changes are:

\$272.00	16 hrs program changes
\$360.00	9 hrs editing and testing
<u>\$632.00</u>	25 hrs (3 working days minimum)

This bill would only give computerized counties five days to make the necessary programming changes before interest must be calculated. Taxes become delinquent the 21st of December and the interest rate would be determined on the 15th of December. By the time counties receive this rate via mail (during a holiday season) we will probably only have a day or two to make the changes. Providing there are no errors made making the program changes, we could possibly be ready to calculate interest by December 21st.

L. Welsh, County Treasurer

Courthouse

Lawrence, Kansas 66044 / (913) 841-7700

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March 23, 1987

Our delinquency list is a majority of developers, businesses and individuals with rental properties (see attached fact sheet). The percentage of delinquency of personal property ranges from 73% to 88% being a combination of the above. The percentage of real estate delinquency ranges from 10% to 58% with the higher percentages being developers. Our problem of delinquency will only increase if local government is included in the adjustable interest rate. The individuals not paying now are not threatened by the interest rate---they just do not pay their taxes or they would have before the interest became a factor.

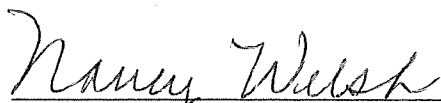
In figuring the 1987 budget for Douglas County last year, a 3% delinquency factor was built in for the uncollected taxes which resulted in a levy (1 mill) increase. The people who end up paying that delinquency mill levy increase are those who pay their taxes on time. Why should we concede to those who do not pay and penalize those who do pay on time?

We have made a concentrated effort in our county to collect delinquent taxes. We feel very strongly that the people who do pay on time should have an incentive to pay and not a penalty on next years taxes by way of a levy increase because of those who do not pay.

True, counties have Judicial sales to recover a portion of the back taxes owed; however, properties sold in these sales never bring enough in to pay off the back taxes, so the counties lose in the long run.

As of September 1986, Douglas county had \$226,042.50 in delinquent taxes eligible for a Judicial tax sale. Of the total amount, \$194,656.02 is developers, \$8,807.06 is rural or farm property and \$22,579.42 are individual city dwellings.

In closing, I would ask that you carefully consider the elements and labor involved of collecting delinquent property taxes using an adjustable interest rate. Your serious consideration of our needs as well as the taxpayers who pay on time will be greatly appreciated.



Nancy Welsh
Douglas County Treasurer

Douglas County

March 18, 1987

DELINQUENT REAL ESTATE & PERSONAL PROPERTY TAXES

As of the first Tuesday in September of the following years, the amount of taxes were still due:

<u>REAL ESTATE</u> Amount owed by:		<u>1982</u>		<u>1983</u>		<u>1984</u>		<u>1985</u>
Single dwelling owners	32%	\$243,083.65	37%	\$247,519.22	43%	\$299,305.68	47%	\$248,164.51
Developers	58%	\$439,583.56	51%	\$347,048.10	46%	\$323,064.60	41%	\$217,893.48
Rural/Farm	10%	\$ 70,808.30	12%	\$ 81,715.32	11%	\$ 75,126.76	12%	\$ 61,821.26
Total Delinquent		\$754,924.17		\$674,282.64		\$697,497.04		\$517,879.25

As of February 1987, the following amount of taxes were due for the designated years:

<u>PERSONAL PROPERTY</u> Amount owed by:		<u>1982</u>		<u>1983</u>		<u>1984</u>		<u>1985</u>
Businesses	80%	\$105,982.45	88%	\$128,170.89	85%	\$133,609.07	87.5%	\$163,668.75
Individuals	20%	\$ 26,095.56	12%	\$ 16,960.61	15%	\$ 22,789.24	12.5%	\$ 23,640.37
Total Delinquent		\$132,078.01		\$145,131.50		\$156,398.31		\$187,309.12

Kansas Association of Counties

Serving Kansas Counties

212 S.W. Seventh Street, Topeka, Kansas 66603

Phone (913) 233-2271

March 24, 1987

To: Representative Ed Rolfs, Chairman
Members House Taxation Committee

From: Beverly Bradley, Legislative Coordinator
Kansas Association of Counties

Re: SB-76

Thank you Mr. Chairman, and members of the committee.

The Kansas Association of Counties opposes SB-76 in its present form. We believe it is appropriate to keep the interest rate charged on delinquent or unpaid taxes high to discourage this activity. Counties are not and cannot be in the finance business. As you know most counties as well as the State, have financial problems. Federal Revenue sharing is gone. The tax base has been gradually eroded over several years. When taxes are not paid, the short fall costs all the other taxpayers in the jurisdiction. We believe a higher interest rate will act as a deterrent and should be maintained. We would respectfully request that local property taxes, K.S.A. 79-2968 be excluded from the bill.