

Approved On: 4/1/87

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 30, 1987 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Leach, Spaniol and Alyward

Committee staff present:

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

Mary Ladesic, County Treasurer Wyandotte County, testified on SB-195 - AN ACT relating to watercraft; requiring proof of sales or compensating tax payment prior to giving an identification number therefor. She said her organization is in favor of the bill as amended, but would like to amend it further to read. "that the county situs for the purpose of this act will be the County Treasurer's office in the county wherein the purchaser resides." She said this amendment would assist greatly in the county wherein the purchaser resides. (Attachment 1)

Mr. Bill Hensley, representing Kansas Fish & Game Commission, said that the Commission does not oppose the bill and they consider the fiscal impact to be negligible. (Attachment 2) They do have a few questions concerning the wording.

Secretary Harley Duncan explained the bill and said the tax should be paid at the place of storage. This concluded the public hearing on SB-195.

Representative Ron Fox explained HB-2579 - AN ACT relating to watercraft or vessels requiring the registration of certain vessels with the county or district appraiser. This concluded the public hearing on HB-2579.

Vic Miller, representing Kansas Bonded Warehouse Association, spoke as a proponent for SB-253 - AN ACT relating to property taxation; concerning exemptions therefrom for property moving in interstate commerce. His Association feels that SB-253 is consistent with recent decisions of Board of Tax Appeals, and support the bill in its present form. (Attachment 3). Mr. Bud Grant also spoke in support of the bill.

Keith Farrar, representing Board of Tax Appeals, supported the bill and said it was right to change the effective date to 1983. He suggested it would be better if the Legislature would change the law to make it right.

A representative of the Secretary of States office spoke in support of the bill and said he believes the fiscal impact would be neutral because of the saving in employee time. This concluded the public hearing on SB-253.

The next bill considered was SB-284 - AN ACT relating to property taxation; prescribing limitations upon the authority of any city or county to grant exemptions therefrom for economic development purposes. Shawnee County Counselor Douglas Martin was unable to appear but submitted written testimony on behalf of the Board of County Commissioners of Shawnee County. (Attachment 4)

Bud Grant also testified that to lock in current tax levels is a mistake in developing a positive business climate.

Bev Bradley, representing Kansas Association of Counties, also

spoke as a proponent. (Attachment 5) Mr. Ernie Mosher also spoke as a proponent. This concluded the public hearing on SB-284.

Representative Fox moved, second by Representative Wagnon, that SB-253 be passed favorably and placed on the consent calendar. The motion carried.

Representative Fox moved, second by Representative Vancrum, that HB-2579 and SB-195 be combined and amended into one bill. The motion carried. Representative Fox moved, second by Representative Crowell, that the bill be amended to waive liability to an individual accused of not possessing a registration on the boat if the accused produced the registration after citation. Motion carried.

SB-305, concerning valuation of conservation reserve land, Representative Shore moved, second by Roe, that the bill be reported favorably. Motion carried.

SB-321, concerning appraisers, Representative Fuller moved, second by Wagnon, that the bill be reported favorably and placed on the consent calendar. Motion carried.

SB-320, concerning personal property, Representative Fuller moved, second by Wagnon that the bill be reported favorably and placed on the consent calendar. Motion carried.

SB-76, concerning interest rates on delinquent taxes. Representative Reardon moved, second by Fox, that the counties be removed from the bill. Motion carried.

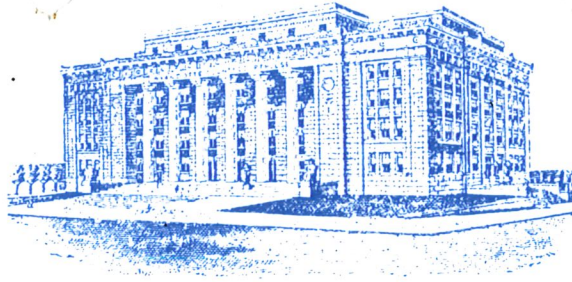
The minutes of all previous meetings were approved.

The meeting was adjourned.



Ed C. Rolfs, Chairman

Written testimony regarding SB 284 was submitted by Richard Funk, Kansas Association of School Boards. (Attachment 6)



573-2823

OFFICE OF
MARY P. LADESIC
COUNTY TREASURER
WYANDOTTE COUNTY COURT HOUSE
KANSAS CITY, KANSAS 66101



TO: HOUSE TAXATION COMMITTEE
FROM: MARY P. LADESIC, LEGISLATIVE CHAIRMAN
KANSAS COUNTY TREASURER'S ASSOCIATION
RE: SENATE BILL 195

MR. CHAIRMAN AND MEMBERS OF THE TAXATION COMMITTEE:

I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOUR COMMITTEE TODAY.

ON BEHALF OF THE KANSAS TREASURERS ASSOCIATION I MUST SAY WE WERE NOT OVERJOYED WITH STILL ANOTHER RESPONSIBILITY IN THE MOTOR VEHICLE DEPARTMENT OF OUR OFFICES. BUT AS MUCH AS THERE APPEARS TO BE A LOOPHOLE IN COLLECTIONS OF SALES TAX ON OUT OF STATE PURCHASES OF WATERCRAFT, WE RECOGNIZE THE NEED TO CLOSE THE LOOPHOLE AND ACKNOWLEDGE THAT OUR OFFICE IS THE MOST APPROPRIATE OFFICE TO ACCEPT THIS RESPONSIBILITY.

WE THEREFORE WOULD STAND IN FAVOR OF THE BILL AS AMENDED IN THE SENATE WITH THE REQUEST OF ONE ADDITIONAL AMENDMENT. ON LINE 187, WE WOULD LIKE THIS TO FURTHER STATE, THAT THE COUNTY SITUS FOR THE PURPOSE OF THIS ACT, WILL BE THE COUNTY TREASURERS OFFICE IN THE COUNTY WHEREIN THE PURCHASER RESIDES. THIS AMENDMENT WOULD ASSIST GREATLY IN BOOKKEEPING PROCEDURES AND REPORTING TO THE STATE.

WE WOULD APPRECIATE ANY ASSISTANCE THAT YOU MIGHT PROVIDE IN THIS MATTER. THANK YOU FOR YOUR TIME AND ASSISTANCE. I WILL BE HAPPY TO STAND FOR QUESTIONS.

Kansas Fish & Game

HEADQUARTERS
BOX 54A, RT. 2, PRATT, KS 67124



(316) 672-5911

Senate Bill 195

Legislative Testimony by Kansas Fish and Game Commission

1987 Session

The Kansas Fish and Game Commission does not oppose Senate Bill 195.

The Commission has the responsibility for the registration of all mechanically propelled vessels or sailing vessels using the waters of this state.

Currently, the agency has 86,631 registered boats. This registration is good for three years at a cost of \$9.00. Approximately 34,000 boats are registered annually. This includes 18,400 renewal registrations; 7,300 re-issues (i.e., sale of boat where the registration number is re-issued to the new owner); and 8,300 new registrations.

It appears that the wording in this bill would require a "proof of tax paid" statement for the 7,300 re-issues and the 8,300 new registrations. Apparently, under the current tax law, the majority of the 7,300 re-issue transactions would not be taxable since it would be an isolated sale and not subject to tax.

Senate Bill 195 will require some additional personnel time and postage in sending back registration requests that did not have the "proof of payment" attached.

We do not oppose the amendment placed on the bill.

We would consider the fiscal impact to be negligible.

EQUAL OPPORTUNITY EMPLOYER

1986 COAST GUARD REPORT FOR BOATING cc George Axline
(Revised Form)

Form CGNQ 3293		REPORT OF CERTIFICATES OF NUMBER ISSUED TO BOATS								For Year Ending 31 December 1986		State or Territory of KANSAS				
HULL MATERIAL	Under 16 Feet				16 Feet to Less Than 20 Feet				20 Feet to Less Than 40 Feet				Other Watercraft (Explain) AIR JET OTHER			
	Outboard	Inboard & I/O	Auxiliary Sail		Outboard	Inboard & I/O	Auxiliary Sail		Outboard	Inboard & I/O	Auxiliary Sail					
			Outboard	Inboard	Outboard		Outboard	Inboard	Outboard		Outboard	Inboard				
Wood	484	15		8	205	147		4	77	85			4			
Fiberglass	20,519	733		44	15,765	7,504		71	426	980			386			
Metal	23,480	70		8	6,498	85		14	2,131	126			1			
Inflatable	160	3			36	13			1	1			1			
Other	14				1	4			1							
HULL MATERIAL	Over 40 Feet				Total				Unpowered Boats			Other Watercraft (Explain) AIR JET OTHER				
	Outboard	Inboard & I/O	Auxiliary Sail		Outboard	Inboard & I/O	Auxiliary Sail		Rowboats	Canoes	Sailboats					
			Outboard	Inboard	Outboard		Outboard	Inboard								
Wood		1			766	248		16	10	1	175	29			4	
Fiberglass	5	14		1	36,715	9,231		502	649	51	25	49	3	79		
Metal	21	14			32,130	295		23	121	46	4,732	18	358	90		
Inflatable					197	17		1	2		17					1
Other					16	4			1	1	7					1

REMARKS

TOTAL BOATS 86,631

Report prepared from a computer generated report.

SCOPE OF NUMBERING SYSTEM

KA-001-A to KA-702-MC

Has your numbering system changed from last year? yes (please explain); no.

INSTRUCTIONS: Please report only valid certificates outstanding on 31 December and mark well any discrepancies from the intended format. Please note changes in your numbering system (e.g., definitions, procedures) above. Mail completed form to Commandant (C-BP-1), U.S. Coast Guard, Washington, D.C. 20593, to arrive before 1 March. This information is used to assess boating activity and safety trends. It is aggregated nationally and published along with accident data annually in the Coast Guard's BOATING STATISTICS. This publication is available free in limited quantities from the above address. This information is collected under authority of 33 CFR 174.123.

Kansas Bonded Warehouse Association

P.O. Box 1966 • Topeka, KS 66601 • (913) 232-3452

Testimony presented to Kansas House Taxation Committee

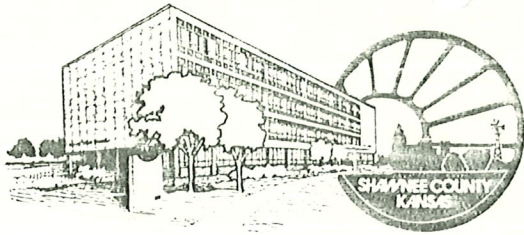
March 30, 1987

Mr. Chairman and members of the committee, my name is Vic Miller and I represent the Kansas Bonded Warehouse Association, a group of businesses seeking to avail themselves of the freeport exemption. We support the passage of SB 253 as amended by the Senate Assessment and Taxation Committee and passed by the Kansas Senate on a 39-0 vote.

We believe the J.C. Penney decision of the Board of Tax Appeals appropriately determines that businesses do not need a license to receive an exemption under K.S.A. 79-201f(b) and (c). SB 253 is an attempt to codify that decision. The amendment making the bill apply to tax years commencing after December 31, 1983 makes clear that a license was not a requirement in any of the previous three years for any taxpayer who was denied an exemption on this basis or who did not apply for an exemption because of the apparent license requirement.

Without the amendment, some taxpayers may enjoy the benefit of the exemption while others remain denied for reasons that have now been determined to be inapplicable. Likewise, without passage of SB 253 with the suggested amendment, cases similar to J.C. Penney remain subject to possible judicial scrutiny and reversal.

In summary, SB 253 is consistent with recent decisions of the Board of Tax Appeals, consistent with what we believe to be the original intent of the freeport exemption and consistent with this State's attitude of attracting and maintaining businesses within our borders. We support the bill's passage in its present form.



Shawnee County
Office of County Counselor

DOUGLAS F. MARTIN
County Counselor
JOSEPH W. ZIMA
Asst. County Counselor

Shawnee County Courthouse
Room 203 • 200 E. 7th
Topeka, Kansas 66603-3922
(913) 295-4042

TESTIMONY OF SHAWNEE COUNTY COUNSELOR DOUGLAS F. MARTIN ^{DFM} March 30, 1987
BEFORE THE HOUSE TAXATION COMMITTEE
SENATE BILL NO. 284

I am most appreciative of this opportunity to give written testimony to your committee concerning proposed Senate Bill No. 284. Due to the prior scheduling of depositions in a lawsuit, I am unable to personally appear before your committee today.

This written testimony is given on behalf of the Board of County Commissioners of Shawnee County in my capacity as their attorney.

In general, the Board is very favorable to the concept behind Article 11, Section 13 of the Kansas Constitution for the granting of ad valorem property taxation to encourage economic development.

There are, however, some important concerns that should be addressed by this committee prior to giving approval to this legislation.

First, Senate Bill No. 284 presently contains no provisions to ensure cooperation between counties and the various municipalities contained therein, including not only cities but school districts as well. The ability for cities to unilaterally exempt property from county and school district taxation without proper coordination from these taxing districts can lead to difficulties. When all the major taxing districts involved work together, a more even and just result will be achieved.

Second, and most important, Senate Bill No. 284 in its present form permits cities to unilaterally exempt from ad valorem property taxation property within their city limits. But the exemption of property within cities from county ad

valorem property taxation has the effect of increasing the taxes of all other county property which continues to pay property taxes. In effect, the elected officials of cities will have the ability to effectively shift taxes to not only other city residents, but to county residents outside those cities. This appears to be the result notwithstanding the inability of non-city residents to vote for those city elected officials.

Decisions that effect an entire taxing district should only be made by those officials who are elected by all individuals in those taxing districts. Not just some individuals therein. Otherwise, the result is taxation without representation.

In my opinion, if the statutes were to allow cities to exempt property from county ad valorem taxation, they would be in violation of the Equal Protection and Due Process clauses of the United States Constitution. The non-city residents would enjoy no protection of the laws which elect those responsible for increasing their taxes. In addition, non-city residents would have no ability to petition their government if they were in disagreement with a particular decision to exempt county property taxes on certain property.

The power to exempt from ad valorem taxation is the power to directly increase the taxes of others. I strongly urge this committee to carefully consider the rights of those county residents whose tax bills will be increased by decisions to exempt county taxes made by city officials. It is difficult to grant favors in local government without exacting costs from others. In this case, only those who represent all county taxpayers, the county commissioners, should have the power to exempt property from county ad valorem property taxation. County commissioners are usually elected by all city residents, but the reverse is not true.

Thank you for this opportunity to give written testimony before your committee. If I can be of assistance to this committee or any member, I am available at your convenience.

Kansas Association of Counties

Serving Kansas Counties

212 S.W. Seventh Street, Topeka, Kansas 66603 Phone (913) 233-2271

February 25, 1987

To: Representative Ed Rolfs
Members of the House Taxation Committee

From: Bev Bradley, Legislative Coordinator, KAC

Re: SB-284 Limitations in granting tax exemptions for Economic
Development Purposes

Good morning. Thank you Mr. Chairman and members of the committee.

The Kansas Association of Counties had representation on the Task Force organized by the League of Kansas Municipalities when the much publicized manual on policy and procedures was prepared. Our position has always been to allow as much local discretion as possible in making decisions that affect local areas. It is, however, appropriate to have some very broad guide lines under which local units of government should function.

AG opinion 87-5 requested by Mr. Mosher, restates the right of the Board of Tax Appeals to examine the legal and factual basis of an economic development tax exemption granted pursuant to Article 11 Section 13 but states "the board has no authority to review the advisability of granting a proposed exemption." This then is left to the decision of the local governing board and is as we believe it should be. In AG opinion 86-168 it is stated that a tax exemption granted shall be claimed each year after approval as stated existing language - in the Section 2 of SB-284.

Thank you Mr. Chairman

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS

5401 S. W. 7th Avenue Topeka, Kansas 66606
913-273-3600

TESTIMONY ON S.B. 284

by

Richard Funk, Assistant Executive Director
Kansas Association of School Boards

March 30, 1987

Mr. Chairman and members of the committee, we appreciate the opportunity to testify today on behalf of the 303 members of the Kansas Association of School Boards. KASB supports the provisions found in S.B. 284. We recognize the provisions to be minimum guidelines yet feel that guidelines are a very necessary part if the cities and counties in Kansas are to be abating property taxes under the provisions of the Kansas Constitution.

KASB does not wish to enter into a debate on the merits of property tax abatements. We wish to emphasize that minimum guidelines are necessary. Senate Bill 284 would require cities and counties to hold public hearings and to publish the notice of such hearings. We need rules and not "deals." Abating property taxes affects all taxing subdivisions - not just the city or the county.

We would also wish that this committee consider amending the provisions of S.B. 186 into S.B. 284. Senate Bill 186 provides that property tax abatement only can be given to that portion of the appraisal valuation which is equal to the increase in the appraisal valuation. The provision guarantees the retention of some of the tax base and would not allow blanket abatement for everything.

We ask you to consider S.B. 284, with amendments, favorably for passage.

written testimony only

Attachment 6

SENATE BILL No. 186

By Committee on Assessment and Taxation

2-9

0017 AN ACT relating to property taxation; concerning exemptions
0018 therefrom for economic development purposes.

0019 *Be it enacted by the Legislature of the State of Kansas:*

0020 Section 1. Any exemption of real property from ad valorem
0021 taxation granted by the board of county commissioners of any
0022 county or the governing body of any city pursuant to the provi-
0023 sions of section 13 of article 11 of the Kansas constitution shall be
0024 applicable only to that portion of the appraised valuation of such
0025 property which is equal to the increase in the appraised valua-
0026 tion thereof resulting from the commencement of operations of a
0027 business or the expansion of an existing business.

0028 Sec. 2. This act shall take effect and be in force from and
0029 after its publication in the statute book.