

Approved February 18, 1987
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./~~p.m.~~ on February 17, 1987 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Tom Severn, Research
Chris Courtwright, Research
Don Hayward, Revisor's Office
Sue Pettet, Secretary to the Committee

Conferees appearing before the committee:

Ernie Mosher, League of Kansas Municipalities

Chairman Kerr called the meeting to order and said that the agenda would be committee discussion on whether or not to introduce legislation regarding the constitutional amendment which was passed in August, 1986 concerning local property tax abatements. Chairman Kerr introduced Mike Sterbach, his intern, to give a summary of the information previously received concerning the issue.

Mike Sterbach, (Attachments 1 & 2) stated that the question of tax abatement either partial or full exemption, creates a conducive environment for the filing of numerous requests by community business for the purpose of economic development. He stated that guidelines the legislature could impose would be:

1. Establish broad based definitions assessing what would qualify for tax exemption.
2. Mandate local authorities to establish written procedures followed in tax abatement.

Such standards imposed by the legislature could prevent the need for more stringent legislative action in the future. Additionally, uniform standards would foster stability in the decision making process as well as in the tax abatement program for economic development within the state.

COMMITTEE DISCUSSION

There were several questions directed to Ernie Mosher, League of Kansas Municipalities and Don Hayward, Revisor.

Chairman Kerr distributed a list of seven possible issues which the committee might want to consider when deciding whether or not legislation was needed. (Attachment 3)

After discussion it was decided that legislation should be introduced to require that a local unit have a written policy on abatements before any such abatements could be granted.

The committee also, by concensus, agreed to introduce legislation to define the jurisdiction question. The draft will state that counties do not have jurisdiction to grant tax abatements within the city limits unless the city commissioners agree to the abatement.

Revisor Hayward raised the issue of whether or not the statutes referring to the Board of Tax Appeals jurisdiction over abatements applies to this constitutional amendment. He said he felt the issue should be cleared up one way or the other. The committee agreed to introduce legislation which would clarify that the statutes referring to the Board of Tax Appeals jurisdiction in this area do apply to this constitutional amendment.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on February 17, 1987

Chairman Kerr stated that the draft legislation including the three issues agreed to by the committee would be brought back to the committee prior to introduction. Since time did not permit committee consideration of all of the issues relating to the constitutional amendment, Chairman Kerr said a few more minutes would be taken at the next committee meeting in order to finish consideration of the policy questions.

Senator Hayden moved to accept minutes of February 16, 1987. Senator Montgomery seconded. Motion carried.

Meeting adjourned.

FRED A. KERR
SENATOR, THIRTY-THIRD DISTRICT
BARBER, COMANCHE, HARPER, KINGMAN, KIOWA,
PRATT, STAFFORD, S. RENO,
W. SUMNER COUNTIES
ROUTE 2
PRATT, KANSAS 67124-9802



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS
CHAIRMAN: ASSESSMENT AND TAXATION
MEMBER: AGRICULTURE
EDUCATION
ENERGY AND NATURAL RESOURCES
LEGISLATIVE AND CONGRESSIONAL
APPORTIONMENT
CHAIRMAN: MAJORITY PARTY CAUCUS

Compiled by:
Mike Sterbach

TAX ABATEMENT: Recommendation for Legislative Guidelines

The question of tax abatement, either partial or full exemption, creates a conducive environment for the filing of numerous requests by community business for the purpose of economic development. In order to minimize confusion and to create uniformity throughout the state, it is recommended that the legislature impose guidelines for local units to follow when considering tax abatement.

The Legislature Could:

- A. Establish broad based definitions assessing what would qualify for tax exemption.
 - 1. Must be for development of new business.
 - 2. Create jobs.
 - 3. Research and Development, etc.
- B. Mandate local authorities to establish written procedures followed in determining tax abatement.
 - 1. The development of a written procedure would provide a systematic method of awarding/rejecting tax exemptions.
 - 2. Each procedure drafted should be reviewed/approved and kept on file by an "impartial" governing body, i.e. Board of Tax Appeals or County Appraiser, etc.

Conclusion

Such standards imposed by the legislature now could prevent the need for more stringent legislative action in the future. Additionally, uniform standards would foster stability in the decision-making process as well as in the tax abatement program for economic development within the state.

Summary of Conferee Recommendations: Tax Abatement

- I. Leah Anderson; Board of McPherson County Commissioners
 - A. The needs of each county are different.
 - B. McPherson county has established a task force comprised of various interest groups to assist with implementation.
 - C. They recommend minimum legislative direction.
 - 1. Allows each local government to develop best local approach.
 - 2. Results in more effective, thoughtful, and specific decision making at local level to meet specific needs.
 - D. Recognize need for some legislative direction.
 - 1. Creates uniformity and consistency.
 - 2. Written local policies required before allowing exemption.
 - 3. Result in thoughtful local review.
 - E. Legislative delineation as to jurisdiction of local government.
 - 1. Inside city limits = city governing bodies control.
 - 2. Outside corporate city limit = county authority.
 - F. Local written policies.
 - 1. Stress economic development.
 - 2. Define what consists of economic development.
 - G. Legislate definition needed.
 - 1. Authority of county and city to require payments in lieu of taxes defined.
 - 2. Payments in lieu of taxes would be optional to each jurisdiction.
- II. Bill Fuller; Kansas Bureau of Farmers
 - A. Farm Bureau in favor of economic development if;
 - 1. Acquisition of land be limited to construction for handling waste from swine and poultry confinement facilities.
 - 2. No tax advantage granted to farm corporations which are not allowed to family farms.
- III. Fred Weaver; Board of Tax Appeals
 - A. The authority to actually exempt property remains only within the Board of Tax Appeals.
 - 1. Local units may offer exemption.
 - 2. The Board of Tax Appeals must approve the request before that property can be removed from taxable roll.

- B. Identifies definite need for legislatively imposed restrictions.
 - 1. Without restrictions this amendment would not be workable.
 - 2. Smaller communities would be at disadvantage to larger ones.
 - 3. Legislative input would clarify some "gray areas" within the amendment. (See statement from Mr. Weaver of 2-5-87)

IV. Richard Funk; Kansas Association of School Boards

- A. Feels legislature should limit or prohibit the application of the amendment by the enactment of uniformity to all cities or counties.
 - 1. Without utilization of their provision (outlines in section c) there would be serious abuse of the constitutional amendment.
 - a. Legislature should clarify that abatement be offered only to new structures and operations.
 - b. No abatement offered on any existing valuation.
 - 2. Draft a bill that would clarify the intent of Amendment 13. Such a bill would:
 - a. Avoid possibility of future litigation.
 - b. Avoid abuse of amendment's provision.

V. Mary Ellen Conlee; Kansas Association for Small Business

She simply asks that the approach, whatever that might be, be developed with small business in mind.

Summary of Conferee Recommendations: Tax Abatement

VI. Ernie Mosher; League of Kansas Municipalities

- A. Does not see the need for legislative intervention.
- B. Though problems/questions may arise, they should be dealt with as they do arise.
- C. Felt that without any experience, no feasible guidelines could be drafted: Study for one year then determine if legislative guidelines are necessary.
- D. League of Municipalities have drafted extensive statement of policy and procedure which would serve same purpose. (See Attachment #1)

Attachment #1

CHAPTER 2

STATEMENT OF POLICY AND PROCEDURES

- Part 1--Local Review, Revision and Adoption
- Part 2--Model Statement for Cities
- Part 3--Model Statement for Counties

NOTE: The model city Statement in Part 2 and county Statement in Part 3 are virtually identical, except for (1) the substitution of the word "county" for "city" and related needed changes, and (2) Section 6 as to jurisdiction. The City and County parts are separated to simplify local revision and adoption.

Part 1. Local Review, Revision and Adoption

Following a quick reading of the applicable Statement, it is suggested that local officials then review the Statement in detail, using the section-by-section explanations appearing in Chapter 3.

While cities and counties are encouraged to adopt a local Statement consistent with those recommended provisions, local adaptation to local conditions also appears advisable. For example, Section 12, establishing standards for determining benefits, needs to be related to local conditions and local goals. Section 14, relating to the amount of tax incentives, is written in a form to encourage the addition of language which would help focus future decisions as to the actual amount of tax incentives granted. In several instances, references to certain office titles are required.

For another example of possible needed local adaptation, see Section 18 as to creating an administrative review committee. The rationale for this proposed committee is briefly stated in Chapter 3. In some local cases, an administrative review committee may not be needed. The makeup of the committee could also be revised.

Procedure for Adoption

Following local adaptations, the Statement should be formally adopted by the governing body, by resolution. Publication of this resolution is not required. The resolution could either adopt the Statement by reference or include the Statement in the full resolution. An appropriate form would be as follows:

RESOLUTION NO. _____

Be it Resolved, by _____

that the Statement of Policy and Procedures (set forth below) (attached to the official copy of this resolution) be adopted.

It is suggested that the adopted Statement be prepared in a form appropriate for general distribution to applicants for tax exemptions-incentives and other persons. The application form (see Chapter 4) could be attached to the Statement.

Advance Review Draft--Not For Distribution

**STATEMENT OF POLICY AND PROCEDURES
TAX EXEMPTIONS AND INCENTIVES FOR ECONOMIC DEVELOPMENT
CITY OF _____, KANSAS**

<u>Section</u>	<u>Contents</u>	<u>Section</u>
<u>1. Purpose</u>		15. Application Required
<u>2. General Objective</u>		16. Application and Renewal Fees
<u>3. Legal Authority</u>		17. Initial Review Procedures
4. General Procedure		<u>18. Administrative Review Committee</u>
<u>5. "Tax Incentive" Defined</u>		19. Initial Governing Body Action
<u>6. Jurisdiction</u>		20. Notice and Hearing
7. Nominal Tax Determination		21. Letters of Intent
8. Minimum Payment In Lieu of Taxes		<u>22. Annual Renewal</u>
9. Special Assessments		23. Transfer of Ownership or Use
10. Pirating		24. Distribution of Revenue
11. Application of "But-For" Principle		25. Exemption Ordinance
<u>12. Standards for Determining Benefits</u>		26. Exemption Forms
13. No Exemptions		27. Waiver of Statement Requirements
14. Amount of Tax Incentives		<u>28. Definitions</u>



Section 1. Purpose. The purpose of this statement is to establish the official policy and procedures of the City of _____ for the granting of property tax exemptions and tax incentives for real and personal property used for economic development purposes, in accordance with the provisions of Section 13 of Article 11 of the Constitution of the State of Kansas.

Section 2. General Objective. The securing of private economic growth and development and the addition of new jobs within the community are important current and long-term objectives of this City. The granting of property tax exemptions and tax incentives is one of the tools available under Kansas law to secure these public objectives. This Statement is intended to establish the procedure and policy standards to govern the fair, effective and judicious use of the power to grant such exemptions and tax incentives in this City.

Section 3. Legal Authority. The governing bodies of Kansas counties and cities may exempt certain property used for economic development purposes from taxes for a

maximum of 10 years, in accordance with the provisions of Section 13 of Article 11 of the Kansas Constitution, subject to such limitations or prohibitions as may be enacted by the legislature that are uniformly applicable to all cities and counties. This authority is discretionary with the City, and the City may provide for tax exemptions-incentives in an amount and for purposes more restrictive than that authorized by the Constitution or any such legislation. Pursuant to its home rule powers, the City may (1) require the owners of any property for which an exemption is requested to provide certain information, (2) condition the granting of an exemption to an agreement providing for the payment of in lieu charges or taxes under the provisions of K.S.A. 12-147 and 12-148, and (3) require the payment of initial application and annual renewal fees reasonably necessary to cover the costs of administration.

Section 4. General Procedure. The following basic procedure shall govern the issuance of tax exemptions-incentives within this City: (1) The applicant business shall apply for a tax exemption-incentive by filing a written application as provided in Section 15. (2) The City shall then determine whether the requested tax exemption-incentive (a) may be lawfully granted, and (b) should be granted, with the amount thereof later determined. (3) If it is determined that some tax exemption-incentive will be granted, a 100 percent exemption of that property of the business legally eligible for exemption shall be provided, but subject to an agreement of the business to make an in lieu tax payment as may be required by the City. (4) The amount of the tax incentive, which will be an amount less than the taxes otherwise payable if the property were not exempt, will then be determined in accordance with this Statement. (5) Upon the failure of the business to fully and timely pay the in lieu tax payments, as may be required as a condition of the granting of an exemption, or to provide reports or other information requested by the City and reasonably necessary for the implementation of this policy, the City shall either revoke, or not renew, the authorization of such an exemption. All requests for a tax exemption-incentive for

economic development purposes shall be considered and acted upon in accordance with this Statement.

Section 5. "Tax Incentive" Defined. Various words and terms used in this Statement are defined in Section 28. The terms "tax incentive" or "tax exemption-incentive" shall mean the difference between the amount of ad valorem property taxes the affected business would pay if there were no city-granted exemption and the amount required to be paid as in lieu taxes or charges. For example, if the taxes required with no exemption were \$5,000, and the required in lieu payments were \$3,000, the "tax incentive" would be \$2,000.

Section 6. Jurisdiction. The City shall grant tax exemptions-incentives only as to property located within the City. The City encourages the Board of County Commissioners to consult with the City as to applications outside the City and within the three-mile area.

Section 7. Nominal Tax Determination. All tangible property of a business receiving a tax exemption-incentive under this Statement shall be annually assessed by the county appraiser in the same manner as if it were not exempt, but the amount thereof shall not be placed on the assessment rolls. The amount of the property taxes which would be payable shall also be determined annually by the county clerk and treasurer, in the same manner as if the property were not exempt, but such amount shall not be placed on the tax rolls. Separate assessment and tax calculations shall be made for the land, for the improvements thereon, and for any tangible personal property associated therewith, of the exempt business. The appropriate county officers are requested to provide the City with this information as early as possible, but not later than (November 15) of each year.

Section 8. Minimum Payment In Lieu of Taxes. Any applicant receiving a tax exemption-incentive pursuant to this Statement shall be required to make a minimum

payment in lieu of taxes which equals the amount of property tax which was paid or was payable for the most recent year on the appraised valuation of the real estate, including either buildings together with land or land only, prior to the construction of new buildings or added improvements to buildings on such property or prior to the acquisition of the property by the new business. The purpose of requiring this minimum in lieu tax payment is to insure that the city, county, school district and any other taxing jurisdictions affected by the exemption will not receive less tax revenue from the exempted property than was received prior to the exemption. For extraordinary reasons, such as when vacant buildings are acquired for a new business, or when the market value of the property decreases, this requirement may be waived in part or in whole by the governing body, as provided in section 27.

Section 9. Special Assessments. Any tax exemption granted for real property under this Statement shall not affect the liability of such property for any special assessments levied or to be levied against such property.

Section 10. Pirating. It shall be the policy of the City to discourage applications for tax exemptions-incentives, or to grant such tax incentives, which encourage and cause the pirating of business from another Kansas community to this community, or from this community to another Kansas community. It is the intent of the City to avoid participation in "bidding wars" between cities or areas competing for the location of new businesses or expansion of existing businesses, through attempts to offer the largest tax incentive or other public inducement, which is detrimental to the state's economy and the public interest.

Section 11. Application of "But-For" Principle. Any tax exemption-incentive granted by the City shall be subject to the "but-for" principle, i.e., the tax incentive must make such a difference in determining the establishment or expansion of the business that the business

would not otherwise be established or expanded in the City but for the availability of the tax incentive. It is the policy of the Governing Body that private businesses should not be subsidized with public funds, the indirect consequences of tax exemptions-incentives, unless some public good results and the public subsidization can reasonably be expected to make a significant difference in achieving economic growth and development and the creation of new jobs within the City.

Section 12. Standards for Determining Benefits. The City will consider granting tax exemptions-incentives only upon a clear and factual showing of direct economic benefit to the City through advancement of its economic development goals, including the creation of additional jobs and the stimulation of additional private investment. The Governing Body, in determining the amount and term of a tax exemption-incentive to be granted, shall consider various factors including, but not limited to, the following:

- (a) The appraised valuation of the property in relation to the economic benefit to the City of increased employment.
- (b) The gain in tax revenue which may result from the new or expanded business, including the increase in the property tax base upon the expiration of the exemption.
- (c) The contribution that the new or expanded business will make towards increased employment and earnings within the community.
- (d) The number of new jobs created directly by the business in relation to the amount of tax incentives granted.
- (e) The kinds of jobs created in relation to the type of skills available from the local labor market.
- (f) The utilization by the business of labor skills and abilities of unemployed persons in the community.
- (g) The degree to which the business improves the diversification of the economy of the City and its environs.
- (h) The degree to which the ultimate market for the manufactured products is outside the community, recognizing that outside markets bring in "new money" to the local economy.
- (i) The potential of the business for future expansion and additional job creation.

(j) The beneficial impacts the business may have by creating other new jobs and businesses, including the utilization of local products or other materials and substances in manufacturing.

(k) The beneficial economic impact the business will have on a particular area of the City, including designated enterprise zones and areas of needed revitalization or redevelopment.

(l) The compatibility of the location of the business with land use and development plans of the City and the availability of existing infrastructure facilities and essential public services.

(m) The extent to which additional direct or indirect public costs to the City and to other local units would be necessary, such as the cost of the extension of public facilities.

(n) The extent to which the economic and employment benefits of the tax incentive accrue to the residents and taxpayers of those taxing subdivisions which indirectly "subsidize" the business as a result of the forgone tax revenue.

Section 13. No Exemptions. (1) No tax exemption shall be granted if the exemption would create an unfair advantage for one business over another competing business within the City. (2) No tax exemption shall be granted to any business which commenced operations prior to August 5, 1986, nor for the expansion of a business unless such expansion created new employment.

Section 14. Amount of Tax Incentives. The two primary objectives of the City in granting tax exemptions for economic development are to (1) provide needed jobs, and (2) expand the economic and tax base of the City. The City recognizes that a simple system of determining the amount of tax incentives to be granted to reach these objectives may not always be equitable if applied uniformly to different kinds of businesses. As a result, in determining the actual amount of tax incentive granted, the City shall consider the factors and criteria set forth in Section 12 of this Statement. In addition, the City shall consider the following standards:

Section 15. Application Required. The City will not consider the granting of any tax exemption-incentive unless the business submits a full and complete application, and provides such additional information as may be requested by the Governing Body. The (title of officer) is hereby authorized and empowered to prepare a standard application form which, upon completion, will provide the Governing Body with adequate and sufficient information to determine whether a tax incentive should be granted and the amount thereof. The accuracy of the information provided in the application shall be verified by the applicant. Any misstatement of or error in fact may render the application null and void and may be cause for the repeal of any ordinance adopted in reliance on said information.

Section 16. Application and Renewal Fees. Any business requesting a tax exemption pursuant to this Statement shall pay to the City an application fee of (\$250), which shall be submitted at the same time the application form required by Section 15 is submitted. In addition, any business which has been granted a tax exemption shall pay an annual renewal fee in the amount of (\$100.)

Section 17. Initial Review Procedure. On receipt of the completed application form and the required fee, the (officer) shall determine (a) whether the application is complete and sufficient for review, and (b) whether the applicant business is eligible for an exemption under the Kansas Constitution, this Statement and any other applicable laws. If the application is incomplete, the (officer) shall immediately notify the applicant, noting the need for such changes or additions as deemed necessary. If questions arise as to whether the business is legally eligible for an exemption, the matter shall be referred to the city attorney, who shall consult with the applicant business. If the application is found complete, and is for a purpose which appears to be authorized by law, the (officer) shall so notify the Administrative Review Committee.

Section 18. Administrative Review Committee.

There is hereby created an Administrative Review Committee, which shall be composed of the mayor or other member of the Governing Body designated by the mayor, who shall serve as chairman, the city (clerk), and the city (manager), which shall meet on call of the chairman. The purpose of the Administrative Review Committee shall be to receive and review requests and applications for tax exemptions-incentives, to gather and review such additional information as may be deemed necessary, to conduct preliminary negotiations with the applicant business, and to make such recommendations as deemed advisable to the Governing Body. Administrative Review Committee records, including applications for tax exemptions, may be withheld from public disclosure under the Kansas Open Records Act as provided for under subsections (20) and (31) and other subsections of K.S.A. Supp. 45-221, but shall be available for public inspection when otherwise required by law. The committee is authorized to issue administrative letters of intent when requested by the applicant upon a finding that the public interest requires confidentiality in order to successfully negotiate the location of the prospective business within the city or an expansion of an existing business. Such administrative letters of intent shall not be binding on the governing body, and shall be superseded by any final action by the Governing Body or by letter of intent issued by the Governing Body under Section 21.

Section 19. Initial Governing Body Action.

Upon receiving the recommendations of the Administrative Review Committee, the Governing Body shall first determine whether to reject the requested exemption or to further consider the request. Upon a favorable vote for further consideration, the Governing Body shall either (1) issue a letter of intent as provided by Section 21, or (2) schedule a public hearing thereon.

Section 20. Notice and Hearing.

No tax exemption shall be granted by the City prior to a public hearing thereon, except by waiver of this requirement under Section 27. Notice of the public hearing shall be published at least seven days prior to the hearing in the

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official city newspaper, giving the time and place, and the hearing may be held at a regular or special meeting of the Governing Body. The city clerk shall thereupon notify the board of county commissioners, the superintendent of the appropriate school district, and the clerk of any other taxing jurisdiction, excluding the state, which derives or could derive property taxes from the affected business, advising them of the scheduled public hearing and inviting their review and comment. Upon request, the city clerk shall provide any such public agency with a copy of the application. The applicant business shall be invited, but not required, to attend the public hearing.

Section 21. Letters of Intent. Upon receiving the recommendations of the Administrative Review Committee, the Governing Body may issue a letter of intent, setting forth in general terms its proposed plans for granting a tax exemption-incentive and any conditions thereto. Such letters of intent shall be issued only with the approval of the Governing Body, and as an expression of good faith intent, but shall not in any way bind the City to the granting of an exemption-incentive. Such letters of intent shall expire six months after issuance, but may be renewed. A public hearing shall not be required prior to the issuance of letters of intent. No elected or appointed officer, employee or committee of the City, and no chamber, board, development council or other public or private body or individual, shall be authorized to speak for and commit the Governing Body to the granting of a tax exemption-incentive. Letters of intent issued by the Governing Body shall supersede any letters issued by the Administrative Review Committee.

Section 22. Annual Renewal. The extent and term of any tax exemption-incentive granted shall be subject to annual review and determination by the Governing Body to insure that the ownership and use of the property and any other qualifying criteria of the business for the tax exemption-incentive continue to exist. The review shall be completed by not later than February 1 of each year. The City may require an annual renewal application to be filed or other information necessary to assure the continued qualification of the exempt business.

Section 23. Transfer of Ownership or Use. No exemption or tax incentives granted by the City shall be transferred as a result of a change in the majority ownership of the business. Any new owner shall file a new application for a tax exemption-incentive. Further, the City shall be notified by the business of any substantive change in the use of a tax exempt property (see Section 26).

Section 24. Distribution of Revenue. The granting of tax exemptions-incentives by the City is hereby declared to be a contract under the provisions of K.S.A. 12-147. The in lieu of taxes payment which may be required of a business granted a tax exemption under this Statement shall be paid to the county treasurer, with notice of the amount and date paid provided to the City. The county treasurer is directed to apportion the payment, under the provisions of subsection (3) of K.S.A. 12-148, to the general fund of all taxing subdivisions, excluding the state, which levy taxes on property where the business is situated. The apportionment shall be based on the relative amount of taxes levied, for any and all purposes, by each of the applicable taxing subdivisions.

Section 25. Exemption Ordinance. The city clerk shall provide a copy of the ordinance, as published in the official city newspaper, granting an exemption from taxation to the applicant for use in filing an initial request for tax exemption as required by K.S.A. 79-213, and by K.S.A. 79-210 for subsequent years.

Section 26. Exemption Forms. A copy of the exemption applications required by K.S.A. 79-213 and 79-210, and the statement required by K.S.A. 79-214 for the cessation of an exempt use of property, shall be filed with the city clerk by the property owner.

Section 27. Waiver of Statement Requirements. The Governing Body reserves the right to grant or not to grant a tax exemption-incentive under circumstances beyond the

scope of this Statement, or to waive any procedural requirement. However, no such action or waiver shall be taken or made except upon a finding by the Governing Body that a compelling or imperative reason or emergency exists, and that such action or waiver is found and declared to be in the public interest.

Section 28. Definitions. For the purpose of this Statement, in application to this City, the words or phrases as used in either the Constitution or this Statement shall have meaning or be construed as follows:

- (a) "Applicant" shall mean and include the business, property owner or owners, and their officers, employees and agents.
- (b) "Associated therewith" as used with respect to tangible personal property shall mean being located within, upon or adjacent to buildings or added improvements to buildings.
- (c) "Commenced operations" shall mean the start of the business activity housed in the building for which a tax exemption-incentive is requested.
- (d) "Economic development purposes" shall mean the establishment of a new business or the expansion of an existing business, engaged in manufacturing articles of commerce, conducting research and development, or storing goods or commodities which are sold or traded in interstate commerce, which results in additional employment.
- (e) "Expansion" shall mean the enlargement of a building or buildings, construction of a new building, the addition of tangible personal property, or any combination thereof, which increases the employment capacity of a business eligible for a tax exemption-incentive and which results in the creation of new employment.
- (f) "Manufacturing articles of commerce" shall mean a business engaged in the mechanical or chemical transformation of materials or substances into new products, as defined in the "Standard Industrial Classification Manual."
- (g) "Research and development" shall mean the application of science or technology to the improvement of either the process of manufacturing or manufactured products or both.
- (h) "Storing goods or commodities which are sold or traded in interstate commerce" shall refer to the business of storing property which may be exempt from ad valorem taxation under the provisions of K.S.A. 79-201f.
- (i) "Tangible personal property" shall mean machinery and equipment which has an asset life span equal to or greater than the maximum term of the tax exemption which may be granted.

Possible constitutional amendment on tax abatement issues.

1. a.) Should there be a 15 day or 30 day written policy requirement before local units can grant an abatement?
b.) Should entities such as school districts be granted input?
2. Should "in lieu of" tax payments of some amount be required? (see pg 16 of League's testimony)
3. Should it be defined as to where local units have jurisdiction? (counties in cities, etc.)
4. Should definitions be put in law? (see Board of Tax Appeals & pg 24 of League statement)
5. Should an annual review of the abatement be required?
6. Should a transfer of ownership require a new application?
7. Should abatements for farm corporations be limited?