

Approved February 24, 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 23, 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:

Jim Sullins, Kansas Motor Car Dealers Association
Charles Belt, Wichita Auto Dealers Assoc.
Bev Bradley, Kansas Association of Counties
Dean Trimmell, Council Grove Ford Dealership

Chairman Kerr called the meeting to order and said that Chris Wilson, Kansas Grain and Feed Dealers Association, had asked to be recognized for the purpose of requesting a bill introduction. Mrs. Wilson said that with the expiration of the inventory tax in Kansas on January 1, 1989, her organization would like to propose that the section of the law pertaining to inventory tax on grain handled by grain elevators be stricken effective January 1, 1989. She proposed that consideration be given to repealing Article 39 of Chapter 79 as it pertains to tax on grain elevator owners.

Senator Allen made a motion to introduce such a bill. Senator Karr seconded. Motion carried.

Senator Burke moved that a bill be introduced which would require additional information to be contained in the annual report submitted by the Board of Tax Appeals pertaining to I.R.B.'s. The additional information would be to list the taxes paid on the property the last year prior to it receiving the benefits of I.R.B.'s. Senator Mulich seconded. Motion carried.

SENATE BILL 77

Jim Sullins, KMCD, had requested introduction of the bill and he testified in support of it. (Attachment 1) He stated that S.B. 77 would repeal the motor vehicle dealers inventory stamp tax effective January 1, 1989, the date that the classification amendment causes the inventory tax in Kansas to end. He said that the stamp tax policy had been in effect since 1979 and that the rates were raised in 1981 and 1985. He said that S.B. 77 would put motor car dealers on the same level with other retail merchants. Not to do so would cause dealers to pay double taxation because of their increased real estate taxes according to Mr. Sullivan.

In answer to a question, Mr. Sullins said that statewide this stamp tax now may amount to about \$3.85 million dollars per year on the sale of new vehicles.

Charles Belt testified in support of S.B. 77 (Attachment 2) He stated that since motor car dealers do not pay annual inventory property tax but they do pay a stamp tax at the time of the sale that they were not automatically accepted by the constitutional amendment passed last November. He said that S.B. 77 fills the intent that all inventories would be exempt as of January 1, 1989. He stated that without repeal of the statutes outlined in S.B. 77 vehicle dealers would be burdened with both an inventory tax and high real estate tax.

Bev Bradley testified in opposition to S.B. 77 (Attachment 3) She stated that passing S.B. 77 would further erode the property tax base by granting

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on February 23, 19 87

additional or statutory exemptions.

Dean Trimmell urged favorable support of S.B. 77.

SENATE BILLS 164 and 165

Chairman Kerr said that since time expired at the last meeting before these bills could be considered that he would open the floor for committee discussion or possible action on S.B. 164 and S.B. 165. There was no action proposed by committee members.

Meeting adjourned.

Statement Before The
SENATE COMMITTEE ON ASSESSMENT AND TAXATION

by the

KANSAS MOTOR CAR DEALERS ASSOCIATION

Monday, February 23, 1987

RE: Senate Bill 77

Mr. Chairman and Members of the Committee. I am Jim Sullins, Executive Vice President of the Kansas Motor Car Dealers Association, the 370 member trade association representing the franchised new car and new truck dealers of Kansas.

I come before you today in support of Senate Bill 77, which would repeal the motor vehicle dealers inventory tax stamp act effective January 1, 1989, which coincides with the effective date of the classification amendment which the voters approved in November.

To review the history surrounding the inventory tax stamp act, we must go back to the 1974 Session when SCR #3 was passed by the Legislature. The consitutional amendment provided for the classification and the taxation uniformly as to class of motor vehicles, or, the exemption of any such class from property taxation and the imposition of taxes upon another basis in lieu thereof. The amendment was approved by the voters at a special election in August, 1974.

In 1978, KMCDA came to the Legislature with a proposal whereby motor vehicles held in inventory for resale by motor vehicle dealers would be exempt from personal property taxes, and in lieu thereof, a tax would be imposed at the time of the retail sale of the motor vehicle and payment of the tax would be verified by affixing a stamp to the title or manufacturer's statement—

The inventory tax stamp act become effective on January 1, 1979, and has been reviewed several times since. An interim study of the tax structure for Kansas was conducted in the summer of 1980, which prompted an increase in the price of the tax stamps during the 1981 session. Then again in 1985, the price of the tax stamps were raised to the current level which ranges from \$2.00 for motorcycles to a maximum of \$45.00 on heavy duty trucks.

As you are well aware, for several years discussions took place concerning repealing the merchants and manufacturers inventory tax. Those discussions finally took form when this legislature adopted the classification amendment to the Constitution and placed it before the voters this past November. At that time, the voters gave it their approval by a large majority. The passage of the classification amendment and the included repeal of the merchants and manufacturers inventory tax for tax years after December 31, 1988, are what brings us before you today.

Motor vehicle dealers have always paid merchants inventory tax. Prior to 1979, their tax was paid in the same manner as all other retail merchants. After 1979, due to the uniqueness of the product sold and the fact that there was traceable paperwork which allows for a system of check and balances to assure the tax is paid, motor vehicle dealers continue to pay inventory tax. The only difference is that it is paid in a manner which is different from other retailers, and one we feel is more efficient and fair.

While technically what the dealers pay is an excise tax in lieu of inventory tax, dealers have never looked at it than anything but

an inventory tax, and I don't believe this legislature feels that it is anything other than an inventory tax. However, since the dealers motor vehicle inventory was already exempt from personal property tax, the passage of the classification amendment did not have the same positive effect on motor vehicle dealers as it has on all other retail merchants. Even with the merchants and manufacturers inventory tax being repealed, motor vehicle dealers will continue to pay inventory tax unless positive action is taken on the proposal you have before you.

What Senate Bill 77 does is put motor vehicle dealers on the same level with other retail merchants after January 1, 1989. Everyone is paying inventory tax now, and we feel that we should not be the only segment of the retail community to be required to pay inventory tax after that date. I would also stress the point that the effective date is January 1, 1989. Dealers are not trying to get a tax break or get out from under any tax before anyone else in the retail community. The implementation date of this act mirrors the implementation of classification.

If you want to look at it another way, dealers are trying to avoid a situation of double taxation which they will face unless Senate Bill 77 becomes law on January 1, 1989. With the removal of merchants and manufacturers inventory from the tax rolls, this legislature realized that counties would suffer a shortfall unless something was done to offset the loss in inventory tax. When the percentage rates of taxation for property were finally agreed to for the classification amendment, the rates for real property; i.e., commercial property, were set at a level to offset this inventory tax loss to the counties.

Without the passage of SB 77, dealers will not only be strapped with continuing to have to pay inventory tax, they will also be faced with higher real property rate. They will be paying to offset the loss in inventory tax, but they will still be paying inventory tax.

Mr. Chairman and Members of the Committee, the policy decision on this question has already been made twice. It was first made by this legislature when the exemption of merchants and manufacturers inventory from personal property tax was included in the classification amendment. Secondly, the tax policy of the state was set by the voters when they passed the classification amendment, effectively ratifying your decision to exempt merchants and manufacturers inventory.

The tax policy of this state is therefore clear -- do not subject merchants and manufacturers inventory to personal property tax.

Knowing that dealers have and continue to pay inventory tax, and will continue to pay inventory tax after January 1, 1989 without SB 77, and, knowing that the tax policy of this state is one that clearly states merchants and manufacturers inventory will not be taxed, we respectfully request that you recommend SB 77 favorable for passage by the full Senate.

Thank you for your time, and I would be happy to answer any questions the Committee might have.

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Wichita Automobile Dealers Association

TESTIMONY

PRESENTED TO

SENATE ASSESSMENT & TAXATION COMMITTEE

MONDAY, FEBRUARY 23, 1987

Mr. Chairman, members of the committee, my name is Charles Belt, Executive Director of the Wichita Automobile Dealers Association. I appear before you today on behalf of the nineteen Association dealers and their employees, in support of SB 77. I appreciate this opportunity to testify.

SB 77, which seeks to exempt motor vehicle inventories, on both new and used vehicles, from property taxes, is quite simply a bill dealing with equity. As you are probably aware, because vehicle dealers do not pay annual property taxes (ad valorem) on vehicles they possess for future sale, but instead pay property taxes at the time of sale--as opposed to other retail inventories--they were not automatically excluded by the constitutional amendment passed last November by the citizens of Kansas--the classification amendment.

We believe it was the intent of the legislature, and the understanding of the voters that all inventories would be exempt as of 1 January, 1989. SB 77 fulfills that intent

Sen. A & T
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Att. 2

and understanding.

You will also recall that to help offset revenue loss by the exemption of inventories, taxes were shifted to commercial real estate. Without repeal of the statutes outlined in SB 77, vehicle dealers across the state would be burdened--singled out as it were--with both an inventory tax and higher real estate taxes. A situation that would be neither logical or equitable.

Members of the committee, we believe our request is simple and straight forward.

We respectfully request your favorable consideration of SB 77. Thank you--and I stand for questions.

Kansas Association of Counties

Serving Kansas Counties

212 S.W. SEVENTH STREET, TOPEKA, KANSAS 66603 PHONE 913 233-2271

February 23, 1987

To: Senator Fred Kerr
 Members of the Senate Assessment & Taxation Committee

From: Bev Bradley, Legislative Coordinator, KAC

Re: Senate Bill 77 - Exemption of property taxation on motor
 vehicle inventories

Good morning, I am Bev Bradley, Kansas Association Counties.

The Kansas Association of Counties has a position statement saying, "We strongly oppose further erosion of the property tax base by the granting of additional constitutional or statutory exemptions", which was passed by unanimous vote at the annual conference in November.

I'm sure you are aware of the financial crunch in counties as well as the one in the State. We've mentioned many times the loss of Federal Revenue Sharing money, and I know this committee is aware of the cost of reappraisal - at least half of which is borne by the counties.

Mr. Chairman Kansas Association of Counties opposes SB-77.