

Approved February 26, 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 25, 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:

Richard Funk, Kansas Association of School Boards
Kay Coles, Kansas NEA
Fred Weaver, Board of Tax Appeals
Ernie Mosher, League of Kansas Municipalities
Nancy Hiebert, Chairman of Sub-Committee on Taxation
Leah Anderson, Board of McPherson Co. Commissioners
Bev Bradley, Kansas Association of Counties
Bud Grant, Kansas Chamber of Commerce Industry
Larry Danielson, Kansas Industrial Developers Association

Chairman Kerr called the meeting to order and said that the agenda for the day was to have hearings on S.B.'s 186 and 284.

SENATE BILL 186

Richard Funk, who requested introduction of this bill, testified in support of it. The purpose of the measure is to assure that tax abatements do not apply to the existing tax base; rather, the abatements apply only to new or additional facilities. It says that such abatements shall be applicable only to the portion of the appraised valuation of such property which is equal to the increase in the appraised valuation thereof resulting from the commencement of operations of a business or the expansion of an existing business.

Mr. Funk also expressed support for the concepts listed in S.B. 284.

Kay Coles testified in support of S.B. 186. (Attachment 1) She stated that with the passage of the constitutional amendment allowing local units of government to provide property tax exemptions comes the concern that wide-spread use of this authority could result in school district property tax base erosion. However, S.B. 186 allows leniency in granting exemptions for deserving economic development projects.

SENATE BILL 284

Fred Weaver testified in support of S.B. 284. He said the Board of Tax Appeals continues to receive calls from all over the state from people asking to have an answer as to whether or not their property could receive an abatement. He said that often the Board could not answer such questions because of a lack of information.

In answer to a question concerning problems associated with slow processing by the Board caused by backlog, Mr. Weaver stated that the Board intended to expedite these matters similar to the way the I.R.B.'s were handled. He said that computer facilities would be used and that the main problem would probably be a lack of understanding concerning the "ground rules". He expressed support for sections two and three of the bill which do explicitly grant authority to the Board of Tax Appeals for oversight.

Ernie Mosher testified in support of the concepts in S.B. 284. He requested

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

room 519-S, Statehouse, at 11:00 a.m.~~p.m.~~ on February 25, 1987.

consideration of two amendments to the bill. (Attachment 2) The first amendment speaks to a policy statement concerning the existing tax base. The second amendment would be to insert the words "legal and factual" in line 96, prior to the word "merits".

Nancy Hiebert stated that she was not opposed to the bill, but would like to offer a list of guidelines that her sub-committee had prepared. (Attachment 3) She stated that the reason for guidelines would be to provide some structure to local governing bodies. She stated that such guidelines could cut down on decisions which generate problems.

Leah Anderson (Attachment 4) asked for the committee to delay action on these bills. She stated that she was not opposed to S.B. 284, but felt that the committee should do more research on some of the questions such as those raised by Nancy Hiebert before passing the bill. She stated that she was in favor of leaving the policy decision to local entities, but that guidelines are badly needed. She felt that it would be better to delay the bill and not take action at all rather than to pass it before more information is gained.

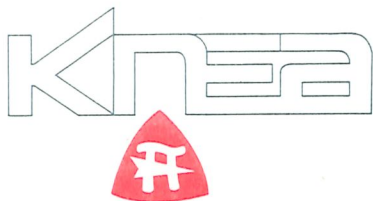
Bev Bradley testified in support of S.B. 284. She stated that she favored allowing local government as much discretion as possible, but that oversight is needed.

Bud Grant, KCCI, stated that he could understand both sides of the question of the merit of S.B. 284. He said that the current process has worked for many years on related issues, and that he fears that requiring hearings, notices, etc. will discourage business and will reduce the flexibility of decision makers. He did not think the bill should be passed this year.

Larry Danielson stated that he agreed with testimony of KCCI regarding the problem of limiting flexibility. He said that if abuses do occur that future legislation can address such abuses. He recommended that the process be allowed to work before legislation is passed.

Senator Salisbury made a motion to accept the minutes of the February 24, 1987 meeting. Senator Montgomery seconded. Motion carried.

Meeting adjourned.



Kay Coles testimony before the
Senate Assessment and Taxation Committee
February 26, 1987

Thank you Mr. Chairman. Members of the Committee, my name is Kay Coles and I am here today representing the 20,000 members of Kansas-NEA. We appreciate the opportunity to speak with you in support of SB 186.

With the passage of the constitutional amendment allowing local units of government to provide property tax exemptions comes the concern that widespread use of this authority could result in significant diminution of school district property tax base.

The broad language of the amendment -- and the lack of definition surrounding "economic development" -- could lead to an erosion of the school district property tax base and threaten the quality of education in many of our schools.

We believe SB 186 goes a long way toward averting this predicament by keeping on the tax rolls that property which currently is taxed.

On the other hand, SB 186 still allows leniency in granting exemptions for truly deserving economic development projects.

For these reasons, Kansas-NEA encourages you to report SB 186 favorably for passage.

Thank you for listening to our concerns. I would be glad to answer any questions.

POSSIBLE AMENDMENTS TO SB 284

(1) Insert, after line 39, the following:

(c) In granting an exemption for any property from ad valorem taxation pursuant to the provisions of section 13 of article 11 of the Kansas Constitution, the board of county commissioners of any county or the governing body of any city, as the case requires, shall restrict the extent of the exemption granted to existing property to avoid unreasonable and unnecessary losses to the existing assessed valuation, or require the payment of sufficient in lieu charges under the provisions of K.S.A. 12-148 to avoid unreasonable and unnecessary losses of public revenues, to the maximum extent practicable and consistent with the economic development purposes of the constitutional provision.

(2) In line 96, prior to the word "merits", insert "legal and factual".

TESTIMONY BEFORE THE SENATE ASSESSMENT AND TAXATION COMMITTEE
BY

NANCY B. HIEBERT, DOUGLAS COUNTY COMMISSIONER
ON BEHALF OF THE

KANSAS COUNTY COMMISSIONERS ASSOCIATION
TAXATION AND ASSESSMENT SUBCOMMITTEE
SUGGESTED ELEMENTS OF STATE LEGISLATION LIMITING THE
APPLICATION OF ARTICLE 11, SECTION 13 OF THE
KANSAS CONSTITUTION, CONCERNING EXEMPTIONS FROM AD VALOREM
TAXATION FOR ECONOMIC DEVELOPMENT PURPOSES

FEBRUARY 25, 1987

1. Counties and cities desiring to offer ad valorem tax exemptions in accordance with Article 11, Section 13 of the Kansas Constitution should be required to adopt written property tax exemption policies.
2. Within the corporate limits of cities, city governing bodies should have the sole jurisdiction to offer partial or full property tax exemptions. Outside the corporate limits of cities, county governing bodies should have the sole jurisdiction. Where appropriate, the city governing body, with the consent of the county governing body, should have the right to grant such property tax exemptions as are appropriate, within the three mile zone surrounding each city within a county.
3. Any city or county which has received an application for exemption should be required to notify each taxing subdivision which may be affected by such exemption. Such notification should be given by certified letter sent no less than 15 days before the date on which the governing body will decide whether to grant the exemption requested.

4. City and county property tax exemption policies and practices should require applicant businesses to demonstrate the direct economic benefit to the county or city granting the tax exemption requested. Such benefits could include the creation of additional jobs, diversification of the local economic base, the stimulation of additional private investment, the average wage or salary to be paid by the company in comparison to the community's average wage or salary, or other similar benefits. Counties and cities should consider offering greater exemptions for increased economic benefits (e.g. in relation to the number of jobs produced.) However, statistics report that eighty percent of all new jobs created in the immediate future will result from growth in small businesses. The formula should not discriminate against small companies, who significantly increase their payroll on a percentage basis, but may not add large numbers to the community's work force.

5. Counties and cities should retain full authority to require payments in lieu of taxes.

6. A definition of commenced operations as contained in Article 11, Section 13 of the Kansas Constitution, should address the following concerns:

- A. A business should not be encouraged to move its location from one Kansas community to another, by the assurance that a new tax exemption would be granted for another ten year period. While it is recognized that there can be legitimate reasons for the relocation of an industry, e.g. better transportation of raw materials and finished products, it is suggested that any business requesting a second tax exemption, within twenty-five years of its first application, be required to document the business - related basis for its decision.

B. It is important that the definition of commenced operation exclude consideration of businesses who merely change ownership in a cosmetic manner to qualify for consideration.

7. The Department of Commerce should be responsible for the development of an application and preliminary review process for all requested tax exemptions. In conducting such a review, the wisdom of a county or city governing body's policy decision in granting the exemption should **not** be questioned. The review should only determine whether the county or city complied with the procedural requirements of state law. The Department would be able to evaluate the information presented by the interested business for completeness. This review process, occurring at the "front-end" of the procedure, would require uniform presentation of requested information. Further, the department could provide the cities and counties with the technical assistance needed to establish the pertinent economic facts necessary for a cost-benefit analysis of the requested exemption.

8. A business granted an exemption under Article 11, Section 13 of the Kansas Constitution, should be required to submit, on a yearly basis, a request to continue its exemption. The yearly review will include documentation that the investment, jobs and or other benefits pledged in the original application for exemption are accruing to the community.

9. A business moving to a new location in Kansas should not be granted tax exemptions if, at their previous location, there are tax obligations owed to that community.



McPHERSON COUNTY

TESTIMONY BEFORE THE SENATE ASSESSMENT AND TAXATION COMMITTEE

BY

**LEAH ANN ANDERSON, COUNTY CLERK
ON BEHALF OF THE
BOARD OF MCPHERSON COUNTY COMMISSIONERS**

FEBRUARY 25, 1987

The Board of McPherson County Commissioners is pleased to have this opportunity to discuss state legislation affecting the application of Article 11, Section 13 of the Kansas Constitution, concerning exemptions from ad valorem taxation for economic development purposes. This issue will have significant impact on our county's economic development efforts, as well as our tax base. Thus, it is important that the proposed state legislation be developed in a coordinated and cohesive manner. The testimony presented by Commissioner Hiebert of Douglas County underscores the wide spectrum of issues, which must be addressed to facilitate the productive use of this valuable tool by local governments. McPherson County would respectfully request that this committee delay action on Senate Bills No. 186 and 284, until legislation can be developed to address the variety of implementation issues suggested by the Taxation and Assessment Subcommittee of the Kansas County Commissioners Association. A piecemeal approach to the development of guidelines for the use of these ad valorem tax exemptions would not be productive for either the development of our local economies or the security of our tax base.

We would also continue to underscore that our support for state legislation in this area does not extend to the establishment of limitations on the local governing body's development of policy for the use of this economic development tool. It is important that the local entities be given full discretion in its development and implementation of policy to respond to requests for exemption.

Finally, the Board of McPherson County Commissioners offers its support for the development of state legislation, which addresses the issues delineated by the Kansas County Commissioner's Association report. The report addresses the need for technical assistance and clarification, which should assist local governments in their efforts to implement these exemptions in a uniform and rational manner. It is important that we work together to develop strategies, which will insure the success of each local government's implementation of this valuable economic development tool.

Sen. A & T
2/25/87

Att. 4

MCPHERSON COUNTY COMMISSIONERS

McPherson County
Courthouse

John C. Magnuson, Chairman
District 1

John W. Casebeer
District 2

Tony Wedel
District 3

P.O. Box 676
Phone No. 316-241-8149