

Approved March 6, 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./~~xxx~~ on Thursday, March 5, 1987 in room 519-S of the Capitol.

All members were present except:

Senator Nancy Parrish

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:

Jack Ranson, Ranson & Co.
Jim Kaup, Ks. League of Municipalities
Terry Humphrey, Kansas Manufactured Housing Institute
Lionel Clark, Kit Manufacturing Company
Dick Dilsaver, Ks. Manuf. Housing Inst.
Bill Ewert, Skyline Corp. in Halstead
Rod Taylor, Doug's Mobile World, Inc.
Gerry Ray, Johnson County Board of Commissioners
Fred Allen, Association of Counties
Marla Howard, Public Affairs Off., City of Wichita

Chairman Kerr called the meeting to order and said the agenda for the day was to have hearings on S.B. 299, 309, 320, and 330.

SENATE BILL 299

Jack Ranson testified in support of S.B. 299. He stated that the purpose of the bill is to remove the state income tax from normal Kansas municipal general obligation bonds and utility revenue bonds. He said that the immediate fiscal impact to the state is difficult to pin down. A previous fiscal note showed a reduction of \$4.6 million dollars to the state but he believes the impact to be much less, perhaps in the \$.5 to \$1.0 million dollar range. He said that most bonds are already exempt. Since even these types of bonds are not subject to federal income tax, he does feel that many taxpayers are inadvertently omitting the bonds from reporting for state income tax purposes.

Mr. Ranson said that these bonds have become less attractive to investors because of the state income tax. By passing the bill, he said that help would be provided to cities, counties and school districts. He said that the outlook is that Kansas will have to make large investments in its infrastructure and that removing this income tax impediment would assist local units of government in selling these bonds.

Jim Kaup testified in support of S.B. 299. He stated that the convention-adopted Statement of Municipal Policy provided that "The interest on Kansas municipal bonds should be exempt from state income taxation in the same manner as stateboard of regents, armory and turnpike bonds, and industrial revenue bonds, are not tax exempt." (Attachment 1)

SENATE BILL 309

Terry Humphrey testified in support of S.B. 309. (Attachment 2) She said that the bill creates a 40% reduction on sales tax paid on new manufactured housing. This is estimated to be roughly equivalent of the amount of labor which goes into the construction.

She stated that if this bill is passed, the consumer who is often a first time home owner in the low to moderate income range will no longer be "overtaxed." She pointed out that the manufactured housing industry has been an important industry to the Kansas economy, but it has suffered greatly in recent years.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on March 5, 1987

Nine manufacturers and four suppliers have gone out of business. This bill would help to bring the industry back to life. She also stated that her organization would support an amendment to make the bill effective January 1, 1988 if that were necessary to help the state's balances for fiscal year 1988.

She said that the estimated fiscal note on S.B. 309 is approximately \$539,000 yearly.

Lionel Clark testified in favor of S.B. 309. (Attachment 3) He stated that there are only five manufacturing locations left in Kansas. These plants are working at less than 100% capacity and it is becoming more difficult to justify to the Board of Directors and Stockholders reasons for these companies to stay in Kansas.

Dick Dilsaver testified in support of S.B. 309. He stated that Coleman sales to Kansas Manufacturing Industry is down by 60% from 1984. He said that S.B. 309 would be helpful in saving the manufacturing housing industry, and urged support of it.

Bill Ewert testified in support of S.B. 309. (Attachment 4) He stated that only fourteen years ago the manufacturing housing industry claimed to be the third largest industry in Kansas, and it is now a struggle to stay in existence. He said it is important to pay sales tax on only the materials used, instead of paying tax on the full retail cost of the home.

Rod Taylor testified in support of S.B. 309 (Attachment 5) He said that lack of down payment is the biggest reason people are renting instead of buying. If the sales tax would be lowered, the consumer would be able to put that money toward a down payment. He felt this could make the difference whether or not a loan might be approved for funding.

Gerry Ray testified in opposition to S.B. 309. (Attachment 6) She stated that she failed to see why the mobile home industry should be granted any additional tax breaks, especially when the state is operating under its present financial status.

Fred Allen testified in opposition to S.B. 309. He stated that he opposed the erosion of the tax base which would take place if the bill were passed. He said that he agreed with the observation that manufactured home builders would receive a benefit when the inventory tax becomes exempt in 1989. He said that unsold manufactured homes would be exempt from inventory taxes, while he feels that sight built homes will be subject to property tax because they would be real estate.

Marla Howard testified in opposition to S.B. 309. She testified on behalf of Wichita and Sedgwick County, who are also in opposition to the bill. (Attachment 7)

SENATE BILL 320

Don Hayward explained that S.B. 320 is merely a technical bill designed to clean up a conflict in the statutes.

Senator Hayden made a motion to recommend that S.B. 320 be passed and since it is non-controversial in nature that it be placed on the Consent Calendar. Senator Karr seconded. Motion carried.

SENATE BILL 330

Senator Burke explained that S.B. 330 provides that additional information from the Board of Tax Appeals concerning revenue bonds be obtained. Additional information would show how much tax the property had paid in the last year prior to receiving abatement through the revenue bond approach.

Senator Hayden made a motion to accept the minutes of March 3rd and 4th, 1987. Senator Parrish seconded. Motion carried.

Meeting adjourned.

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
3/5/87	Jim Kaup	Topeka	League of Municipalities
	Fred Allen	"	Ks. Assoc. of Counties
	Sherry Ray	Olath	Jr. Co. Comm.
	DICK DILSAVER	Wichita	Coleman Co.
	Sperry Humphrey	Topeka	KMHI
	Phil Anderson	Topeka	Daugh. Mobil World
	Donna Harris	Topeka	Budget Division
	Janet Stubbins	"	KLBAK
	KAREN McCLAIN	TOPEKA	Ks. Assoc. REALTORS
	Duo GRANT	"	CCCI
	PAT BARNES	TOPEKA	Ks. Motor Car Dealers Assn
	Bill Ewert	Atalstead	Skyline Corp.
	Legal Clerk	McPherson	KIT Mfg. Co. Inc.
	Dee Ann	Topeka	KECCI
	marla Howard	Wichita	City of Wichita
	Millie Martin	Wichita	Sedgewick Co.
	Walter Cole	Topeka	Ransom & Co
	JACK RANSON	Wichita	Ransom & Company, Inc.
	MARK A. BURGHART	TOPEKA	KS. DEPT. OF REVENUE



League of Kansas Municipalities

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL / 112 WEST SEVENTH ST., TOPEKA, KANSAS 66603 / AREA 913-354-9565

TO: Senate Committee on Assessment and Taxation
FROM: E.A. Mosher, Executive Director
DATE: March 5, 1987
SUBJECT: SB 299--Taxation of Municipal Bond Interest

The League is in support of SB 299, which would exempt from state income taxation the interest on all municipal bonds. Enactment of this bill is a long-term objective of the League. Our convention-adopted Statement of Municipal Policy provides that "The interest on Kansas municipal bonds should be exempt from state income taxation in the same manner as state board of regents, armory and turnpike bonds, and industrial revenue bonds, are now tax exempt."

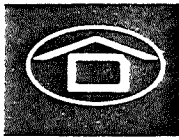
For many years, it has been the practice to include an interest exemption provision in all new laws authorizing various types of municipal bonds. As a result, we now have the paradoxical situation that the interest on traditional municipal public purpose bonds, such as for streets or sewage treatment plants or school buildings, are not exempt, while the newer types of bonds, even industrial revenue bonds, are exempt from taxation.

We do not know the fiscal impact of SB 299. As a matter of principle, and as a matter of equal treatment for all public debt obligations, we think a general exemption law is important. For a variety of reasons, including the new federal Tax Reform Act, we think it is important to increase the market demand for Kansas municipal bonds by Kansas taxpayers. SB 299 will help accomplish this objective, and we urge its favorable consideration.

Sen. A & T
3/5/87

Att. 1

President: John L. Carder, Mayor, Iola • Vice President: Carl Dean Holmes, Mayor, Plains • Past President: Ed Eilert, Mayor, Overland Park •
Directors: Robert C. Brown, Commissioner, Wichita • Robert Creighton, Mayor, Atwood • Irene B. French, Mayor, Merriam • Frances J. Garcia,
Commissioner, Hutchinson • Donald L. Hamilton, City Clerk/Administrator, Mankato • Paula McCreight, Mayor, Ness City • Jay P. Newton, Jr.,
City Manager, Newton • John E. Reardon, Mayor, Kansas City • David E. Retter, City Attorney, Concordia • Arthur E. Treece, Commissioner,
Coffeyville • Deane P. Wiley, City Manager, Garden City • Douglas S. Wright, Mayor, Topeka • Executive Director: E.A. Mosher



KANSAS MANUFACTURED HOUSING INSTITUTE

112 SW 6th • Suite 204 • Topeka, Kansas 66603 • (913) 357-5256

TESTIMONY BEFORE THE SENATE

ASSESSMENT AND TAXATION COMMITTEE

TO: Senator Fred Kerr, Chairman
and Members of the Assessment and Taxation Committee.

FROM: Terry Humphrey, Executive Director
Kansas Manufactured Housing Institute

DATE: March 5, 1987

Mr. Chairman and members of the Committee, I am Terry Humphrey, Executive Director of Kansas Manufactured Housing Institute. Thank you for the opportunity to appear before you in support of Senate Bill 309.

Senate Bill 309 creates a 40% reduction on sales tax paid on new manufactured housing. Currently when an individual buys a new manufactured home, sales tax is paid on the full retail cost of the home. This is in contrast to stick built housing where sales tax is paid only on construction materials used in building.

Under the provision of Senate Bill 309, home buyers will pay sales tax on 60% of the purchase price of a new manufactured home. This percentage ensures that sales tax is being collected on construction materials and any additional items added to the sale at the retail level for set up. The Howard P. Gates study reveals that the cost of materials in a new manufactured home are approximately 43.67% of the retail cost of the home.

If Senate Bill 309 becomes law, two important results will be achieved. First, our consumer who is often a "first time home buyer" in the low to moderate income range, will no longer be taxed unfairly. A recent survey found the medium household income of manufactured home buyer to be \$16,881 annually and the average cost of a new manufactured home approximately \$20,000. Obviously, this group of home buyers should not be asked to bare a larger tax burden.

To show you how the sales tax bill can impede the home buyer lets do the sales tax calculation. The average new manufactured home of \$20,000 generally requires a 10% down payment which would be \$2,000. In Ottawa, Kansas where sales tax is 6% the tax bill is \$1,200. In some cases finance companies will not finance the sales tax since in the case of default, sales tax is a nonrecoverable item.

The second point I would like to make is that the manufactured housing industry has been an important part of the Kansas economy, however, in the past three years we have lost nine manufacturers and

four suppliers representing a minimum of 1,140 jobs and 640 of those jobs were lost in the last nine months. In addition, it is estimated that the closing of those plants has resulted in the state losing more than one million dollars in corporate taxes and Kansas communities losing in excess of 16.5 million in payroll.

Today, there are five manufactured housing plants left in Kansas and a few suppliers, and they need your help if they are going to be able to stay in Kansas. Certainly the present health of the manufactured housing industry is tied to the overall Kansas economy, but certain negative marketing factors such as sales tax inequity hinder them as well.

It is encouraging to see the Legislature direct it's attention towards economic development; and the economic development legislation that is going through the Legislature is over due and will benefit everyone in the long run. However, at this time, none of the economic development proposal will specifically help the manufactured housing industry, but, Senate Bill 309 will. I agree with the Redwood Report from the 1986 session which states that Kansas should be concerned with the industry that already resides within it's borders and our efforts should be directed to enhance their business climate.

Already 17 states have taken steps to eliminate sales tax inequities and some of those states are: Arkansas, Colorado, Georgia, Indiana, Iowa, Minnesota, Texas, and Wisconsin.

In conclusion, I would like to remind the Committee that the manufactured housing industry is not asking for special treatment or the complete elimination of a tax - only for equal treatment with similar forms of housing. It is well known that the primary obstacle to the passage of Senate Bill 309 is the small fiscal note that it carries. However, it is our contention that the revenue loss will actually be lessened due to an increase in sales and a stronger industry. KMHI urges your support of Senate Bill 309 and we thank you for your attention to this matter.

TH:mn



KIT

MANUFACTURING COMPANY

One Kit Boulevard, P.O. Box 738 ■ McPherson, Kansas 67460 ■ (316) 241-1500

March 5, 1987

Chairman Montgomery and Members of the Committee:

My name is Lionel Clark and I represent Kit Manufacturing Company of McPherson. Kit has been manufacturing housing for the past 28 years in McPherson. We presently employ about 70 people with an annual payroll of \$900,000.

I have been in the manufactured housing industry here in Kansas for the past 25 years. I have seen our industry grow to 27 plants in the 70's, creating employment for over 3,000 Kansans, representing an annual payroll of over 60 million. That did not include the additional hundreds of jobs created in support businesses.

Kansas was chosen by these manufacturers, for it's central location, good highways and interstate systems, and a work force second to none.

Our industry has declined over the past few years due to many reasons. We now have five manufacturing locations left in Kansas. Our plants are working at less than 100% capacity and it is becoming more difficult each day to justify to the Board of Directors and Stockholders of these companies our reasons for staying in Kansas.

With the decline of manufacturers in the state our supplier base is leaving Kansas also. In fact we have lost four support industries in the past nine months. By our suppliers leaving Kansas, freight cost on materials used will increase, forcing us to raise our prices, and therefore be less competitive in neighboring states.

I have had the unfortunate experience of working for two major manufacturers that have closed their plants here in Kansas. Marlette Homes in Great Bend and Guerdon Industries in Manhattan. They closed in 1984 and 1985 respectively. Those two alone represented 2.8 million in lost payroll.

We as an industry do not profess, that with a reduction of the sales tax charged for new manufactured housing, all our problems would be solved, but it will help greatly.

We ask for nothing more than equal treatment with the rest of the housing industry here in Kansas, and by your support of Senate Bill 309 this will become reality.

I solicit your support for this bill and thank you for allowing me the time to share my thoughts with you. Together we can make Kansas well again.



Skyline Corporation
920 West Second Street
P.O. Box 311
Halstead, Kansas 67056
(316) 835-2214

To: Chairman Fred Kerr and Members of the Senate Assessment and Taxation Committee

Date: March 5, 1987

Re: S. B. 309; Sales Tax Equity

I am Bill Ewert, Division Manager of Skyline Corporation in Halstead. I appreciate the opportunity to testify today in favor of S. B. 309.

Skyline Corporation has two plants in Kansas; the other plant is located in Arkansas City. Both plants have produced homes continuously for over twenty years. During this time, each plant has paid out thousands of dollars in local and state taxes and millions of payroll dollars. At one time, annual employment stood at 275 with a payroll of 4 million dollars. However, because of the present economy, our total employment now stands at 70 with an annual payroll of \$1.2 million. This translates to a per plant efficiency rating of 25%, obviously a money losing situation.

We think it is important to the future of our industry to only pay sales tax on materials used. As things stand now, our customers pay tax on the full retail cost of the home.

Fourteen years ago our industry claimed to be the third largest industry in Kansas. Now it is a struggle just to stay in existence. In the last year alone, three mobile home manufacturers in Kansas have closed their plants. When this happens in a small community, the loss of jobs and revenue is devastating.

Since some finance companies will not finance sales tax, reducing the amount of tax by 40% would lower the down payment and help more people qualify for home ownership. Selling more homes will allow us to recall laid off workers which will bring in new tax dollars, not cost the state tax dollars.

The passage of S. B. 309 should be looked at as an investment in the future of the mobile home industry in Kansas and a boost to the state's economy. Thank you for your consideration.

DOUG'S

mobile world inc.

* your energy minded dealer *

TO: Senator Fred Kerr, Chairman
Senate Committee on Assessment & Taxation

DATE: March 5, 1987

RE: Sales Tax Reduction on New Manufactured Houses

Mr. Chairman and Members of the Committee:

My name is Rod Taylor. I am president of Doug's Mobile World, Inc., a manufactured housing dealership and South Village, Inc., a manufactured housing community, both located in Topeka. I am here today to urge your support of SB 309 which would reduce the sales tax on new manufactured houses by 40%.

The average price of a single wide home in Topeka is \$20,000. At a tax rate of 5%, the consumer would be required to pay \$1,000. in sales tax making the total cost of the home \$21,000. With the 40% reduction provided by SB 309, the consumer would be paying \$400. less sales tax, which is a significant amount of money to most purchasers.

Lack of down payment is the biggest reason that people are renting homes instead of buying. Many lending institutions require sales tax as part of the down payment, meaning the purchaser must pay 10% down plus sales tax. The addition of sales tax increases the down payment by 50%. Therefore, you can see that a reduction in sales tax would allow more qualified buyers to realize their dream of home ownership.

If the home were to be financed, the reduction in sales tax would result in a lower down payment and a lower amount to be financed. This could mean a great deal to the potential buyer especially when the financing institution bases their allowance for housing expense on a percentage of the purchaser's income. This could make the difference in whether or not a loan would be approved for funding.



Sen. A & T
3/5/87

Att. 5

4919 SOUTH TOPEKA BLVD. • TOPEKA, KANSAS 66609 • (913) 862-0321

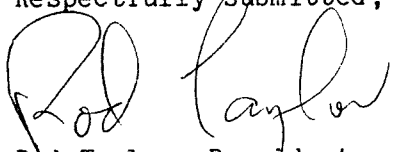
Those who would benefit from the reduction would include young people just starting their careers at a base income level and older people who are at or near retirement age facing a fixed income level. Young people, single and married, usually have a limited amount of funds available for down payment and housing expense. Therefore, they look to manufactured housing as an affordable first home. It is the fixed income level of retired or retiring individuals that persuades them to choose manufactured housing as an alternative to the high maintenance costs of conventional homes.

The tax savings proposed in SB 309 would be another positive reason, in addition to affordable and economic housing, for consumers to make a buying decision and I'm sure it will have a positive effect on many families of all ages in the future.

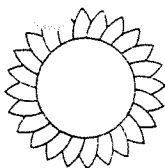
Please remember that this reduction in sales tax will now put the manufactured housing industry more in line with conventional housing since consumers only pay tax on building materials when they purchase a new conventional home.

I thank you for the opportunity to appear and testify today and I appreciate your support of SB 309.

Respectfully submitted,

A handwritten signature in cursive script that reads "Rod Taylor". The signature is written in dark ink and is positioned to the left of the typed name.

Rod Taylor, President
Doug's Mobile World, Inc.
South Village, Inc.



SENATE ASSESSMENT AND TAXATION COMMITTEE
THURSDAY, MARCH 5, 1987
HEARING ON SENATE BILL 309
TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL COORDINATOR
JOHNSON COUNTY BOARD OF COMMISSIONERS

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS GERRY RAY, REPRESENTING THE JOHNSON COUNTY BOARD OF COMMISSIONERS. THANK YOU FOR THE OPPORTUNITY TO TESTIFY TODAY ON SENATE BILL 309, EXEMPTING NEW MOBILE HOMES FROM SALES TAX.

THE JOHNSON COUNTY COMMISSION WOULD LIKE TO EXPRESS OPPOSITION TO THIS PROPOSED TAX EXEMPTION. WHEN THE CLASSIFICATION AMENDMENT TAKES EFFECT THE INVENTORIES OF THE MOBILE HOME INDUSTRY WILL NO LONGER BE TAXED AND WE FAIL TO UNDERSTAND WHY THEY SHOULD BE GRANTED ANY ADDITIONAL TAX BREAKS.

AT A TIME WHEN THE STATE IS EXPERIENCING FISCAL PROBLEMS AND LOCAL GOVERNMENTS ARE EXPECTED TO ACCEPTS FINANCIAL CUTS, WE BELIEVE IT IS INAPPROPRIATE TO GRANT NEW TAX EXEMPTIONS AND URGE THE COMMITTEE TO VOTE AGAINST THIS PROPOSAL.

Sen. A & T
3/5/87

Att. 6

THE CITY OF WICHITA

PUBLIC AFFAIRS OFFICE
CITY HALL — THIRTEENTH FLOOR
455 NORTH MAIN STREET
WICHITA, KANSAS 67202
(316) 268-4351

March 5, 1987

TO: Chairman Kerr and Members of the Senate Assessment and Taxation Committee

FROM: Marla J. Howard, Public Affairs Officer, City of Wichita and Willie Martin, Intergovernmental Coordinator, Sedgwick County

RE: SB 309, Sales Tax Exemption for New Mobile Homes

Mr. Chairman and Members of the Committee:

The City of Wichita and Sedgwick County would like to express their opposition to Senate Bill 309.

A number of factions have requested sales tax exemptions in the interests of economic development and we agree that such exemptions can make a difference in the overall development of an industry within our State. However, State and local governments are facing severe fiscal problems and reductions in revenue, including sales tax revenue. Any additional exemptions should be scrutinized carefully to ensure that the economic development benefits justify the loss of revenue.

It is our understanding that Senate Bill 309 only provides a 40 percent exemption of the sales tax on mobile homes to make the amount of tax paid equivalent to that paid for materials for site-built homes. However, site-built homes, once constructed, pay real estate property taxes every year, while mobile homes only do so when they are permanently affixed to a foundation on a specific lot. If mobile home buyers wish to reduce the amount of sales tax paid on their homes to the same level as that paid on site-built homes, then the City of Wichita and Sedgwick County feel that these homeowners should also be required to pay ad valorem property taxes, just as site-built homeowners do. The problem with that option, however, is that once a home is sold, we have no way of guaranteeing or enforcing the payment of such taxes since these homes are mobile.

The City of Wichita and Sedgwick County urge you to oppose Senate Bill 309. Thank you

Sen. A & T
3/5/87

Att. 7