

Approved On: _____

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 29, 1988 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Wagon, Vancrum, Adam, Grotewiel

Committee staff present:

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

Chairman Ed C. Rolfs distributed copies of a letter he wrote to Ms. Debra Post and Ms. Martha Gonzales, Department of Revenue, complimenting them on the outstanding work they had done on the annual report for the Department of Revenue. (Attachment 1)

HB-3095 - AN ACT relating to licensure, certification or registration of certain professionals; requiring the submission of certain information, was discussed. Doug Mayes, Security Commissioner, testified and asked that the words "and the applicant's spouse" in lines 26 and 28 be deleted. Representative Pottorff moved, second by Representative Fuller, to delete the wording as requested. The motion carried.

John R. Luttjohann, Director of Taxation, testified as a proponent for HB-3095. He said the Department of Revenue believes this legislation will enhance taxpayer compliance efforts and help to assure that business people receiving substantial benefit from the state are fulfilling their state tax responsibilities. (Attachment 2) He said a major problem on tax administration is the detection and identification of non-filers. Representative Snowbarger moved, second by Representative Wunsch, that a list of licensees must be furnished upon request. The motion carried. Representative Roe moved, second by Representative Smith, that HB-3095 be passed as amended. The motion carried.

There was discussion on SB-453 - AN ACT relating to property taxation; effecting statutory amendments necessary and incidental to the reappraisal and classification of property for taxation purposes. Representative Lowther made a conceptual motion, second by Representative Wunsch, to define "Retail Cost when New" as retail cost when purchased by each owner. The motion carried. Representative Lowther moved, second by Representative Wunsch, to insert the wording "intending to be sold" in New Section 2. The motion carried. Representative Snowbarger moved, second by Representative Smith, to strike the wording in line 70 "with a view of being sold" and insert "purchased for resale without modification" The motion passed. Representative Gatlin moved, second by Representative Lowther, to insert new Section 2 into SB-453. The motion passed. Representative Leach moved, second by Representative Spaniol, that CRP lands be appraised on their current use instead of previous use. The motion failed. (Attachment 3)

Representative Rolfs moved, second by Representative Roe, that lines 173 and 174 be deleted. The motion carried. Representative Rolfs moved, second by Representative Lowther, to strike lines 140-153. The motion carried.

Representative Wunsch moved, second by Representative Leach, to delete the Senate amendment defining vacant lots. The motion carried.

The minutes of March 28 were approved.

There being no further business, the meeting was adjourned.



Ed C. Rolfs, Chairman

STATE OF KANSAS

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TOPEKA

HOUSE OF
REPRESENTATIVES

March 29, 1988

COMMITTEE ASSIGNMENTS
CHAIRMAN TAXATION
MEMBER FEDERAL AND STATE AFFAIRS
LEGISLATIVE POST AUDIT
OFFICE ADDRESS
ROOM 155E
STATE CAPITOL
TOPEKA, KS 66612-1591
(913) 296-7669

Ms. Debra Post
Department of Revenue
State Office Building
Topeka, Kansas 66612

Ms. Martha Gonzales
Department of Revenue
State Office Building
Topeka, Kansas

Dear Ms. Post and Ms. Gonzales:

I just wanted to drop you a note and tell you what an excellent job I thought you did in putting together the annual report for the Department of Revenue. The presentation is well thought out and contains information that is most useful and informative.

It is impressive that you were able to accomplish this using your MacIntosh PC. The graphics that you were able to put together were some of the best that I have seen in my ten years in the legislature.

Again, congratulations on a fine publication. You should be very proud of the work that you have done on this project.

Sincerely yours,

A handwritten signature in dark ink that reads "Ed C. Rolfs". The signature is written in a cursive, slightly slanted style.

Ed C. Rolfs, Chairman
Committee on Taxation


Copy to Harley T. Duncan



KANSAS DEPARTMENT OF REVENUE
Division of Taxation
Robert B. Docking State Office Building
Topeka, Kansas 66625-0001

M E M O R A N D U M

TO: The Honorable Ed C. Rolfs, Chairman
House Taxation Committee

FROM: John R. Luttjohann 
Director of Taxation

DATE: March 29, 1988

RE: House Bill 3095
Tax Clearance Legislation

Thank you for the opportunity to appear today on House Bill 3095. The Department of Revenue believes this legislation will enhance taxpayer compliance efforts in our state, and help to assure that business people receiving substantial benefit from the state are fulfilling their state tax responsibilities.

A major problem in tax administration is the detection and identification of nonfilers. The Department of Revenue endorses the procedure in this bill which would require a tax information document to be provided to State licensing authorities prior to the issuance of a professional or trade license by an agency of the State of Kansas.

The Department's Fair Share Program has worked with several state boards in an attempt to obtain a listing of licensees. One procedural difficulty has been that most license registrations do not request social security numbers from applicants. In spite of some additional work required to match license applicant data with taxpayer information in the Department's files, we believe the effort was successful and beneficial to the state. In particular, the program to identify nonfiling attorneys generated additional revenue to the state general fund of over \$140,000 this past year. All Kansas Lottery retailers must obtain a tax clearance prior to selling lottery tickets. To date, this program has generated about \$70,000 in additional tax revenue.

We believe that an effective monitoring program should be established to give the state the opportunity to determine if people who have the benefit of a trade or business license granted by the state are fulfilling their state tax responsibilities. Therefore, we support this legislation which would require an applicant for a business or professional license to provide certain identifying data at the time of application for issuance or renewal of his or her license.

Based on comments we have received from other state agencies, the Department would support an amendment to the bill which would delete the requirement to provide data relating to a licensee's spouse.

I would be happy to respond to any questions which you may have.



KANSAS DEPARTMENT OF REVENUE
Division of Property Valuation
Robert B. Docking State Office Building
Topeka, Kansas 66612-1585

MEMORANDUM

TO: Senate Assessment & Taxation Committee
Senator Fred Kerr, Chair
FROM: Terry D. Hamblin, Director
DATE: February 12, 1988
SUBJECT: Vacant Lots

Article 11, Section 1(b) of the Kansas Constitution now requires that "Real property be further classified into four subclasses," and that "Such property shall be defined by law for the purpose of subclassification and assessed uniformly as to subclass" All real property is now defined as Class 1, and Subclass C consists of "Vacant Lots," which are to be assessed at 12% of their market value.

For the purposes of classification, the Property Valuation Division has defined "Vacant Lot" as a parcel of land which is unimproved except for utility services. Following from that:

- * Parcel is defined as a contiguous area of land under one ownership that can be included under one description for appraisal purposes as set forth in the Kansas Mapping Specifications.
- * Improvement is defined as buildings, structures, or other development located upon or attached to the land which, under Kansas law, become part of the real estate.
- * Utilities are defined as water, gas, electric, or sewer services available to the parcel.

Based upon this definition, the following implications should be noted:

1. Regardless of highest and best use considerations or current surrounding use, all residential, commercial, and industrial properties meeting the vacant lot definition criteria will be sub-classed and assessed as vacant lots. However, they will be appraised at their highest and best use.
2. Use of the word "lot" does not restrict how the parcel is legally described. It applies to platted subdivision lots and parcels described by metes and bounds descriptions or U. S. Government Survey references.

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3. Vacant lots may be either urban or rural and no size limitation is imposed. For example, a vacant lot may be 50 X 100 feet, 1000 X 1000 feet, or 160 acres.
4. The definition implies that a parcel of land having an improvement (except utilities) on any portion thereof could not be considered a vacant lot. For example: A 10-acre tract of which 9 acres are vacant and unimproved and 1 acre is improved with a homesite or industrial facility. The 9 acres that are vacant and unimproved would not be segregated and sub-classed as a vacant lot. Additionally, such items as asphalt paving, fencing, or a small dilapidated shed having little or no value would all be considered improvements to the parcel.

This definition was developed after considerable thought, discussion and research. Formulation of the definition and its implication was not a matter taken lightly. The Property Valuation Division carefully reviewed existing legislation, attempted to track legislative intent, and studied many other possible definitions completely. Eventually, the definition just presented was selected as being most representative of the wording contained in the constitutional amendment. Should the committee feel differently and have other suggestions, the division would welcome the opportunity to hear and address them. Ultimately we are interested only in carrying out the order of the amendment, which is to ensure that each subclass of property be assessed uniformly throughout the state.

Proposed New Section 2

New Sec. 2. To the extent herein specified merchants' and manufacturers' inventory shall be and is hereby exempt from all property or ad valorem taxes levied under the laws of the state of Kansas.

Approved
(a) As used in this section "merchant" means and includes every person, company or corporation who shall own or hold, subject to their control, any tangible personal property within this state which shall have been purchased with a view of being sold without modification or change in form or substance; and without out any intervening use.

(b) As used in this section "manufacturer" means and includes every person, company or corporation who is engaged in the business of transforming, refining, or combining materials and labor to convert tangible personal property from one form to another including packaging.

(c) As used in this section "inventory" means and includes those items of tangible personal property that (1) are held for sale in the ordinary course of business (finished goods); (2) are in process of production for such sale (work in process); or (3) are to be consumed either directly or indirectly in the production of finished goods (raw materials and supplies). Assets subject to depreciation accounting shall not be classified as inventory. A depreciable asset that is retired from regular use and held for sale or as standby or as surplus equipment shall not be classified as inventory.

The provisions of this section shall apply to all taxable years commencing after December 31, 1988.

W. W. L. L.

Proposed Technical Amendments to SB453

Line 0240 - Strike "Between January 1 and" insert "on or before"; after March 1 insert ", or the next following business day if such date shall fall on a day other than a regular business day,"

Line 0242 - After "shall be" insert "on or before"; after "April 1," insert "or the next following business day if such date shall fall on a day other than a regular business day,"

Line 0479 - After "79-218" insert "79-306a"