

Approved 2/28/89
Date
Keith Roe

MINUTES OF THE House COMMITTEE ON Taxation

The meeting was called to order by Representative Keith Roe at
Chairperson

9:00 a.m./~~p.m.~~ on February 23, 1989 in room 519-S of the Capitol.

All members were present except:
Representative Dean, excused

Committee staff present:
Tom Severn, Research
Chris Courtwright, Research
Don Hayward, Revisor's Office
Lenore Olson, Committee Secretary

Conferees appearing before the committee:
Terry Hamblin - Director of PVD
John Luttjohann - Director of Taxation

A motion was made by Representative Aylward and seconded by Representative Harder to introduce a bill which would allow contractors and repairmen to purchase materials exempt for resale purposes. The motion carried.

A motion was made by Representative Lowther and seconded by Representative Grotewiel to introduce a bill regarding eligibility of property owned by corporations for property tax abatement. The motion carried.

A motion was made by Representative Reardon and seconded by Representative Adam to introduce a bill regarding tax on rental of VCR tapes statewide. The motion carried.

A motion was made by Representative Smith and seconded by Representative Pottorff to introduce a bill regarding tax credits on ag loans for banks & PCA's. The motion carried.

John Luttjohann reviewed requests for three bills (Attachment 1)

A motion was made by Representative Vancrum and seconded by Representative Snowbarger to introduce the three bills requested by John Luttjohann. Proposal No. 1 Would redefine Kansas source income for nonresidents to include unemployment compensation. Proposal No. 2 involves sales tax collections and revocation hearings, exemption certificates and waivers of interest. Proposal No. 3 involves transient guest taxes, statute of limitations, tax refund claims, \$5000 gross income criteria for estimated tax, conformation to federal exeptions to estimated tax penalty provisions and 2% handling allowance for motor fuel distributors. The motion carried.

A motion was made by Representative Smith and seconded by Representative Lowther to introduce a bill regarding tangible personal property - situs for tax purposes. The motion carried.

Terry Hamblin presented a reappraisal update. (Attachment 2) He stated that 78 counties have certified all or partial completion and Change of Value Notices have been mailed in 30 counties.

Tom Severn reviewed information on the importance of property taxes to Kansas state and local governments. (Attachment 3)

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 House COMMITTEE ON Taxation,
room 519-S, Statehouse, at 9:00 a.m.~~p.m.~~ on February 23, 1989.

Don Hayward explained the proposed amendment to HB 2203. (Attachment 4)

A motion was made by Representative Smith and seconded by Representative Reardon to approve the proposed amendment to HB 2203, which would strike all in lines 23 to 41, inclusive, and insert two new sections. The motion carried.

A motion was made by Representative Snowbarger and seconded by Representative Pottorff to report HB 2203 favorable for passage as amended. The motion carried.

The minutes of February 21, 1989, were approved.

The meeting adjourned.

KANSAS DEPARTMENT OF REVENUE
Office of the Secretary
Robert B. Docking State Office Building
Topeka, Kansas 66612-1588

MEMORANDUM

TO: The Honorable Keith Roe, Chairman
House Committee on Taxation

FROM: John R. Luttjohann
Director of Taxation

RE: Proposed Legislation

DATE: February 23, 1989

The Department of Revenue has three bill requests for the House Committee's consideration.

Proposed Bill No. 1: Redefine Kansas source income for nonresidents to include unemployment compensation.

Proposed Bill No. 2: (A) Require invoices to separately state amount of sales tax collected;

(B) Eliminate the sales tax revocation hearing conducted by the Director of Taxation;

(C) Require retailers to obtain exemption certificates within 60 days after notice from Director of Taxation;

(D) Eliminate waiver of interest after 48 months if taxpayer has consented to extension of statute of limitations.

Proposed Bill No. 3: (A) Change effective date for transient guest tax for cities and counties;

(B) Change statute of limitations from 4 years to 3 years;

(C) Allow refund claims within 2 years from date tax paid;

(D) Eliminate \$5,000 gross income criteria for estimated tax;

(E) Conform to federal exceptions to estimated tax penalty provisions;

(F) Allow 2% handling allowance for motor fuel distributors.

I would be happy to respond to any questions you might have.

General Information (913) 296-3909
Office of the Secretary (913) 296-3041 • Legal Services Bureau (913) 296-2381
Audit Services Bureau (913) 296-7719 • Planning & Research Services Bureau (913) 296-3081
Administrative Services Bureau (913) 296-2331 • Personnel Services Bureau (913) 296-3077

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Attachment 1

HOUSE TAX COMMITTEE
REAPPRAISAL UPDATE
FEBRUARY 23, 1989

I. Certification

A. Status

1. 78 counties have certified all or partial completion. See Chart.
2. Change of Value Notices have been mailed in 30 counties.

B. Extension of time

There are counties who have officially asked for additional time to complete their reappraisal projects.

1. Johnson & Wyandotte have requested a few additional days for informal hearings.
2. Clay County has requested 15 extra days to complete the final review and correlation of their commercial property.
 - * They will get their residential and agricultural notices out by March 1.
 - * They have requested 15 additional days to complete commercial property.
 - * Reason for the short delay:
 - (1) County appraiser has been ill.
 - (2) New chief deputy was just hired and would like a few days to review the properties.

None of these short delays and extensions of time will delay the reappraisal project. We expect as we get closer to March 1, that a few more counties will request extensions of a few days. We will inform you as soon as we are aware of them.

II. Hearings and Appeals

A) Appraisal Region A - Northeast Kansas

Washington County: 7,900 parcels

- * 720 informal hearings scheduled.
- * The 18 day filing deadline for informal appeals was 2/21/89.

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Coffey County: 8,700 parcels

- * Mailed notices on 2/13.
- * The 18 day filing deadline is 3/3/89.
- * 171 informal hearings scheduled.

Lyon County: 20,000 parcels

- * 3000 informal hearings scheduled and still scheduling.

Appraisal Region B - Northwest Kansas

Cloud County: 8,975 parcels

- * Received 500 phone calls.
- * Scheduled 301 informal hearings.
- * No formal hearings scheduled yet.
- * 101 informal hearings held.
- * Hearing Breakdown -
30% residential - 30% agricultural - 40% commercial/indus.

Lincoln County: 4,862 parcels

- * Received 478 phone calls.
- * Scheduled 398 informal hearings.
- * Held 318 informal hearings.
- * No formal hearings scheduled yet.
- * Hearing Breakdown -
118 residential and 200 agricultural.
- * Commerical CVN's have not been mailed yet.

McPherson County: 17,800 parcels

- * 1500 phone calls.
- * 945 informal hearings scheduled.
- * 445 informal hearings held.
- * 30 formal hearings held and 20 scheduled.
- * Hearing Breakdown -
200 residential - 95 agricultural - 150 commercial/indus.

Appraisal Region C - Southeast Kansas

Appraisal Region D - Southwest Kansas

Haskell County: 3,400 parcels

- * 482 informal hearings scheduled.
- * No formal hearings scheduled yet.

Reno County: (as of 2/21/89) 39,800 parcels

- * 1287 phone calls received.
- * 522 informal hearings scheduled.
- * No formal hearings scheduled yet.

Sedgwick County: (as of 2/21/89) 167,000 parcels

- * 10,500 phone calls received.
- * 2,733 walkins (currently down to 33 per day).
- * 15,296 parcels appealed.
- * 2,880 hearings completed. 65% were on commercial property and 35% were on residential and agricultural property.

Ford County: (as of 2/17/89) 15,500 parcels

- * 1009 phone calls received.
- * 508 informal hearings scheduled for 1087 parcels.
- * No formal hearings scheduled yet.

Kiowa County: 5,191 parcels

- * 252 phone calls received.
- * 124 informal hearings scheduled for 447 parcels.
- * 1 formal hearing scheduled.

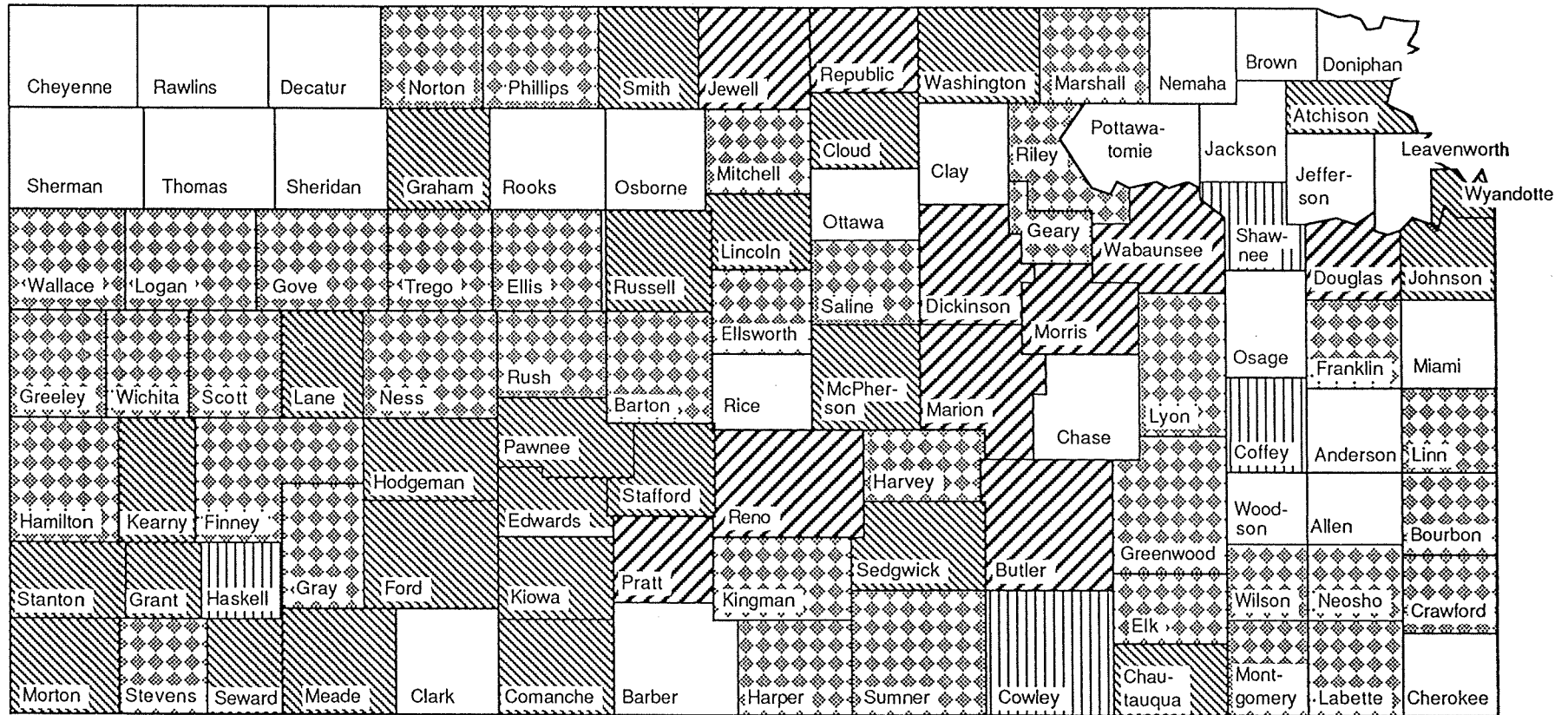
Comanche County: 4,000 parcels

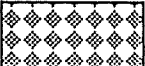
- * 297 phone calls received.
- * 91 parcels scheduled for an informal hearing.
- * No formal hearings scheduled yet.


III. Questions


CERTIFIED COUNTIES

2/22/89



 Totally Complete

 Totally Complete/Notices Mailed

 Partially Complete

 Partially Complete/Notices Mailed

IMPORTANCE OF PROPERTY TAXES TO KANSAS STATE AND LOCAL GOVERNMENTS

Table I below shows the relative importance of the property tax in the Kansas tax structure from 1930 to 1988. In brief, the property tax as a percent of total state and local taxes has declined in nearly every decade.

Property taxes include, in addition to the general property tax, several other taxes which are similar to or are levied in lieu of the property tax. The most important of these in 1988 was the motor vehicle tax, which represented nearly 5 percent of all taxes. In 1980 and in prior years automobiles were subject to the general property tax. The other taxes included are the motor carrier property tax and the intangibles tax.

TABLE I

State and Local Property Taxes as a Percent of All State and Local Taxes

<u>CY</u>	<u>General Property</u>	<u>Motor Vehicle</u>	<u>Motor Carrier</u>	<u>Intangibles</u>	<u>Total</u>
1930	82.02%	--%	--%	0.72%	82.74%
1940	62.95	--	0.03	0.93	63.91
1950	52.19	--	0.09	1.09	53.37
1960	56.44	--	0.16	0.70	57.30
1970	53.06	--	0.15	0.64	53.85
1980	39.19	--	0.19	0.98	40.36
1988	31.92	4.95	0.22	0.26	37.35

At the time of statehood the property tax was virtually the only tax, but since then other taxes have been enacted and have diminished its relative importance. Important among these other taxes were the income and sales taxes enacted in 1933 and 1937, respectively. These two taxes and the unemployment compensation tax enacted in 1937 explain most of the decrease from 1930 to 1940. Over that decade state aid to local units increased from \$3.5 million to \$14.5 million, while local property taxes declined from \$81.1 million to \$58.6 million.

The state made a levy for operating purposes as recently as 1955. Most state property taxes since the inception of World War II have been levied for building funds. Since 1965, the state levy has totaled 1.5 mills.

The most important recent developments in local taxes would include local sales and transient guest taxes which advented in the early 1970s and which proliferated in that decade, the school aid legislation which increased school aid in the early 1970s, and state assumption of welfare costs at about the same time.

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Most of the changes which reduced the importance of the property tax were new state-imposed taxes. The percentages of the local general property tax imposed by the various types of local units is shown below. The most dramatic feature of this table is its constancy. Since 1960 the principal change has been the decline in importance of township levies and the increasing importance of special districts.

	Percent of Local General Property Tax						
	<u>FY</u> <u>1983</u>	<u>FY</u> <u>1980</u>	<u>FY</u> <u>1970</u>	<u>FY</u> <u>1960</u>	<u>FY</u> <u>1950</u>	<u>FY</u> <u>1940</u>	<u>FY</u> <u>1930</u>
Counties	21.73%	21.72%	20.68%	22.77%	28.58%	30.81%	22.91%
Cities	16.66	18.56	16.66	15.29	15.16	18.38	18.15
Schools*	56.41	54.97	58.97	57.57	50.04	45.46	49.87
Townships	1.65	1.41	1.70	3.32	5.79	4.85	8.63
Special District	<u>3.55</u>	<u>3.34</u>	<u>1.99</u>	<u>0.95</u>	<u>0.43</u>	<u>0.50</u>	<u>0.44</u>
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

* Includes school districts, community colleges, municipal universities, and any county levies for schools.

Finally, it should be noted that school levies have constantly accounted for the largest percentage of local tax levies. Since 1950 they have accounted for over half of local general property taxes.

The graph on the next page illustrates the declining relative share of the property tax in the Kansas state and local tax structure.

89-73/ts

Property Taxes

as Percent of All State and Local Taxes



Proposed amendment to HB 2203

By striking all in lines 23 to 41, inclusive, and inserting two new sections to read as follows:

"Section 1. K.S.A. 1988 Supp. 72-7063 is hereby amended to read as follows: 72-7063. (a) Any lawful transfer of moneys from the general fund of a district to any other fund shall be an operating expense in the year the transfer is made. In addition to other transfers authorized by law, the board of any district may transfer moneys from its general fund to its transportation fund, special education fund, food service fund, driver training fund, adult education fund, adult supplementary education fund, vocational education fund, bilingual education fund, or inservice education fund. Except as provided in subsection (c), expenditures for capital outlay, transportation, special education, food service, driver training, adult basic education, adult supplementary education, vocational education, bilingual education, and inservice education shall not be made from the general fund of a district.

(b) The board of any district may transfer moneys from its general fund to its capital outlay fund in any school year subject to the following conditions:

(1) No board of any district shall transfer moneys in any amount from its general fund to its capital outlay fund prior to June 1 in any school year.

(2) No board of any district shall transfer moneys in any amount from its general fund to its capital outlay fund in any school year unless such district, in its adopted budget for such year, shall have budgeted a capital outlay levy of not less than 3.5--mills the mill levy rate necessary to raise the same amount of money that would have been raised in the 1988-89 school year by a 3.5 mill levy rate.

(3) The board of any of the districts in the fifth enrollment category may transfer moneys in an amount not to

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exceed an amount equal to 1% of its legally adopted budget of operating expenses from its general fund to its capital outlay fund.

(4) The board of any district, other than the districts in the fifth enrollment category, may transfer moneys in an amount not to exceed an amount equal to 2% of its legally adopted budget of operating expenses from its general fund to its capital outlay fund.

(c) Any district may make capital outlay expenditures from its general fund for acquisition of equipment and repair of school buildings.

Sec. 2. K.S.A. 1988 Supp. 72-7063 hereby repealed.";

By renumbering Sec. 4 as Sec. 3;

In the title, in line 18, by striking all after the semicolon; by striking all in line 19; in line 20, by striking all before the semicolon and inserting "relating to transfers from the general fund thereof"; also, in line 20, by striking "79-5035" and inserting "72-7063"