

Approved \_\_\_\_\_  
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Senator Dan Thiessen at \_\_\_\_\_  
Chairperson

11:00 a.m./~~p.m.~~ on Friday, March 30, 1989 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Don Hayward, Revisor's Office  
Chris Courtwright, Research Department  
Tom Severn, Research Department  
Marion Anzek, Committee Secretary

Conferees appearing before the committee:

Rebecca Rice, Sovereign Group Inc.  
Ernie Mosher, League of Kansas Municipalities

Chairman Dan Thiessen called the meeting to order and turned attention to HB2534, asking Chris Courtwright to brief the bill for the committee. The Chairman said the committee just received SB390 which has a lot of the same concepts as HB2534.

HB2534:would

1.remove grain from initial filing requirements with the Board of Tax Appeals for a property tax exemption.

2.establish that all property leased to the state or any municipality or political subdivision by any private entity not be considered to be used exclusively by the governmental entity for purposes of qualifying for a property tax exemption under K.S.A. 1988 Supp. 79-201a Second;

3.add a requirement to the humanitarian services property tax exemption enacted in 1988 that the property be owned (as well as operated by) the not-for-profit corporation; and

4.stipulate that interest be waived during the pendency of a request for exemption to the Board of Tax Appeals.

Chris Courtwright said, as we discussed yesterday in committee HB2534 as it was originally introduced would remove grain from the initial filing requirements, for an exemption with the Board of Tax Appeals. He briefed and explained the above concepts of the bill. He said the House amendment to the bill is identical to SB390 and that is the only part of HB2534 that is in SB390, and that is "property leased to the State or any municipality or political subdivision by any private entity not be considered to be used exclusively by the governmental entity for purposes of qualifying for a property tax exemption under K.S.A. 1988 Supp. 79-201a. Mr. Courtwright said the intent behind the amendment was in response to several recent court decisions that held that property leased by private corporations to governmental entities could effectively maintain it's property tax exemption, and the leasing arrangement was not violating exclusive use. That particular language was again amended by the committee of the whole by adding, "by any private entity" so not to disqualify public building commissions from their property tax exemptions.

Chairman Thiessen said it is a very comprehensive amendment to the original bill, and with the new SB390 being introduced with the same concepts, it is something we need to fully understand how far reaching it might be.

After committee discussion and concerns about how much property would be affected throughout the state; Chris Courtwright said it is at least possible that state agencies, that are leasing computers and other equipment of that type, from other entities, could in fact be affected by loss of exemption for that equipment if the private entities would then pass on to the state, in it's political subdivisions the loss of the property tax exemption.

CONTINUATION SHEET

MINUTES OF THE SEBATE COMMITTEE ON ASSESSMENT AND TAXATION,  
room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Friday, March 30, 1989.

The Chairman recognized Rebecca Rice, Sovereign Group Inc.

Rebecca Rice said she had written testimony but if the committee was going to work the bill at a later date, she would suggest removing the amendment from this bill, and move it on, as hearings could still be held on Senator Bogina's bill. She said, their feeling on the bill, is that it is not a loophole.

She said, they would argue that the bill has impaired all state contracts, and they are in opposition of HB2534. (ATTACHMENT 1)

After committee discussion it was decided to wait and have another hearing date, for discussion and possible action on HB2534.

The Chairman turned attention to HB2535 and said, this is the bill that extends the amount of time taxpayers have for informal hearings.

HB2535 would extend the amount of time taxpayers have to request an informal hearing regarding their new reappraised values from 18 to 21 days after the date their valuation notice was mailed.

The bill would also extend from April 1 to May 1 the deadline for informal hearings and from April 15 to May 15 the deadline for the county appraiser's final determination regarding any informal hearing.

The committee had discussion, with concerns on the deadlines, and the dates being changed in the statute, and what percentage of the state will be affected. One suggestion was if the Department of Revenue is allowing an extension of time, maybe it would be better not to change the dates.

Senator Fred Kerr moved to amend HB2535 by going back to "April 1, 1990", seconded by Senator Martin. The motion carried.

Senator Fred Kerr moved to favorably pass HB2535 as amended, seconded by Senator Martin. The motion carried.

The Chairman turned attention to SB325 and, he said this bill would give the sales tax exemption for development to private contractors, if the municipality ended up with that improvement.

After committee discussion on SB325;

Senator Francisco moved to amend into SB325, "an annual festival button of \$2.00 or less, will be exempt, seconded by Senator Fred Kerr. The motion carried.

Senator Francisco, moved to amend into the previous amendment, "effective upon publication", seconded by Senator Karr. The motion carried.

Senator Francisco moved to pass SB325 favorably as amended, seconded by Senator Lee. The motion carried.

Ernie Mosher requested a resolution for interim study on motor vehicle excise tax.

Senator Langworthy moved to introduce a resolution for interim study on motor vehicle excise tax, seconded by Senator Lee. The motion carried.

The Chairman said we will meet again on HB2534, and he said, if we get any new bills in the committee, he would announce it, and he adjourned the meeting at 11:50 a.m.



TESTIMONY TO THE  
SENATE ASSESSMENT & TAXATION COMMITTEE

ON

Thursday, March 30, 1989

HOUSE BILL 2534

Mr. Chairman and Members of the Committee:

My name is Rebecca Rice and I represent Sovereign Group Inc. We appear in opposition of HB 2534 as amended by the House Committee of the Whole in Section 2.

1) The proposed legislation would eliminate the current ad valorem property tax exemption for all property leased to the State of Kansas by private individuals.

I believe there are currently a great number of properties leased by the State of Kansas (the exact number can only be established through the Department of Administration) which leases were negotiated based upon the belief that the tax exemption would remain in effect during the entire term of the lease.

If the State of Kansas were the sole tenant, I have no doubt that the property owners negotiated the lease payments at lower amounts because the owner did not have to pay state property taxes.

The state's change in the exemption status may be construed to be a breach of the leases by the State of Kansas or may require re-negotiation of many of those leases.

2) Due to changes in the Federal Tax Laws, the landlords (who are private individuals and entities) do not lease their properties so that they can take a loss on them. If the

properties are no longer tax exempt, the cost of paying those taxes will be absorbed by the State in higher lease payments.

3) The statute, as it is, applies only to properties where the sole tenant is the State. If any other tenants are present the exemption is not available. Therefore, the state will end up paying the taxes on property which is used solely for state purposes contrary to the intent of the legislation.

4) The Department of Administration has stated on numerous occasions that it wanted to move away from changes in leases during lease terms, however, if the properties are required to pay taxes, the leases will definitely be structured so that the lease payments change as tax liability changes, causing more work and concern for the Department of Administration.

5) The Department of Administration always requests short term leases, apparently due to budgetary constraints, however, if the landlords have to pay taxes and if the state will not agree to pay the taxes through increased lease costs, the landlords only ability to recover those costs is from smaller, additional profits over a longer term lease. If the state will not agree to longer terms for leases as a matter of policy, it is possible that many private properties will be closed to State leases.

Based upon all of the foregoing, I would request this Committee reject the proposed amendment or at the very least, conduct a study to determine the adverse effects of this legislation which would include a fiscal note on this legislation and any projected difficulties in leasing private property in the future.

Thank you Mr. Chairman.