

Approved Friday, December 14, 1990

Date

SPECIAL SESSION - DECEMBER 08, 1989

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by SENATOR DAN THIESSEN at \_\_\_\_\_  
Chairperson

2:25 ~~xxx~~ p.m. on Friday, December 8, 1989 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

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

Conferees appearing before the committee:

John Luttjohann, Director-Property Valuation Dept. - Dept. of Revenue  
John Torbert, Kansas Association of Counties  
Nancy Hempen, Douglas County Treasurer  
Mark Hixon, Barton County Appraiser  
Joe McClure, Wabaunsee County Commissioner  
John Koepke, Kansas Association of School Boards  
Jack Graves, Panhandle Eastern

Chairman Dan Thiessen called the meeting to order at 2:25 p.m., calling upon Chris Courtwright to give a summary of the supplemental note on House Bill No. 2001, as amended by House Committee of the Whole.

Chris Courtwright reviewed the four amendments with the committee. 1. State Board of Tax Appeals (SBOTA) would have final approval of any changes made at the local level. 2. The bill also would reduce for calendar year 1990 the interest rates charged on all delinquent taxes from 18 percent per year to 9 percent per year (and from 1.5 percent per month to 0.75 percent per month). 3. An additional distribution of funds would be made by county treasurers to taxing subdivisions on February 5, 1990 to account for monies received through January 17. 4. All taxing subdivisions would be authorized to amend their budgets and roll back mill levies prior to January 16, 1990. Reductions in taxes would affect 1989 tax bills, or, if the entire bill had already been paid, would be credited against the 1990 tax bill. (ATTACHMENT 1)

Committee discussion and questions included, taxpayers appeals and protesting, and when opening the appeals process did this include opening with the County Appraiser and the local Board of Equalization. Chris Courtwright explained the way the new local procedures would work. Taxpayers would either go to SBOTA or go back to their local appeals process. The meeting with the County Appraiser would be a formal meeting rather than an informal meeting, and the county appraiser would be required to provide the taxpayer as well as SBOTA with a written notice of the results, and then taxpayers could go to the local board of equalization. He said all appeals are now a part of the protest and he asked the members to scratch the words appealing or in the second paragraph 1st line of (ATTACHMENT 1).

An additional concern of the committee was, the fiscal note for reducing interest on all delinquent taxes. Another concern was whether the interest rate reduction for all taxes, (not just property) was adequately explained on the House Floor. In response to a question about a sunset to the bill Chris Courtwright said the interest rate reduction is for 1990 only and the new protest procedure is for the early part of 1990 only, and the mill levy roll back is a one-time provision, so all in all this is a one-time change.

Chairman Thiessen called upon John Luttjohann.

John Luttjohann said he thought Chris did an excellent job of explaining to the committee, and he really had nothing more to add.

Chairman Thiessen recognized John Torbert, Kansas Association of Counties.

John Torbert said several representatives of KAC and various affiliate members will

CONTINUATION SHEET  
SPECIAL - SESSION

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 123-S, Statehouse, at 2:25 ~~xxx~~/p.m. on Friday, December 8, 1989.

be available throughout this special session to respond to any questions or concerns the committee members may have. He said they have had a lot of concerns about opening the appeals process. After the action taken by the study committee of last week, KAC tried to fashion a recommendation that would say, if the Legislature was inclined to make changes, what would be feasible, administratively and financially. Much of what was suggested relates to simplifying the appeals process, and much of that has been done by the House action this morning. He said, that one concern KAC still had is that counties would have individuals appealing 1989 valuations at the same time they would be receiving 1990 valuations in the mail. Counties also had concern about reopening the appeals process because it is expensive, time consuming and labor intensive. None of the additional costs have been allowed for, in the budgets. The counties suggest one process, which the House has accepted, and that is file the simplified protest forms by January 16th, and that gets you back in the system in terms at looking at your 1989 valuations. Once this has been accomplished, the taxpayer then goes back before the appraiser. The appraiser would then visit with the taxpayer to see if changes had to be made, then the appraiser could make it subject to the administrative review by SBOTA. This would provide State over-sight. (ATTACHMENT 2)

Committee discussion regarding ATTACHMENT 2 concerned how many counties may have serious cash flow problems, and if the suspension of the tax appeals for one year would help and have the counties taken a position on this. Mr. Torbert said they do not support delaying the process and he said they feel in terms of the problems out there, they should be corrected as soon as possible because he felt if we wait another year to address the inequities that have come about because of the change of values that are 25 years old that you could push this back beyond where they should be pushed back and we feel it is critical you keep the processes as up-to-date as possible. The counties recommendation would be that if the taxpayer and appraiser agree on the change in value, allow the appraiser to make the change subject to administrative review by SBOTA.

A member of the committee asked Mr. Torbert if he had information regarding how many counties have their computers set up to accommodate quarterly payments?

Mr. Torbert said they are set to accept this but he had no figures on how many. Another member asked about the motion of last weeks committee meeting, regarding the suspension of the valuation process for one year, as there seems to be a lot of support for this, and has the counties taken a position on this? Mr. Torbert said they do not support delaying the process, because by saying the maintenance requirements should be maintenance which the county has already received, to the circuit breaker and I haven't heard anyone say, by delaying our maintenance requirements that it is going to cut our cost by \$7.M each year.

Senator Martin said he had language drafted that could help the urban counties. He said he felt the urban counties would have significant numbers of protests, in some rural areas, but felt these urban counties could be 3/4 of the population and he felt there is potential for a real break down load on the county appraisers when we open up the appeals process and at the same time send out those change of value notices. (ATTACHMENT 3)

Senator Fred Kerr asked Mr. Torbert regarding the quarterly payments whether anybody could qualify by paying one-quarter payment instead of one-half payment simply by filing a protest, and he asked if this is a concern, and if it is could we put in a threshold for homeowners such as the threshold for circuit breakers, and maybe require at least a 50% tax increase and a \$35,000 maximum income for 1988. Could this be workable? Mr. Torbert said by further requiring the system to make comparisons to what has happened in the past, it complicates the administrative work even more, because the old values aren't on the system, so if we have to refer back to 1988 values and additional times its going to further backlog the system.

Chairman Thiessen thanked Mr. Torbert and recognized Nancy Hempen, Douglas County Treasurer.

Nancy Hempen, Douglas County Treasurer, who represented the Kansas County Treasurers Association, said county treasurers need to know and be able to understand what the

CONTINUATION SHEET

SPECIAL - SESSION

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 123-S Statehouse, at 2:25 ~~xxx~~ p.m. on Friday, December 8, 1989

decisions of this committee are going to do and the action they take so they understand every aspect to be able to pass it on to the taxpayers. Administratively treasurers cannot handle the work load of going back changing the programs, getting receipts and going back to the tax bills, etc. but they have to be ready to carry it out. Taxpayers are confused now about payments and payment dates and the protest process. They are confused with partial payments, circuit breaker and the homestead and how it all is going to affect them. Should the quarterly payment be implemented, local units of government will have to increase their staff. (ATTACHMENT 4)

She added that Kansas County Treasurers Association recommends that all proposals adopted by the Legislature on these issues sunset at the end of the 1989 tax year.

Chairman Thiessen asked Ms. Hempen how long she would need to get the personnel, if we went with the quarterly payment? Ms. Hempen said they would have to have the second quarterly payment by the 1st of April.

Chairman Thiessen asked David Cunningham to read KSA 79-2005 to the committee.

David Cunningham said the statute reads as follows: Any Taxpayer protesting their payment of taxes shall be required, either at the time of paying such taxes or if the whole or part of the taxes are paid prior to December 20th or no later than December 20th to file a written statement with the county treasurer. Mr. Cunningham said they have always interpreted this to say, the taxpayer would have paid half or full part of their taxes on December 1, then they would have until December 20th to file the written protest with the county treasurer. He suggested to the committee they need to specify at what time you have to file the protest application, and the simplest would be to say, you have to file the protest at the time the taxes are paid.

Chairman Thiessen recognized Tom Severn.

Tom Severn explained the change made about 5 years ago, not necessarily from a desire to change the requirement to pay taxes under protest, but rather to accommodate homeowners whose taxes are paid by their lending institutions, as it is almost impossible for the taxes to be paid and the protest to be submitted simultaneously, because the homeowner won't know when the taxes are or will be paid.

After committee discussion Chairman Thiessen recognized Mark Hixon, Barton County Appraiser.

Mark Hixon reminded the Committee that the basic system is not designed to go back, the system is designed to go ahead. A threshold could be imposed so we get away from the problem of having people being able to protest, so as to pay only a quarter payment.

**Chairman Thiessen recessed the meeting at 3:55 p.m. The meeting reconvened at 4:58 p.m. with Chairman Thiessen recognizing John McClure, Wabaunsee County Commissioner.**

John McClure said he thought the real problems have to go through the treasurers offices, and he said other than that we can proceed. (ATTACHMENT 5)

Senator Montgomery asked Mr. McClure about the roll-back provision and moratorium on the process of updating the values of property, and to express his opinion on these provisions.

John McClure said the roll-back would be a nightmare for our treasurers and, with respect fo the moratorium he felt we were too far along to back down now. He said in his county they have a lot of problems, but, with a little time, they could solve the problems and he would not want to back up now.

Senator Martin asked Mr. McClure if we took the roll-back provision out of HB2001, could he support it? Mr. McClure said yes.

Following Committee discussion on the roll-back provision The Chairman recognized John Kempe, Executive Director, Kansas Association of School Boards, (KASB).

John Kempe addressed two issues that are involved in HB2001. KASB has surveyed its members and tried to determine the ramifications of the various remedies that you have

CONTINUATION SHEET

SPECIAL - SESSION

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 123-S, Statehouse, at 2:25 ~~xxx~~ p.m. on Friday, December 8, 1989.

been suggesting to us. The majority of property taxes in this state are spent by the school districts, so the actions this committee takes are obviously a concern to our members, because it will affect our budgets. KASB doesn't believe that in the short term any of the remedies in HB2001 will cause significant problems to unified school districts, with one exception. For School Districts that have bond and interest payments due this spring, KASB asked, and the House agreed, to put in the extra February distribution date. School Districts are unique among the municipalities for many reasons, one of which is that they are the only municipality that is not on a calendar fiscal year and that protects them from cash flow difficulties in times like this in our general funds, but the bonded interest funds in School Districts is a separate fund with receipts only from the mill levy for that fund. The School Districts cannot transfer monies from any of the other funds to the bonded interest fund. There are 44 unified school districts who have a bond payment due March 1st, this year. All are depending on making that payment from the January distribution. The January 20th distribution is only on those taxes collected by January 1, and you now have delayed the deadline to January 16th. What KASB is asking for is a distribution 20 days after the deadline, which will be February 5th.

After committee discussion Chairman Thiessen called upon Ernie Mosher, League of Municipalities.

Ernie Mosher suggested to the committee an announcement of intent for property taxes for 1990. He recommended a simplified tax anticipation note procedure, (SEE ATTACHMENT 3) prepared in general consultation of county and school groups. We are not proposing for your amendment at this time, but we are calling to your attention the need of such a bill be passed during the first few days of the regular session. It authorizes the governing body to issue tax anticipation notes, payable as to principle and interest within the same calendar year. It requires 3 competitive bids to an action by the governing body, and the notes must be retired within the same year.

Senator Martin said if we amend HB2001 at this point, and if it gets amended and passes the Senate, it then goes to conference committee. So if it went back to conference committee and opens up a whole new number of issues, could you live with what we have now in HB2001? Ernie Mosher said this is why, I stated we would like to have it early, but I am not proposing this as an amendment at this time.

Chairman Thiessen stated he was at the end of his list of conferees and asked if anyone else would like to speak?

Senator Martin said he would like to make it clear, if an individual pays his property taxes under protest then at that point they are eligible to come to the county appraiser and then you have the appeals process opened back up, you can make changes at that point, and if the taxpayer doesn't agree with the appraiser then the next appeal is from the county appraiser to the commission or panel and then it can go directly to SBOTA.

He then asked if there was any disagreement, the way he outlined it, at this point?

Don Hayward said Senator that is the process as I understand it.

John Luttjohann said on the other side the taxpayers may be dissatisfied with the county appraisers, then their recourse would be the hearing panel, and if still not satisfied then SBOTA. Senator Martin said this is right, it gives the taxpayer 2 routes.

After committee discussion regarding the time frame, John Luttjohann said there is no particular time frame.

Chairman Thiessen recognized Jack Glaves.

Jack Glaves represented Panhandle Easter. He said, with respect to the roll-back, that a very substantial amount of money is at issue in Meade County, and in the decision of SBOTA on Meade County, the valuation at issue there is \$12.6M, or about 1/3 of the total valuation of Meade County. So as a result of the order that was issued yesterday, the director of property valuation is to re-certify Panhandle's unit value to include all value including the inventory previously considered exempt by the director.

CONTINUATION SHEET

SPECIAL - SESSION

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 123-S, Statehouse, at 2:25 ~~xxx~~/p.m. on Friday, December 8, 1989

Panhandle was directed to remit to the county any additional taxes due and owing before receiving their final tax statement. Their mill levy is 80 mills, so we are talking about \$1M additional taxes that will be remitted to the county as a result of the elimination of exemption, and that exemption is 1/3 of the total valuation of the county. So we would like the roll-back.

Chairman Thiessen said he received an Attorney General Opinion No. 86-75, which states: "Accordingly, escaped taxes on personal property are due on November 1 of the year in which they were placed on the tax roles (unless they are so placed in November or December, in which case they are due in November of the following year)" (ATTACHMENT 6)

There was committee discussion, and Mr. Cunningham said it would still be the 1989 mill levy on which the first half taxes would be due.

Chairman Thiessen asked the committee for consideration of HB2001.

Senator Martin made a motion to recommend HB2001, 2nd by Senator Lee.

Senator Fred Kerr said an amendment to the circuit breaker has been adopted on the House floor, and it looks like the circuit breaker is going to pass the House later tonight, and he said, that being the case, we may want to wait.

Committee discussion followed, and a member suggested to the chair that the committee recess to wait and see.

**Chairman Thiessen recessed the meeting at 5:45 p.m.**

**The meeting reconvened at 6:12 p.m. and The Chairman recognized Senator Martin.**

Senator Martin withdrew his motion to favorably pass HB2001, agreed to by the second, Senator Lee.

Chairman Thiessen told the members that he talked to Representative Spaniol who stated that he did not intend for the lower interest rate to apply to anything but property tax, and The Chairman recognized Senator Fred Kerr. (SEE ATTACHMENT 6)

Senator Fred Kerr said he would make an offering and let the committee decide what they wanted to do. He said he would suggest the interest rate for property taxes be 12% and everything else be 18%. This is the motion suggested by Ernie Mosher.

Senator Fred Kerr made a motion to change the wording in HB2001 to have the property tax rate at 12% and all other taxes at 18%, as of October 31st, 2nd by Senator Langworthy. The motion carried.

Senator Karr moved to amend the Mosher Amendment on the issuance of tax anticipation notes into HB2001, seconded by Senator Fred Kerr. The motion carried. (SEE ATTACHMENT 3)

Committee discussion followed regarding the January 31st deadline for filing protests and the date causing some confusion to the taxpayers. Chairman Thiessen said under current law the filing date is December 20th, even if paid by December 1st, they still have until December 20th to file a protest. Delinquent taxes can be paid anytime.

Senator Fred Kerr moved to amend the protest date to January 16th, and delete January 31st, seconded by Senator Lee. The motion carried.

Senator Martin moved the motion as amended by Senator Fred Kerr.

Senator Fred Kerr said before we make the motion to pass the bill, there is still confusion on the protest provisions in the bill, and he said he would like to clarify the way the bill is worded.

There was discussion by the committee members regarding the amendments and options

CONTINUATION SHEET

SPECIAL - SESSION

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 123-S, Statehouse, at 2:25 ~~xxx~~ p.m. on Friday, December 8, 1989.

the taxpayer has, a taxpayer can pay under protest and pay  $\frac{1}{4}$  of the taxes and go straight to SBOTA. It is optional for the taxpayer to go to the appraiser and utilize the hearing procedure.

Don Hayward said you have to see the County appraiser and after that you have a choice on whether to continue the local process or go straight to SBOTA. You can't protest and go straight to SBOTA.

Chairman Thiessen reminded the committee we still have a motion on the floor, and asked if there was a second?

Senator Montgomery seconded the motion by Senator Martin to recommend the bill as amended by Senator Karr.

Senator Karr made a substitute motion to have 30 days plus 30 days for hearings after filing a protest, seconded by Senator Montgomery.

John Luttjohann suggested to the committee members they make this for 45 days.

Senator Montgomery withdrew his 2nd to the substitute motion, and Senator Karr withdrew his substitute motion. The motion closed.

Senator Karr made a substitute motion to have 45 days with no extension, 2nd by Senator Montgomery. The substitute motion carried.

Chairman Thiessen recognized Senator Lee.

Senator Lee said she had some constituents that had met with SBOTA before October 4th and have not received the paperwork to date, showing what the decision was, and she asked where does the authority to provide SBOTA with additional staffing come from?

Don Hayward said that Appropriations or Ways and Means Committees have the authority.

Keith Farrar said there has been a problem, but SBOTA now has more help and will now be able to speed up the process.

Senator Martin moved to recommend the bill favorably as amended, seconded by Senator Petty. The motion carried.

Senator Martin moved to introduce a bill to suspend for a one year period the valuation process, seconded by Senator Francisco.

Senator Langworthy said she is not comfortable with doing that.

A committee member said he felt it was proper to introduce the bill, and another committee member said it was the 2nd item on the Governor's list.

The motion carried.

Chairman Thiessen adjourned the meeting at 6:68 p.m.

The following Attachments were turned into the committee, for the record.

SBI Attachment 7 - letter to Sen. Oleen  
ATTACHMENT 8

SCR1602 ATTACHMENT 9

SCR1603 ATTACHMENT 10

SPECIAL SESSION OF 1989  
SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2001  
As Amended by House Committee of the Whole

Brief\*

H.B. 2001, as amended, would extend the deadline for the first payment of 1989 property taxes from December 20, 1989 to January 16, 1990. The bill would also reopen the local appeals process for taxpayers protesting 1989 valuations pursuant to K.S.A. 79-2005 (if so requested by taxpayers). The deadline for paying taxes under protest also would be extended to January 31, 1990.

Taxpayers appealing or protesting would only be required to pay one-quarter of their 1989 property taxes on January 16. A second quarterly payment for such taxpayers would be due on March 20. The second half of property taxes for all taxpayers would continue to be due on June 20, 1990. Under current law, the first half is due on December 20, 1989.

The State Board of Tax Appeals (SBOTA) would have final approval of any changes made at the local level.

The bill also would reduce for calendar year 1990 the interest rates charged on all delinquent taxes from 18 percent per year to 9 percent per year (and from 1.5 percent per month to 0.75 percent per month).

An additional distribution of funds would be made by county treasurers to taxing subdivisions on February 5, 1990 to account for monies received through January 17.

Finally, all taxing subdivisions would be authorized to amend their budgets and roll back mill levies prior to January 16, 1990. Reductions in taxes would affect 1989 tax bills, or, if the entire bill had already been paid, would be credited against the 1990 tax bill.

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\* Supplemental Notes are prepared by the Legislative Research Department and do not express legislative intent.

## Background

The original bill was recommended by the Study Committee on Reappraisal and Classification.

One amendment clarified that the meeting with the county appraiser would be formal instead of informal and would require written notice of results to taxpayers and SBOTA. Additional language in the same amendment gives taxpayers until at least January 31 to protest their taxes.

A second amendment lowers the interest rate on delinquent property taxes.

A third amendment establishes the additional distribution by county treasurers on February 5, 1990.

A fourth amendment authorizes taxing subdivisions to amend their 1989 budgets and roll back levies.





"Service to County Government"

212 S. W. 7th Street  
Topeka, Kansas 66603  
(913) 233-2271  
FAX (913) 233-4830

December 7, 1989

**EXECUTIVE BOARD**

**President**  
Winifred Kingman  
Shawnee County Commissioner  
200 S.E. 7th St. - Room 205  
Topeka, KS 66603  
(913) 291-4040  
(913) 272-8948

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Kearny County Commissioner  
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Lakin, KS 67860  
(316) 355-7060

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(913) 282-6838

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(913) 291-4132

Dixie Rose  
Butler County Register of Deeds  
(316) 321-5750

**NACo Representative**  
Joe McClure  
Wabaunsee County Commissioner  
(913) 499-5284

**Executive Director**  
John T. Torbert

**Memorandum**

To; All Members, Kansas Legislative Delegation  
From; John T. Torbert  
Executive Director  
Subject; Special Session Legislative Concerns

The first legislative proposals that will be considered when the session begins deal with changes in the property tax payment calendar, changes in the amounts of tax money that will be due by certain dates and the reopening of the appeals process. We have concerns about these proposals.

All of you have received a letter from the county treasurer's association with regard to the first two issues- calendar and percentage changes. We support the treasurer's position on those issues. Although neither organization formally supports changes in either area, we are advancing some ideas on alterations that would be administratively and financially workable. One of the problems with the existing proposals is that the payment of the second 25% of protested or appealed taxes would be made March 20. We would suggest that the March 20 date be moved forward to March 1. This would allow a fairly normal distribution of tax dollars to all taxing entities by the March 5 date already in law. If the March 20 date remains as proposed, it may necessitate additional legislation or a special distribution. So, the question becomes, "Why create the need for additional legislation if this one matter can be dealt with in the existing proposal?"

The other issue about which we have concerns is the reopening of the appeals process. We are strongly opposed to this and believe you could accomplish the goals you seek in a much simpler fashion. First of all, despite rhetoric to the contrary, if a valuation was correct in January, it is still correct in December no matter what has happened to the taxes on that piece of property. Reopening the appeals process will only confuse the taxpayers that you are trying to help. Taxpayers will be protesting 1989 values at the same time they are receiving 1990 values in the mail. The taxpayer will literally not know "who's on first." As confused as taxpayers are now, to add further confusion only makes matters worse.

ATTACHMENT 2  
Senate Assessment & Taxation Comm.  
SPECIAL SESSION December 8, 1989

Secondly, the appeals process is a lengthy, time consuming, expensive and labor intensive process. Reopening the process will further slow the collection of taxes thus having a negative impact on all local taxing entities. The impact of reopening this process is to cost local governments (and thus taxpayers) more money at the same time that revenues received by those local governments are reduced or delayed.

It is our very strong recommendation that if you wish to give taxpayers another chance of having their valuations changed, focus on the protest process. The protest process gives the taxpayer the same opportunity to have their valuation changed without going through the time, hassle and cost of the appeals process. When a protest is filed, the taxpayer has a meeting set up with the appraiser. Under current law, the appraiser can only recommend a change in valuation. Any change still has to be resolved by a hearing before the Board of Tax Appeals. Our recommendation would be that if the taxpayer and appraiser agree on the change in value, allow the appraiser to make the change subject to administrative review by BOTA. This allows errors to be corrected quickly but still has the state oversight without the necessity of a full-blown BOTA hearing. Citizens who did not find appropriate relief through the meeting with the appraiser could still go through the formal protest process.

Concerns were expressed at last week's committee hearings about the complexity of the protest forms. It is my understanding that the Governor has directed that the forms be simplified and that the protest process will be much simplified over what currently exists. This suggested process is really a no lose situation. Taxpayers can once again challenge their 1989 values and get relief in those cases where there are clear errors. This all happens without all the expense and time of the appeals process- the cost of which would be paid by the property taxpayer. This should also help reduce some of BOTA's workload.

Representatives of KAC and our various affiliate members will be available to you throughout this special session to respond to any questions or concerns you may have.

MEJSPSES

**Tax Anticipation Note Authority  
for Kansas Local Governments**

Some Kansas local governments may encounter temporary cash shortages as a result of the delayed payment of property taxes levied in 1989 for 1990 purposes. This may result from the proposed deferral of the first payment date of December 20 to January 16, or the proposal that, in the case of taxes paid under protest, only one-quarter needs be paid by not later than February 1.

At this time, the number of local governments which may experience temporary cash flow problems in 1990 is uncertain, as a result of (1) uncertainty as to the extent to which taxpayers will take advantage of the opportunity to defer the first half payment or protest their taxes and pay a reduced amount, and (2) uncertainty as to the frequency and amounts of property tax moneys actually distributed by the county treasurer to individual taxing units. However, there is evidence that at least some local units--probably many--will face serious financial problems.

The attached bill proposes a simplified procedure by which any taxing district may issue tax anticipation notes (TANS) in 1990 to cover cash shortages resulting from delayed payments, which must be repaid within the same fiscal year.

The attached bill is proposed as supplemental to the existing no-fund warrant authority in K.S.A.79-2938 (relating to cash shortages) and K.S.A.79-2005 (relating to no-fund warrants to cover refunds of taxes paid under protest).

It is emphasized that the tax anticipation note procedures in the attached bill presumes both the principal and interest will be retired from revenues received during the same fiscal year, which would be in 1990 except for school districts. Thus, it differs from the standard no-fund warrant procedures (including K.S.A.79-2938) whereby the warrants and interest thereon are retired from increased property taxes levied for the following year.

The proposed TANS procedure would be much simpler than the existing no-fund warrant procedure under K.S.A. 79-2938, which, among other things, requires a public hearing before the state board of tax appeals following two publications in the local newspaper. That procedure is expensive. The cost of the preparation of the request, publication of notices, attendance at the public hearing, preparing a written record of the hearing, etc., could well exceed the cost of interest paid for small amounts necessary for local units to avoid violating the cash basis law.

The no-fund warrant procedure is also time consuming, requiring several weeks. In contrast, the attached bill would permit borrowing money to meet cash shortages within a short time and only when actually needed, following the initial authorizing resolution.

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Prepared by the League of Kansas Municipalities, in consultation with the Kansas Association of Counties and Kansas Association of School Boards.

ATTACHMENT 3

Senate Assessment & Taxation Comm.

SPECIAL SESSION-Fri. December 8, 1989

## Proposed Bill

### Tax Anticipation Notes for Short Term Property Tax Revenue Shortages

Section 1. The governing body of any taxing district, upon making a finding that it will have insufficient moneys on hand to meet its budgeted financial obligations as a result of any delay in the actual receipt of general property taxes during the year 1990, may issue tax anticipation notes.

Notes issued pursuant to this act shall be authorized by resolution of the governing body thereof, which shall specify the maximum amount that may be issued based on the estimated additional cash needs of the taxing district resulting from delayed property tax receipts. The resolution may provide that the amount of notes actually issued at any one time shall be based on the periodic cash flow needs of the district, as determined by the chief elected or appointed governing body officer and the chief financial officer thereof, after consultation with the county treasurer, which shall not exceed the total amount authorized by the governing body. No tax anticipation notes shall be sold unless signed by the mayor, chairman, president, or other chief officer of the governing body and by the clerk or other chief financial officer of the district.

The term of such notes shall be limited so that the principal and interest thereon shall be payable solely from revenues received by the taxing district during the fiscal year in which they were issued.

Tax anticipation notes issued pursuant to this act may be sold to any purchaser, but shall not be sold at an effective interest rate higher than the lowest bid received from not less than three financial institutions located within this state. The notes may also be purchased by the taxing district from its utility or other enterprise funds, as determined by the governing body thereof.

The interest on such tax anticipation notes shall be exempt from any taxes levied the state and any taxing subdivision thereof and shall be exempt from federal taxation as provided by federal law.

Section 2. Nothing in this act shall prohibit the issuance of no-fund warrants, under the provisions of K.S.A. 79-2938 and K.S.A. 1989 Supp. 79-2005, as amended, in the event that additional tax revenue is needed in 1991 to retire such warrants.

Section 3. Tax anticipation notes issued under the authority<sup>s</sup> of this act shall be in addition to and not subject to any bonded debt limitation prescribed by any other law of this state.

Section 4. The provisions of this act shall expire on December 31, 1990.

December 5, 1989

Dear *Joe*

The Kansas County Treasurers Legislative Committee met on December 5, 1989 to discuss ramifications of proposals made by the Special Committee on Taxation and Reappraisal. We understand these proposals will be discussed at the special Legislative Session,

1. If the legislature chooses to extend the deadline for tax payment we would recommend that the deadline of January 16, 1990 be adopted and we would strongly suggest that the protest deadline coincide on the same date as tax payment. If taxes remain unpaid by January 16 deadline, in order to conform with all prior year delinquencies, interest would accrue from December 20th.
2. We do not favor quarterly payments because of administrative costs and inheritant enequites. However, if the legislature chooses to allow quarterly payments of the first half. We feel its extremely important that quarterly payments be allowed only on protested taxes. 25% of the tax due must be paid at the time of filing the tax protest. If the legislature adopt quarterly payments for protested tax we recommend the following dates, first quarter payment January 16 and 2nd quarter payment March 1, with the second half payment of tax due June 20. This would allow County Treasurers to meet required distribution dates.

We recommend that all proposals adopted by the legislature on these issues sunset at the end of the 1989 tax year, October 31, 1990.

Should you have any questions regarding these present recommendations, there will be County Treasurers at the Special Session.

Your consideration of the above proposals would be greatly appreciated.

Sincerely,

Kansas County Treasurers Association

ATTACHMENT 4  
SPECIAL SESSION  
Senate Assessment & Taxation Comm.  
December 8, 1989

# *Unified School District 464*

*P. O. Box 199*

*Tonganoxie, Kansas 66086-0199*

## PROPERTY TAX REDUCTION/SCHOOL FINANCE RECOMMENDATIONS

BY

Dr. Stephen G. McClure, Superintendent  
Tonganoxie, U.S.D. #464

I have four recommendations for the legislature in the coming session regarding property tax reduction and school finance. It is my opinion that two mistakes were made last year and should be recognized as such and one should be corrected during this legislative session. 1) The one I recommend be corrected was the return of income tax windfall in terms of income tax reduction. This was a political move and not economically sound for the State. According to "Education Vital Signs" (National School Board Assoc.), in 1988-89 nationally, states funded 50.2% of U.S.D. general fund budgets compared to 43.2% for Kansas. Is it any wonder property taxes are a burden?

Virtually no one that I talk with can tell you how much State income tax was withheld from their last paycheck. This is partially due to the fact that it comes in more installments. On the other hand, nearly everyone can tell you what their property taxes are even if they had to call the mortgage company to find out.

I would recommend that, although it will be hard, income tax rates should be adjusted to the level they were before the last session. Take the windfall and distribute to school districts, not according to the equalization aid formula (which would be best for Tonganoxie) but according to the number of dollars school districts levy for their General Fund, proportionate to the state wide total General Fund Levy. In doing this, even the "No State-Aid" districts would receive their fair share of property tax relief.

ATTACHMENT 5

SPECIAL SESSION-SENATE ASSES. & TAXATION COMM.  
December 8, 1989

2) The second mistake was the "hold harmless" agreement which for some school districts has been a "hold harmful" agreement. This prevented statewide reassessment from being as fair as possible, in terms of equalization of aid and prolongs inequities in State Aid receipts for another two years. For every dollar this may aid some districts, it takes away from others. I am not recommending this legislation be changed, but allowed to die its natural death in one more year. I also hope the USDs who were negatively impacted by this legislation will not pursue litigation against the State. This would only serve to devour local and state revenue on legal costs.

Under new legislation, I offer two additional legislative recommendations.

3) Since the State has been totally reassessed, we are in a position where relative school district wealth is more accurate than ever before. Since school finance is the constitutional responsibility of the State, I feel that General Fund school finance should be put on a statewide basis where each district has the same General Fund mill levy.

As you are aware, for the past few years in the legislature, each session there are big winners and big losers. What this proposal recognizes is that:

First, budget printouts received each year by the legislature are injurious to effective elementary/secondary school financing in general. Secondly, if this proposal were phased in over a period of time, eventually each legislator's home district(s) would receive the same millage change to fund General Fund education. As a result, we would all be dealing with the same circumstances and on the same team. No more big winners and big losers.

4) The fourth area is a piece of bandaid legislation but still important. To make an adjustment to the county wide average millage figure on which motor vehicle taxes are based. The State would send the adjusted figure to the county Treasurers in order to prevent further shifts on to the ad valorem property tax.

I know that recommendations one and three are buck-stopping kinds of legislation. I've tried to make this brief to conserve on your time, but have more background available on any of these four suggestions. Thank you for your time!





STATE OF KANSAS

OFFICE OF THE ATTORNEY GENERAL

2ND FLOOR, KANSAS JUDICIAL CENTER, TOPEKA 66612

ROBERT T. STEPHAN  
ATTORNEY GENERAL

May 27, 1986

MAIN PHONE: (913) 296-2215  
CONSUMER PROTECTION: 296-3751  
ANTITRUST: 296-5299

ATTORNEY GENERAL OPINION NO. 86- 75

The Honorable Dennis J. Spaniol  
State Representative, Ninety-Fourth District  
P.O. Box 12553  
Wichita, Kansas 67277

Re: Taxation--Property Valuation, Equalizing  
Assessments, Appraisers and Assessment of  
Property--Escaped Personal Property

Taxation--Collection and Cancellation of Taxes--  
Time for Payment of Personal Property Taxes

Synopsis: K.S.A. 1985 Supp. 79-1475 provides that "escaped taxes" on personal property are to be collected in the same manner as prescribed by law for the collection of other taxes levied on property. K.S.A. 79-1804 and 79-2004a set forth the schedule for collection of personal property taxes. Accordingly, escaped taxes on personal property are due on November 1 of the year in which they were placed on the tax roles (unless they are so placed in November or December, in which case they are due in November of the following year) and the taxpayer must pay those taxes according to the time schedule provided in K.S.A. 79-2004a. Cited herein: K.S.A. 1985 Supp. 79-1427a; 79-1475; K.S.A. 79-1803; 79-1804; 79-2001; 79-2004a; K.S.A. 1985 Supp. 79-1017.

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ATTACHMENT 6  
SPECIAL SESSION  
Senate Assessment & Taxation Comm.  
December 8, 1989

Dear Representative Spaniol:

You request our opinion regarding the time for payment of personal property taxes. Specifically, you inquire whether the enactment of K.S.A. 1985 Supp. 79-1427a had any effect on the regular payment schedule contained in K.S.A. 79-1804 and 79-2004a as far as "escaped" taxes are concerned.

K.S.A. 1985 Supp. 79-1427a provides, in part, as follows:

"(a) If, after one year from the date prescribed by K.S.A. 79-306, and amendments thereto, for the listing of tangible personal property, the county appraiser discovers that any tangible personal property which was subject to taxation in any year or years within four years next preceding has not been listed or has been underreported for whatever reason, such property shall be deemed to have escaped taxation. In the case of property which has not been listed, it shall be the duty of the county appraiser to list and appraise such property and add 100% thereto as a penalty for escaping taxation for each such year during which such property was not listed, and it shall be designated on the appraisal roll as 'escaped appraisal' for each such preceding year or years. In the case of property which has been listed but underreported, it shall be the duty of the county appraiser to list and appraise the underreported portion of such property and add 100% thereto as a penalty for escaping taxation for each such year during which such property was underreported, and it shall be designated on the appraisal roll as 'escaped appraisal' for each such preceding year or years." (Emphasis added.)

Thus, the statute in question provides the penalty to be imposed for failure to list or underreporting personal property for purposes of taxation. This statute does not,

however, provide any special method for collecting these "escaped" taxes.

K.S.A. 1985 Supp. 79-1475, on the other hand, does provide a method by which escaped taxes are to be collected:

"Whenever the county appraiser discovers that any property subject to taxation has been omitted from the tax rolls, such property shall immediately be listed and valued by the appraiser, and returned to the county clerk. The county clerk, upon receipt of the valuation of such property, shall compute the amount of tax due based upon the mill levy for the year in which such tax should have been levied, and shall certify such amount to the county treasurer as an added or escaped appraisal. The county treasurer shall proceed to collect and distribute such tax in the same manner as prescribed by law for the collection and distribution of other taxes levied on property."  
(Emphasis added.)

The manner prescribed by law for the collection of property taxes is set forth at K.S.A. 79-2001 et seq. K.S.A. 79-1804 states that "[a]ll taxes shall be due on the first day of November of each year." K.S.A. 79-2004a then allows the taxpayer the option of paying

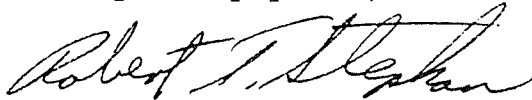
"the full amount thereof on or before December 20 of each year, or 1/2 thereof on or before December 20 and the remaining 1/2 thereof on or before June 20 next ensuing, except that all unpaid personal property taxes of the preceding year must first be paid. . . ."

Therefore, though all unpaid personal property taxes of previous years must be paid before K.S.A. 79-2004a may be implemented, the escaped personal property taxes are not due until November 1 of the year in which they appear on the tax rolls (see K.S.A. 79-1803 and Attorney General Opinion No. 81-187) and need not be paid until December 20 of that year. K.S.A. 1985 Supp. 79-2017 then provides for the method of collecting delinquent personal property taxes, i.e. those

which appeared on the tax rolls of a previous year, were assessed, but were not paid in accordance with K.S.A. 79-2004a.

In conclusion, K.S.A. 1985 Supp. 79-1475 provides that "escaped taxes" are to be collected in the same manner as prescribed by law for the collection of other taxes levied on property. K.S.A. 79-1804 and 79-2004a set forth the schedule for collection of personal property taxes. Accordingly, escaped taxes are due on November 1 of the year in which they were placed on the tax roles (unless they are so placed in November or December, in which case they are due in November of the following year) and the taxpayer must pay those taxes according to the time schedule provided in K.S.A. 79-2004a.

Very truly yours,



ROBERT T. STEPHAN  
Attorney General of Kansas



Julene L. Miller  
Deputy Attorney General

RTS:JLM:jm

**MANHATTAN**  
KANSAS



November 22, 1989

Senator Lana Oleen  
State Capital Bldg.  
Topeka, Kansas 66612

Dear Lana,

Recent news stories indicate that some state legislators are attempting to put most of the blame for the current property tax controversy on local governments. Some legislators have called for an "investigation", and others have proposed a grand jury. One state officer reportedly accused local officials of using legal loopholes to excessively increase taxes.

The purpose of this letter is to present the facts relating to property taxes levied by the City of Manhattan. We are joining other cities, as requested by the League of Kansas Municipalities, in describing our local fact situation in writing.

We are fully willing to accept responsibility for taxes levied by the city, and our voters will hold the city governing body members accountable for their actions at the next election. However, we do object to being blamed in the press and at meetings for things over which we have no control at the city level.

In considering the facts below, please keep in mind that the level of local property taxes levied in 1989 is one of only at least four factors that can cause individual taxpayers, or groups of taxpayers, to be concerned about their property taxes. These factors include the following:

(1) Reappraisal. Reappraisal by itself would cause tax shifts from one owner to another, even if the total amount of taxes remained the same or went down within a single taxing district. Reappraisal, almost by definition, means some property valuations went up and some went down. If that had not been the result, there would have been no need for reappraisal in the first place.

(2) Classification. The classification of property for tax purposes inevitably and predictably resulted in tax shifts from one class to another. With residential real estate at 12%, commercial and industrial real estate at 30%, and farm land at 30% of use value, some tax shifts had to occur. Some property owners will pay more and some will pay less, again even if the total tax burden within a taxing district remained constant or went down.

(3) Exemptions. The exemptions of merchants' and manufacturers' inventory and farmers' livestock, coupled with other exemptions of recent years, also

resulted in shifts of taxes from one type of property to another, irrespective of the total local tax burden. What one taxpayer doesn't pay, another does.

(4) Local Taxes. Obviously, the amount of local property taxes levied affects the degree to which state-created tax shifts helps or hurts an individual taxpayer. This letter deals only with this local tax factor. We will leave it to your best judgement as to whether the Governing Body of the City of Manhattan acted unconscionably, as some of your colleagues seem to be implying.

The general tangible property taxes levied by the City of Manhattan increased from \$4,561,849 in 1988 to \$4,926,797 in 1989, an increase of \$364,948 or 8%. Approximately 40% of this increase in property tax revenue is a direct result of the normal growth in the tax base which does not require an increase in the tax rate.

The 1990 budget includes an increase of approximately \$100,000 for employer paid employee benefits, including FICA, KPERS, KP&F, and health insurance, a \$219,500 increase in expenditures for the Riley County Police Department, a \$5,500 increase in tort liability premiums, and a \$9,000 increase in property taxes to support the public library. These functions are mandated costs which are largely beyond the control of the City and which contributed to the increase in the City's property tax levy.

The City also increased the expected property tax delinquency rate from 2% in 1989 to 5% in 1990. We felt this was necessary and prudent because of the uncertain consequences of classification and reappraisal on the economic viability of commercial property. With such dramatic shifts occurring we felt the risk of delinquencies was substantially increased. Consequently, the City levied \$150,000 more for the 1990 budget than would have been levied under normal circumstances.

It is also helpful to point out that state and local sales taxes comprise approximately 17% of the City's total budget while property taxes make up only 15%. Local sales tax receipts for the first 10 months of 1989 are lower than the amount received for the same 10 months in 1988. For the year, sales tax receipts are about \$40,000 or 1.1% under budget. The City budgeted a 4% increase in sales taxes in 1990 over 1989. That amount now appears to be somewhat optimistic given the expected slowdown in economic growth and the projection that inflation will drop to 3% or less in 1990.

Lana, perhaps the most important response to these ridiculous charges is the fact that the City's mill levy dropped from 44.068 mills in 1988 to 37.436 mills in 1989, a reduction of 6.632 mills. The total amount of taxes the city could have legally levied under the tax lid law was \$3,728,613. The City actually levied only \$1,797,942, less than half of the lid maximum.

In addition, the assessed valuation of personal property in the city decreased from \$19,885,898 in 1988 to \$8,278,376 in 1989, a 58% decrease. If personal property on the assessment rolls had remained the same as in 1988, the city could have reduced the taxes on all other taxable property by 3.034 mills or \$399,290.

Lana, as you know the Manhattan City Commission has adopted a six year financial forecast and capital improvements program for the City of Manhattan. These plans have allowed City staff and the Governing Body to concentrate on long-term financial planning. As a result, a long term vision for the community has been created through the process of setting goals, establishing priorities, and making difficult choices within projected resource constraints. The citizens of Manhattan were invited to and did in fact participate in administrative and legislative public hearings and meetings on the financial forecast and capital improvement program. As a result of this planning we self-imposed a financial limit that property tax rates would not increase more than 5% each year, even though the City may have much more authority to raise property taxes under the state imposed lid. This limit includes all "legal loopholes" excluded from the state tax lid. Even the additional levy to offset expected increases in property tax delinquencies has been included in our limit. This limit was adhered to in the 1989 and 1990 budgets.

In my judgement, and in the judgment of the Governing Body of the City of Manhattan, we acted very responsibly in setting our 1990 budget and the tax levies essential to finance it. We believe we have acted in the best short and long term interests of the public, and that the public had ample opportunity to participate in the process.

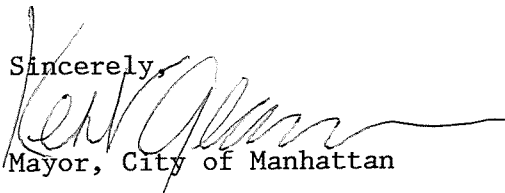
We, of course, would like to reduce our reliance on the unpopular property tax and would appreciate your continued assistance in securing more non-property tax revenue sources for the city. We are still concerned, for example, that in 1991 the City will experience a decline of \$90,000 in motor vehicle taxes due to classification and reappraisal.

One final irony is that the legislature did not extend the tax lid to the state mill levy. They in essence built in a windfall for themselves while mandating lids for us.

Lana, we know that you were not a part of the legislature that imposed reappraisal and classification. Do not be misled by your colleagues who were. These shifts were adequately predicted when the laws were passed. To try to blame local governing bodies for this problem now is tantamount to Congress blaming the state legislature for the federal deficit.

On behalf of my colleagues, I urge you to work with us, not against us, on this issue of importance to all Kansans.

Sincerely,



Mayor, City of Manhattan

cc: Governor Mike Hayden  
Ernie Mosher, League of Kansas Municipalities

SENATE BILL NO. 1

By Senators Parrish, Petty and Salisbury

AN ACT relating to the levy of property taxes for 1989; providing authority for certain taxing subdivisions to reduce such levy.

Be it enacted by the Legislature of the State of Kansas:

Section 1. (a) The governing body of any taxing subdivision which submitted a budget and certified the amount of property tax to be levied for the year 1989 upon taxable tangible property within the subdivision is hereby authorized to amend such budget and amount of property tax to be levied for the purpose of reducing the amount of taxes to be so levied without notice and hearing at any time prior to January 16, 1990. Such amended budget and certificate of the amount of property tax to be levied shall be filed in the office of the county clerk.

(b) The county clerk shall make the reduction so requested and certified and compute reduced tax levy rates based thereon. Thereupon the county clerk shall place the tax upon a supplemental tax roll of properties affected thereby and certify the same to the county treasurer.

(c) The reduction in property taxes resulting from the operation of subsection (a) shall be deducted from each taxpayer's 1989 property tax bill. In the event a taxpayer has paid all of the 1989 property tax, the amount of such reduction shall be credited against the 1990 property tax levied upon such taxpayer's tangible property.

Sec. 2. This act shall take effect and be in force from and after its publication in the Kansas register.



SENATE CONCURRENT RESOLUTION NO. 1602

By Senator Kanan

A PROPOSITION to amend section 1 of article 11 of the constitution of the state of Kansas, relating to the taxation of property.

Be it resolved by the Legislature of the State of Kansas, two-thirds of the members elected (or appointed) and qualified to the Senate and two-thirds of the members elected (or appointed) and qualified to the House of Representatives concurring therein:

Section 1. The following proposition to amend the constitution of the state of Kansas shall be submitted to the qualified electors of the state for their approval or rejection: Section 1 of article 11 of the constitution of the state of Kansas is amended to read as follows:

"§1. (a) System of taxation; classification; exemption. The provisions of this subsection (a) shall govern the assessment and taxation of property ~~until the provisions of subsection (b) of this section are implemented and become effective, whereupon subsection (a) shall expire~~ on and after January 1, 1990, and each year thereafter. The legislature shall provide for a uniform and equal rate of assessment and taxation, except that the legislature may provide for the classification and the taxation uniformly as to class at different percentages of value of ~~motor vehicles, mineral products, money, mortgages, notes and other evidence of debt~~ any property or may exempt any ~~of such classes~~ class of property from property taxation and impose taxes upon another basis in lieu thereof. All property separately classified or exempted and authorized to be taxed upon another basis by the legislature for any taxable year prior to 1989, shall continue to be separately classified or otherwise taxed until

provided differently by the legislature. All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, and all household goods and personal effects not used for the production of income, shall be exempted from property taxation.

(b) System of taxation; classification; exemption. (1) The provisions of this subsection (b) shall govern the assessment and taxation of property ~~on-and-after-January-17-1989,-and-each--year thereafter~~ until the provisions of subsection (a) become effective, whereupon the provisions of this subsection (b) shall expire. Except as otherwise hereinafter specifically provided, the legislature shall provide for a uniform and equal basis of valuation and rate of taxation of all property subject to taxation. The provisions of this subsection (b) shall not be applicable to the taxation of motor vehicles, except as otherwise hereinafter specifically provided, mineral products, money, mortgages, notes and other evidence of debt and grain. Property shall be classified into the following classes for the purpose of assessment and assessed at the percentage of value prescribed therefor:

Class 1 shall consist of real property. Real property shall be further classified into four subclasses. Such property shall be defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of value:

- (A) Real property used for residential purposes including multi-family residential real property..... 12%
- (B) Land devoted to agricultural use which shall be valued upon the basis of its agricultural income or agricultural productivity pursuant to section 12 of article 11 of the constitution..... 30%
- (C) Vacant lots..... 12%
- (D) All other urban and rural real property not otherwise specifically subclassified..... 30%

Class 2 shall consist of tangible personal property. Such tangible personal property shall be further classified into six subclasses, shall be defined by law for the purpose of

subclassification and assessed uniformly as to subclass at the following percentages of value:

- |     |   |     |
|-----|---|-----|
| (A) | Mobile homes used for residential purposes....  | 12% |
| (B) | Mineral leasehold interests.....  | 30% |
| (C) | Public utility tangible personal property.....  | 30% |
| (D) | All categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985.....  | 30% |
| (E) | Commercial and industrial machinery and equipment which, if its economic life is seven years or more, shall be valued at its retail cost when new less seven-year straight-line depreciation, or which, if its economic life is less than seven years, shall be valued at its retail cost when new less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property..... | 20% |
| (F) | All other tangible personal property not otherwise specifically classified.....   | 30% |

(2) All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchant's and manufacturer's inventories and livestock and all household goods and personal effects not used for the production of income, shall be exempted from property taxation."

Sec. 2. The following statement shall be printed on the ballot with the amendment as a whole:

"Explanatory statement. This amendment provides that for all taxable years after 1989, property would be assessed and taxed uniformly and equally unless the legislature provides for the separate classification and assessment of property at different percentages of value for taxation purposes.

"A vote for the proposition would, for the 1990 tax year and all following tax years, provide authority for legislative classification of property and the assessment of such property at different percentages of value for property taxation purposes. Otherwise, property would be assessed and taxed uniformly and equally. Also, the constitutional provisions for classification and exemption of certain classes of

property from taxation would expire.

"A vote against the proposition would continue constitutional classification of property and the assessment of such property at different percentages of value for property taxation purposes, and the exemption of certain classes of property from taxation."

Sec. 3. This resolution, if approved by two-thirds of the members elected (or appointed) and qualified to the senate and two-thirds of the members elected (or appointed) and qualified to the house of representatives, shall be entered on the journals, together with the yeas and nays. The secretary of state shall cause this resolution to be published as provided by law and shall cause the proposed amendment to be submitted to the electors of the state at a special election which is hereby called for such purpose to be held on April 2, 1990, pursuant to section 1 of article 14 of the constitution of the state of Kansas.

SENATE CONCURRENT RESOLUTION NO. 1603

By Senator Kanan

A PROPOSITION to amend section 1 of article 11 of the constitution of the state of Kansas, relating to the taxation of property.

Be it resolved by the Legislature of the State of Kansas, two-thirds of the members elected (or appointed) and qualified to the Senate and two-thirds of the members elected (or appointed) and qualified to the House of Representatives concurring therein:

Section 1. The following proposition to amend the constitution of the state of Kansas shall be submitted to the qualified electors of the state for their approval or rejection: Section 1 of article 11 of the constitution of the state of Kansas is amended to read as follows:

"§1. (a) System of taxation; classification; exemption. ~~The provisions of this subsection (a) shall govern the assessment and taxation of property until the provisions of subsection (b) of this section are implemented and become effective, whereupon subsection (a) shall expire.~~ On and after January 1, 1990, the legislature shall provide for a uniform and equal rate of assessment and taxation, except that the legislature may provide for the classification and the taxation uniformly as to class of motor vehicles, mineral products, money, mortgages, notes and other evidence of debt or may exempt any of such classes of property from property taxation and impose taxes upon another basis in lieu thereof. All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, and all household goods and personal effects not used for the production of income, shall be exempted from property taxation.

(b) System of taxation, classification, exemption. (1) The provisions of this subsection (b) shall govern the assessment and taxation of property on and after January 1, 1989, and each year thereafter. Except as otherwise hereinafter specifically provided, the legislature shall provide for a uniform and equal basis of valuation and rate of taxation of all property subject to taxation. The provisions of this subsection (b) shall not be applicable to the taxation of motor vehicles, except as otherwise hereinafter specifically provided, mineral products, money, mortgages, notes and other evidence of debt and grain. Property shall be classified into the following classes for the purpose of assessment and assessed at the percentage of value prescribed therefor:

Class 1 shall consist of real property. Real property shall be further classified into four subclasses. Such property shall be defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of value:

- (A) Real property used for residential purposes including multi-family residential real property. . . . . 12%
- (B) Land devoted to agricultural use which shall be valued upon the basis of its agricultural income or agricultural productivity pursuant to section 12 of article 11 of the constitution. . . . . 30%
- (C) Vacant lots. . . . . 12%
- (D) All other urban and rural real property not otherwise specifically subclassified. . . . . 30%

Class 2 shall consist of tangible personal property. Such tangible personal property shall be further classified into six subclasses, shall be defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of value:

- (A) Mobile homes used for residential purposes. . . . . 12%
- (B) Mineral leasehold interests. . . . . 30%
- (C) Public utility tangible personal property. . . . . 30%

(D) All categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 17, 1985. . . . . 30%

(E) Commercial and industrial machinery and equipment which, if its economic life is seven years or more, shall be valued at its retail cost when new less seven-year straight-line depreciation, or which, if its economic life is less than seven years, shall be valued at its retail cost when new less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property. . . . . 20%

(F) All other tangible personal property not otherwise specifically classified. . . . . 30%

(2) All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchant's and manufacturer's inventories and livestock and all household goods and personal effects not used for the production of income, shall be exempted from property taxation."

Sec. 2. The following statement shall be printed on the ballot with the amendment as a whole:

"Explanatory statement. This amendment would return the method of assessment and taxation of property to that which existed prior to 1986.

"A vote for the proposition would eliminate the constitutional provisions for assessing and taxing different classes of property at different percentages of value and would return to a basic requirement for uniform and equal assessment with authority for classification in specified areas by the legislature.

"A vote against the proposition would continue the

present requirement that different classes of property are to be assessed and taxed at different percentages of value specified in the constitution."

Sec. 3. This resolution, if approved by two-thirds of the members elected (or appointed) and qualified to the house of representatives and two-thirds of the members elected (or appointed) and qualified to the senate, shall be entered on the journals, together with the yeas and nays. The secretary of state shall cause this resolution to be published as provided by law and shall cause the proposed amendment to be submitted to the electors of the state at a special election which is hereby called for such purpose to be held on April 2, 1990, pursuant to section 1 of article 14 of the constitution of the state of Kansas.