

Approved

Keith Roe
Date 1/25/90

MINUTES OF THE House COMMITTEE ON Taxation

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

9:00 a.m. ~~pm~~ on January 24, 1990 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

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

Conferees appearing before the committee:

David Nelson, Boogaart Supply Company, Concordia
Mary Birch, Overland Park Chamber of Commerce
Ed DeSoignie, Kansas Contractors Association
Dee Likes, Kansas Livestock Association
Bill Curtis, Kansas Association of School Boards
Bob Corkins, Kansas Chamber of Commerce and Industry
Ron Hein, Mesa Limited Partnership
Robert Anderson, Mid-Continent Oil and Gas Association
Kevin Allen, Kansas Motor Car Dealers Association
Dan Carlson, Kansas Independent Automobile Dealers Association

Chairman Roe announced that the purpose of today's meeting is for opponents to testify on HB 2620, HB 2632, and HB 2670.

David Nelson, Boogaart Supply Company, testified that they compete with wholesalers from Nebraska, Missouri, Colorado and Oklahoma who are not subject to property tax on inventories. Mr. Nelson also stated that they are now alarmed by the measures being considered in these bills.
(Attachment 1)

Mary Birch, Overland Park Chamber of Commerce, testified that she was appearing today for two purposes - to speak in opposition to commercial circuit-breakers, and to explain the critical nature of the commercial real estate situation in Johnson County and Overland Park. Ms. Birch stated that her business community feels that commercial circuit-breakers are not a viable alternative at this time and that they merely establish an additional class of property outside of the existing constitutional amendment- they want a permanent solution to the property tax crises in the form of a new constitutional amendment. (Attachment 2)

Ed DeSoignie, Kansas Contractor's Association, requested that funds from the Comprehensive Highway Improvement Program not be diverted. He also stated that HB 2632 would remove over \$48 million from the Highway Program over the life of the program. (Attachment 3)

Dee Likes, Kansas Livestock Association, testified that their main concern is proposed use of excise taxes on merchants, manufacturers, and livestock inventories to fund circuit-breaker proposals. (Attachment 4)

Bill Curtis, Kansas Association of School Boards, stated that they oppose the concept of commercial circuit-breakers because the concept is premature - all of the information concerning reappraisal and classification is not yet collected or analyzed. Mr. Curtis also stated that they will be asking for the State to increase its share of the financial partnership with local school districts. (Attachment 5)

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation

room 519-S, Statehouse, at 9:00 a.m. ~~pm~~ on January 24, 1990.

Bob Corkins, Kansas Chamber of Commerce and Industry, stated that they find the circuit-breaker bills objectionable and are opposed to them in their present form. Mr. Corkins presented four recommendations for funding a commercial circuit-breaker (Attachment 6):

1. Accelerate collection of liquor privilege taxes, withholding taxes and severance taxes.
2. Authorize methods of electronic funds transfers for collection of sales and withholding taxes.
3. Impose a duty of sales or use tax collection on out-of-state retailers whose only connection with Kansas is through advertising and direct mail.
4. Impose a state income surtax on businesses which saved the most on their net property taxes between 1988 and 1989.

Ron Hein, Mesa Limited Partnership, stated that they are not a proponent or an opponent of the concept of a circuit-breaker, but strongly oppose any legislation that would accelerate collection of the severance tax. Mr. Hein requested the Committee to abide by the 50 day time period provided by current law. (Attachment 7)

Robert Anderson, Mid-Continent Oil and Gas Association, testified that it will be virtually impossible to accurately pay a gas Severance Tax by the 20th of the month following production because needed information is not even available to the producer by that date. (Attachment 8)

Kevin Allen, Kansas Motor Car Dealers Association, testified that they do not oppose the concept of property tax relief, but oppose an inventory tax to fund it. Mr. Allen also stated that he conducted a poll after the special session that indicated support for a broader based tax, such as an income or sales tax increase to reduce reliance on property taxes. (Attachment 9)

Dan Carlson, Kansas Independent Automobile Dealers Association, testified that they are opposed to HB 2632 because it reflects an attempt to solve a short term problem when a long range plan is needed. (Attachment 10)

Written testimony was submitted by:

John Montgomery, Economic Lifelines (Attachment 11)

Donald Schnacke, Kansas Independent Oil & Gas Association (Attachment 12)

Chairman Roe concluded the hearings on HB 2620, HB 2632, and HB 2670.

The minutes were approved for January 23, 1990.

The meeting adjourned at 10:20 a.m.

HOUSE COMMITTEE ON TAXATION

DATE 1/24/90

NAME	ADDRESS	REPRESENTING
Craig Grant	Topeka	K-NEA
Mike Germann	Wichita	Boeing Commercial Airplanes <small>Wichita Division</small>
JERRY CLINGMAN	TOPEKA	SANTA FE R _x CO
Karen Kelly	OP	See
Janet Stubbs	Topeka	HBAK
Mary E. Turkington	Topeka	Kansas Motor Carriers Assn.
Jim Byers	Topeka	KsBA
Randy Beckson	Columbus	Empire Electric
Jacque Dakes	Topeka	Ks. Ind. Auto Dealers Assn.
Dan Carlson	Topeka	KS Ind Auto Dealers Assoc
Mike Hogan	Topeka	Ks. Automobile Dealers Regulatory Coalition
Karen France	Topeka	KAR
Katha Hurt	Manhattan	legislator
Pat Wiechman	Topeka	Ks Automotive Dismantlers & Recyclers Assn
Mike Beam	Topeka	Ks. Truck. Assn.
Charles Nicolay	Topeka	Ks Oil Marketers Assn
Swan Raff	Topeka	dept of Revenue
MARK A. BURKHETT	"	"
Jim Lutzman	"	"
RH Allen	"	"
Kevin Allen	Topeka	KS. MOTOR CAR DEALERS
George Barber	Topeka	Ks Lodging Assn.
Jerry Coorsed	Law	KGE

January 24, 1990

Mr. Chairman and Members of the House Tax Committee:

I am grateful for the opportunity to address your committee. My name is David Nelson. I am the Controller for Boogaart Supply, Inc., a major food distributor headquartered in Concordia, Kansas. We operate distribution centers in Concordia and Smith Center, Kansas. I appear today in opposition to HB 2620 and HB 2632.

Boogaart Supply, Inc. distributes food and related products, along with retail support services, to a large group of independent Kansas retailers and our own chain of grocery stores (19 of which are in Kansas). The food distribution industry is highly competitive, characterized by low profit margins and high volume. In order to recoup the additional tax proposed by HB 2620, we would need to generate \$4,000,000 in additional sales. Since all competitors pay roughly the same price to food manufacturers for their products, strict control of operating expenses is key to our survival. Property taxes, and specifically taxes on inventory, are major expenses and therefore of great concern to us.

We were pleased that the reclassification amendment to the constitution relieved us from the burden of paying property tax on our inventory. We compete with wholesalers from Nebraska, Missouri, Colorado and Oklahoma who are not subject to property tax on inventories. The elimination of this tax finally allowed us to compete on a level playing field.

We are now alarmed by the measures being considered by the committee today. While HB 2620 and HB 2632 do not restore the property tax on inventory per se, the effect is the same. The overall savings in property tax between the current year and the prior year are, for the most part, directly attributable to the elimination of inventory from the tax base. To levy a 25% tax on the difference, as proposed in HB 2620, will have the effect of restoring the inventory tax. Likewise, the excise tax proposed in HB 2632 and other pending legislation has the effect of an inventory tax, the opinion of the Attorney General notwithstanding. We believe these measures run counter to the spirit of the reclassification amendment.

In addition, the method prescribed by HB 2620 requires comparison between taxes resulting from the old valuations and the new, updated valuations. The flaw in this approach is apparent. The need to reappraise property values was recognized in the enactment of the reclassification amendment. Yet, HB 2620 would introduce these outdated valuations into the formula.

1/24/90

Attachment 1

To survive and prosper in such a highly competitive industry requires careful planning and budgeting. Accurate financial forecasts are as difficult to formulate as they are vital to efficient management. The uncertainty that arises from tax measures such as those under consideration makes it impossible to plan from year to year the amount of capital which must be devoted to our tax burden. I realize that this legislation calls for a one time tax, but what assurance do we have that similar measures will not be enacted next year or the year after? It is important for Kansas businesses to be able to forecast and plan for their taxes without the concern that the rules will be changed in midstream.

I appear today not only representing Boogaart Supply, Inc., but also as an advocate for the independent retailers we supply. In many cases, these retailers are the backbones of their local economies. They share our concerns regarding this legislation. Most of these retailers are already shouldering increases in real estate taxes, but find themselves ineligible for the benefits of the "circuit breaker" because of its many exclusions. Several stores are planning to reinvest the tax savings from the inventory tax in upgrading and expanding their stores. Five of these projects are already under way, which is evidence of the economic benefits derived from the reclassification process. To reimpose this tax burden on such short notice is unfair.

Boogaart Supply, Inc. is in no way opposed to paying its fair share of the cost of government. We do feel, however, that the competitive nature of our business environment and the need for certainty in the prudent management of the future of our business should be taken into account when considering this legislation.

Thank you for the opportunity to appear.

CITY OF OVERLAND PARK, KANSAS

Reclassification & Reappraisal Data

November 29, 1989

1/24/90
attachment 2

CITY OF OVERLAND PARK, KANSAS
 Comparison of Property Taxes Before & After
 State Wide Reclassification & Reappraisal
 November 6, 1989

	Pre Reclassification Reappraisal	Post Reclassification Reappraisal
Overland Park Assessed Valuation	\$ <u>441,807,183</u>	\$ <u>899,900,605</u>
Amount of Difference		\$ <u>458,093,422</u>
Percentage Difference		<u>103.7% *</u>
City Mill Levy	<u>17.750</u>	<u>8.773</u>
Total Levy in Dollars	\$ <u>7,842,077</u>	\$ <u>7,894,828</u>
Amount of Difference		\$ <u>52,751</u>
Percentage Difference		<u>0.7% *</u>
Johnson County Assessed Valuation	\$ <u>1,305,217,756</u>	\$ <u>2,430,500,864</u>
Amount of Difference		\$ <u>1,125,283,108</u>
Percentage Difference		<u>86.2% *</u>
State Mill Levy	<u>1.500</u>	<u>1.500</u>
Total Levy in Dollars County wide	\$ <u>1,957,827</u>	\$ <u>3,645,751</u>
Amount of Difference		\$ <u>1,687,925</u>
Percentage Difference		<u>86.2% *</u>

* Includes growth in assessed valuation. Historically the growth factor for Overland Park has been in excess of 6%, the County Appraiser has estimated the county wide growth rate to be between 4.5% and 5%.

CITY OF OVERLAND PARK, KANSAS
Summary of Shift in Johnson County Ad Valorem Property Tax Base
November 13, 1989

Property Classification	1989		1988		Dollar Change 1988 to 1989		Percent Change 1988 to 1989		1988		Dollar Change 1988 to 1989		Percent Change 1988 to 1989	
	Valuation	Percent of Total	Valuation	Percent of Total	1989	1988 to 1989	Dollar Levy*	of Total	Dollar Levy*	of Total	1989	1988 to 1989	1989	1988 to 1989
Residential	1,319,077,790	53.7%	686,537,488	53.5%	632,540,302	92.1%	68,904,667	53.7%	68,653,749	53.5%	250,918	0%		
Commercial, Office, Industrial	734,183,730	29.9%	158,409,670	12.3%	575,774,060	363.5%	38,351,556	29.9%	15,840,967	12.3%	22,510,589	142%		
Industrial	51,445,290	2.1%	13,922,280	1.1%	37,523,010	269.5%	2,687,348	2.1%	1,392,228	1.1%	1,295,120	93%		
Agricultural	13,757,600	0.6%	15,266,160	1.2%	(1,508,560)	-9.9%	718,656	0.6%	1,526,616	1.2%	(807,960)	-53%		
Farm Homesite/Residential	12,833,970	0.5%	27,720	0.0%	12,806,250	46198.6%	670,408	0.5%	2,772	0.0%	667,636	24085%		
Vacant	66,630,460	2.7%	8,251,305	0.6%	58,379,155	707.5%	3,480,575	2.7%	825,131	0.6%	2,655,445	322%		
Personal Propert & Inventory	144,060,175	5.9%	293,778,590	22.9%	(149,718,415)	-51.0%	7,525,271	5.9%	29,377,859	22.9%	(21,852,588)	-74%		
State Assessed	116,450,794	4.7%	108,022,542	8.4%	8,428,252	7.8%	6,083,040	4.7%	10,802,254	8.4%	(4,719,214)	-44%		
Total	2,458,439,809	100.0%	1,284,215,755	100.0%	1,174,224,054	91.4%	128,421,520	100.0%	128,421,576	100.0%	(55)	0%		

* Tax Levy calculation is based on an arbitrary levy of 100 mills for 1988, and 52.237 mills for 1989. The 1989 mill levy is equal to the 1988 mill levy adjusted in the same proportion as the increase in total valuation 1988 to 1989.

Source of Valuation Data: Johnson County Appraiser

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COMPARISON OF CITY PROPERTY TAXES 1988-1989 FOR SELECTED PROPERTIES

	1988	1989
Office Warehouse	\$16,866.00	\$39,697.00
Hotel/Motel	2,070.00	2,600.00
Medical	700.00	1,680.00
Restaurant	720.00	1,740.00
Commercial Center	6,534.00	16,432.00
Commercial	3,558.00	10,914.00
Vacant Lot	16.69	115.10
Vacant Lot	43.84	287.05
Hotel/Motel	17,680.00	54,689.00
Animal Clinic	294.30	421.63

CITY OF OVERLAND PARK, KANSAS
Comparison of Property Taxes Before & After State Wide Reclassification & Reappraisal
 November 29, 1989

1989 Assessed Valuation	1988 Assessed Valuation	Dollar Change 1988 to 1989	Percentage Change 1988 to 1989	1989 Mill Levy	1988 Mill Levy	Percentage Change 1988 to 1989	1989 Dollar Levy	1988 Dollar Levy	Dollar Change 1988 to 1989	Percentage Change 1988 to 1989
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County Tax Rate:

Residential Property:

Property # 1	11,436 \$	5,088	6,348	124.8%	25.014	44.673	-44.0%	286	227	59	25.9%
Property # 2	8,088	4,224	3,864	91.5%	25.014	44.673	-44.0%	202	189	14	7.2%
Property # 3	5,640	3,360	2,280	67.9%	25.014	44.673	-44.0%	141	150	(9)	-6.0%
Property # 4	8,664	4,704	3,960	84.2%	25.014	44.673	-44.0%	217	210	7	3.1%
Property # 5	15,084	7,824	7,260	92.8%	25.014	44.673	-44.0%	377	350	28	8.0%
Property # 6	9,600	5,184	4,416	85.2%	25.014	44.673	-44.0%	240	232	9	3.7%
Property # 7	17,040	8,760	8,280	94.5%	25.014	44.673	-44.0%	426	391	35	8.9%
Property # 8	13,212	7,584	5,628	74.2%	25.014	44.673	-44.0%	330	339	(8)	-2.5%
Property # 9	15,360	7,776	7,584	97.5%	25.014	44.673	-44.0%	384	347	37	10.6%
Property # 10	8,796	5,592	3,204	57.3%	25.014	44.673	-44.0%	220	250	(30)	-11.9%

Commercial Property:

Property # 1	641,070	96,648	544,422	563.3%	25.014	44.673	-44.0%	16,036	4,318	11,718	271.4%
Property # 2	4,979,820	693,624	4,286,196	617.9%	25.014	44.673	-44.0%	124,565	30,986	93,579	302.0%
Property # 3	126,450	30,360	96,090	316.5%	25.014	44.673	-44.0%	3,163	1,356	1,807	133.2%
Property # 4	5,423,880	925,176	4,498,704	486.3%	25.014	44.673	-44.0%	135,673	41,330	94,343	228.3%
Property # 5	3,568,560	613,560	2,955,000	481.6%	25.014	44.673	-44.0%	89,264	27,410	61,854	225.7%
Property # 6	4,420,830	1,800,000	2,620,830	145.6%	25.014	44.673	-44.0%	110,583	80,411	30,171	37.5%
Property # 7	1,810,230	275,400	1,534,830	557.3%	25.014	44.673	-44.0%	45,281	12,303	32,978	268.1%
Property # 8	8,739,840	989,640	7,750,200	783.1%	25.014	44.673	-44.0%	218,618	44,210	174,408	394.5%

Data collected from the Johnson County Online Appraisal Statistical Information System (OASIS).

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CITY OF OVERLAND PARK, KANSAS
Comparison of Property Taxes Before & After State Wide Reclassification & Reappraisal
 November 29, 1989

1989 Assessed Valuation	1988 Assessed Valuation	Dollar Change 1988 to 1989	Percentage Change 1988 to 1989	1989 Mill Levy	1988 Mill Levy	Percentage Change 1988 to 1989	1989 Dollar Levy	1988 Dollar Levy	Dollar Change 1988 to 1989	Percentage Change 1988 to 1989
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Shawnee Mission School District Tax Rate:

Residential Property:

Property # 1	11,436 \$	5,088	6,348	124.8%	45.275	81.332	-44.3%	518	414	104	25.1%
Property # 2	8,088	4,224	3,864	91.5%	45.275	81.332	-44.3%	366	344	23	6.6%
Property # 3	5,640	3,360	2,280	67.9%	45.275	81.332	-44.3%	255	273	(18)	-6.6%
Property # 4	8,664	4,704	3,960	84.2%	45.275	81.332	-44.3%	392	383	10	2.5%
Property # 5	15,084	7,824	7,260	92.8%	45.275	81.332	-44.3%	683	636	47	7.3%
Property # 6	9,600	5,184	4,416	85.2%	45.275	81.332	-44.3%	435	422	13	3.1%
Property # 7	17,040	8,760	8,280	94.5%	45.275	81.332	-44.3%	771	712	59	8.3%
Property # 8	13,212	7,584	5,628	74.2%	45.275	81.332	-44.3%	598	617	(19)	-3.0%
Property # 9	15,360	7,776	7,584	97.5%	45.275	81.332	-44.3%	695	632	63	10.0%
Property # 10	8,796	5,592	3,204	57.3%	45.275	81.332	-44.3%	398	455	(57)	-12.4%

Commercial Property:

Property # 1	641,070	96,648	544,422	563.3%	45.275	81.332	-44.3%	29,024	7,861	21,164	269.2%
Property # 2	4,979,820	693,624	4,286,196	617.9%	45.275	81.332	-44.3%	225,461	56,414	169,048	299.7%
Property # 3	126,450	30,360	96,090	316.5%	45.275	81.332	-44.3%	5,725	2,469	3,256	131.9%
Property # 4	5,423,880	925,176	4,498,704	486.3%	45.275	81.332	-44.3%	245,566	75,246	170,320	226.3%
Property # 5	3,568,560	613,560	2,955,000	481.6%	45.275	81.332	-44.3%	161,567	49,902	111,664	223.8%
Property # 6	4,420,830	1,800,000	2,620,830	145.6%	45.275	81.332	-44.3%	200,153	146,398	53,755	36.7%
Property # 7	1,810,230	275,400	1,534,830	557.3%	45.275	81.332	-44.3%	81,958	22,399	59,559	265.9%
Property # 8	8,739,840	989,640	7,750,200	783.1%	45.275	81.332	-44.3%	395,696	80,489	315,207	391.6%

Data collected from the Johnson County Online Appraisal Statistical Information System (OASIS).

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THE KANSAS CONTRACTORS ASSOCIATION, INC.



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TESTIMONY

BY THE

KANSAS CONTRACTORS ASSOCIATION

Before the House Assessment and Taxation Committee
Regarding House Bill 2632; Funding of a Circuit Breaker
January 24, 1990

Mr. Chairman, and members of the House Assessment and Taxation Committee.

Thank you for the opportunity to appear before you and provide some brief comments on House Bill 2632 which provides funding for a circuit breaker program.

My name is Ed DeSoignie. I am the Public Affairs Director of the Kansas Contractors Association. Our Association represents more than 300 heavy, highway and municipal utility contractor and associate member firms in the Kansas construction industry.

Ladies and gentlemen of the committee, the highway program which was enacted just a short eight months ago by the 1989 Legislature, is one of the boldest public works programs ever enacted by a state of our size. We have already seen one of the fast-track projects completed in the southwestern part of our state and we are seeing the size of our highway lettings increase as the Kansas Department of Transportation advances projects to letting.

Within a short period of time we will see this program produce economic benefits to our state and improve the safety of our roads to the traveling public.

*1/24/90
attached 3*

TESTIMONY

Before House Assessment & Taxation Committee

Regarding House Bill 2632

January 24, 1990

Page Two

With these goals in sight, the Association requests the Legislature not divert funds from the Comprehensive Highway Improvement Program.

Transportation Secretary Edwards has said that any funds diverted from the program would reduce the size of the System Enhancements component of the Highway Program. House Bill 2632 would remove over \$48 million from the Comprehensive Highway Program over the life of the program. We oppose House Bill 2632 for this reason.

Thank you. This concludes my prepared remarks.



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Owns and Publishes The Kansas STOCKMAN magazine and KLA News & Market Report newsletter.

STATEMENT OF THE
KANSAS LIVESTOCK ASSOCIATION
TO THE
HOUSE COMMITTEE ON ASSESSMENT & TAXATION
REPRESENTATIVE KEITH ROE, CHAIRMAN
WITH RESPECT TO
CIRCUIT BREAKER PROPOSALS
(HB 2620, HB 2632, and HB 2670)
PRESENTED BY
DEE LIKES, EXECUTIVE VICE PRESIDENT

JANUARY 24, 1990

Mr. Chairman and members of the committee, we have watched with great interest all the excitement, complaint and confusion generated by the property tax changes. While we have serious questions about the whole concept of using the state's tax dollars to fund circuit breakers to reimburse those paying property tax to local units of government which are in many cases based on inaccurate appraisal, we do not appear before you today to comment on all the pros and cons of these proposals. The main concern of our association, which represents all segments of the livestock industry in Kansas, is to communicate our strongest opposition to the use of excise taxes on merchants, manufacturers, and livestock inventories to fund these circuit breaker proposals. We believe this new tax concept is flawed, impractical, and one that will have a significant negative impact on the livestock industry in Kansas.

HB 2632 and HB 2670 seek to impose a 2% excise tax on the value of a producers livestock inventory. HB 2632 includes a \$100,000 exemption and HB 2670 has a \$250,000 exemption.

Let me quantify this for you by pointing out that at today's prices, HB 2632 with the \$100,000 exemption will hit cattle producers with more than 140 cows; 160 yearlings or feeder cattle; or 125 fed steers.

1/24/90
Attachment 4

Under HB 2670 and the \$250,000 exemption, it would hit cattle producers with more than 357 cows; 400 yearlings or feeders; and producers with more than 312 fed cattle. Furthermore, this new tax would equal approximately \$14 per cow; \$12 per yearling/feeder; or \$16 to \$17 for a fed/finished animal ready for slaughter.

Please consider these points when acting on such proposals:

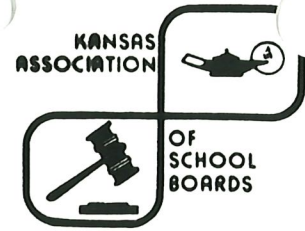
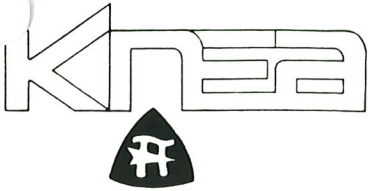
1. Kansas ranks third in the nation in cattle feeding. The top two competing states (Texas and Nebraska) have no livestock tax. Colorado (adjoining neighbor and also competing state) also has no tax. Most farmers and ranchers who are successful cattle feeders strive for an average per head profit of \$15 to \$20 per head. Preliminary research indicates that the average net profit in the cattle feeding industry has not averaged \$15 per head over the past five years.
2. The feedlot industry in Kansas has been one of the few bright spots in the entire economic development picture. It has frequently been used as one of the examples of how industries with a high economic multiplier factor can bolster the economy. The thriving western Kansas communities around Scott City, Garden City, Dodge City, and Liberal are based almost entirely on the economic activity generated because of feedlot demand for grain and many other inputs along with the employment affect on the local community. Because the feedlots are there, the packing plants are there and Kansas now ranks number one in packing plant capacity and total pounds of red meat processed. I can tell you without hesitation or qualification that an excise tax placed on feedlot cattle will divert to other states a large portion of the 4 million cattle fed annually in Kansas.
3. The cattle feeding industry has been termed "a mobile industry that deals with a transient product". Cattle feeding is a highly competitive, tightly margined industry and the cattle will go where the cost of gain (i.e. the total cost of feeding the animal ... feed, taxes, etc.) are lowest. It is a constant struggle for feedyard owners and managers to attract cattle to Kansas and the only way I can think of to divert more cattle to our neighboring states would be to also give cattle feeders free trucking to those other states. It will literally be so negative to cattle feeding that even Kansans who are part owners of Kansas feedyards would have an incentive to send cattle to other states to be fed.

Many of these cattle owners once acquainted with and satisfactorily served by feedyards in other states may never return to Kansas cattle feeding. This, in turn, hurts the competitiveness of Kansas packing plants. Once we tax the cattle out of Kansas, the feedyard industry will decline. When those two things happen, the packing industry will also begin to relocate. The net result could be devastating for the Kansas economy.

4. Any modest size cow-calf producers and stocker operators would be faced with a significant tax increase.

5. *The previous property tax revenue from livestock was used by local units of government. Under this plan, the money would be distributed statewide and much of it is likely to be used in taxing districts that were not even affected by the exemption of livestock.*
6. *Much of the reasoning for exempting inventories of livestock was that it is difficult to administrate and places many businesses at a competitive disadvantage with other states.*

We respectfully urge you to reject any form of tax on merchants, manufacturers, and livestock inventories.



JOINT TESTIMONY ON HB 2620, HB 2632 AND HB 2670

PRESENTED BY:

KANSAS ASSOCIATION OF SCHOOL BOARDS
KANSAS NATIONAL EDUCATION ASSOCIATION
UNITED SCHOOL ADMINISTRATORS
SCHOOL FOR QUALITY EDUCATION
SCHOOLS FOR EQUAL EDUCATION IN KANSAS
USD 229 (Blue Valley)
USD 259 (Wichita)
USD 501 (Topeka)
USD 512 (Shawnee Mission)

January 24, 1990

Mr. Chairman and members of the Committee, I am Bill Curtis representing the Kansas Association of School Boards. My testimony today is also made on behalf of those organizations listed above. We appreciate the opportunity to voice our concerns with the three circuit-breaker bills, HB 2620, HB 2632 and HB 2670.

Rather than comment on the advantages and disadvantages to each bill, we wish to limit our testimony to the concept of commercial circuit-breakers in general. Our organizations oppose such a concept. We do so as we believe such a concept is premature. All of the information concerning classification and reappraisal is not yet collected or analyzed. How much of the problem is the result of classification? How much is it due to reappraisal? How do we know these circuit-breakers will hit their intended target? What is the fiscal note of these bills?

Our organizations are cognizant of the fiscal condition of the State of Kansas. Is it prudent to raise additional funds or "borrow" from other sources to fund such a short-term solution? What choices are available later this session when school finance is discussed if

*1/24/90
Attachment 5*

such measures are passed? The organization listed above will be asking for the State to increase its share of the financial partnership with local school districts. Long-term property tax relief can be achieved by more money in special education, transportation and general fund aid. Every dollar spent for primary and secondary education by the State saves the local property taxpayer \$1.40.

We thank the Committee for its time and attention.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

HB 2620

January 24, 1990

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Taxation Committee

by

Bob Corkins
Director of Taxation

Mr. Chairman and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry. I appreciate the opportunity to express our concerns about each of the property tax relief proposals, HB 2620, HB 2632 and HB 2670, which you are considering at this time. Unfortunately, each proposal contains key provisions which KCCI finds objectionable and we therefore must voice our opposition to all three bills in their current form.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

*1/24/90
attachment 6*

Our opposition is given reluctantly because there is a very real need for this type of relief to the business community. Statewide averages indicate that the net result of reappraisal and classification on commercial property has not been an unbearable increase in property taxes. However, broad averages do not reflect the many extreme individual hardships which have nevertheless occurred. To keep the hardest hit among such businesses temporarily afloat, and to buy more time in which to prudently consider a long-term property tax system that would be more equitable, KCCI recommends legislative enactment of a commercial circuit breaker relief program similar to those being discussed today.

Before commenting on the specifics of HB 2620, HB 2632 or HB 2670, I will set forward KCCI's recommendations for funding a commercial circuit breaker. Though we also are concerned about some of the eligibility criteria included in these bills, they are not concerns which weigh heavily in our decision to oppose these three proposals. I will discuss KCCI's reservations about eligibility when I take up each bill individually, but our funding recommendations will apply regardless of eligibility:

1. Accelerate collection of liquor privilege taxes, withholding taxes and severance taxes.
 - a. liquor taxes to become due on the 25th day of each month.
 - b. withholding taxes due approximately every four days if yearly remittances would exceed \$100,000.
 - c. severance taxes accelerated as much as is practical in light of unique and inherent collection difficulties.
2. Authorize methods of electronic funds transfers for collection of sales and withholding taxes.
 - a. applicable to retailers whose sales tax collections exceed \$32,000 annually.
 - b. applicable to employers whose withholding tax remittances exceed \$8,000 annually.
3. Impose a duty of sales or use tax collection on out-of-state retailers whose only connection with Kansas is through advertising and direct mail.
4. Impose a state income surtax on businesses which saved the most on their net property taxes between 1988 and 1989.

- a. tax only those firms which experienced at least a \$10,000 savings.
- b. tax their savings at the rate of 10 percent.

Conservative estimates place the revenue generated by these combined changes at approximately \$43 million -- even more if Congress authorizes sales tax obligations on out-of-state retailers.

Turning to the specifics of HB 2620, we would like to raise a few issues regarding its eligibility provisions. The apparent intent of section one is to permit relief on the basis of a firm's net property tax increase between 1988 and 1989. However, the criteria considers only 1988 inventory and real estate taxes versus 1989 real estate taxes. Therefore, a true "net" effect of reappraisal and classification is not obtained. The criteria ignores the substantial savings on personal property taxes which resulted from a reduction in levies against business machinery and equipment. By including all personal property taxes in the criteria for both 1988 and 1989, fewer firms could show a 100 percent increase and, therefore, the fiscal note of HB 2620 would be lowered. Such a comparison would create a more accurate list of businesses which were most adversely affected.

KCCI also questions the rationale for setting relief thresholds based on income and effective tax rates. While both criteria serve to reduce the fiscal demand of the program, they also detract from the fair application of the program. Use of the state or county effective tax rate has little, if any, bearing on a business' ability to pay higher taxes. Hypothetically, a firm could have been taxed at a rate lower than both the state and county average, but still suffer a net increase of over 100 percent. Regarding the income criteria, deserving businesses could similarly be denied relief. For such larger firms that may have seen their tax bill increase far above \$5,000, it would be unfair to tell them, in effect, that "rather than insult you with a mere \$5,000 in relief, we will instead give you nothing." It is very possible that \$5,000 can make a big difference even to a company which clears over \$50,000 annually.

Another contention KCCI has regarding eligibility concerns the limitation of aid to "small" businesses. This criteria represents yet another arbitrary basis on which to limit the cost of this circuit breaker. Again, the business size test does not necessarily consider a firm's ability to pay higher taxes, but even if it did, fairness would still dictate that all businesses should be subjected to the same standards for the same potential relief. In short, the only valuable test in determining eligibility is the net percentage increase in taxes caused by reappraisal and classification. The other prerequisites in HB 2620 are inequitable and could be replaced, if necessary, with other criteria which more accurately target relief to those businesses most in need.

The final point on eligibility we wish to raise concerns businesses which lease their facilities. Some provision should be added to the bill or addressed through administrative regulations which guarantees that rent increases caused by reappraisal and classification are considered in granting relief to tenant businesses.

Our objections to circuit breaker funding stem from the differences between HB 2620 and the four recommendations I made above. The accelerated collection of withholding taxes would apply to employers which are too small. By setting the threshold at \$8,000 instead of \$100,000, marginally affected companies would have to remit a mere \$83 every four days. The benefit of requiring such a frequent yet minor remittance would not be great enough to offset the higher administrative cost of compliance on each business. Since these businesses -- still being relatively small -- are already performing an uncompensated service to the state, it would be unfair to require them to shoulder the additional burden. Only the largest firms should be held to this frequent on-going responsibility.

Special provisions should also be made for accelerating the severance tax. Representatives from the affected industries have testified that they have certain physical compliance problems with a one-month acceleration. Some compromise date could perhaps be determined which falls between the current two-month compliance period and the one-month period here proposed. Otherwise, the severance tax should be completely omitted from this acceleration.

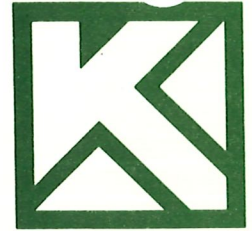
Finally, KCCI objects to the 25 percent rate applied to net property tax savings. This rate is two-and-one-half times greater than the recommendation which our membership conceived and proposed prior to the start of this 1990 legislative session. Furthermore, it would be imposed against even the smallest and perhaps the most marginal, businesses which saves merely \$1,000 on their property tax bill. Over \$50 million, far more than is needed for this commercial circuit breaker, would be generated by this new tax alone.

Because of the liberal willingness to impose new taxes which HB 2620 represents, and because of the questionable eligibility standards which it proposes, KCCI opposes this bill.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

HB 2632

January 24, 1990

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Taxation Committee

by

Bob Corkins
Director of Taxation

Mr. Chairman and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry. I appreciate the opportunity to express our concerns about each of the property tax relief proposals, HB 2620, HB 2632 and HB 2670, which you are considering at this time. Unfortunately, each proposal contains key provisions which KCCI finds objectionable and we therefore must voice our opposition to all three bills in their current form.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

*1/24/90
Attachment 6-6*

Our opposition is given reluctantly because there is a very real need for this type of relief to the business community. Statewide averages indicate that the net result of reappraisal and classification on commercial property has not been an unbearable increase in property taxes. However, broad averages do not reflect the many extreme individual hardships which have nevertheless occurred. To keep the hardest hit among such businesses temporarily afloat, and to buy more time in which to prudently consider a long-term property tax system that would be more equitable, KCCI recommends legislative enactment of a commercial circuit breaker relief program similar to those being discussed today.

Before commenting on the specifics of HB 2620, HB 2632 or HB 2670, I will set forward KCCI's recommendations for funding a commercial circuit breaker. Though we also are concerned about some of the eligibility criteria included in these bills, they are not concerns which weigh heavily in our decision to oppose these three proposals. I will discuss KCCI's reservations about eligibility when I take up each bill individually, but our funding recommendations will apply regardless of eligibility:

1. Accelerate collection of liquor privilege taxes, withholding taxes and severance taxes.
 - a. liquor taxes to become due on the 25th day of each month.
 - b. withholding taxes due approximately every four days if yearly remittances would exceed \$100,000.
 - c. severance taxes accelerated as much as is practical in light of unique and inherent collection difficulties.
2. Authorize methods of electronic funds transfers for collection of sales and withholding taxes.
 - a. applicable to retailers whose sales tax collections exceed \$32,000 annually.
 - b. applicable to employers whose withholding tax remittances exceed \$8,000 annually.
3. Impose a duty of sales or use tax collection on out-of-state retailers whose only connection with Kansas is through advertising and direct mail.
4. Impose a state income surtax on businesses which saved the most on their net property taxes between 1988 and 1989.
 - a. tax only those firms which experienced at least a \$10,000 savings.

b. tax their savings at the rate of 10 percent.

Conservative estimates place the revenue generated by these combined changes at approximately \$43 million -- even more if Congress authorizes sales tax obligations on out-of-state retailers.

After examining the specifics of HB 2632, KCCI has perceived a few problems with its eligibility provisions. The apparent intent of section twenty-one is to permit relief on the basis of a firm's net property tax increase between 1988 and 1989. However, the criteria considers only 1988 inventory and real estate taxes versus 1989 real estate taxes. Therefore, a true "net" effect of reappraisal and classification is not obtained. The criteria ignores the substantial savings on personal property taxes which resulted from a reduction in levies against business machinery and equipment. By including all personal property taxes in the criteria for both 1988 and 1989, fewer firms could show a 100 percent increase and, therefore, the fiscal note of HB 2632 would be lowered. Such a comparison would create a more accurate list of businesses which were most adversely affected.

The final point on eligibility we wish to raise concerns businesses which lease their facilities. Some provision should be added to the bill or addressed through administrative regulations which guarantees that rent increases caused by reappraisal and classification are considered in granting relief to tenant businesses.

Our objections to circuit breaker funding stem from the differences between HB 2632 and the four recommendations I made above. The accelerated collection of withholding taxes would apply to employers which are too small. By setting the threshold at \$8,000 instead of \$100,000, marginally affected companies would have to remit a mere \$83 every four days. The benefit of requiring such a frequent yet minor remittance would not be great enough to offset the higher administrative cost of compliance on each business. Since these businesses -- still being relatively small -- are already [performing an uncompensated service to the state, it would be unfair to require them to shoulder the

additional burden., Only the largest firms should be held to this frequent on-going responsibility.

Special provisions should also be made for accelerating the severance tax. Representatives from the affected industries have testified that they have certain physical compliance problems with a one-month acceleration. Some compromise date could perhaps be determined which falls between the current two-month compliance period and the one-month period here proposed. Otherwise, the severance tax should be completely omitted from this acceleration.

KCCI strongly objects to the proposed excise tax. Though framed as a privilege tax, we believe it is instead a constitutionally prohibited property tax. The Kansas attorney general's recent opinion on this subject is open to dispute and serves as no binding precedent. Furthermore, it did not address the other legal theories upon which this excise tax could alternatively be found unconstitutional. At the very least, the substantial controversy surrounding this issue since it was first raised in the 1989 special session suggests that litigation could stall enforcement of the tax.

Two of the remaining funding provisions of HB 2632 are also strongly opposed by KCCI. The \$17 million which this bill would take from the economic development initiatives fund would be a significant setback to that program. Initially the proposal runs into difficulty because the EDIF money simply does not exist for this fiscal year. Next year the transfer would constitute an across-the-board cut in all budgeted EDIF projects. Rather than make such a sweeping reduction, KCCI recommends that the current percentage allocation of revenues from the Fund be continued for one more year. Thus, we support the current earmarking of 30 percent of EDIF revenues toward the costs of reappraisal, with the Fund allocations in FY 1991 to become a 90%/10% split -- 90 percent going toward economic development projects and 10 percent going toward correctional institutions. None of this money, we maintain, should be used to fund any circuit breaker.

Finally, KCCI believes that the state should stay true to its commitment to the comprehensive highway program. The economic and safety benefits to Kansans stemming from

this program will be severely jeopardized by proposed cuts. Even a mere delay of highway revenues would cause a multiplied loss over the eight-year life of the program. It would also send a negative signal to financial markets which, in turn, could hamper the sale of bonds needed to pay for the largest portion of the program.

Because of the liberal willingness to impose new taxes and divert committed funds which HB 2632 represents, and because of the questionable eligibility standards it proposes, KCCI opposes this bill.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

HB 2670

January 24, 1990

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Taxation Committee

by
Bob Corkins
Director of Taxation

Mr. Chairman and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry. I appreciate the opportunity to express our concerns about each of the property tax relief proposals, HB 2620, HB 2632 and HB 2670, which you are considering at this time. Unfortunately, each proposal contains key provisions which KCCI finds objectionable and we therefore must voice our opposition to all three bills in their current form.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

*1/24/90
attachment 6-11*

Our opposition is given reluctantly because there is a very real need for this type of relief to the business community. Statewide averages indicate that the net result of reappraisal and classification on commercial property has not been an unbearable increase in property taxes. However, broad averages do not reflect the many extreme individual hardships which have nevertheless occurred. To keep the hardest hit among such businesses temporarily afloat, and to buy more time in which to prudently consider a long-term property tax system that would be more equitable, KCCI recommends legislative enactment of a commercial circuit breaker relief program similar to those being discussed today.

Before commenting on the specifics of HB 2620, HB 2632 or HB 2670, I will set forward KCCI's recommendations for funding a commercial circuit breaker. Though we also are concerned about some of the eligibility criteria included in these bills, they are not concerns which weigh heavily in our decision to oppose these three proposals. I will discuss KCCI's reservations about eligibility when I take up each bill individually, but our funding recommendations will apply regardless of eligibility:

1. Accelerate collection of liquor privilege taxes, withholding taxes and severance taxes.
 - a. liquor taxes to become due on the 25th day of each month.
 - b. withholding taxes due approximately every four days if yearly remittances would exceed \$100,000.
 - c. severance taxes accelerated as much as is practical in light of unique and inherent collection difficulties.
2. Authorize methods of electronic funds transfers for collection of sales and withholding taxes.
 - a. applicable to retailers whose sales tax collections exceed \$32,000 annually.
 - b. applicable to employers whose withholding tax remittances exceed \$8,000 annually.
3. Impose a duty of sales or use tax collection on out-of-state retailers whose only connection with Kansas is through advertising and direct mail.
4. Impose a state income surtax on businesses which saved the most on their net property taxes between 1988 and 1989.
 - a. tax only those firms which experienced at least a \$10,000 savings.
 - b. tax their savings at the rate of 10 percent.

Conservative estimates place the revenue generated by these combined changes at approximately \$43 million -- even more if Congress authorizes sales tax obligations on out-of-state retailers.

The amount of revenue needed by HB 2670 will depend upon program eligibility standards. Apparently, the intent of section one is to permit relief on the basis of a firm's net property tax increase between 1988 and 1989. However, the criteria considers only 1988 inventory and real estate taxes versus 1989 real estate taxes. Therefore, a true "net" effect of reappraisal and classification is not obtained. The criteria ignores the substantial savings on personal property taxes which resulted from a reduction in levies against business machinery and equipment. By including all personal property taxes in the criteria for both 1988 and 1989, fewer firms could show a 100 percent increase and, therefore, the fiscal note of HB 2670 would be lowered. Such a comparison would create a more accurate list of businesses which were most adversely affected.

Our objections to circuit breaker funding stem from the differences between HB 2670 and the four recommendations I made above. The accelerated collection of withholding taxes would apply to employers which are too small. By setting the threshold at \$20,000 instead of \$100,000, marginally affected companies would have to remit \$208 every four days. The benefit of requiring such a frequent yet minor remittance would not be great enough to offset the higher administrative cost of compliance on each business. Since these businesses -- still being relatively small -- are already performing an uncompensated service to the state, it would be unfair to require them to shoulder the additional burden. Only the largest firms should be held to this frequent on-going responsibility.

Special provisions should also be made for accelerating the severance tax. Representatives from the affected industries have testified that they have certain physical compliance problems with a one-month acceleration. Some compromise date could perhaps be determined which falls between the current two-month compliance period and the

one-month period here proposed. Otherwise, the severance tax should be completely omitted from this acceleration.

Finally, KCCI strongly objects to the proposed excise tax. Though framed as a privilege tax, we believe it is instead a constitutionally prohibited property tax. The Kansas attorney general's recent opinion on this subject is open to dispute and serves as no binding precedent. Furthermore, it did not address the other legal theories upon which this excise tax could alternatively be found unconstitutional. At the very least, the substantial controversy surrounding this issue since it was first raised in the 1989 special session suggests that litigation could stall enforcement of the tax.

Because of the liberal willingness to impose new taxes which HB 2670 represents, and because of the questionable eligibility standard it proposes, KCCI opposes this bill.

HOUSE ASSESSMENT AND TAXATION COMMITTEE
TESTIMONY RE: HB 2620, HB 2632
AND ALL OTHER CIRCUIT BREAKER BILLS

PRESENTED BY RONALD R. HEIN ON BEHALF OF
MESA LIMITED PARTNERSHIP
January 24, 1990

Mr. Chairman, members of the committee:

My name is Ron Hein, and I am legislative counsel for Mesa Limited Partnership, an oil and gas producer with significant reserves in southwest Kansas, primarily in the Hugoton field.

We do not appear today as a proponent or opponent of the concept of a circuit breaker.

However, we strongly oppose any legislation that would accelerate collection of the severance tax. When the severance tax was first enacted in 1983, it was pointed out by the industry the difficulty of determining the amount of tax to be paid, and the industry requested even more than the 50 days that is presently allotted to determine, calculate, and collect the tax.

I have been advised by the various departments at Mesa that our company simply cannot obtain the data in the time frame prescribed by HB 2620 and HB 2632.

It is virtually impossible for the producers to close out production, pull the gas measurement charts, integrate the charts (the vast majority of which work needs to be done by hand), obtain the volume per well, obtain information from the transporter (pipe line) about the volume acquired, cut the invoice to be sent to the purchaser, allow the purchaser time to respond (which is set at 10 days), then commence the accounting cycle, calculating the tax on an individual well basis, and then transmitting the tax and the supporting data to the Director of Revenue in 20 days as provided for in these two bills.

We have been advised that the Governor's version of the circuit breaker will not include acceleration of the payment of severance taxes, and would strongly urge the Legislature to abide by the 50 day time period provided for by current law.

We would therefore urge you to delete Section 17 from HB 2620 and Section 19 from HB 2632 in the event that such legislation is to be reported favorably.

Thank you very much for permitting me to testify today, and I will yield for any questions.

STATEMENT BY ROBERT A. ANDERSON
ON BEHALF OF THE MID-CONTINENT OIL AND GAS ASSOCIATION
JANUARY 24, 1990

With regard to HB 2620, HB 2632 and HB 2670 I have been advised by industry tax personnel that it will be virtually impossible to accurately pay a gas Severance Tax by the 20th of the month following production. As you are aware, in the gas industry producers rely on statements from gas purchasers and/or pipeline companies for data necessary in the calculating volumes, values, and taxes. In many situations, this information is not even available to the producer by the 20th day of the month following production.

Recognizing the complexities involved in gathering and accurately reporting gas volumes, the State of Louisiana recently extended their due date for gas Severance Tax payments from the 30th of the first month to the 15th of the second month. In fact no major producing state has a due date as early as the one proposed in HB 2620, HB 2632 and HB 2670.

Listed below are current due dates for Gas Severance Tax payments in several major producing states:

<u>STATE</u>	<u>GAS PAYMENT DUE DATE</u>
Kansas	20th day (2nd month)
Louisiana	15th day (2nd month)
New Mexico	25th day (2nd month)
Oklahoma	10th day (2nd month)
Texas	20th day (2nd month)
Wyoming	25th day (2nd month)


Robert A. Anderson

1/24/90
Attachment B

Statement Before The
HOUSE COMMITTEE ON ASSESSMENT AND TAXATION

By The
KANSAS MOTOR CAR DEALERS ASSOCIATION

Wednesday, January 24, 1990

Re: "Circuit Breaker Proposals"

Mr. Chairman and Members of the Committee, I am Kevin Allen, Executive Vice President of the Kansas Motor Car Dealers Association. Our trade association represents 330 franchised new car and truck dealers in Kansas.

I do not come before you today to oppose the concept of property tax relief but instead, to oppose an inventory tax to fund it. You have heard many times from many different people about the inequities of inventory taxes and we agree. Inventories maintained by car dealers - vehicles, parts, paint, etc. - can exceed \$10,000,000, most of which is financed.

The magnitude of an **EXCISE TAX** on the new car dealers of Kansas, as proposed in HB 2632, would be staggering. We don't feel that those businesses, who, by their nature must maintain inventories, should bare more of the tax burden than those businesses who are less inventory oriented -- even if it is a "one time tax".

With the repeal of the inventory tax, Kansas dealers were put in a more competitive posture with the car dealers in the surrounding states. Missouri, Colorado, Nebraska and Oklahoma all no longer tax motor vehicle inventories.

As most of the conferees you have heard from, my members also feel that property taxes are too high. A poll that I conducted after the special session indicated that we would support a broader based tax, such as an income or sales tax increase to reduce reliance on property taxes.

In closing, I would just like to say that I appreciate the magnitude of the problem you are facing. Thank you for the opportunity to come before you today. I will be happy to stand for any questions.

1/24/90
Attachment 9

KANSAS INDEPENDENT AUTOMOBILE DEALERS ASSOCIATION

1115 WESTPORT SUITE E • MANHATTAN, KANSAS 66502 • 913-776-0044



TO: House Committee on Taxation

SUBJECT: House Bill 2632

Mr. Chairman and Members of the Committee:

My name is Dan Carlson, President of the Kansas Independent Automobile Dealers Association. I am here today to testify in opposition to House Bill 2632 on behalf of the Kansas Independent Automobile Dealers Association and the Kansas Automobile Dealers Legislative Coalition representing independent business people in this state. This proposed legislation, in our opinion, merely reflects an attempt to solve a short term problem when in fact a long range plan is needed.

The excise tax in this bill will undoubtedly result in immediate economic consequences in terms of financial hardships, closing of automobile facilities, and the further reduction of the work force which today numbers in the thousands. This comes at a time when the automobile industry today is facing one of the most severe depressions in its history due to foreign competition and higher interest rates.

We feel that a more in depth, comprehensive study needs to be made to determine exactly what this bill will do.

Thank you for your time.

Individually we struggle to be heard—Collectively we cannot be ignored.

1/24/90 Attachment 10

ECONOMIC LIFELINES HIGHWAYS

no speak

Co-Chairmen

John Montgomery
Junction City
Jack Ranson
Wichita

Board Of Directors

Ed Bruske
Topeka
Jim DeHoff
Lawrence
John Kemp
Prairie Village
John Koger, Jr.
Topeka
Howard Loomis
Pratt
Jim Mans
Wichita
Mark Mingenback
Great Bend
Doyle Rahjes
Manhattan
Roberta Sharp
Salina
Bob Whittaker
Augusta

Ex-Officio Directors

Denise Apt
Iola
Glenn Coulter
Topeka
Claudette Lewis
Rose Hill
Mary Turkington
Topeka

Alternate Directors

Bill Abbott
Wichita
Art Collins
Hutchinson
Paul Fleener
Manhattan
Jim Foster
Wichita
Glen Gilpin
Emporia
Mike Johnston
Parsons
Donald Laird
Garden City
Wayne Malchel
Silver Lake
Bill Williams
Kansas City
Tim Witsman
Wichita

TESTIMONY

BY

ECONOMIC LIFELINES

Before the House Taxation Committee

Regarding House Bill 2632; Providing for Property

Tax Relief

January 24, 1990

Mr. Chairman and members of the House Taxation Committee. Thank you for the opportunity to submit these comments regarding House Bill 2632.

My name is John Montgomery. Mr. Jack Ranson and I serve as Co-Chairmen of Economic Lifelines. Economic Lifelines is a broad-based coalition of groups representing Kansas agriculture, business, education, construction and other interests. The following list includes only a portion of our member organizations:

Highways for Progress	Kansas Chamber of Commerce and Industry
Kansas AFL-CIO	Kansas Good Roads Association
Kansas Contractors Association	Kansas Motor Carriers Association
Northwest Passage Coalition	Heavy Constructors of Kansas City
Wichita/Sedgwick Co. Partnership	Kansas Farm Bureau
Mid Kansas Economic Dev. Commission	Southwest Kansas Highway Association

Numerous other independent businesses, financial institutions, chambers of commerce, educators and economic development firms are also among our members.

Economic Lifelines is gravely concerned about the integrity of the future funding of the Comprehensive Highway Improvement Program. Efforts such as House Bill 2632 to divert revenues from the Highway Program require us to reassert our position on the need for strong support of Kansas highway improvements. Economic Lifelines opposes any use of any highway program revenue streams for anything other than highway improvement projects.

Thank you for the opportunity to submit these comments for your consideration.

1/24/90

Attachment 11



KANSAS INDEPENDENT OIL & GAS ASSOCIATION

105 SOUTH BROADWAY • SUITE 500 • WICHITA, KANSAS 67202 • (316) 263-7297

no speak

January 24, 1990

TO: House Committee on Taxation

**RE: HB 2620 and HB 2632
Circuit Breaker Bills**

Our association does not have a position on the merits of the enactment of circuit breaker legislation, as we are not privy to the extent of the need for such legislation.

We do, however, wish to object to the provision in both HB 2620 and HB 2632 which provides for the acceleration of collection of the severance tax. KIOGA presented testimony in the December 1989 Special Session in a hearing before the Senate Ways and Means Committee objecting to the acceleration of the collection of this tax.

This issue was debated at length in 1983 when the severance tax was enacted. A compromise of fifty days for payment of the tax was agreed to. Industry tried to allow for as much time as possible because of the need for adequate time to accumulate the data, calculate the volumes, its value, and the tax.

To accelerate the collection of severance taxes would lead to mistakes and confusion resulting in bad data being used by the State and the taxpayers.

We have surveyed several producers and they uniformly report that it is virtually impossible, particularly relating to natural gas production, to report and pay the severance tax within twenty days.

We were advised this week by Secretary Ed Rolfs that the Governor's version of circuit breaker legislation will not include acceleration of the payment of severance taxes. We would hope the legislature will adopt that policy, too!

**Donald P. Schnacke
Executive Vice President
KIOGA**

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*1/24/90
Attachment 12*