

Approved

Keith Roe
Date

MINUTES OF THE House COMMITTEE ON Taxation

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

9:00 a.m./p.m. on February 1, 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:

John Luttjohann, Director, Division of Property Valuation

Staff reviewed a Memorandum regarding Kansas Local Sales Tax Provisions. Topics covered were special rate provisions, special distribution provisions and local sales tax revenue bonds. (Attachment 1)

John Luttjohann, Director, Division of Property Valuation, briefly reviewed the provisions of the Administration's proposed Commercial Circuit Breaker. Director Luttjohann stated that the proposal provides a refund to commercial property owners whose total 1989 commercial property taxes, both on real estate and personal property, exceeds 150% of the 1988 total commercial property taxes. The program is for a two-year refund period. The 1989 refund paid in 1990 would be 60% of the excess of 1989 taxes over that threshold of a 50% increase, to a maximum of \$5,000. The 1990 refund paid early in 1991 would be 30% of the excess of 1989 taxes over 150% of 1988 taxes, to a maximum of \$2,500. Excluded would be increases in taxes due to improvements made or acquisitions of additional property. The two-year cost of the program is estimated to be between \$18 million and \$22 million; probably around \$20 million.

A motion was made by Representative Vancrum, seconded by Representative Smith to introduce the Governor's 1990 small business circuit breaker proposal as a bill. The motion carried.

The minutes of January 31, 1990, were approved.

The meeting adjourned at 9:45 a.m.

HOUSE COMMITTEE ON TAXATION

DATE 2/1/90

NAME	ADDRESS	REPRESENTING
Lesland Shannon	12575 residence KCK 66109 ^R	AARP
Opensee Strom	Topeka	Central City 2nd Zone AARP
Richard Kirkwood	Topeka	AARP-Kansas
Woody Woodman	KCMO	KCP
Bob Perkins	Topeka	KCCI
Jim Young	Topeka	AARP-UCTF
Harold Pitts	Topeka	KCOA
Christy Young	Topeka	6a Topeka Chamber of Comm
Charles Ward	Topeka	Kansas Inc.
Julie Rein	Topeka	Hin & Ebert
Margaret Simon	Topeka	1a. of Women Voters
Ken Swadlow	Topeka K	Self
FRANCES RASTNER	topeka	KS Food Dealers Assn
Dave Howley	Wichita	KS Ass for Small Business
JEFF SONWICH	TOPEKA	KNLSI
Leroy Jones	"	BLE
Stacy Humphrey	"	KMHA
DON LINDSEY	OSAWATOMIE	UTU
Tom Burgess	Topeka	KsBA
Randy Burleson	Columbus	Fire Electric
Curt Carpenter	Forest Road	Centel
Willie Martin	Wichita	Sedgwick Co.
Gerry Ray	Olathe	Jo Co Commission
Don Seibert	Olathe	City of Olathe

MEMORANDUM

Kansas Legislative Research Department

Room 545-N -- Statehouse
Topeka, Kansas 66612-1586
(913) 296-3181

January 4, 1990

To: House Committee on Taxation

Re: Kansas Local Sales Tax Special Provisions

Local sales taxes, which were first authorized by the Legislature in 1970, may be levied by cities and counties at the rate of 0.5 percent or 1.0 percent, subject to several exceptions. Elections are normally required prior to the imposition of or increase in the local sales tax.

Revenue from a countywide sales tax is apportioned among the county and cities, 50 percent in proportion to total, unit-wide property tax levies and 50 percent in proportion to urban and nonurban population. This distribution formula also is subject to several exceptions.

With the enactment of H.B. 2041 by the 1989 Legislature, the state and local sales tax bases are now in substantial conformity, with the exception of the sales taxes on residential utility services. Such services are exempt from the state sales tax but are not exempt from local taxes. Other areas of nonconformity regarding sales of farm machinery and business machinery and equipment have been eliminated.

As of January 1, 1990, 119 cities and 62 counties had imposed local sales taxes. Of the 119 cities, 39 imposed the tax at the 0.5 percent rate, and 80 imposed the tax at the 1.0 percent rate. Of the 62 counties, 8 imposed the 0.5 percent rate, 53 imposed the 1.0 percent rate, and 1 county imposed a 2.0 percent rate.

Special Rate Provisions

Pursuant to the enactment of 1989 H.B. 2023, Jackson County was authorized to levy a 2 percent sales tax, with the county's share of the additional 1 percent tax earmarked solely for the Banner Creek Reservoir Project. The additional 1 percent tax was implemented on July 1, 1989 and will sunset on July 1, 1994.

Wyandotte County is authorized to levy an additional 0.5 percent tax (for a total rate of 1.5 percent) if the additional amount is earmarked solely for financing a courthouse, jail, or law enforcement facility. The county has not used this additional authority, however, and the rate remains at 1.0 percent.

All counties are authorized to levy a 1/10 of 1 percent sales tax for stormwater improvements if the tax is imposed prior to the end of 1990. The stormwater management sales tax does not require an election, but is instead subject to a protest petition. Proponents of the tax, which was authorized by 1988 H.B. 2271, said that the only counties that would likely attempt to impose the tax would be Johnson, Wyandotte, and Leavenworth, since there have been efforts underway to develop a comprehensive flood control plan in the Kansas City metropolitan area and

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Attachments

several Missouri counties have already pledged revenues. However, no Kansas county has attempted to impose this tax thus far.

S.B. 186, which was in the House Committee on Local Government at the start of the 1990 Session, would authorize any county containing a part of a city with a population of at least 80,000 and any other counties contiguous to such a county to create a culture and recreation district subject to the Kansas and Missouri Metropolitan Culture and Recreation District Compact for the purpose of levying a 1/4 of 1 percent sales tax for the financing of cultural and recreational facilities and organizations within the district. This tax would be in addition to all other local sales taxes, and counties would be required to hold an election within 24 months for approval of the tax.

Special Distribution Provisions

K.S.A. 12-192 provides exceptions to the normal countywide apportionment formula for Riley, Geary, and Johnson counties. For that half of the tax distributed between the cities and county based on the share of population in unincorporated areas of the county and in each city, persons residing at Fort Riley are specifically excluded from the determination of Junction City's population. For Geary County, both the unincorporated county population and the city populations are adjusted to subtract persons residing on military reservations.

An optional apportionment formula is provided for Johnson County in the event the county imposes a 1.0 percent sales tax. However, the rate in Johnson County has remained at 0.5 percent since 1975.

Jefferson, Montgomery, and Wyandotte counties also may impose a countywide tax with the entire amount earmarked solely for courthouse, jail, or law enforcement facility construction. Taxes earmarked for this purpose in these counties would expire upon the payment of all costs incurred in the financing of such facilities. Montgomery County's 1.0 percent tax was imposed for this purpose on January 1, 1988, and the tax should sunset some time during calendar year 1990. Jefferson County, which has had a 1.0 percent tax in effect since 1983, has not attempted to change the distribution of its tax by reimposing it under this provision. Wyandotte County does not earmark any part of their current 1.0 percent sales tax for this purpose, nor have they attempted to use their additional 0.5 percent authority.

Local Sales Tax Revenue Bonds

Legislation enacted in 1987 and 1988 authorized cities and counties imposing local sales taxes to issue revenue bonds backed by the sales tax (or by the sales tax in combination with other revenue sources) to provide for public facilities and improvements which could otherwise be funded through the issuance of general obligation bonds.

The bonds are normally prohibited from being used for any facilities or improvements to be used for commercial or retail purposes, but an exception to the prohibition is provided for bonds issued for the payment of the cost of constructing or improving convention centers, exposition halls, and public auditoriums.

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