

Approved \_\_\_\_\_

Date 3/19/90

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 March 15, 1990 in room 519-S of the Capitol.

All members were present except:

Representative Branson, excused  
Representative Pottorff, excused

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:

Representative Kenneth Green  
Representative Jeff Freeman  
Representative Bill Wisdom  
Representative Hank Turnbaugh  
Lucky DeFries, Topeka tax attorney  
Robert Duskie, State Advocate, Knights of Columbus  
Albert Arnold, Masonic Lodge  
Tom Zarda, Knights of Columbus  
Bob Runnels, Kansas Catholic Conference  
Joe Berger, Kansas Sunflower Club Association  
Leonard Elrod, Ben Hur Masonic Lodge  
Merlin Grundy, Masonic Lodge  
Keith Farrar, Chairman, Board of Tax Appeals

Representative Green testified in support of HB 2921, stating that if this bill is not passed many small lodges in his area will be forced to close their doors.

Representative Freeman testified in support of HB 2921, stating that if nothing is done to help the fraternal benefit societies this session, many of them will go out of business - these people can't wait another year.

Representative Wisdom testified in support of HB 2921, stating that these organizations have a real problem and legislation is needed to help them.

Representative Turnbaugh testified in support of HB 2921, stating that it seems a shame that many fraternal benefit society organizations will no longer be in existence unless steps are taken to remove them from the tax rolls. (Attachment 1)

Lucky DeFries, Topeka attorney, testified in support of HB 2921, stating that many fraternal organizations are feeling a financial pinch and that waiting until next year to provide relief will be too late for them.

Robert Duskie, Knights of Columbus, testified in support of HB 2921, stating that hardly a week goes by without him receiving a letter or phone call from one of his Councils in distress over the tax burden being applied to them. (Attachment 2)

Albert Arnold, Masonic Lodge, testified in support of HB 2921, stating that they support many worthwhile causes financially, but now find themselves locked in a life and death struggle. (Attachment 3)

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation

room 519-S, Statehouse, at 9:00 a.m.~~p.m.~~ on March 15, 1990.

Tom Zarda testified for Tom Dechant, Knights of Columbus, in support of HB 2921, stating that if their councils are forced to close or sell their buildings due to high property taxes, there will be much good left undone in their communities. (Attachment 4)

Bob Runnels, Kansas Catholic Conference, testified in support of HB 2921, stating that any recognition which eliminates the tax burden on these organizations will certainly release those dollars to charitable works in their communities. (Attachment 5)

Joe Berger, Kansas Sunflower Club Association, testified in support of HB 2921, stating that if his organizations are tax exempt, then they will have more money available for charitable community services, and everyone will benefit. (Attachment 6)

Leonard Elrod, Ben Hur Masonic Lodge, testified in support of HB 2921, stating that giving them a complete tax exemption from real estate and personal property taxes will help them to be in a good position to continue their charity programs and their youth programs. (Attachment 7)

Merlin Grundy, Ben Hur Masonic Lodge, testified in support of HB 2921, stating that his lodge in Kansas City, Kansas, will have a deficit of \$2,575 this year if no further relief is granted. He also stated that a survey now in progress indicated that more than half of the states have laws that totally exempt fraternal organizations from real estate and personal property taxes. (Attachment 8)

Keith Farrar, BOTA, stated that he was not testifying as a proponent or an opponent, but is frustrated to sign an exemption for organizations that he knows are making a profit, and then has to deny exemptions for groups like those who testified today. He requested the committee to not only look at 501 (c) (8), but to look seriously at (c) (10).

Vice Chairman Marvin Smith concluded the hearing on HB 2921.

The meeting adjourned at 10:30 a.m.

HOUSE COMMITTEE ON TAXATION

DATE 3/15/90

NAME ADDRESS REPRESENTING

Merle Bradley	4107 Woodbury Ct	Masons
Albert O Arnold	3520 NE Croco Rd	Masons
Bill Wisdom	19155 27th St Ch	Masons
Almeda Edwards	R2 OTTAWA	FR. Co FARM BUREAU
Lucky J. Fries	Topeka, Kan.	Sunflower Council
Keith Farrar	Topeka	BOTA
W. J. Doc Taylor	TOPEKA	KS FOR FAIR TAXATION
Joe Berger	1609 S.W. Tera Top	KS SUNFLOWER CLUB ASSOC.
Arnold Gallars	8203 E. <sup>Wichita</sup> Dunes	Loyal Order of Moose
R. Harris	9248 Minerva St	KCK. Westgate 438
J. Hale	3748 N 124 St	West Gate 438
Eldo Creder	3221 S. MacKinnon Ct - Topeka	ARAB SHRINE TEMPLE
Leroy Jones	Osawatomie	BLE
Robert C. Anderson	Ottawa	Mindert Club Jan
T. O. Johnson	Topeka	KSCPA
Harriet Lange	Topeka	KAB
Ken Baker	Topeka	Euch Minoff
William R. Shuman	Rainier Valley	Roger E. Sherman Temple
Donald L. Regland	KANSAS CITY	Roger E. Sherman Temple
James L. Cantam	Franklin Square	Roger E. Sherman Temple
William J. Collier	Lawrence, Kan.	Roger E. Sherman Temple
Raymond L. Bond	KC - KS	Roger E. Sherman Temple
Tony H. Hathaway	K. C. K.	Roger E. Sherman Masonic Temple

HOUSE COMMITTEE ON TAXATION

DATE 3-15-90

NAME

ADDRESS

REPRESENTING

NAME	ADDRESS	REPRESENTING
Ed Washburn	Topeka	Washburn Univ.
Karen Franco		KAR
Ben Bradley	Topeka	KS Assoc of Counties
John M. Baird	Topeka	Observer
Carl Carpenter	Great Bend	Centel
Cathy Brewer	Dodge City	Dodge St. Cannon College
Betty J. Denton	Maniacala Ks	Rancher
John Peterson	Tyrone	Beeh Aircraft
Geo. P. Garrison	Topeka	K of C.
Kathryn Hughes	Dodge City	State Rep Dodge City
Elaine Derruth	Dodge City	SW Kansas Library System
Juanita Edrod	K. C. Ks	Ben Hur Lodge
Delphia M. Secrest	K.C. Ks.	Ben Hur Lodge
Hank Turnbaugh	KCKS	Ben Hur Lodge
Clude A. Secrest	K.C. Ks	Ben Hur Masonic Lodge # 322
Leon Edrod	K.C. Ks	Ben Hur Lodge (master)
Thomas R. Zaida	Shawnee Kans	State Knights of Columbus.
Bob Kanne	Morrison 73	To. Cath Conf.
R.J. "Jerry" Duskie	Cankoe City Ks.	State Knights of Columbus

HANK TURNBAUGH  
 REPRESENTATIVE, 39TH DISTRICT  
 WYANDOTTE COUNTY  
 5044 COUNTY LINE ROAD  
 KANSAS CITY, KANSAS 66106  
 (913) 722-1236 KANSAS CITY OFFICE  
 (913) 296-7676 CAPITOL OFFICE



TOPEKA

HOUSE OF  
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
 MEMBER: GOVERNMENTAL ORGANIZATION  
 INSURANCE  
 LOCAL GOVERNMENT

March 14, 1990

HOUSE TAXATION COMMITTEE

Mr. Chairman and Members of the Committee:

I come before you today to speak in favor of House Bill 2921, which would exempt certain property relating to fraternal benefit societies - orders or associations.

I am a member of Ben Hur Masonic Lodge #322 A.F. & A.M. located in Kansas City, Kansas. Ben Hur Masonic Lodge will be celebrating their 100th anniversary on April 26, 1990. Ben Hur Masonic Lodge has been at its present location for the past 68 years. The lodge is located in an older section of town. Even if they wanted to sell their property, there is no way that they could sell it for what it is appraised.

When our pioneer fathers came to Kansas over 100 years ago, they brought with them their lodges. Down through the years lodges of Kansas have played a vital part in the lives of thousands of men. George Washington, the father of our country and our first president, was a Mason, as have been many of our presidents.

These lodges survive solely on dues from their members. They are not for profit organizations. To tax them at commercial rate is grossly unfair. Even taxing them at the lower rate was an extreme hardship. They should not be classified any different than churches.

Ben Hur Lodge has paid their taxes, but at the rate they are going, they, as well as countless other lodges in the State of Kansas, will be closing their doors in 1991. It seems a shame that many of these fraternal benefit society organizations will no longer be in existence unless we take steps to remove these organizations from the tax rolls.

They are a part of our heritage. Are we going to allow their demise?

I urge you to vote favorably on HB 2921.

Hank Turnbaugh

3/15/90

Attachment 1

Thank you Mr. Chairman.

As the State Advocate for our 30,000 Kansas Knights of Columbus members. I appreciate the opportunity to speak before you, one of the most important committees of our State Government.

Mr. Chairman, hardly a week goes by without receiving a letter or phone call from one of our Councils in distress over the tax burden being applied to them.

Our Order is not the only fraternal society that is in dire straits over taxation. I have visited with elected officials of the Moose, Masons, Shriners, Elks, and Lions, and they report to me that <sup>they</sup> cannot and will not be able to operate under the present tax burdens.

This will be one of the greatest tragedies in the state of Kansas.

Who will make up the \$225,000 donated to the mentally retarded in Kansas by the Knights of Columbus.

Who will provide the \$194,000 donated to the Shrine Hospitals.

Who will provide the \$106,000 that the Kansas Lions clubs give to the blind.

Just five weeks ago Barbara Bush, the wife of our President, spoke in Salina, Kansas and complemented Kansans on their high degree of volunteerism.

Who will make up the hours of volunteerism if these fraternal and charitable organizations are forced to close because of these taxes.

You as members of this distinguished committee have the opportunity today to relieve this tax burden on all fraternal societies. I ask you to support passage of House Bill #2921.

In closing, I want to thank you for giving me the opportunity to appear before you.

R.J. "Jerry" Duskie  
Knights of Columbus  
State Advocate

3/15/96

Attachment 2

# The M. M. Grand Lodge of A F & A M



OF KANSAS

ALBERT O. ARNOLD, JR., Grand Secretary

Box 1217

Topeka, Ks. 66601

Bus. Ph. 913-234-5518

Res. Ph. 913-286-1239

March 15th, 1990

Thank you Mr. Chairman and ladies and gentlemen of the Committee. May I first introduce myself and in so doing define my position. I am Albert O. Arnold Jr. Grand Secretary of Ancient Free and Accepted Masons of Kansas. Please don't allow the title of Grand be misleading. Perhaps it would be better to say state Secretary of Masons In Kansas.

May I briefly explain our fraternity. We are the oldest known fraternity in the World. This naturally makes us the oldest in Kansas. We were organized as a jurisdiction of Masons on March 17th, 1856. Kansas was then a territory and was not admitted into the Union until January 29, 1961.

Who are we? We are men of a Deity faith. Further, I might tell you we are not and exclusive white Protestant, Anglo American organization. Although we do not enumerate our membership as to races, national origins or religious faith, we do know we have some of each major race in the world. This would also include many Deity faiths in our ranks.

As Masons we are connected or appended to several other Orders. First we are Blue Lodge members. Then we have the York Rite, Scottish Rite and the Shrine. Additionally we have the Order of Eastern Star, the Rainbow for Girls, Job's daughters and Order of DeMolay for Boys. Each of these orders are in turn involved with a Charitable endeavor.

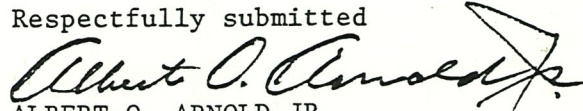
In 1892, we established a Home for our aged in Wichita. This is on going. We have already contirbuted \$160,00 this year and expect more. Through our Kansas Masonic Foundation we are supportin Oncology research. For the ninth consecutive year we have donated \$100,000 or more to this effort. WE have an annual essay contest in support of education. Our efforts as Shriners are perhaps better know to you. This in support of our orthopedic and burns hospitals. A Knights Templars we contribute of eye treatment for the indigent. This September we will be announcing the opening of a new clinic to treat speech disorders. This will be in conjunction with Children's Mercy Hospital of Kansas City. We have already invested \$47,000 in this effort and expect it to cost much more. There are others to be sure. Nationally we can authenticate \$850,000 spent each and every day.

My purpose is not to enumerate our Charities in their entirety, for we rarely every offer such information. But, we find ourselves lockel in a life and death struggle. We have suryed our constituent Lodge and now refer you to the attached.

Actually a number of our lodges rent or lease from other organizations and individuals, so the figures given are really inclusive of these numbers.

The bill under consideration states 501 (c) 8 only. But, we and I feel sure there are other orders operating under 501 (c) 10. We respectfully request to be included in your consideration for exemption.

Respectfully submitted



ALBERT O. ARNOLD JR.

Grand Secretary

3/15/90

Attachment 3

Taxes for 1988	\$218,019.57
Taxes for 1989	482,171.46
Increase	264,019.57
Percentage of increase	221.00%

Bases on reports of 218 of 343 Lodges.



*Zarda / DeWald*

REMARKS PREPARED FOR PRESENTATION TO THE  
KANSAS HOUSE OF REPRESENTATIVES COMMITTEE ON TAXATION  
ON THE FIFTEENTH DAY OF MARCH 1990

I am here today to speak on behalf of HOUSE BILL NO. 2921. I represent the Knights of Columbus in Kansas, and am their elected State Deputy (President). We have 30,000 dues-paying members in Kansas organized into 211 local councils (units), and are located in every County in Kansas. Together with our wives and family members we comprise a voting bloc of 120,000 Kansans.

BACKGROUND

The Knights of Columbus is a fraternal benefit society organized for the betterment of mankind. Each of our councils conduct programs which benefit the Community, the Family, Youth, and Church. Last year our 30,000 members raised over \$850,000 for charity and, even more impressive, volunteered 331,000 hours of service to the community and to disadvantaged, retarded, and sick citizens of Kansas.

Each of our 211 councils is exempt from federal income taxation pursuant to section 501(c)(3) of the internal revenue code of 1986. Thirty-two of our councils own buildings, usually incorporated for liability reasons, which are exempt from federal income taxation pursuant to section 501(c)(8) of the internal revenue code.

The State Board of Tax Appeals has ruled that under current Kansas law our council buildings are subject to property taxation since they are organized under section 501(c)(8) rather than section 501(c)(3).

Our 32 councils which own buildings are faced with a 1990 property tax bill of \$128,942, which will force many of them to close!

*3/15/90  
Attachment 4*

REASONS TO SUPPORT HOUSE BILL #2921

1. As aforementioned, the Knights of Columbus do much to support the less fortunate of our State. In fact, the 32 councils which own buildings donated \$147,737 for charity last year and volunteered 50,039 man-hours of service to the community. If these councils are forced to close, or sell their building due to high property taxes, there will be much good for the community that is left undone. Clearly, those councils which own their own building will suffer a loss of members and thereby will face a reduced, volunteer work-force to serve the needs of Kansans.
  
2. Our council homes are currently used by many community groups free of charge. Organizations such as the Boy Scouts, Girl Scouts, 4-H, church guilds, Chamber of Commerce, Lions Clubs, and other fraternal groups use the local K of C hall as their meeting place without paying any rent. Breakfasts, community soup suppers, bingos for charity are conducted in the K of C building. If forced to sell the building to a for-profit group could the community be assured of the rent-free status? Probably not. Where would these groups turn to find a facility for their own charitable endeavors?
  
3. There is precedent for the exemption of K of C buildings. Other groups, such as the V.F.W. and the American Legion, are exempt from property taxation. Their purpose is manifestly the same as the Knights of Columbus. To provide for the betterment of their members and the community at large.

4. Knights of Columbus are not in competition with for-profit businesses. Again we have 32 council homes. Of these: 9 have a Class A liquor license; 9 have a Class B liquor license, and 14 have no liquor license at all. Those with a license are not perceived as a threat to public establishments since they are usually open only for the convenience of their members.
  
5. Our council homes are located in some small, rural communities throughout Kansas. Here, they represent the only community meeting place. To close them down due to excessive property taxes would deprive the town of its only meeting place.
  
6. Revenues received from the operation of the council homes are used for the charitable endeavors of the local council. They do not inure to the benefit of any individual or individuals. Rather, they augment the charitable works of the local unit. Without these revenues the council would not be able to provide the support for the disadvantaged citizens that they currently do. Without the support of the Knights of Columbus our sick, retarded, young people, and communities would suffer.

SUMMARY

For all of the reasons enumerated I urge your support of HOUSE BILL #2921. Kansans will benefit by its passage. Thank you.

Respectfully submitted,  
TOM DECHANT, STATE DEPUTY

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TESTIMONY - H.B. 2921

House Taxation Committee  
Thursday, March 15, 1990 - 9:00 a.m.

KANSAS CATHOLIC CONFERENCE  
By: Robert Runnels, Jr., Executive Director

Mr. Chairman, members of the House Taxation Committee, my name is Bob Runnels, Executive Director of the Kansas Catholic Conference.

Volunteerism is primarily a unique American invention. No where else in the world can you find so much good work being done by so many good people for good causes.

What a great endorsement of the quality of our people to find such a large number who join themselves together to serve charitable causes.

Any recognition which eliminates their tax burden will certainly release those dollars to charitable works that serve their communities and will encourage their continued dedication to serving others who are in need.

I ask your support of these citizens who are so generous with their own time and money.

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3/15/90

Attachment 5



# Kansas Sunflower Club Association

1314 Topeka Ave. Topeka, Kansas 66612

March 14, 1990

Joe Berger, President  
Moose

Don Herbert, Vice President  
Elks

Chuck Yunker, Sec./Tres.  
American Legion

**Directors:**

Keven Carroll  
County and Town Clubs

Alfred Skeet  
Eagles

Clarence Malone  
Knights of Columbus

Darrel Witham  
Shrine

Darrell Bencken  
Veterans of Foreign Wars

Mr. Chairman;

Members of the House Taxation Committee.

I am Joe Berger, President of the Kansas Sunflower Club Association. Our Association members include non profit fraternal and veterans organizations ( Moose, Eagles, and Elk Lodges; Knights of columbus; V.F.W. and American Legion Posts; Shrine and some Country and City Clubs ).

We all support House Bill 2921

For the past few years our organizations have been experiencing financial problems, it's been tough keeping their bills paid and supporting their many charitable programs. This year our fraternal organizations received a tremendous blow when they received their property tax statements. Many of them will be forced to close their doors, a few already have. There is no way they can pay 200 - 300 % increase in their property tax.

I'm sure every one knows the type of charitable and benevolent services our organizations provide in their community. Every time one of our organizations closes it's doors charitable services are lost to the community.

If our organizations are tax exempt then then they will have more money available for charitable community services, and every one will benefit.

Thank you for considering our views on this very important issue. We sincerely hope you vote for H.B.2921

*Joe Berger*  
Joe Berger, President

Kansas Sunflower Club Association

3/15/90  
Attachment 6

Testimony of Ben Hur Masonic Lodge, #322. Ancient, Free and Accepted Masons of Kansas, 1442 So. 30th Street, Kansas City, Kansas.

In reference to H.B. 2921 the following information is submitted by Ben Hur Lodge.

We have a membership of 438 members, and our annual dues are \$28.00 which gives us an annual income of \$12,180.00.

Annual Income-----\$12,180.00

EXPENDITURES:

*#	Grand Lodge Dues-----	\$3,442.00	
#	Gas Service Co.(Heating & cooking)--	2,479.00	
#	Board of Public Utilities (Water, electricity and water pollution)----	2,494.41	
#	Insurance(Real Estate, Personal,& Liability)-----	2,844.00	
	Real Estate Taxes for 1990-----	8,050.00	
		-----	
		19,939.41	- 19,939.41
			-----
			- 7,759.41

(\* \$2088.00 of this money goes to the Kansas Masonic Home.)

(# This is what these bills vere for the year of 1989)

As can be seen we will come out with a projected deficit in our Lodge for 1990. The difference will made up by using funds from our savings account. Also as can be seen our biggest expense is REAL ESTATE TAX.

This is the situation of our lodge and at the present rate we will deplete our small savings account in another year.

We give a \$100.00 scholarship to a sudent for college every year.

Also as the report above shows we contribute over \$2,000.00 a year to our Masonic Home at Wichita.

At the present rate of taxes on our property, we will have enough money to make it through the year of 1991, at that time our funds will be completely depleted, when this happens it will mean a building will be left empty, it will not be saleable for the simple fact that the taxes are so high on it that no one will buy it and it will become an eyesore to the neighborhood. Or until someone will buy it at a tax sale.

This means we stand a good chance of losing a number of members of the Masonic organization, this in turn will mean less support to our Masonic Home in Wichita for the aged. If you multiply this by a hundred lodges or more, we stand a chance of losing our Masonic Home in Wichita, and this means that the residents of the home will have to go somewhere. Which means that other agencies would have to pick up some of the expenses.

Among other things that would be lost is the small scholarship that we give to senior students each year. We also support a local student to play in the all masonic band each year, for the Shrine East West Football game. Which I am sure most of you know that this game goes to support the Crippled Childrens Hospitals.

We also help to support the Oncology Dept. at K.U. Medical Center in Kansas City, Kansas.

Gentleman this is only a partial list of the things we do and support with the money which we take in.

And we feel that by giving us a complete tax exemption from Real Estate Property tax and personal property tax we will be in a good position to continue our charity programs and give help to our youth programs. We feel this would be much better than being taxed to death and having to close down a good organization.

3/15/90

Attachment 7

REAL ESTATE STATUS AS OF 3/14/90

Roger E. Sherman Masonic Temple, Inc. 67th & State, Kansas City, Kansas	
Original Real Estate Statement for 1989 . . . . .	\$ 9,612.00
Paid by Installments as of 3/12/90. . . . .	\$ 4,806.00
Reduction of total Tax Bill at County Level . . . . .	\$ 7,500.00
Balance to be paid pending further reduction. . . . .	\$ 2,688.00
Revenue received from occupants of building on annual basis. . . . .	\$ 10,425.00
Annual expenses for Utilities and maintenance of building and grounds. . . . .	<u>5,500.00</u>
Balance remaining for miscellaneous expenses and taxes. . . . .	\$ 4,925.00
Deficit if no further relief is granted. . . . .	\$ 2,575.00

Roger E. Sherman Masonic Temple, Inc. is a non-profit corporation organized under the laws of Kansas for the purpose of holding title to the building and land which is currently used by two Masonic Lodges, two Eastern Star Chapters, one Jobs Daughters Bethel, one True Kindred Conclave, one Chapter Royal Arch Masons, one Council Cryptic Masons and one Commandery of Knights Templar. Each of the above organizations contribute a fee for use of the facilities based on monthly or yearly use and ability to pay. The revenue received by these organizations is generated from dues paid yearly by their members. Some have fund raising events which produce a minimal amount of funds.

The Corporation has no other source of funds to operate and maintain the building and grounds.

It is absolutely necessary that relief be granted in order for the corporation to survive and provide a meeting place for the above organizations.

Also in jeopardy are the many charitable programs carried on by these organizations such as care for the aged in our Masonic Home in Wichita, contributions to research in medical laboratories to find cures for many afflictions in young and old, and treatment and correction of eye problems at no cost to those who qualify regardless of sex, age, race, creed or national origin.

Lodges contribute to support of the Masonic <sup>Oncology</sup> Oncology Center located in Bell Memorial Hospital at the University of Kansas Medical Center in Kansas City, Kansas.

A survey now in progress indicates to us that more than half of the States have laws that totally exempt fraternal organizations from Real Estate and Personal Property Taxes.

MERLIN R. GRUNDY  
2600 SOMERSET DRIVE  
PRAIRIE VILLAGE, KS. 66206

3/15/90

attachment 8