

Approved _____

Date 4/3/90

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 April 2, 1990 in room 519-S of the Capitol.

All members were present except:

Representative Long, 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 Vincent Snowbarger
John Torbert, Kansas Association of Counties
Gerry Ray, Johnson County Commissioners
Bob Corkins, Kansas Chamber of Commerce and Industry

Representative Snowbarger testified in support of HCR 5053, stating that responsibility for levying property taxes and for the services to be provided rest with local units of government. He stated that this bill offers flexibility for the vastly different areas and economies in Kansas. Representative Snowbarger reviewed the provisions of HCR 5053 on property classes, exempt property, assessment rates, and appraisal. (Attachment 1)

John Torbert, Kansas Association of Counties, testified in support of HCR 5053, stating that their support is based on home rule grounds and not the fact that their membership has specifically authorized them to support this concept. Mr Torbert also said, "If county commissions are going to be making these decisions, we are going to have to have a guarantee that we will be able to obtain accurate and prompt data from the Department of Revenue." (Attachment 2)

Gerry Ray, Johnson County Commissioners, testified in support of HCR 5053, stating that although this may appear to be an unusual measure in the area of taxation, we must all realize that this is an unusual year that requires innovative ideas. (Attachment 3)

Bob Corkins, Kansas Chamber of Commerce and Industry, testified in opposition to HCR 5053, stating that this bill would not only authorize reinstatement of an inventory tax, but would create a chaotic patchwork of property tax policies that would stifle economic growth. (Attachment 4)

Chairman Roe concluded the hearing on HCR 5053.

The Chairman asked if anyone wishes to testify on SB 480. There was no response. The Chairman then requested Staff to review the provisions of SB 480, which they did.

A motion was made by Representative Wagon, seconded by Representative Guldner, to report SB 480 favorably. The motion carried.

The Chairman requested the Committee to turn to SB 729. Staff reviewed the supplemental note on SB 729.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation,
room 519-S, Statehouse, at 9:00 a.m./~~p.m.~~ on April 2, 1990

A motion was made by Representative Wagon, seconded by Representative Smith, to amend SB 729 to add the provision in SB 555, Section 1 (j): restrictions imposed upon the use of real estate by local governing bodies, including zoning and planning boards or commissions. The motion carried.

A motion was made by Representative Smith, seconded by Representative Wagon, to report SB 729 favorable as amended. The motion carried.

The Chairman directed the Committee to turn to HB 2918.

A motion was made by Representative Wagon, seconded by Representative Roy, to report HB 2918 favorably. The motion carried.

The Chairman directed the Committee to turn to SB 600. Staff reviewed the fiscal note for this bill and stated that the claims processed in 1988 were \$166,000; and in 1989 were approximately \$280,000, and could grow to as much as \$640,000.

A motion was made by Representative Guldner, seconded by Representative Shore to report SB 600 favorably. The motion carried with a count of 9 yea to 7 nay votes.

The Chairman announced that the Committee will meet tomorrow, Tuesday, April 3, at 7:30 a.m., and again at 12:30 p.m.

The minutes of March 29, 1990, were approved.

The meeting adjourned at 10:00 a.m.

HOUSE COMMITTEE ON TAXATION

DATE 4/2/90

NAME	ADDRESS	REPRESENTING
John Kuepke	Topoka	KA SB
Church Street	"	USA
Bob Storey	"	Debit / Carr
Leonard Shoop	St. Francis	visitor
Ricky L. Krieb	St. Francis	Visitor
John Bone	Topoka	KA 87
Wesley Short	Hays	Midwest Energy
Manhill Clark	Topoka	KEC
Harriet Lange	Topoka	KAB
John Noonan	MANHATTAN	AARP
George Goebel	Topoka	AARP - CETF
Bob Buehler	Buehler	AARP Sub. Sec. in.
Mendel Stroud	Topoka	AARP-CETF
Harold Pitts	Topoka	KRTA
Bob Cookin	Topoka	KCCI
John McBride	Topoka	observer
Boo Grant	"	KCCI
Tommy Gray	Topoka	KDOR
MARK A. BURSHART	"	"
Lawrence K. Shaw	"	new & news persons for Fair Trade
Steve Stotts	Topoka	Revenue
Jim Byess	Topoka	KABA
Mike Taylor	Wichita	KAKE

HOUSE COMMITTEE ON TAXATION

DATE 4/2/90

NAME	ADDRESS	REPRESENTING
<i>Eric Rumsch</i>	<i>Topeka</i>	<i>American Cancer Society</i>
KEITH R LANDIS	"	CHRISTIAN SCIENCE COMMITTEE ON PUBLICATION FOR KANSAS
Mike Recht	Topeka	AT&T
John Torbert	"	KAC
Gerry Ray	Oselle	Johnson Co Commission
<i>Ed Steppat</i>	<i>Topeka</i>	<i>Langens Real Estate</i>
Brad Welch	Topeka	Kearney, Hockley
ALAN STEPPAT	Topeka	KLP6 - McGill & Associates
Tom Tunnell	"	KS GRAIN & FEED ASSN.
JANET STUBBS	"	HBA of Ks.
Chris Wilson	"	KS GRAIN & FEED ASSN.
Glenn Wells	"	Legislative
ED DE SOIGNIE	TOPEKA	KANSAS CONTRACTORS ASSOC.
Tom Whitaker	Topeka	Kansas Motor Car Dealers Assoc
JEFF SONNICH	TOPEKA	KNLSI
Jim Turner	Topeka	KNLEI
Ced Moeger	Topeka	SHL
Mike Miller	Topeka	City of Topeka
Jacquie Dukes	Topeka	Ks. Ind. Auto Dealers Assoc.
Janice Clark	Lawrence City	Hallmark Card
Karen Fiance	Topeka	IPP
Kevin Allen	Topeka	Ks. Motor Car Dealers Assoc.
George Barbee	Topeka	Ks. Lodging Assoc.
Ed Walbourn	Topeka	Washburn

VINCENT K. SNOWBARGER

REPRESENTATIVE, 26TH DISTRICT
JOHNSON COUNTY
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TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
CHAIRMAN: LEGISLATIVE, JUDICIAL AND
CONGRESSIONAL APPORTIONMENT
MEMBER: JUDICIARY
TAXATION

TESTIMONY ON HCR 5053

House Taxation Committee
April 2, 1990

PREMISE OF HCR 5053

Property taxes are, for the most part, local taxes. Responsibility for levying those taxes and for the decisions about the services to be provided rest with local units of government. Control over the taxing process should be turned over to local units.

Each county differs in property mix, potential for property tax alternatives, market considerations, service needs, etc. Classification of property for taxation purposes cannot be accomplished on the basis of state-wide percentages without causing serious problems for the vastly different counties across the state.

Property taxes provide a stable source of tax revenues, but local units should also have additional sources of tax revenue to either supplement or reduce property taxes.

Solutions to the property tax problem need to address the differences in property mix as well as the other potential sources of tax revenue unique to each county. As has already been discovered, a constitutional solution which will adequately address these differences requires a new approach.

As I have talked to colleagues and listened to the testimony presented to our committee, I have become convinced that there is no statewide solution to the problem. With each proposal, one part of the state or another feels it is being hurt by the solution proposed. The following plan offers flexibility for the vastly different areas and economies of our state. At the same time, it does not allow one area of the state to control any other. It sends a positive message to local officials. It also will make them more accountable for both their taxing and budgeting decisions.

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Attachment 1

CONSTITUTIONAL AMENDMENT

Classes of property potentially subject to taxation would be established in the constitution.

Real Property

1. Residential (4 units or less)
2. Agricultural land (use value)
3. Vacant lots
4. Commercial and industrial
5. Multi-family residential
6. Not-for-profit organizations
7. Improvements to agricultural land
8. Public utility
9. All other

Personal Property

1. Mobile homes
2. Mineral leasehold interests
3. Public utility
4. Motor vehicles
5. Commercial and industrial machinery
6. Merchants' inventories
7. Manufacturers' inventories
8. Livestock
9. All other tangible personal property

Exempt property would include state, county, municipal, literary, educational, scientific, religious, charitable and household goods. Counties could decide to exempt other classes.

Assessment rates would be set by each county. Once the rates are initially set, they could not be changed without a popular vote in that county.

Appraisal would continue with county level appraisals supervised by the state Property Valuation Department. This would assure state-wide uniformity of values.

The popular vote on the amendment would be on November 6, 1990. If passed, counties would have to adopt their property tax plans by April 1, 1991.

QUOTES FROM TESTIMONY AND LETTERS ON EARLIER BILLS

2/7/90 Kansas Chamber of Commerce and Industry, Bob Corkins, Director of Taxation, testimony before the House Taxation Committee re: HCR 5039

" The thrust of this proposal is to reclassify property for the purpose of taxation and to thereby change the composition of every county's tax base. Any move of this kind is inherently flawed. It is based on the assumption that a single, state imposed apportionment of local property tax burden would be equitable throughout Kansas. Unfortunately, this ideal may never be obtainable. Every county has a unique tax base."

2/8/90 Sedgwick County Board of County Commissioners, Bill Hancock, Commissioner, testimony before the House Committee on Taxation re: HCR 5040

" Property tax is utilized by all states in some form because of its stability, and it is subject to and controlled by local units of government. It remains the single most important source of revenue for local units of government. Local units of government should be held accountable for its use, and in fact, are willing to accept that responsibility."

3/6/90 Wichita Independent Business Association, Roland Smith, Executive Director, testimony before the House Committee on Taxation re: HCR 5052

"Regardless of what is done this session tremendous damage has already been done to many small businesses. To wait and see and do nothing will cause even more. There needs to be a more flexible method of finding the solutions over a period of time than placing percentages and exemptions in the constitution and repeating the mistake we made in 1986 in voting for classification along with reappraisal."

2/7/90 Sedgwick County Association for Legislative Action by Rural Mayors, Mark Butterfield, Mayor of Derby, testimony before the House Taxation Committee re: HCR 5040

" This proposed resolution connotes that local governing bodies are not intelligent enough to determine the directions for the future of their communities. This legislation is saying that the legislature knows more about the levels of services, and knows more than the local citizenry with regard to demands for, and receipt of services. Having served my constituents for about seven years, believe me, I know what the citizens want,

and how much they are willing to pay for what they want. I know because I have to pay the same taxes that everyone else does. I know because I am there every day, and because my citizens let me know what they want, and they certainly let me know when they have problems. I know because I have true concerns that if I don't do the job which is demanded of me, I will be voted from office. In conclusion, I would urge you to give serious consideration to NOT placing further financial restrictions on the levels of governments which are the most responsive to the citizens.

1/30/90 League of Kansas Municipalities, E.A. Mosher, Executive Director, testimony before the House Committee on Taxation re: HB 2700

"To restrain local government property tax discretion, without realistic and practical alternatives, is to restrict the provision of basic public services. Some people, apparently, think this should be done. But if that is the case, we think that decision should be made at the local level, and not on the second and third floors of the state house."

1/30/90 City of Manhattan, Curt Wood, Director of Finance, testimony before the House Committee on Taxation re: HB 2700

"We oppose in principle any property tax lid law. We believe such state-imposed controls to be in conflict with the clear intent of constitutional home rule, which provides for the determination of local affairs by locally elected governing bodies, directly responsible to the citizens of Manhattan. We urge you to strengthen home rule and local decision-making."

1/30/90 City of Lenexa, Art Davis, Assistant to the City Administrator, testimony before the House Committee on Taxation re: HB 2700

" The state mandating of tax lids usurps local government's ability to make decisions at a level where there is far greater effectiveness, responsiveness, and accountability with regard to providing services directly to residents and business. As greater limits are placed on cities' revenue raising authority and as federal and state revenue diminish coupled with a growing population and increasing engineering and environmental regulations, cities require flexibility not rigidity in order to overcome these challenges."

2/8/90 City of Leawood, Marcia Rinehart, Mayor, constituent mail re: HCR 5040 & HB 2700

" We feel strongly that the financing of the extension

of services and the construction of capital improvements are best addressed by the governing body directly elected by the residents of this community. It is no secret that the needs of cities vary greatly throughout this state as do the abilities to meet them. It is imperative that the decision of how best to address these needs be left to those most familiar with them - the local governments."

2/1/90 McPherson County, Tony Wedel, Chairman, constituent mail re:
HB 2700

"We feel the responsibility for local taxes belongs with local government. The state has its place in the local budgetary process, but that place is not to dictate tax lids. Local voters should be the ones to decide if city and county officials are behaving responsibly."

2/13/90 Kansas Association of Realtors, Karen France, Director of Governmental Affairs, testimony before the House Taxation Committee re: HCR 5043

"Since 99% of all property tax dollars are spent at the local level, we feel the property tax burden should be reduced from 1989 levels and the local units of government should be given all avenues to finance their budgets to replace the property tax revenue."

2/8/90 City of Prairie Village, Monroe Taliaferro, testimony before the House Committee on Taxation re: HCR 5040

"I believe that the local governing body is qualified to determine the delicate balance that must be maintained between city revenue sources and city services. Local elected officials must have the ability to provide the services our community need, this bill will rob us of the right to make those decisions. In this time of ever increasing citizen demands and environmental regulations, local government officials need the flexibility to make the difficult revenue and expenditure decisions which allow us to meet the needs of our neighbors and to be accountable to them for those decision."



"Service to County Government"

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NACo Representative
Joe McClure
Wabaunsee County Commissioner
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Executive Director
John T. Torbert

April 2, 1990

TESTIMONY

To: House Taxation Committee
From: John T. Torbert
Executive Director
Subject: H.C.R. 5053

The Kansas Association of Counties supports H.C.R. 5053. The support for this resolution is based on home rule grounds and not the fact that our membership has specifically authorized us to support this concept.

H.C.R. 5053 has a number of positive attributes to it. First of all, it allows each county commission to establish by resolution the assessment rate for each subclassification of property. This is the epitome of home rule authority. One of the problems with the current classification system is that it is simply not right for every county in the state. One system, imposed statewide, had dramatically different impacts. Each county has a different mix of property, differing levels of wealth, differing retail bases and differing needs to fund services. To find one system that takes into account this huge diverse mixture and does so fairly is a next to impossible task (as the legislature is finding out). This process solves the problem. By allowing local determination of assessment rates, each county commission can take its own mixture into consideration and respond to it appropriately. As you will note, the system does have built in safeguards. The rates at which subclasses of property would be taxed are set once- by April 1, 1991. After that, the rates could be changed by the county commission but would have to be approved by the county's voters.

The additional subclasses of real and personal property is also a positive feature of H.C.R. 5053. The creation of these new subclasses allows additional fine tuning at the local level. This would be coupled with a provision

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Attachment 2

that would allow the governing body to exempt by resolution subclasses of property from taxation. Some counties, for example, would like to see inventory back on the tax rolls. Some counties would like to see it remain exempt. And, in some counties, it really wouldn't make any difference. This resolution allows the flexibility to make those determinations.

There are a few suggestions you may wish to consider with respect to this resolution. First of all, I would suggest that you may want to consider language that would allow the exemption of certain classes of property only at the time that assessment percentages were being set. After that, an exemption could only be granted with voter approval. You may also want to give consideration to granting the ability to exempt certain portions of classes of property. This would be similar to a local "mini-circuit breaker."

A county may also want to be able to establish different levels of assessment within classes, similar to the concept that has been suggested by Representative Larkin and others and appears to have some support.

This resolution is not without its potential problems. I don't know if it would stand the test of "uniform and equal." And, it may provide for more home rule than the legislature is really willing to grant. Home rule is a concept that always receives good lip service. However, in practice, the legislature seems to have difficulty staying away from legislating local issues. This is truly home rule and for that reason, I expect that it will be difficult to pass. If this goes beyond the limits of what the legislature is willing to grant, you may want to establish ranges within which each class of property would be assessed but still allow the final determination to the county commissioners.

The other cautionary note I have is to remind you that many counties do not have professional staff available to the county commission. The "staff" in many cases is the clerk, or an assistant to the clerk and they are terribly overworked. If county commissions are going to be making these decisions, we are going to have to have a guarantee that we will be able to obtain accurate and prompt data from the Department of Revenue. Their support will be essential to this whole process.

These problems aside, we think that the merits of this proposal far outweigh the disadvantages and that it does truly provide a fair and equitable solution to the property tax situation. We would urge you to give it serious consideration.

tsjloctx



April 2, 1990

HOUSE TAXATION COMMITTEE

HEARING ON HRC 5053

TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL COORDINATOR
JOHNSON COUNTY BOARD OF COMMISSIONERS

Mr. Chairman, members of the committee, my name is Gerry Ray, representing the Johnson County Board of Commissioners.

HRC 5053 is a proposal to amend the constitution to allow the Board of County Commissioners in each individual county to set the classification percentages.

Although this may appear to be a unusual measure in the area of taxation, we must all realize that this is an unusual year that requires innovative ideas. It has been pointed out numerous times during discussions of the classification issue, that what benefits one area of the state, is detrimental to others. By applying the concept of HRC 5505 each area can set classification that is best suited to that community. The question regarding this idea that is most often asked is, do County Commissioners really want to have this type of responsibility? The answer is, if you support home rule, you must support this concept along with the difficulties that accompany it. County Commissioners are elected to deal with local issues and are best suited to determine what is best for the area they represent.

There are some variations that you may want to consider, such as limiting the authority to grant exemptions and setting a range for the percentages within each class. In addition it would be beneficial for the state to provide services in research to assist smaller counties in making the determinations that are necessary.

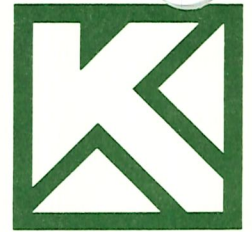
HRC 5053 is an idea that deserves serious consideration. Many proposals have been before this body, and it has been a difficult process to seek a method to solve the tax problems in Kansas. It is such times that require open minds to determine the innovative solutions that will provide an answer.

Thank you for the opportunity to appear, and I will be pleased to stand for questions.

4/2/90
Attachment 3

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

HCR 5053

April 2, 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. Our intense opposition to the reinstatement of inventory taxes in any form is well documented. Unfortunately, HCR 5053 would not only authorize such a tax, we believe that it would create a chaotic patchwork of property tax policies that would stifle economic growth.

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.

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Attachment 4

Two necessary ingredients of Kansas' business tax policy must be equality and stability. All businesses should face property taxes computed on the same basis -- land, buildings and equipment. All businesses should be saddled with a tax burden which is no higher than that imposed by surrounding states. All businesses, as well as the rest of the taxpaying public, should benefit from a fairer tax system which reduces government's reliance on property taxes. This is what we mean by "equality."

While such equality would be jeopardized by HCR 5053, tax stability would be fully abolished. Constitutions exist for the purpose of providing a stable framework upon which societies may be governed. Though flexibility within this framework is provided by judicial interpretation and amendments, HCR 5053 invites continuous amendment in 105 different forums. Counties could change their entire property tax structure through a process much less difficult than the two-thirds approval by 165 elected officials now required to bring such an issue to a popular vote. This would not be flexibility; it would be chaos.

Business expansion plans require a predictable tax system and a stable political tax climate. Reimposing the inventory tax, even on a variable county-option basis, would seriously threaten this climate. Permitting such an easily manipulated county by county tax structure would be devastating.

Thank you for the opportunity to express these concerns. We hope that you reject this proposal.