

Approved Monday, January 22, 1990
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Senator Dan Thiessen at
Chairperson

11:00 a.m./~~p.m.~~ on Thursday, January 18, 1990 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

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

Conferees appearing before the committee:

Senator Paul Burke, Senate President
Beverly Bradley, Legislative Coordinator, KS Association of Counties

Chairman Thiessen called the meeting to order and he said we will have a briefing by Research staff on SB418, SB424, SB432 and SB440, and a briefing by Senator Paul Burke, President of the Senate and sponsor of SB414. He called upon President Burke.

SB414: AN ACT relating to sales taxation; exempting sales of materials and services associated with the modification of certain equipment; amending K.S.A. 79-3606 and repealing the existing section.

Senate President Burke said the origin of his request on SB414 came as a result of the Aircraft and Railroad industry, which have very similar situations in the same kind of precedents, being people who make modifications or repairs on boxcars or other rolling stock for railroads, were at a competitive disadvantage, because other States that do this kind of work do not charge sales tax, and boxcar repairs are high ticket dollars. The aircraft industry approached the legislature with the same dilemma. He said, he only knows of one Company in the State that does this type of repairs, and the name of the company is Midwest Machine Works, and the owner is Mr. Leonard Smith. The company has recently merged with a German manufacturer with similar types of equipment, and they now find themselves subject to sales tax as the result of interpretation by the Department of Revenue, which places them subject to the sales tax.

After committee discussion Chairman Thiessen called upon Beverly Bradley, Legislative Coordinator, KS Assoc. of Counties.

Beverly Bradley said the State is charged with the responsibility of assessing certain types of property, and the decision has a great deal of impact on the finances of local governments that depend on those property values for their tax base. Some counties more than 50% of their assessed valuation comes from state assessed properties. She said, KAC is requesting legislation that would require notification to the county appraisers in counties that are affected of the appraised valuation of the utilities property and an opportunity to attend the nonadjudicative hearing or "informal conference" as the language in 79-5a05 states, and she said, they are also requesting a listing of property which is not valued from the non operating property that is listed by the public utility. (ATTACHMENT 1)

After committee discussion The Chairman asked for the members pleasure on the proposal.

Senator Karr moved to introduce the proposed bill, 2nd by Senator Langworthy. The motion carried.

Chairman Thiessen said he had another request from the Property Valuation from the Board of Tax Appeals. They need a change in the length of time that have to look at the appeals, they say 30 days is not enough time and we should increase this to 45 days.

Senator Frahm moved to change 30 days to 45 days, 2nd by Senator Martin. The motion carried.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m./p.m. on Thursday, January 18, 1990

Chairman Thiessen called on the Research staff to brief the members on SB418, SB424, SB432 and SB440.

Chris Courtwright said SB418 increases cigarette and tobacco product taxes, earmarking addition revenue. For the next 18 months the revenue would be earmarked for a new fund, called the State Board of Regents Margin of Excellence Fund through December 1, 1991, and thereafter, to the State Dangerous Drug Law Enforcement Fund. The cigarette tax rate would raise from 24¢ to 29¢ a pkg. of 20 and 30¢ to 36¼¢ on pkgs. of 25, and tobacco products tax would be from 10% of wholesale cost to 15%. All additional revenue is earmarked to these new funds.

Chris Courtwright said SB424 would provide, beginning in tax year 1990, an income or privilege tax credit of 50% of contributions to a community service organization which engages in the activities of providing community assistance, job training for individuals, community services or crime prevention in Kansas, if the proposal has been approved as described: The credits would be limited to \$5,000,000 in any fiscal year. Chris said SB424 is modeled after similar law in Missouri.

Tom Severn, Research Department briefed the members on SB432 is the result of LAPC interim study and it combines the 1989 SB177 and SB178 concepts of the bills. Specifically it defines industrial training centers. It authorizes all area vocational and area vocational-technical schools to use revenue bonds to build buildings and provides that any industrial training center built with IRBs used for academic or vocational education programs operated by an insitution under contract with private industry would be tax exempt.

Chairman Thiessen said SB440 has been taken out of the committee and sent to Economic Development, and asked the staff to brief the committee on the bill.

Chris Courtwright said SB440 would limit the authority of cities and counties to grant property tax exemptions for economic development purposes. Cities and counties would be required to have published guidelines for the issuance of exemptions, to hold public hearings on each exemption, with public notice, to prepare a cost-benefit analysis of each exemption, and to have a procedure for monitoring the compliance of a business receiving an exemption. Personal property which is presently on the tax rolls could not be exempted except on a factual finding by the governing body authorizing the exemption that the exemption is required to retain jobs in the State of Kansas. Finally, an annual report would be required to be filed with the Department of Revenue. The report would be required to include a summary of the exemption policy, the number of exemptions granted within the last year, a cost-benefit analysis of each exemption, monitoring procedures, and any other information that the Secretary deems necessary.

Chairman Thiessen told the members we received the Property Tax Rate Estimates Percent of True Market Value of Property on surrounding states, requested at the January 17, 1990 meeting. (ATTACHMENT 2)

The Chairman adjourned the meeting at 11:35 a.m.

GUEST LIST

COMMITTEE: SENATE
ASSESSMENT & TAXATION

DATE: THURSDAY
January 18, 1990

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
BEV BRADLEY	TOPEKA	KS Assoc of Counties
BEN NEILL	Overland Park	: Atty
Alan Steppat	Topeka	Pete Mcbill & Associates
MARK A. BURSHART	TOPEKA	REVENUE
Steve Stotts	"	"
Alexander Miller Hida	Topeka	KDOA
Norman Reynolds	Topeka	K.A.S.B
Chuck Stones	Topeka	KBA
KEVIN HANCOCKSON	Topeka	Ks 90-Tech Schools
Alan Mueller	Lawrence	city of Overland Park
Alan Sims	Overland Park	City of Overland Park
Stacie Cooper	Lawrence	KU
JUDITH McBRIDE	Topeka	Observer
FRANCES KASTNER	Topeka	Ks Food Dealers Assn
EL WARBORAN	Topeka	WASH BURN Co.
Don Lindsey	OSAWATOMIE, Ks	UTU
D. WAYNE ZIMMERMAN	TOPEKA	KDOC
Matthew S. Crowley	Topeka	STC
Don Seifert	Olathe	City of Olathe
Julie Hein	Topeka	Hein & Ebert
Bill Henry	Topeka	Philip Morris
Steven Schmit	Topeka	Peace Officers
John Ensky	Topeka	Midwest-Werner
AND COOPER	"	KCC



"Service to County Government"

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To: Senator Dan Thiessen, Chairman
Members Senate Assessment and Taxation Committee

From: Bev Bradley, Legislative Coordinator
Kansas Association of Counties

Re: Bill draft request.

Currently, the state is charged with the responsibility of assessing certain types of property. (Utility property is an example.) In essence, the state is making a decision that has a great deal of impact on the finances of the local governments that depend on those property values for their tax base. In some counties more than 50% of their assessed valuation comes from state assessed properties.

Because of the potential impact these state decisions have on local governments, we would request legislation that would require notification to the county appraisers in counties that are affected of the appraised valuation of the utilities property and an opportunity to attend the nonadjudicative hearing or "informal conference" as the language in 79-5a05 states. This would allow counties the opportunity to know and understand what is happening instead of being handed a number by the state and being told that is the value of the state assessed property.

We would further request a listing of the property which is not valued from the non operating property that is listed by the public utility. The county appraiser currently is not aware of which property is included and which is not included and therefore does not have the opportunity to value that which has not been included for the county.

Senate Assessment and Taxation Committee
Thursday, January 18, 1990 ATTACHMENT 1

ATT 2
1-1 0

Overhead 2

Property Tax Rate Estimates
Percent of True Market Value of Property

State	Res.	Com.	Ind.	Mach.	Inv.
Colorado	1.2%	2.9%	2.4%	2.0%	0
Iowa	2.1%	2.6%	2.6%	.8%	0
Kansas	1.3%	3.3%	3.3%	2.2%	0
Missouri	.9%	1.8%	1.8%	1.6%	0
Nebraska	2.2%	2.3%	2.3%	2.5%	0
Oklahoma	.9%	.9%	.9%	.9%	.9%

All rates except Kansas are for 1988.
Kansas is for 1989.

Source: Kansas Inc./University of Kansas Business Tax Study
January 11, 1990

Table 2
Property Tax Rates and Ratios, 1988

State	Average Mill Rate and Range ¹	Average Actual Assessment Ratio for 1988 ²	Statutory Assessment Ratio	Effective Tax Rate (%) ⁴
Colorado	49.05 - 129.28 69.03	Real estate assessments are based on 1985 values. Starting in 1989, will be based on 1988 value. 1988: 16.9% - residential. 41.4% - commercial. 34.5% - industrial.	16% residential. 29% commercial, industrial. 29% machinery and equip, no tax on inventory.	1.16% residential. 2.86% commercial. 2.38% industrial. 2.00% mach. and equip.
Iowa	23.05 - 38.74 25.66	80.64% residential. State sets adjustment % based on legal limits of property value increases.	100% real estate. 30% of acquisition cost for industrial mach. and equip. All other including inventory exempt.	2.07% residential. 2.57% other real estate. 0.77% indust. mach.
Kansas	120.83 - 198.97 130.40 ² 111.43 (89)	1988: 7.52% - residential. 11.35% - commercial. 12.84% - industrial. 1989: 12% residential. 30% commercial, industrial. 20% machinery and equipment.	1988: 30% all property inc. inventory. 1989: 12% resid. 30% commercial, industrial. 20% machinery, equipment. No tax on inventory.	1988 and 1989 rates: 0.94% 1.34% residential. 1.48% 3.34% commercial. 1.67% 3.34% industrial. 3.91% 2.23% machinery. 3.91% 0 inventory.
Missouri	23.90 - 77.70 47.4 10.2 surtax on business real estate.	18.7% residential real estate. 31.2% commercial, industrial real estate	19% residential. 32% comm., ind. real estate. 33 1/3 % machinery, equip.	0.89% residential 1.80% commercial, ind. 1.57% machinery.
Nebraska	23.07 - 37.93 26.12	87.8% residential real estate. 92.8% commercial, industrial real estate.	100% all classes. Inventories exempt.	2.18 residential. 2.31 commercial, ind. 2.49 machinery.
Oklahoma	55.60 - 123.64 81.13	median of county assessment ratios, 1988 11.24% residential 11.14% all business.	9%-15%, chosen locally. Inventories taxed.	0.91 residential. 0.90 all business.

¹ Range obtained from All State Tax Guide, Prentice Hall, 1988. Rates are for taxes payable in 1988. Average is calculated as total property tax collections divided by total assessed valuation. All rates except Kansas are for 1988. 1988 and 1989 Kansas rates shown.

² Starting in 1989, Kansas rates will be based on new classifications and reappraisals. 1989 rate is IPPBR estimate. Actual data will be available after January, 1990.

³ Calculated as [statutory ratio] x [market value to appraised value ratio]. Ratio of market value to appraised value is assumed to be 1 for machinery and equipment. If no other information is available, and reappraisal is frequent, ratio assumed to be 1. Sources of market value to appraised value ratios:

Colorado: ratios are for Denver. Digby [1989] Denver Post.

Iowa: residential real estate ratio from Iowa Department of Revenue and Finance, 1988 Property Valuation Report.

Kansas: Kansas Department of Revenue, Real Estate Assessment/Sales Ratio Study 1988.

Missouri: Taxpayers Research Institute of Missouri, Property Tax Rates of Missouri Local Governments, 1989.

Nebraska: Nebraska Department of Revenue, printout of assessment/sales ratios by county.

Oklahoma: Calculated from Oklahoma Tax Commission, 1988 Progress Report to the Legislature on Property Valuation.

⁴ Calculated as [mill rate] x [actual assessment ratio]. Converted to % of true market value.