

Approved Thursday, February 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 WEDNESDAY, FEBRUARY 14, 1990 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

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

Conferees appearing before the committee:

Senator Martin
Senator Oleen
Senator Kanan
Larry Hughes, Attorney at Law, Topeka, KS.
Chuck Staurt
Bob Corkins, KS Chamber of Commerce and Industry
Karen France, Director, Governmental Affairs, KAOR

Chairman Thiessen called the meeting to order at 11:07 a.m. and told the committee members we have a bill request and he reminded the members that next week would be the last week for requests. He called upon Senator Martin.

Senator Martin said he and Senator Richard Rock would like to request the committee introduce a sales tax exemption bill, which eliminates sales tax exemptions. It is very similar to HB2850. It would eliminate a number of sales tax exemptions on property, and he said the fiscal note would be close to \$200.M. The 2nd part of his request would be dealing with individual income tax, basically he said they would be repealing SB24 of the 1989 session, he said, they would be removing the Oklahoma plan and putting the rates back where they were.

He said he is talking about one bill and two different subjects.

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

Senator Oleen said she had passed to the members a draft of her request to the committee. (ATTACHMENT 1) She said, her request is concerning the financing of county courthouse, jail or law enforcement facilities in Riley County; authorizing the imposition of a countywide retailer's sales tax for such purposes, amending K.S.A. 1989 Supp. 12-187 and repealing the existing section.

Senator Oleen moved to introduce the bill, 2nd by Senator Frahm. The motion carried.

The Chairman asked the committee if there was any more requests for bills and having none, he turned attention to SCR1633.

SCR1633: A PROPOSITION to amend section 1 of article 11 of the constitution of the State of Kansas, relating to the taxation of property.

THE FOLLOWING CONFEREES ARE PROPONENTS OF SCR1633.

Senator Kanan said SCR1633 if passed, allows for changes to be made to our Tax Structure with a vote of 21 in the Senate and 63 in the House. If the Governor vetoes the bill then the extra ordinary vote would be required to override. (ATTACHMENT 2)

Senator Kanan said he had a petition of 34,000 signatures from Wyandotte County and he said several people were here in this meeting to listen, and the reason Wyandotte County wanted this amendment in the bill, is because in Wyandotte County 17% of their \$140.M budget was import tax, and that amounts to about \$24.M and \$74.M came out of that for assessed valuation.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Wednesday, February 14, 1990.

Larry Hughes, Attorney at Law, practicing in Topeka, KS said the reason that this bill should be supported, is that the resultant classes and percentages give everyone an opportunity to be heard on this matter, now that we have experienced and see what effect classification and reappraisal have on the overall ad valorem tax structure.

It provides a solution or a method for solution that can be implemented immediately and responds to the needs of the people by you, the Legislature. (ATTACHMENT 3).

After Committee discussion The Chairman recognized Chuck Staurt.

THE FOLLOWING CONFEREES ARE OPPONENTS OF SCR1633.

Chuck Staurt said he was representing the United School Administrators of KS. He said the education community opposes SCR 1633 and they are concerned that important decisions might be made before all information is known and analyzed. We are simply opposed, at this point, to revisiting the Constitution. We agree that there have been tremendous shifts in the tax burden in this state, and the property tax base is less today than it was in 1988. Before we support a solution to this problem, let us be certain of the facts. With so many appraisals still in the middle of the authorized appeal process, the data just is not as reliable as it will one day be. (ATTACHMENT 4)

Bob Corkins, KS Chamber of Commerce and Industry said SCR1633 threatens to shift the tax burden from one class of property to another without ensuring an even-handed response to the property tax problem shared by all. He said, this proposal would guarantee a continuation of the current confusing property tax debate in every succeeding session of this legislature.

KCCI strongly objects to the threat which this proposal would bring regarding the taxation of business personal property. Business development depends upon predictability and on a favorable political climate with respect to Kansas' business policies. Without stability, new businesses will be discouraged from locating in KS, existing KS firms will be discouraged from expanding their operations, and some existing businesses will be tempted to relocate to more favorable areas. (ATTACHMENT 5)

Karen France Director, Governmental Affairs, KAOR said they feel the answer lies in putting caps on the amount of property taxes which can be assessed against real estate and looking for alternative means for funding local government budgets.

She said, they believe that in conjunction with the local options, the next amendment which the people of KS should have a chance to vote for or against, is a constitutional cap on taxes at an effective rate of 1% for homes and 1½% for commercial and agricultural properties, with a cap on annual increases of no more than 3% each year. Without a constitutional cap on property taxes, when budgets get lean in later years, the local units will be tempted to go back to property taxes and start the vicious cycle again. (ATTACHMENT 6).

Chairman Thiessen concluded hearings on SCR1633 and asked if there is a motion to approve the minutes of February 1 and February 5, 1990.

Senator Francisco moved to adopt the minutes of February 1, 1990 and February 5, 1990, send by Senator Langworthy. The motion to approve the minutes carried.

The Chairman adjourned the meeting at 12:02 p.m.

Footnote: These minutes were corrected on page 1, paragraph 2, line 4 to read \$200.M instead of \$200,000.

The minutes were approved as corrected on Thursday, February 22, 1990

GUEST LIST

COMMITTEE: SENATE ASSESSMENT & TAXATION

DATE: Wednesday 2-14-90

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
C. L. STUART		UNITED SCHOOL ADMINISTRATORS
MARION STUART	CLAY CENTER	
Nancy Jefferis	Shawnee	League Women Voters
Linda Jacobs	SHAWNEE	LEAGUE WOMEN VOTERS
B. D. Kanan	KCK	Senator
Larry Y. Hughes	Topeka	ATTORNEY
Karen FRANCIS	Topeka	KAR
LESTER HERDMAN	KCK	TAXPAYER
Vingie SIMKARD	KCK	TAX-PAYER
JUD R. KNAPP	KANSAS CITY, KS	TAX-PAYER
James F Miller	KANSAS CITY KS	TAX-PAYER
CARMEN Wilson	SALINA, KS.	LEAGUE of W. Voters
Janice Frerichs	Salina, KS.	" " "
CAROLEE JONES	SALINA	LW Voters
Ruth Cathcart-Rake	"	"
JANET STUBBS	Topeka	H.B.A. of KS
BILL R FULLER	Manhattan	Kansas Farm Bureau
Jim Snyder	Topeka	Observer
George Goebel	Topeka	AARP-Capital City Task Force
Dee Libes	Topeka	KLA
Paul E. Fleener	Manhattan	Kansas Farm Bureau
Jerry McLoay	WICHITA	SEDC. Co. TREASURER
BAV BRADLEY	TOPEKA	KS. ASSOC of COUNTIES
JERRY CLINGAN	TOPEKA	SANTA FE RY
ROLAND E. SMITH	WICHITA	WIBA

SENATE BILL NO. _____

By Committee on Assessment and Taxation

AN ACT concerning the financing of county courthouse, jail or law enforcement facilities in Riley county; authorizing the imposition of a countywide retailers' sales tax for such purposes; amending K.S.A. 1989 Supp. 12-187 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 1989 Supp. 12-187 is hereby amended to read as follows: 12-187. (a) No class B city shall impose a retailers' sales tax under the provisions of this act without the governing body of such city having first submitted such proposition to and having received the approval of a majority of the electors of the city voting thereon at an election called and held therefor. The governing body of any class B city may submit the question of imposing a retailers' sales tax and the governing body shall be required to submit the question upon submission of a petition signed by electors of such city equal in number to not less than 10% of the electors of such city.

(b) (1) The board of county commissioners of any county may submit the question of imposing a countywide retailers' sales tax to the electors at an election called and held thereon, and any such board shall be required to submit the question upon submission of a petition signed by electors of such county equal in number to not less than 10% of the electors of such county who voted at the last preceding general election for the office of secretary of state, or upon receiving resolutions requesting such an election passed by not less than 2/3 of the membership of the governing body of each of one or more cities within such county which contains a population of not less than 25% of the entire population of the county, or upon receiving resolutions

requesting such an election passed by 2/3 of the membership of the governing body of each of one or more taxing subdivisions within such county which levy not less than 25% of the property taxes levied by all taxing subdivisions within the county.

(2) The board of county commissioners of Jefferson, Montgomery, Riley and Wyandotte counties may submit the question of imposing a countywide retailers' sales tax and pledging the revenue received therefrom for the purpose of financing the construction or remodeling of a courthouse, jail or law enforcement center facility, to the electors at an election called and held thereon. The tax imposed pursuant to this paragraph shall expire upon the payment of all costs incurred in the financing of such facility. Nothing in this paragraph shall be construed to allow the rate of tax imposed by Jefferson or, Montgomery or Riley county pursuant to this paragraph to exceed or be imposed at any rate other than the rates prescribed in K.S.A. 12-189, and amendments thereto.

(3) Except as otherwise provided in this paragraph, the result of the election held on November 8, 1988, on the question submitted by the board of county commissioners of Jackson county for the purpose of increasing its countywide retailers' sales tax by 1% is hereby declared valid, and the revenue received therefrom by the county shall be expended solely for the purpose of financing the Banner Creek reservoir project. The tax imposed pursuant to this paragraph shall take effect on the effective date of this act and shall expire not later than five years after such date.

(c) The boards of county commissioners of any two or more contiguous counties, upon adoption of a joint resolution by such boards, may submit the question of imposing a retailers' sales tax within such counties to the electors of such counties at an election called and held thereon and such boards of any two or more contiguous counties shall be required to submit such question upon submission of a petition in each of such counties, signed by a number of electors of each of such counties where

submitted equal in number to not less than 10% of the electors of each of such counties who voted at the last preceding general election for the office of secretary of state, or upon receiving resolutions requesting such an election passed by not less than 2/3 of the membership of the governing body of each of one or more cities within each of such counties which contains a population of not less than 25% of the entire population of each of such counties, or upon receiving resolutions requesting such an election passed by 2/3 of the membership of the governing body of each of one or more taxing subdivisions within each of such counties which levy not less than 25% of the property taxes levied by all taxing subdivisions within each of such counties.

(d) Any city retailers' sales tax in the amount of .5% being levied by a class A city on June 30, 1978, shall continue in effect until repealed in the manner provided herein for the adoption and approval of such tax or until repealed by the adoption of an ordinance so providing. In addition to any city retailers' sales tax being levied by a class A city on June 30, 1978, any such city may adopt an additional city retailers' sales tax in the amount of .5%, provided that such additional tax is adopted and approved in the manner provided for the adoption and approval of a city retailers' sales tax by a class B city. Any countywide retailers' sales tax in the amount of .5% or 1% in effect on June 30, 1978, shall continue in effect until repealed in the manner provided herein for the adoption and approval of such tax.

(e) Any city retailers' sales tax in the amount of .5% being levied by a class B city on July 1, 1982, shall continue in effect until repealed in the manner provided for the adoption and approval of such tax or until repealed by the adoption of an ordinance so providing. In addition to any city retailers' sales tax being levied by a class B city on July 1, 1982, any such city may adopt an additional city retailers' sales tax in an amount of .5% provided that such additional tax is adopted and approved in the manner provided for the adoption and approval of such tax.

Any class B city or county proposing to adopt a retailers' sales tax shall give notice of its intention to submit such proposition for approval by the electors in the manner required by K.S.A. 10-120, and amendments thereto. The notices shall state the time of the election and the rate and effective date of the proposed tax. If a majority of the electors voting thereon at such election fail to approve the proposition, such proposition may be resubmitted under the conditions and in the manner provided in this act for submission of the proposition. If a majority of the electors voting thereon at such election shall approve the levying of such tax, the governing body of any such city or county shall provide by ordinance or resolution, as the case may be, for the levy of the tax. Any repeal of such tax or any reduction or increase in the rate thereof, within the limits prescribed by K.S.A. 12-189, and amendments thereto, shall be accomplished in the manner provided herein for the adoption and approval of such tax except that the repeal of any such city retailers' sales tax may be accomplished by the adoption of an ordinance so providing.

(f) The sufficiency of the number of signers of any petition filed under this section shall be determined by the county election officer. Every election held under this act shall be conducted by the county election officer.

Sec. 2. K.S.A. 1989 Supp. 12-187 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

STATE OF KANSAS

B. D. KANAN
SENATOR, FIFTH DISTRICT
WYANDOTTE COUNTY
STATE CAPITOL BUILDING, ROOM 462-E
TOPEKA, KANSAS 66612
(913) 296-7357



TOPEKA

SENATE CHAMBER
February 14, 1990

COMMITTEE ASSIGNMENTS
MEMBER: CONFIRMATIONS
GOVERNMENTAL ORGANIZATION
PUBLIC HEALTH AND WELFARE
TRANSPORTATION AND UTILITIES

Senator Dan Thiessen, Chairman
Taxation Committee Members

After this Amendment 1633 is passed, it allows for changes to be made to our Tax Structure with a vote of 21 in the Senate and 63 in the House. If the Governor vetoes the Bill then the extra ordinary vote would be required to override.

(1) Gives the Legislature the greatest amount of flexibility in dealing with the Property Tax System.

(a) Makes all policy decisions statutory as to classes and rates.

(b) Makes most policy decisions statutory as to exemptions.

This constitutional Amendment will mirror one which our sister state of Missouri has in place. If you compare how reappraisal and classification went in Missouri you would find that it went much smoother and with less tax payer dissatisfaction.

Sincerely,

A handwritten signature in black ink that reads "B. D. Kanan". The signature is written in a cursive, flowing style.

B. D. Kanan, Senator
5th District

BDK:cm

Senate Assessment and Taxation
Wednesday, February 14, 1990
ATTACHMENT 2

PROPONENT OF SENATE BILL 1633

LARRY T. HUGHES

Let me introduce myself, I'm Larry T. Hughes, I am an attorney practicing in Topeka, Kansas. My background of ad valorem taxes, as well as my support of this Bill comes from the fact that I have previously served as counsel for the Director of Property Valuation for approximately two years proceeding the session in which reappraisal and classification were passed to present the same to the public for their vote

Since that time, I have prepared and presented more than 500 cases in front of the Board of Tax Appeals and have been actively involved in representing both the taxpayer as well as more than half of the counties in the State. I have also been actively involved in various committees and associations concerned with the present status of our ad valorem tax system.

I am here to speak in behalf of Senate Bill 1633, not as a taxpayer, but as a citizen and attorney concerned with the overall ad valorem structure within our State. If it is not blatantly obviously, it certainly should at least be apparent to all members of both houses of our Legislature, that the present system, is at best not working fairly to your constituents, and at worst a total disaster which has brought about oppressive taxes on various portions of our citizenry.

Without going into the overall tax structure, budgeting and all of the other elements that make up each individual's

tax bill, I believe it can safely be said that every one of us in every aspect of personal or private enterprise within this State, would like to turn back the hands of time and go back to 1988 and start all over.

To do that, it is imperative that we have a Constitutional change so that we can go back to the starting point of at least the broadest tax base that we can have, and which we had in place prior to the reappraisal and the Constitutional Amendment for Classification.

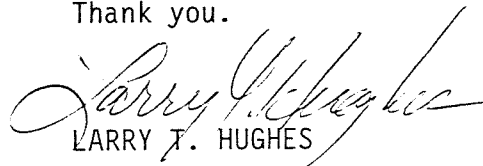
Therefore, Senate Bill 1633 starts out by eliminating the various exemptions which must be done before any measure of relief can be given to anyone under both the present situation or the proposed Bill. Once the exemptions are eliminated, the overall tax base is then expanded to the point that the second factor in Senate Bill 1633, allowing the Legislature to set the actual assessment percentages as they deem fair, just and equitable for whatever classes they deem fair, just and equitable, allows you, the Legislature, to then correct immediately those areas where the massive tax shifts can be corrected.

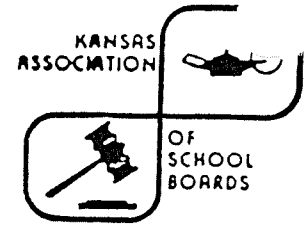
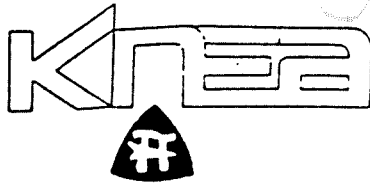
The reason that this Bill should be supported then by all persons within our State, is that the resultant classes and percentages give everyone an opportunity to be heard on this matter, now that we have experienced and seen what effect classification and reappraisal have on the overall ad valorem tax structure.

It is obvious that the passage of this Bill and the expected resultant vote to amend the Constitution doesn't eliminate all

all of the questions and problems. It does however, provide a solution or a method for solution that can be implemented immediately and respond to the needs of the people by you, the Legislature.

Thank you.


LARRY T. HUGHES



Testimony presented before the
Senate Committee on Assessment and Taxation

SCR 1633

by Charles L. "Chuck" Stuart, Legislative Liaison
United School Administrators of Kansas

February 14, 1990

Kansas Association of School Boards
Kansas-National Education Association
Schools for Quality Education
Schools for Equal Education in Kansas
Blue Valley, USD 229
Wichita, USD 259
Topeka, USD 501
United School Administrators of Kansas

Mr. Chairman and members of the committee, I am Chuck Stuart representing the United School Administrators of Kansas. My testimony today, however, represents the collective views of those organizations and school districts listed above and illustrates once again the common view of the education community toward many of the tax issues we have faced during the early part of the 1990 legislative session.

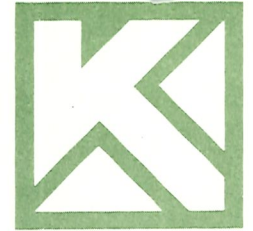
The education community opposes SCR 1633 as we are concerned that important decisions might be made before all information is known and analyzed. We are simply opposed, at this point, to revisiting the Constitution. We agree that there have been tremendous shifts in the tax burden in this state, and yes the property tax base is less today than it was in 1988. But before we support a solution to this problem, let us be certain of the facts. With so many appraisals still in the middle of the authorized appeal process, the data just is not as reliable as it will one day be.

We further oppose SCR 1633 in that we believe as we did in 1985 that if classification is to have a chance of success over the long haul, the classes must be listed in the Constitution. We appreciate this opportunity to be heard on this important issue.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 First National 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

SCR 1633

February 14, 1990

KANSAS CHAMBER OF COMMERCE AND INDUSTRY
Testimony Before the
Senate Assessment and Taxation Committee
by
Bob Corkins
Director of Taxation

Mr. Chairman and members of the Committee:

Thank you for the opportunity to testify regarding SCR 1633. My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry, and I am conveying the opposition of our organization to this proposal and the unrestrained manipulation of property taxes which it would permit.

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.

This resolution promises many of the same disadvantages for the business community in this state as do most of the constitutional amendments proposed so far. The fact that it falls short of recommending a set scheme of property classification and assessment percentages is not an improvement over the competing proposals. SCR 1633 still threatens to shift the tax burden from one class of property to another without ensuring an even-handed response to the property tax problem shared by all.

Far from being a solution, KCCI believes that this proposal would guarantee a continuation of the current confusing property tax debate in every succeeding session of this legislature. If SCR 1633 is enacted and the legislature next year decides that no change to the classification amendment is warranted, then you will hear the same claims of tax inequity again and again. If the legislature were to use this new authority to change the classification amendment, then you would hear different claims of tax inequity again and again. Furthermore, if the legislature finds no change warranted, then this constitutional amendment will have been unnecessary.

Therefore, the only justification for enacting this proposal would be to change the existing constitutional provisions. That would be when KCCI's objections come into play. We believe that any reclassification would create as much "unfairness" as it eliminates. Because the tax base varies so greatly from one county to the next, it is impossible to devise a single state-imposed system of classification that would be equitable throughout Kansas. Of course, the existing classification scheme is not perfect. However, no evidence suggests that any reclassification would be more fair to more counties and with fewer individual hardships than the current classification provision.

KCCI also strongly objects to the threat which this proposal would bring regarding the taxation of business personal property. Economic growth would suffer from the reinstatement of the inventory tax, from the repeal of the current accelerated depreciation now allowed on business machinery and equipment, from any increase in the tax burden which might be imposed on either of these classes, and even from the mere threat that these classes and assessment rates would be subject to change from year to year. Business development depends upon predictability and on a favorable political climate with

respect to Kansas' business policies. Without stability, new businesses will be discouraged from locating in Kansas, existing Kansas firms will be discouraged from expanding their operations, and some existing businesses will be tempted to relocate to more favorable areas.

For these reasons, KCCI urges that you reject this proposal.



Executive Offices:
3644 S. W. Burlingame Road
Topeka, Kansas 66611
Telephone 913/267-3610

TO: THE SENATE TAXATION COMMITTEE
FROM: KAREN FRANCE, DIRECTOR, GOVERNMENTAL AFFAIRS
DATE: FEBRUARY 14, 1990
SUBJECT: SCR 1633

Thank you for this opportunity to testify. On behalf of the Kansas Association of REALTORS®, I appear today not to support or oppose the concepts which SCR 1633 proposes, but to say that we do not believe it is the answer to the existing tax problems.

What has been proposed in this amendment might have been preferable over what was presented to the people in 1986. However, we believe that in 1990, the answer to the property tax crisis which we face is not just a mere reworking of the classifications or the assessment rates. The answer lies in putting caps on the amount of property taxes which can be assessed against real estate and looking for alternative means for funding local government budgets.

Of the hundreds of people we have talked to across the state, one common theme which we have heard is, that property taxes are too high because they are used to pay for too many things.

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. The local units should have more options for

Senate Assessment and Taxation
Wednesday, February 14, 1990
ATTACHMENT 6

funding their budgets than they are now given by the state--this means sales tax, income tax, earnings tax, or whatever form of taxation the local units deem is appropriate and which is approved by a vote of the people.

We believe that, in conjunction with these local options, the next amendment which the people of Kansas should have a chance to vote for or against, is a constitutional cap on taxes at an effective rate of 1% for homes and 1½% for commercial and agricultural properties, with a cap on annual increases of no more than 3% each year. Without a constitutional cap on property taxes, when budgets get lean in later years, the local units will be tempted to go back to property taxes and start the vicious cycle again.

We believe the next constitutional amendment which goes on the ballot will need to be as simple and straightforward as possible. Taxpayers are going to need to look at the amendment, understand it and reasonably know how much their property tax will be, or they will not vote for it. At the same time, it must be a workable solution for the state. We believe that, while there are specific details to be worked out on our solution, it is a simple, workable solution to the problem.

We stand ready to assist you in developing the appropriate amendment.