

Approved Tuesday, March 20, 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 Monday, February 26, 1990 in room 519-S of the Capitol.

All members were present except:

Senator Phil Martin (Excused)

Committee staff present:

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

Conferees appearing before the committee:

Senator Audrey Langworthy
Senator Wint Winter
Ernie Mosher, League of KS Municipalities
Neale Peterson, Mayor of Fairway-Johnson County, KS
Art Davis, Assistant to the City Administrator, City of Lenexa, KS
Mary Birch, President-Overland Park Chamber of Commerce
John Moir, Director of Finance, City of Wichita
Alan Sims, Assistant to the City Manager of Overland Park, KS
Linton Bartlett, representing the City of K.C., KS
Donald R. Seifert, Planning and Development Director, City of Olathe, KS
Gerry Ray, Intergovernmental Coordinator, Johnson County Board of Commissioners
Willie Martin, Intergovernmental Coordinator, Sedgwick County, KS
Bill Curtis, Assistant Executive Director, KS Association of School Boards
Jim Yonally, representing the Shawnee County School District
Jim Thompson, Superintendent of Schools, Blue Valley Unified School District #229
John Torbert, Executive Director, KS Association of Counties

Chairman Thiessen called the meeting to order at 11:04 and turned attention to SB560 and recognized Senator Audrey Langworthy.

THE FOLLOWING CONFEREES ARE PROPONENTS OF SB560.

Senator Audrey Langworthy said, the issue of a revenue shortfall due to the loss of motor vehicle property tax is not new. It was studied during the interim but no action was taken to correct the problem. At that time, she said she stated that the decision was not going to make the problem go away. We all admit we are in a tax crisis; and we want to help solve it. Doing nothing on the motor vehicle tax doesn't help taxpayers. "If only we had phased-in classification, we would not have had to deal with such violent shifts and we would have had more time to address the problem."

She said, SB560 does just that. It phases in the decrease of revenues of the motor vehicle tax. It gives cities, counties, school districts and other taxing units time to adjust. It helps negate the continued aftershocks caused by classification and reappraisal. (ATTACHMENT 1)

Senator Wint Winter said he supports SB560 because of his concern for the potential revenue impact the decrease of motor vehicle property tax will have on the government entities in Douglas County.

The bill is one equitable solution to help counties that are experiencing growth with the potential revenue shortfalls in motor vehicle property tax. With the "phase in" approach, by 1993, motor vehicle property tax revenue generated will be comparable to the 1990 level in Douglas County. (ATTACHMENT 2)

Ernie Mosher, League of KS Municipalities said on behalf of the League and its member cities, He appears in support of SB560, which would phase in the loss of special motor vehicle tax revenue resulting from reduced average countywide tax rates under reappraisal. Attached to his testimony are some charts showing county average tax rates by county for 1988 and 1989 and the percentage changes. (ATTACHMENT 3)

Neale Peterson, Mayor of Fairway in Johnson County said he was in support of SB560

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Monday, February 26, 1990

and, on behalf of the recently restless property taxpayers in Fairway and at their request, on behalf of five of their neighboring cities. Fairway is a small fully developed land-locked, and mostly all residential community of about 5,000 historically peaceful taxpayers.

He said the projections provided to their 6 cities by the county, predict shortfalls ranging from 9% to 24%, and their only options are to increase the cost of dog licenses and to forego the modest COLA increases deserved by all their dedicated employees.

He asked the committee to favorably pass SB560 and afford them an opportunity to cope with the shortfall by phasing it out. He said SB560 would provide them with the latitude to manage the situation in the business like manner expected by their taxpayers. (ATTACHMENT 4).

Art Davis, Assistant to the City Administrator, City of Lenexa said they are specifically, asking for relief with respect to a projected revenue shortfall in 1991 of approximately \$533,000 as a result of the effect of reappraisal on the motor vehicle tax.

Lenexa supports the proposed phase out through 1994, as local governmental units begin assessing increased ad valorem property taxes to offset the decrease in revenue, the following year will bring about an increased average county mill levy that will automatically increase the motor vehicle property taxes similar to their previous levels. In effect, by not assisting local governments to deal with this glitch might well amount to a double tax increase. (ATTACHMENT 5)

Mary Birch, President-Overland Park Chamber of Commerce said the Chamber supports SB560 pertaining to taxation of motor vehicles. It addresses one of the top legislative priorities of their organization in 1990. She said the reappraisal and classification issue in itself is a critical one and attempts are being made from everywhere to address it.

This year automobiles in Johnson County will be assessed at the county mill average of approximately 177 mills. Next year they will be assessed at an average rate of approximately 106 mills. That translates into a loss to local units of government of another \$27M.

She said, phasing it in will give them a little time for adjustment, absorption and natural growth maybe, to help them out. (ATTACHMENT 6)

John Moir, Director of Finance, City of Wichita said SB560 amends current law to mitigate the adverse impacts of reappraisal on motor vehicle property tax revenues in 1991. In many KS counties, assessed valuation increased significantly in 1989. This increase has resulted in corresponding decreases in the 1989 average county tax rate, which will be used to calculate motor vehicle property taxes in calendar year 1991.

Without enactment of SB560 the City of Wichita would lose approximately \$1.1M in 1991. With passage of the bill, the City would lose about \$830,000 in 1991 and the remaining \$470,000 in 1992. (ATTACHMENT 7).

Alan Sims, Assistant to the City Manager of Overland Park, KS said, they readily embrace and welcome the committee's recommendation to turn to replacement sources of revenue. However, in the absence of alternative sources of revenue, they submit that the phase-in provision of SB560 is the best approach because it would provide a much needed transition period to allow local governments an opportunity to adjust to this significant loss in revenue. (ATTACHMENT 8)

Linton Bartlett representing the City of K.C., KS said in a budget where sales tax revenues are showing little or no growth and property tax revenues are closely controlled by the City Council, the opportunity to phase-in the significant loss in motor vehicle property tax revenue would help minimize any potential impact on needed programs and services.

He said, the city of K.C., KS respectfully asks the committee to act favorably on SB560. The bill provides a reasonable solution to a potentially major budgetary problem for many local units of government in KS. (ATTACHMENT 9)

Donald R. Seifert, Planning and Development Director, City of Olathe, KS. said they are aware that many people object to the current level of motor vehicle property taxes in Kansas. With a large population of new residents, we frequently hear in Olathe

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S Statehouse, at 11:00 a.m. ~~xxxx~~ on Monday, February 26, 1990.

these same complaints of high vehicle taxes, usually from people that have moved here from a high real estate but low vehicle tax state. However, we all must recognize that the motor vehicle loss must be made up somewhere to provide the services expected by our citizens.

He said, SB560 would phase-in the loss of motor vehicle tax revenue that will occur in 1991 and later years for local government units in counties which experienced valuation increases following statewide reappraisal. He urged the committee to favorably pass SB560. (ATTACHMENT 10)

Gerry Ray, Intergovernmental Coordinator, Johnson County Board of Commissioners said SB560 offers a solution to a problem created due to the reappraisal process relative to the rate of tax for motor vehicles.

The phase-in approach to the revenue loss that at least will provide us the time to adjust over a period of years, rather than having it impact in one year. We are asking that we be given the opportunity to phase the loss into our budgets so that we will have the opportunity to devise workable solutions to the problems we have. We need the help of this committee, and urge you to send SB560 to the full Senate recommended for passage. (ATTACHMENT 11)

Willie Martin, Intergovernmental Coordinator of Sedgwick County said Kansas counties are more highly reliant on property tax than cities due to our lack of diversified revenues. Any shift in taxes without replacement revenue may require a cut in services or additional property taxes. The phase in proposed in this legislation would allow municipalities the opportunity to plan for and make appropriate shifts within their budgets. Voters are not receptive to large shifts in either services or taxes. SB560 provides a method of adjustment which we feel would be in the best interest of all concerned. (ATTACHMENT 12)

Bill Curtis Assistant Executive Director, KS Association of School Boards said KASB supports SB560 as it would phase in the loss of revenue from motor vehicle taxes and consequently not require higher property taxes all at once to make up for the lost revenue.

He said, if the KS Legislature should enact a mill levy freeze or cap, those districts that lose the revenue from motor vehicle taxes will be hit doubly hard, a loss in revenue and more students in the school districts. If the KS Legislature should enact a dollar freeze or cap, property taxes would increase anyway because the lost revenue could only be made up from the property tax source. He urged the committee to give favorable consideration to SB560. (ATTACHMENT 13)

Jim Yonally, representing the Shawnee County School District said they support SB560 for the reasons the committee has already heard today, and he said, the anticipated loss in their School District for the 1991 year, is \$9.M loss or shift of revenue from this source. No written testimony.

Jim Thompson, Superintendent of Schools, Blue Valley Unified School District #229 said he would urge the committee to favorably support SB560 which will permit the phase-in of the reduction in motor vehicle taxes over the next several years.

He said in his county alone the loss for the school district and community college will be nearly \$18.M. An illustration of this loss, our special capital outlay fund receives about \$200,000. In motor vehicle taxes this year, a 40% loss, or \$80,000. will be a net loss to the school district. This is most unfortunate in times which require capital expenditures to upgrade the school facility infrastructure of the state, or revenue from this source. (ATTACHMENT 14)

John Torbert, Executive Director, KS Association of Counties said KAC is in support of SB560. He said, their convention adopted platform statement on this issue which is outlined in his written testimony. This motor vehicle situation is leading to a revenue loss in some counties. In some situations, the loss will be substantial and of such magnitude that it can not be made up from other sources of tax dollars. Given the "hold harmless" promise and the fact that legislatively created problems deserve legislative correction, the legislature should take action to hold local government harmless from this shortfall, or at the very least, minimize its impact. (ATTACHMENT 15)

Chairman Thiessen concluded hearings on SB560 and adjourned the meeting at 12:28 p.m.

GUEST LIST

COMMITTEE: SENATE
ASSESSMENT & TAXATION

DATE: Monday, 2-26-90

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Maia Peterson	City Hall 5252 Belvidere	Mayor, Fairway
Lucy Katz	5400 Rosewood 6205	Mayor, Red Oak
Bob Corkins	Topeka	KCCI
Art Davis	Lenexa	City of Lenexa
John Toth	Topeka	KAC
Kenneth Kelly	OP	Sen
Mike Miller	Topeka	City of Topeka
Dr. John D McNeal	Topeka	self
Steve Kumpsh	Topeka	KMHA
Jim Taylor	Lawrence	UW
Walter Martin	Wichita	Sedgewick Co.
Cathy Holdeman	Wichita	City of Wichita
Kerri Jones	Minneapolis, KS	Treasurer - Ottawa Co.
Judy Cooley	Borham, KS	Treasurer - Russell Co.
Lynn Scanlon	Manhattan KS	Jewell Co. TREAS
Keith Lilly	Salina KS	Salina Co. Treas.
Bob McEwen	Colombo Co.	Charles B. Truman
Mary Weeks	Sublette, KS	Waskell Co. Treasurer
Nancy Zielke-Bigsby	Kansas City, KS	City of KCK
Linton Barlett	Kansas City, KS	City of KCK
Tom Whitaker	Topeka	Ks Metro (various Comm)
Alan Sims	Overland Park	City of O.P.
Lynn K. Housa	" "	" " "
Don Seibert	Olathe	City of Olathe
Gerry Ray	Olathe	Johnson Co. Commission

STATE OF KANSAS



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS

CHAIRMAN: CONFIRMATIONS
CHAIRMAN: LEGISLATIVE EDUCATIONAL PLANNING
VICE-CHAIRMAN: ASSESSMENT AND TAXATION
VICE-CHAIRMAN: PUBLIC HEALTH AND WELFARE
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ENERGY AND NATURAL RESOURCES
LOCAL GOVERNMENT
MEMBER: CHILDREN AND YOUTH ADVISORY COUNCIL

AUDREY LANGWORTHY

SENATOR, 7TH DISTRICT

JOHNSON COUNTY

6324 ASH

PRAIRIE VILLAGE, KANSAS 66208-1369

(913) 362-4067

The issue of a revenue shortfall due to the loss of motor vehicle property tax is not new. It was studied during the interim but no action was taken to correct the problem. At that time, I stated that the decision was not going to make the problem go away. Indeed, it is becoming more critical with each passing day. We all admit we are in a tax crisis; we all say we want to help solve it. Doing nothing on the motor vehicle tax doesn't help taxpayers. It only causes more problems and adds another burden to the property tax dilemma. Many have said, "If only we had phased-in classification, we would not have had to deal with such violent shifts and we would have had more time to address the problem."

S.B. 560 does just that. It phases in the decrease of revenues of the motor vehicle tax. It gives cities, counties, school districts and other taxing units time to adjust. In my county alone, we loose 27.5 million in 1991. The Shawnee Mission School District looses \$9 million. Time can help solve this severe jolt. I would urge you to consider this alternative. The end result is still the same, lower automobile taxes; but it helps negate the continued aftershocks caused by classification and reappraisal.

DATE: Sat - 9-9-89

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| <input type="checkbox"/> EMPORIA GAZETTE | <input type="checkbox"/> MANHATTAN MERCURY | <input type="checkbox"/> SALINA JOURNAL |

Cities, counties worry about loss of car tax

IER

The Associated Press

TOPEKA — The shift in property taxes brought on by the recently completed statewide reappraisal means some people will pay lower taxes on their cars.

That will be a problem for some cities and counties, which rely on that revenue, lawmakers were told Friday.

"Several counties in Kansas have major concern with the result of reappraisal on the taxation of motor vehicles and the resulting shortfall of tax dollars," said Bev Bradley, legislative coordinator of the Kansas Association of Counties.

Counties with big increases in assessed valuation of real estate will have lower mill levies. Motor vehicles are taxed at the average mill levy of all the taxing units within a county, so less money will be raised by the vehicle tax, Bradley said. Cars are assessed at 30 percent of market value, with a minimum tax of \$12 on any vehicle.

Counties where the assessed value of real estate decreased, however, will get more revenue from the special vehicle tax.

"Property taxes, both personal and real, are the main revenue sources for local governments," Bradley told the Special Committee on Assessment and Taxation.

She told the lawmakers a law was needed to protect local governments from a loss of revenue from the motor vehicle tax. The tax base for local governments already was seriously narrowed when livestock and merchants' and manufacturers' inventory were removed from the personal property tax rolls, she said.

Cathy Holdeman, lobbyist for Wichita, said that city would lose \$2.3 million in motor vehicle taxes.

"This will mean a shift in the tax burden to general property tax or reduced services," she said.

Ernie Mosher, executive director of the League of Kansas Municipalities, said statewide revenue from the vehicle taxes would be cut by \$40 million as a result of reappraisal.

He said the \$40 million was a net loss after gains in some counties, where property values decreased, offset losses in others.

"In Johnson County alone, a prospective 33 percent tax rate reduction would reduce vehicle revenues by about \$19 million," Mosher said.

Mosher said he would not argue with legislators who complain that the special vehicle taxes in Kansas are too high.

"They are apparently higher than in most other states," he said. "We don't argue against the idea that it would be nice to give vehicle owners a tax break. There are a lot of them."

But he said it was unfair to shift that tax burden from car owners to homeowners. He also said the Legislature never intended to give car owners a tax break through reappraisal.

Nancy L. Zielke-Bigsby, Kansas City, Kan., budget director, said preliminary figures indicated the city could lose \$1.6 million in vehicle taxes, she said.

"To lose that amount of revenue would have a substantial adverse impact on an already tight city budget," she said.

Donald R. Seifert, Olathe planning and development director, told the committee the car tax was 20 percent of the city's general property tax levied to support the library and general operating funds.

"It will be difficult, if not impossible, to simply cut services or shift a loss of this magnitude initially to real property," Seifert said.

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DATE: Thurs. 9-7-89

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| | | <input type="checkbox"/> WINFIELD DAILY COURIER |

Reappraisal slated to cut vehicle taxes

Reappraisal could cut motor vehicle personal property tax receipts in Douglas County by more than \$2 million next year, county commissioners learned Wednesday.

That's good for motorists but not so good for Douglas County and the city of Lawrence, which could each lose more than \$400,000 in motor vehicle tax revenues, County Administrator Chris McKenzie told commissioners.

McKenzie said he hasn't figured what the impact would be on the Lawrence school district.

Under reappraisal, total assessed real estate valuation increased in most Kansas counties, which has sent mill levies tumbling downward. In Lawrence, the combined city-county-school levy in 1989 is estimated at 128.523 mills, down more than 40 mills from the 1988 levy of 169.78 mills. A mill is \$1 of tax for every \$1,000 of assessed property valuation.

Since personal property tax on motor vehicles is calculated using the previous year's average countywide mill levy rate, the revenue loss won't be felt immediately. The lower 1989 countywide mill levy will be used to figure the 1990 motor vehicle tax, which helps fund 1991 city, county and school budgets.

"But as far as we're concerned, that's right around the corner," McKenzie said today.

McKenzie said one option for dealing with the revenue shortfall is to ask the Legislature to change the way the motor vehicle tax is figured.

Failing that, legislators must give cities and counties authority to levy more in general property taxes to make up for the loss, he said.

"They have to do something or else . . . programs and services will have to be cut," he said.

The basic policy question before legislators is how much of the property tax burden should be borne by motor vehicle owners and how much by real estate property owners, he said.

McKenzie said motor vehicle taxes are an important source of revenue, especially considering that it's the only property tax paid directly by many Douglas County residents.

County commissioners Wednesday authorized McKenzie to ask Kelly Arnold, Lawrence city management analyst, to also represent the county at a meeting of the special legislative committee on assessment and taxation Friday in Topeka.

Tax reductions for Kansas car owners could stun counties

Officials look at recouping losses with an increase in property taxes

By John Petterson
Kansas Correspondent

TOPEKA — Automobile owners in Johnson County and 38 other Kansas counties could see substantial tax cuts next year when they line up to pay property taxes on their vehicles.

For example, a Johnson Countian who owns a \$20,000 automobile would owe \$1,118 in motor vehicle taxes this year. The tax for 1991 is projected to be about half that amount, \$565.

Should that same person own a \$100,000 home in Overland Park, the property tax this year would be \$1,068.18, less than the tax on the family car. So, the motor vehicle tax cuts will be a relief from Kansas' notoriously high automobile taxes.

But the break for vehicle owners could mean troubles for county governments. The biggest drops, according to a League of Kansas Municipalities study, could come in Johnson County, where vehicle taxes are predicted to go down \$15.7 million. In Wyandotte County, they could drop \$2.08 million.

The study assumes no increase in automobile values from 1988 to 1991, Johnson County officials said. Figuring in such an increase, they said, governments in the county could lose \$26.81 million next

■ Cuts in automobile property taxes are tied to the same reappraisal and classification process that's made taxpayers mad.

year, with school districts taking the biggest hit.

Gerry Ray, Johnson County's lobbyist, said that loss represented "a very conservative projection."

"Johnson County and the cities here are willing to stand behind the number," she said.

Although government officials wring their hands at the prospect of lost tax revenue and automobile owners rejoice at the thought of smaller tax bills, lawmakers hope they can get credit for at least one tax cut at a time when voters are hopping mad at the size of their property tax bills.

That larger projection of motor vehicle tax cuts in Johnson County is slightly more than the \$26.45 million reduction the League estimated for the entire state.

Projected cuts in automobile property taxes are tied to the same reappraisal and classification scheme that has led to what many

See COUNTIES, A-8, Col. 4

Counties fear impact of coming tax break for Kansas car owners

Continued from Page A-1

are calling "the property tax crisis."

But those reductions for automobile owners could be offset by another round of grim property tax increases if local governments are allowed to recover their tax losses by shifting the burden to real-property owners.

With cities, counties and school districts throughout the state screaming about the estimated loss of motor vehicle tax revenue in 1991, car owners may not want to spend their windfall just yet.

So far, Kansas legislators aren't interested in passing legislation that would take away one of the few tax breaks Kansans realized as a result of the reappraisal and classification programs.

"One of the few bright spots in the whole reappraisal process was the fact that motor vehicle taxes will decline and be more in line with other states," said Rep. Bob Vancrum, an Overland Park Republican.

Rep. Diane Gjerstad, a Wichita Democrat, said that if taxpayers need a break on their real estate taxes, they certainly need a break on their automobile taxes.

"They need cars, and cars need to be affordable," she said. "I think vehicle taxes are oppressive."

Local governments, which warn of sharp cuts in services if the revenue cannot be recovered, would like to make up for the lost dollars by raising real estate taxes or by coming up with other revenue sources, but that approach isn't all that popular with some lawmakers.

"I'd hate to think they'd pass it on to homeowners and commercial property owners," Vancrum said.

There have been efforts by gov-

lawmakers to phase in the reductions over several years to soften the tax hit, but so far that approach has not generated much interest.

However, the Senate Assessment and Taxation Committee is expected to introduce a bill today that would provide for a four-year phase-in of motor vehicle tax reductions.

Art Davis, assistant city administrator in Lenexa, said the reduction in car taxes really represented an increase in real estate taxes.

"I claim it's a tax increase," he said. "It's a shift, not a reduction."

He said Lenexa could lose about \$565,000 in income as a result of the cuts in motor vehicle taxes. That's about what it costs to run the city's planning and development budget.

Ray said Johnson County government stood to lose almost \$3 million, the equivalent of 4.5 mills on property. The estimated loss represents the annual cost of operating the county's library system, its mental retardation services or its emergency medical services.

Last fall, Nancy Zielke-Bigsby, Kansas City, Kan., budget director, told an interim legislative committee that her city would lose \$1.6 million in motor vehicle taxes, slightly less than the annual cost of running the city's emergency medical services program.

Complicating the interrelated process is Gov. Mike Hayden's call for an "ironclad property tax lid" that might prevent local governments from boosting their property taxes to pick up the lost revenue.

Although the proposed tax lid contains no specific exemption for making up lost motor vehicle tax revenue, governments could increase taxes to offset the loss if they

Should a tough tax lid be approved by the Legislature, local governments could take a double hit. They would lose the automobile tax revenue and they would be unable to increase property tax levies to offset that cutback.

Motor vehicle taxes are tied to average countywide tax levies. When those levies go down, as they did in Johnson and some other counties, motor vehicle tax revenue drops.

Under the law, the average countywide levies used in figuring the motor vehicle tax are 2 years old. This year, for example, counties use the 1988 average levies. In 1991, the 1989 average levies will be used and they are the first ones figured under reappraisal values.

This year, under reappraisal, the value of property in Johnson County and most other counties increased dramatically. The mean lower mill levy could raise the same number of tax dollars.

When that lower 1989 mill levy is applied to automobile values next year, fewer motor vehicle dollars will be raised and car owners get a break.

Besides the reduction that car owners are expecting in 1991, over-the-road truckers are in line for a tax break this year.

That tax cut, estimated at \$1.8 million, will materialize because the average statewide mill levy has declined as a result of higher property values under reappraisal.

Rep. Keith Roe, a Mankato Republican and chairman of the House Taxation Committee, said the Legislature knew exactly what was doing when it set the wheels in motion to cut motor vehicle taxes.

"In no way was it inadvertent," he said. "I would be violently opposed to that."

STATE OF KANSAS



TOPEKA

SENATE CHAMBER

WINT WINTER, JR.
SENATOR, SECOND DISTRICT
DOUGLAS COUNTY
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BOX 1200
LAWRENCE, KANSAS 66044

STATE CAPITOL, ROOM 120-S
TOPEKA, KS 66612-1594
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COMMITTEE ASSIGNMENTS

CHAIRMAN: JUDICIARY
VICE-CHAIRMAN: WAYS AND MEANS
MEMBER: JOINT COMMITTEE ON ECONOMIC
DEVELOPMENT
JOINT COMMITTEE ON SPECIAL CLAIMS
AGAINST THE STATE
ECONOMIC DEVELOPMENT
KANSAS JUDICIAL COUNCIL

February 22, 1990

TO: Senate Committee on Assessment & Taxation
FROM: Senator Wint Winter, Jr.
RE: SB-560, Motor Vehicle Property Tax

Mr. Chairman and fellow Senators, I am here today in support of Senate Bill No. 560.

I support the bill because of my concern for the potential revenue impact the decrease of motor vehicle property tax will have on the government entities in Douglas County. For instance, Douglas County will experience an estimated \$346,620 shortfall, the City of Lawrence a \$337,955 shortfall, and Lawrence Public School district #497, a \$727,903 shortfall. Was this one of the intentions of reappraisal when we voted on it? I think not. I think it is one of the tax problems that transpired and needs to be addressed by us; and, if we do not address it, how does Douglas County, the City of Lawrence and the Lawrence Public School District #497 maintain current services and provide high quality services in the future to a rapidly growing community and county?

We are currently reviewing numerous tax legislation proposals for an equitable solution to the reappraisal problem. The bill is one equitable solution to help counties that are experiencing growth with the potential revenue shortfalls in motor vehicle property tax. With the "phase in" approach, as addressed in the bill, Douglas County will experience less revenue shortfall in 1991 and 1992. By 1993, motor vehicle property tax revenue generated will be comparable to the 1990 level.

In a year of uncertainty for local governments, this bill takes a positive step in resolving some uncertainty. This is legislation that reaffirms our partnership with local government and maintains quality services that we expect from our schools and government.



**League
of Kansas
Municipalities**

**Municipal
Legislative
Testimony**

An Instrumentality of Its Member Cities. 112 West Seventh Street, Topeka, Kansas 66603 913-354-9585 Fax 354-4186

To: Senate Committee on Assessment and Taxation
Re: SB 560--Special Motor Vehicle Tax; Phase-In of Local Revenue Loss
From: E.A. Mosher, Executive Director
Date: February 26, 1990

On behalf of the League and its member cities, I appear in support of SB 560, which would phase in the loss of special motor vehicle tax revenue resulting from reduced average countywide tax rates under reappraisal. We would emphasize the following major points:

(1) The bill affects only those local units, and the owners of vehicles therein, within counties where the county average tax rate went down. It would not affect local units or vehicles in other counties.

(2) Absent the passage of a bill like SB 560, some local governments will suffer a significant loss of local revenue.

(3) We do not argue that motor vehicles may now be taxed too high, or too low, but simply observe that when some property pays less, others pay more--a result made abundantly clear during the past year.

(4) The Governor's "Iron Clad Tax Lid" (HB 2700), which will probably pass in some form, does not provide tax lid authority to replace revenue lost from decreased vehicle taxes. Whether it passes or not, most local officials don't look forward to increasing the tax rate on homes and other property so that vehicle owners can get a tax break.

(5) While SB 560 provides for a four-year phase-in of the revenue loss (90-80-70-same), this time frame is of primary significance to governmental units in Johnson County and other counties where the 1989 average tax rate dropped substantially.

(6) In some areas, inflation and the purchase of new and more expensive vehicles will increase the revenue. While this will help, there will still be lost revenue where reappraisal resulted in reduced tax rates.

Attached to my testimony is some background information that may be of interest to you. The first page shows county average tax rates by county for 1988 and 1989 and the percentage change. The first set of data is by county, alphabetically. The second column shows the rate changes by descending order. You will note that there were 28 counties where the rate increased; local units in these counties would not be affected by the bill. There are 38 counties in which the 1989 tax rate decreased, but less than 10%. The 39 counties where the rate reduced at least 10% are shown in the bottom portion of the right hand column.

Senate Assessment and Taxation Committee

February 26, 1990 ATTACHMENT 3

President: Irene B. French, Mayor, Merriam * Vice President: Frances J. Garcia, Mayor, Hutchinson * Directors: Ed Ellert, Mayor, Overland Park * Harry Felker, Mayor, Topeka * Greg Ferris, Councilmember, Wichita * Idella Frickey, Mayor, Oberlin * William J. Goering, City Clerk/Administrator, McPherson * Judith C. Hollinsworth, Mayor, Humboldt * Jesse Jackson, Mayor, Chanute * Stan Martin, City Attorney, Abilene * Richard U. Nienstedt, City Manager, Concordia * Judy M. Sargent, City Manager, Russell * Joseph E. Steineger, Mayor, Kansas City * Bonnie Talley, Mayor, Garden City * Executive Director: E.A. Mosher

The remaining pages shows the calendar 1988 collections (latest available) of motor vehicle taxes, by county, and the distribution therein by type of governmental unit. You will note that total special vehicle taxes in 1988 totaled to \$242.9 million. In 1988, special vehicle taxes were equivalent to 16.6% of total general property taxes levied. The proportion in cities was somewhat higher; vehicle taxes allocated to cities of \$48.9 million in 1988 was equivalent to 21.5% of the general property taxes levied that year by cities.

COUNTY NAME	1988 AVG MILL LEVY	1989 AVG MILL LEVY	PERCENT INCREASE
ALLEN	122.50	129.65	5.0
ANDERSON	104.74	105.97	1.2
ATCHISON	153.33	141.01	(8.0)
BARBER	128.84	106.06	(17.7)
BARTON	135.46	120.55	(11.0)
BOURBON	148.50	135.61	(8.7)
BROWN	132.49	110.02	(17.0)
BUTLER	143.23	124.39	(13.2)
CHASE	109.86	111.23	1.3
CHAUTAQUA	122.35	109.00	(10.9)
CHEROKEE	120.09	100.53	(16.3)
CHEYENNE	116.76	91.48	(21.7)
CLARK	98.91	105.28	6.4
CLAY	125.15	125.80	0.5
CLOUD	146.67	153.76	4.8
COFFEY	43.21	48.44	12.1
COMANCHE	114.70	111.51	(2.8)
COWLEY	147.07	143.02	(2.8)
CRAWFORD	151.47	116.18	(23.3)
DECATUR	109.65	99.09	(9.6)
DICKINSON	123.21	111.35	(9.6)
DOHIPHAM	149.25	126.33	(15.4)
DOUGLAS	159.54	120.58	(24.4)
EDWARDS	118.82	100.15	(15.7)
ELK	127.86	135.41	5.9
ELLIS	131.95	104.95	(20.5)
ELLSWORTH	115.98	123.33	6.3
FINNEY	106.52	108.58	0.1
FORD	149.52	124.85	(16.5)
FRANKLIN	132.98	120.50	(10.1)
GEARY	131.15	113.90	(13.2)
GOVE	103.94	102.34	(1.5)
GRAHAM	130.82	126.55	(3.3)
GRANT	63.07	55.51	(12.0)
GRAY	116.41	115.01	(1.2)
GREELEY	108.65	100.37	(7.6)
GREENWOOD	155.30	145.17	(6.5)
HAMILTON	108.93	96.90	(11.0)
HARPER	128.25	120.45	(6.1)
HARVEY	146.69	135.83	(7.4)
HASKELL	66.74	63.29	(5.2)
HODGEMAN	123.80	126.38	2.1
JACKSON	140.17	114.19	(18.5)
JEFFERSON	131.13	108.66	(17.1)
JEWELL	123.83	120.54	(2.7)
JOHNSON	177.58	106.75	(39.9)
KEARNY	50.21	47.85	(4.7)
KINGMAN	108.22	112.28	3.8
KIOWA	91.66	89.15	(2.7)
LABETTE	149.19	143.77	(3.6)
LANE	120.93	129.72	7.3
LEAVENWORTH	154.34	124.53	(19.3)
LINCOLN	113.81	127.75	12.3
LINE	71.87	69.39	(3.6)
LOGAN	107.52	105.98	(1.4)
LYON	148.58	141.00	(5.1)
MARION	112.04	106.40	(5.0)
MARSHALL	134.22	125.56	(6.5)
McPHERSON	119.30	118.83	(0.4)
MEADE	83.20	93.03	11.8
MIAMI	131.76	112.92	(14.3)
MITCHELL	117.96	121.94	3.4
MONTGOMERY	152.26	142.64	(6.3)
MORRIS	109.28	105.55	(3.4)
MORTON	71.28	70.44	(1.2)
NEMAHA	110.36	94.56	(14.3)
NEOSHO	165.50	163.00	(1.5)
NESS	114.89	114.59	(0.3)
NORTON	137.54	133.63	(2.8)
OSAGE	113.62	105.12	(7.5)
OSBORNE	110.29	120.39	9.2
OTTAWA	108.85	116.01	6.6
PAWNEE	119.69	105.10	(12.2)
PHILLIPS	120.73	129.17	7.0
POTTAWATOMIE	64.03	66.91	4.5
PRATT	126.10	127.11	0.8
RAWLINS	134.53	127.84	(5.0)
RENO	141.08	120.14	(14.8)
REPUBLIC	122.84	126.37	2.9
RICE	110.60	117.06	5.8
RILEY	146.21	125.23	(14.3)
ROOKS	115.41	118.88	3.0
RUSH	117.25	119.10	1.6
RUSSELL	121.70	116.11	(4.6)
SALINE	141.41	119.57	(15.4)
SCOTT	137.37	110.28	(19.7)
SEDWICK	139.95	119.73	(14.4)
SEWARD	126.01	103.61	(17.8)
SHAWNEE	178.34	144.20	(19.1)
SHERIDAN	138.54	107.16	(22.6)
SHERMAN	131.64	105.95	(19.5)
SMITH	129.23	122.65	(5.1)
STAFFORD	128.48	110.69	(13.9)
STANTON	91.06	77.71	(14.1)
STEVENS	39.44	37.40	(5.2)
SUNGER	157.99	127.47	(19.3)
THOMAS	134.32	110.82	(17.5)
TREGO	124.88	116.33	(6.8)
WABAUNSEE	118.05	104.66	(11.3)
WALLACE	95.09	85.45	(10.1)
WASHINGTON	116.81	119.03	1.9
WICHITA	118.48	122.45	3.3
WILSON	116.90	118.31	1.2
WOODSON	114.56	113.42	(1.0)
WYANDOTTE	192.40	151.03	(21.5)
TOTAL	130.40	111.41	(14.6)

SOURCE: DIVISION OF PROPERTY VALUATION, DEPARTMENT

COUNTY NAME	1988 AVG MILL LEVY	1989 AVG MILL LEVY	PERCENT INCREASE
LINCOLN	113.81	127.75	12.3
COFFEY	43.21	48.44	12.1
MEADE	83.20	93.03	11.8
OSBORNE	110.29	120.39	9.2
LANE	120.93	129.72	7.3
PHILLIPS	120.73	129.17	7.0
OTTAWA	108.85	116.01	6.6
CLARK	98.91	105.28	6.4
ELLSWORTH	115.98	123.33	6.3
ELK	127.86	135.41	5.9
RICE	110.60	117.06	5.8
ALLEN	122.50	129.65	5.8
CLOUD	146.67	153.76	4.8
POTTAWATOMIE	64.03	66.91	4.5
KINGMAN	108.22	112.28	3.8
MITCHELL	117.96	121.94	3.4
WICHITA	118.48	122.45	3.3
ROOKS	115.41	118.88	3.0
REPUBLIC	122.84	126.37	2.9
HODGEMAN	123.80	126.38	2.1
WASHINGTON	116.81	119.03	1.9
RUSH	117.25	119.10	1.6
CHASE	109.86	111.23	1.3
WILSON	116.90	118.31	1.2
ANDERSON	104.74	105.97	1.2
PRATT	126.10	127.11	0.8
CLAY	125.15	125.80	0.5
FINNEY	106.52	108.58	0.1
NESS	114.89	114.59	(0.3)
McPHERSON	119.30	118.83	(0.4)
WOODSON	114.56	113.42	(1.0)
MORTON	71.28	70.44	(1.2)
GRAY	116.41	115.01	(1.2)
LOGAN	107.52	105.98	(1.4)
NEOSHO	165.50	163.00	(1.5)
GOVE	103.94	102.34	(1.5)
JEWELL	123.83	120.54	(2.7)
KIOWA	91.66	89.15	(2.7)
COWLEY	147.07	143.02	(2.8)
COMANCHE	114.70	111.51	(2.8)
MORTON	137.54	133.63	(2.8)
GRAHAM	130.82	126.55	(3.3)
MORRIS	109.28	105.55	(3.4)
LINE	71.87	69.39	(3.6)
LABETTE	149.19	143.77	(3.6)
STANTON	81.06	77.71	(4.1)
RUSSELL	121.70	116.11	(4.6)
KEARNY	50.21	47.85	(4.7)
RAWLINS	134.53	127.84	(5.0)
MARION	112.04	106.40	(5.0)
SMITH	129.23	122.65	(5.1)
LYON	148.58	141.00	(5.1)
STEVENS	39.44	37.40	(5.2)
HASKELL	66.74	63.29	(5.2)
HARPER	128.25	120.45	(6.1)
MONTGOMERY	152.26	142.64	(6.3)
MARSHALL	134.22	125.56	(6.5)
GREENWOOD	155.30	145.17	(6.5)
TREGO	124.88	116.33	(6.8)
HARVEY	146.69	135.83	(7.4)
OSAGE	113.62	105.12	(7.5)
GREELEY	108.65	100.37	(7.6)
ATCHISON	153.33	141.01	(8.0)
BOURBON	148.50	135.61	(8.7)
DICKINSON	123.21	111.35	(9.6)
DECATUR	109.65	99.09	(9.6)
FRANKLIN	132.98	120.50	(10.1)
WALLACE	95.09	85.45	(10.1)
CHAUTAQUA	122.35	109.00	(10.3)
BARTON	135.46	120.55	(11.0)
HAMILTON	108.93	96.90	(11.0)
WABAUNSEE	118.05	104.66	(11.3)
GRANT	63.07	55.51	(12.0)
PAWNEE	119.69	105.10	(12.2)
BUTLER	143.23	124.39	(13.2)
GEARY	131.15	113.90	(13.2)
STAFFORD	128.48	110.69	(13.9)
MIAMI	131.76	112.92	(14.3)
NEMAHA	110.36	94.56	(14.3)
RILEY	146.21	125.23	(14.3)
SEDWICK	139.95	119.73	(14.4)
RENO	141.08	120.14	(14.8)
DOHIPHAM	149.25	126.33	(15.4)
SALINE	141.41	119.57	(15.4)
EDWARDS	118.82	100.15	(15.7)
CHEROKEE	120.09	100.53	(16.3)
FORD	149.52	124.85	(16.5)
BROWN	132.49	110.02	(17.0)
JEFFERSON	131.13	108.66	(17.1)
THOMAS	134.32	110.82	(17.5)
BARBER	128.84	106.06	(17.7)
SEWARD	126.01	103.61	(17.8)
JACKSON	140.17	114.19	(18.5)
SHAWNEE	178.34	144.20	(19.1)
LEAVENWORTH	154.34	124.53	(19.3)
SUNGER	157.99	127.47	(19.3)
SHERMAN	131.64	105.95	(19.5)
SCOTT	137.37	110.28	(19.7)
ELLIS	131.95	104.95	(20.5)
WYANDOTTE	192.40	151.03	(21.5)
CHEYENNE	116.76	91.48	(21.7)
SHERIDAN	138.54	107.16	(22.6)
CRAWFORD	151.47	116.18	(23.3)
DOUGLAS	159.54	120.58	(24.4)
JOHNSON	177.58	106.75	(39.9)
TOTAL	\$11.1	130.40	111.41 (14.6)

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Motor Vehicle-taxable valuation and taxes collected under
K.S.A. Chp. 79-Art. 51 as of December 31, 1988
as reported January 15, 1989

COUNTY NAME	State	County	Cities	Townships	Schools	Cemeteries	Drainages	Fire	Hospitals	Improvements	Libraries	Lights	Parks & Recreation	Sewers	Watersheds	All Other	Total Tax	Total Taxable Valuation
Allen	13,624	246,239	202,215	2,033	582,602	1,045	---	7,662	---	---	2,444	---	---	713	1,315	---	1,059,892	9,747,742
Anderson	7,440	177,759	87,161	1,039	261,865	1,283	---	7,523	---	---	1,732	---	---	---	4,684	---	550,486	5,297,462
Atchison	15,181	290,156	318,007	40,556	696,264	3,036	---	8,205	---	---	3,409	---	---	---	11,193	---	1,386,007	10,128,518
Barber	6,710	122,693	109,701	25,298	260,936	2,745	---	1,274	13,476	---	1,641	---	---	---	---	---	544,474	5,148,006
Barton	33,487	293,682	629,314	52,766	1,656,151	4,019	---	1,729	9,802	---	7,281	---	---	---	951	---	2,689,182	24,131,867
Bourbon	13,189	317,547	226,685	2,692	732,472	2,296	---	10,070	---	---	2,576	160	---	---	3,406	---	1,311,093	9,028,574
Brown	9,944	245,217	148,347	45,951	455,715	1,824	---	---	---	---	2,377	---	---	---	3,869	---	913,244	6,829,834
Butler	53,544	633,307	856,921	156,449	2,810,876	16	---	45,977	---	---	12,940	---	---	---	17,947	---	4,587,977	37,800,585
Chase	3,470	92,887	39,261	3,404	113,575	---	15	1,393	---	---	1,420	---	---	---	1,398	---	256,823	2,583,603
Chautauqua	4,217	130,534	63,042	856	123,918	3,361	---	1,029	2,785	---	1,144	---	---	---	2,128	---	333,014	3,097,031
Cherokee	19,541	495,962	188,102	4,237	836,713	---	---	---	---	---	3,973	---	---	---	---	---	1,548,528	13,148,411
Cheyenne	4,125	105,279	33,289	76	170,600	2,958	---	704	---	---	1,201	---	---	---	---	---	318,232	2,905,406
Clark	2,737	44,937	44,903	31	75,299	---	---	650	17,874	---	562	---	---	---	---	---	186,993	2,298,810
Clay	8,529	237,631	142,242	26,041	277,709	2,300	241	3,890	11,771	---	1,987	---	---	---	1	---	712,342	6,053,409
Cloud	9,553	263,879	160,989	2,322	483,833	3,499	21	3,655	---	---	2,401	---	---	---	3	---	929,555	6,811,873
Coffey	5,552	80,026	79,604	1,695	125,105	676	---	2,944	---	---	1,191	---	---	---	946	---	297,639	7,396,788
Comanche	2,683	73,330	58,997	300	88,068	1,000	---	---	---	---	1,952	---	---	---	---	---	226,330	2,308,733
Cowley	33,412	514,317	645,271	58,067	1,785,731	343	---	32,616	---	---	6,686	---	---	---	4,403	404	3,081,250	23,767,624
Crawford	34,184	929,919	656,753	11,785	1,558,506	---	---	21,335	14,099	---	6,867	---	---	---	18	---	3,233,466	22,527,257
Decatur	4,561	90,312	55,598	9,470	157,498	523	---	576	---	---	1,136	---	---	---	---	---	319,774	3,211,111
Dickinson	16,804	296,566	281,559	52,011	740,959	4,114	---	12,817	15,391	---	4,304	---	---	---	2,966	---	1,427,491	12,407,460
Doniphan	7,946	182,760	50,219	10,659	462,223	673	2,186	15,559	---	---	7,431	---	---	---	952	---	740,618	5,181,865
Douglas	73,542	1,597,330	1,560,836	147,777	3,618,955	4,287	2,633	---	---	---	6,824	---	---	---	11,091	---	7,023,275	49,546,913
Edwards	5,033	62,352	68,751	12,547	166,492	3,299	---	---	---	---	865	---	---	---	62	---	319,401	3,336,855
Elk	3,091	97,834	50,320	135	100,317	3,981	---	1,224	---	---	817	---	---	---	1,641	---	259,360	2,304,274
Ellis	25,223	442,964	491,874	208	1,170,265	---	---	4,328	---	381	5,182	---	---	---	---	---	2,140,425	19,312,331
Ellsworth	6,094	81,599	84,495	12,155	245,349	173	---	2,444	---	---	1,850	---	---	---	55	---	434,214	4,743,751
Finney	27,060	426,473	331,770	2,252	1,389,515	---	1,203	---	---	---	---	---	---	1,083	949	---	2,180,305	22,250,527
Ford	26,377	380,525	533,353	27,891	1,419,606	1,172	---	18,937	26,479	1,194	3,100	---	31,595	---	5,580	---	2,477,827	18,484,210
Franklin	21,399	520,270	379,043	6,953	938,338	4,203	1,406	2,782	---	---	5,693	---	---	---	1,664	---	1,881,751	14,430,161
Geary	19,818	428,200	396,429	1,505	504,290	1,942	---	8,420	---	---	3,237	---	---	42	390	41	1,364,314	13,266,891
Gove	3,973	68,251	34,668	749	154,710	---	---	126	---	---	1,488	---	---	---	---	---	263,965	2,855,492
Graham	4,133	141,036	46,454	935	153,570	258	---	1,321	---	---	---	---	---	---	---	---	347,707	3,021,597
Grant	7,819	115,250	93,017	---	152,912	1,459	---	---	---	---	---	---	---	---	---	---	370,457	6,775,002
Gray	6,657	171,394	58,526	4,972	280,768	---	---	849	5,732	---	795	---	---	---	640	---	530,333	4,728,528
Greeley	2,040	36,798	32,278	---	60,320	311	---	148	---	---	---	---	---	---	---	---	131,895	1,656,000
Greenwood	7,465	219,474	117,513	22,930	364,550	830	---	3,145	---	---	1,622	53	---	---	3,192	---	740,774	5,774,000
Hamilton	3,188	110,119	24,766	930	98,131	385	---	572	---	---	---	---	---	---	2	---	238,093	2,000,000
Harper	7,803	154,322	111,739	169	341,750	2,698	---	---	31,105	---	1,672	---	---	---	---	---	651,258	5,700,000
Harvey	28,498	422,209	617,527	47,081	1,453,947	1,002	2,552	1,469	---	---	4,131	---	---	---	3,771	---	2,582,187	19,961,866
Haskell	4,225	47,129	90,943	---	106,507	461	---	---	10,430	---	691	---	---	---	---	---	260,386	4,150,831
Hodgeman	2,973	102,030	18,701	---	126,489	1,048	---	1,474	---	---	---	---	---	---	4,964	---	257,679	2,101,618

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Motor Vehicle taxable valuation and taxes collected under
K.S.A. Chp. 79-Art. 51 as of December 31, 1988
as reported January 15, 1989

COUNTY NAME	State	County	Cities	Townships	Schools	Cemeteries	Drainages	Fire	Hospitals	Improvements	Libraries	Lights	Parks & Recreation	Sewers	Watersheds	All Other	Total Tax	Total Taxable Valuation
Jackson	10,706	459,946	88,111	---	402,336	10,377	---	14,394	454	---	---	---	---	---	5,462	---	991,786	7,286,914
Jefferson	17,840	464,974	99,167	8,776	812,547	10,441	1,487	37,938	---	2,060	6,149	---	---	50	8,146	---	1,469,575	12,016,739
Jewell	4,264	143,616	48,979	469	206,439	1,425	---	270	---	---	1,835	---	---	---	---	---	407,297	3,041,727
Johnson	618,333	6,403,874	9,200,074	31,061	38,191,853	3,853	15,888	794,051	---	---	1,323,522	---	950,585	---	---	---	57,533,094	391,826,678
Kearny	4,155	50,830	61,031	41	61,574	473	---	837	---	---	---	---	---	---	93	---	179,034	4,007,740
Kingman	7,986	159,659	127,082	35,440	320,796	305	---	435	259	---	2,414	---	---	---	8	---	654,384	6,919,646
Kiowa	4,161	62,896	46,874	---	122,588	3,674	---	355	---	---	---	---	---	---	---	---	240,548	3,308,224
Labette	20,538	424,458	397,397	6,642	1,111,730	6,658	32	---	---	---	3,242	---	---	---	5,589	---	1,978,529	13,992,107
Lane	3,298	68,293	24,085	322	123,012	1,301	---	531	---	693	---	---	---	---	4,057	---	225,642	2,398,966
Leavenworth	54,296	1,224,710	873,989	151,615	2,721,738	164	495	1,954	---	---	18,337	---	---	---	---	---	5,047,298	35,961,197
Lincoln	3,473	117,308	39,195	421	95,459	118	---	4,531	---	---	1,409	---	---	---	1,127	---	263,491	2,537,885
Linn	7,962	131,361	64,516	4,115	224,189	1,265	---	2,991	---	---	4,509	100	---	---	6	---	441,014	6,658,416
Logan	3,514	62,390	61,250	4,854	132,261	---	---	1,132	---	---	951	---	---	---	---	---	266,352	2,660,693
Lyon	31,617	685,147	661,356	3,800	1,392,585	38	---	11,759	---	---	9,383	---	566	---	4,034	---	2,800,285	21,683,596
Marion	11,581	279,553	180,074	1,376	444,057	1,117	---	6,056	14,929	1,125	3,886	---	---	---	2,829	---	946,583	8,466,677
Marshall	11,618	346,805	201,139	39,783	474,076	2,877	---	2,723	---	---	2,983	---	---	---	2,108	---	1,084,112	8,114,427
McPherson	25,747	435,338	433,931	46,083	1,075,597	2,032	---	18,440	---	---	5,081	---	---	---	1,040	225	2,043,514	19,094,514
Meade	4,093	45,379	85,759	7,048	110,505	715	27	639	8,490	---	1,097	---	---	---	---	---	263,752	3,910,968
Miami	27,434	607,018	226,283	5,197	1,275,622	3,574	---	15,630	---	---	20,285	1,579	---	---	1,276	1,467	2,185,425	18,243,646
Mitchell	7,546	201,879	120,769	12,269	250,091	1,740	---	2,583	---	---	1,927	---	---	---	697	---	599,501	5,375
Montgomery	33,646	645,835	613,458	2,569	2,002,416	3,745	784	13,468	---	---	6,435	---	---	---	---	---	3,322,738	24,271
Morris	6,224	157,353	70,697	534	198,128	2,750	---	3,258	---	105	1,958	---	---	---	1,069	---	442,076	4,412,020
Morton	3,837	66,512	56,643	---	80,661	3,463	---	---	---	---	---	---	---	---	---	---	211,116	3,525,590
Nemaha	11,056	220,783	112,272	32,226	375,883	2,741	---	4,450	150	---	2,812	---	---	38	---	---	765,316	7,545,484
Neosho	16,939	336,413	233,108	6,094	967,991	4,960	---	---	---	---	2,271	---	---	---	1,884	---	1,569,650	11,548,765
Ness	4,887	77,826	86,793	1,743	181,091	---	---	94	33,356	---	1,137	---	---	---	2,561	---	389,488	3,826,764
North	5,283	166,371	106,403	446	228,315	1,542	---	3,278	---	---	1,273	---	---	---	---	---	512,911	3,903,430
Osage	16,362	322,658	187,526	66,689	534,382	8,426	---	37,769	---	---	4,389	---	---	---	1,856	---	1,180,057	11,159,560
Osborne	4,910	98,468	104,069	10,288	171,700	1,081	---	2,074	---	---	1,734	---	---	---	3	72	394,399	3,747,899
Ottawa	6,146	184,306	73,332	9,257	189,640	7,477	---	2,288	---	---	2,511	289	---	---	696	---	475,942	4,415,292
Pawnee	7,318	100,822	158,748	20,067	302,880	1,862	---	---	---	---	---	---	---	---	2,868	---	594,565	5,609,794
Phillips	6,233	175,558	93,605	438	207,208	260	---	2,108	---	---	2,351	---	---	---	---	---	487,764	4,635,441
Pottawatomie	11,836	140,811	136,403	4,475	424,045	390	394	10,153	2,323	---	3,536	---	3	---	2,446	316	737,128	12,511,295
Pratt	11,065	186,411	110,627	2,441	495,946	171	---	---	---	---	---	---	---	---	---	---	806,661	8,212,880
Rawlins	3,793	102,104	27,704	2,309	166,812	11	---	766	---	---	---	---	---	---	---	---	303,499	2,703,858
Reno	62,652	859,220	697,485	90,151	3,665,516	1,331	1,094	122,704	---	---	122,392	---	---	2,766	2,088	485	5,627,884	42,736,172
Republic	6,987	227,727	95,337	268	253,534	4,002	303	7,119	---	---	2,461	---	---	---	2	---	597,740	4,955,799
Rice	10,782	193,795	154,817	19,553	356,884	1,202	11	15,135	2,771	---	2,259	---	---	---	1,173	---	758,382	7,711,111
Riley	38,831	611,030	660,685	37,511	1,972,740	3,269	15,577	---	---	---	6,668	---	---	---	1	---	3,346,312	25,111,111
Rooks	6,282	124,379	118,289	3,537	213,577	2,944	---	306	9,424	---	---	---	---	---	---	---	482,440	5,011,111
Rush	3,898	97,447	58,510	4,322	124,199	---	2,656	---	---	1,383	---	---	---	---	---	1,422	293,837	2,970,179
Russell	9,203	171,740	213,458	19,085	408,051	792	---	6,364	---	---	2,626	---	---	---	11	---	831,330	7,276,663

3-5

Motor Vehicle-taxable valuation and taxes collected under
 K.S.A. Chp. 79-Art. 51 as of December 31, 1988
 as reported January 15, 1989

COUNTY NAME	State	County	Cities	Townships	Schools	Cemeteries	Drainages	Fire	Hospitals	Improvements	Libraries	Lights	Parks & Recreation	Sewers	Watersheds	All Other	Total Tax	Total Taxable Valuation	
Saline	51,689	723,646	1,027,211	1,382	2,681,791	1,211	---	18,643	---	---	124,181	---	---	---	---	5	4,629,759	36,075,577	
Scott	6,609	133,778	145,827	256	266,407	---	---	606	---	---	---	---	---	---	49	---	553,532	5,175,809	
Sedgwick	439,995	5,785,764	8,769,780	180,324	21,647,499	9,810	9,417	640,186	---	19,140	37,063	---	---	48,009	12,625	---	37,599,612	301,980,663	
Seward	17,397	206,036	365,877	220	918,032	744	---	1,959	---	---	1,021	---	---	---	---	---	---	1,511,286	14,535,093
Shawnee	182,325	4,099,775	2,967,724	601,714	9,469,032	575	46,590	128,870	---	---	429,695	---	---	---	11,770	467,496	18,405,566	116,828,845	
Sheridan	3,376	91,912	58,924	290	154,909	469	---	2,260	---	---	1,343	---	---	---	---	---	---	313,483	2,557,541
Sherman	7,154	168,749	120,281	---	400,987	---	---	3,157	---	---	1,668	---	---	---	---	---	---	701,996	5,165,033
Smith	5,400	173,270	64,210	685	232,524	425	---	---	---	---	2,013	---	972	---	---	25	479,524	3,851,011	
Stafford	5,790	102,299	99,129	20,667	205,664	3,734	---	3,192	15,515	---	1,678	---	---	---	---	---	---	457,668	4,467,889
Stanton	3,393	68,550	29,290	---	86,106	1,131	---	525	---	---	---	---	---	---	---	---	---	188,995	2,600,654
Stevens	5,388	60,280	75,987	---	76,012	978	---	---	---	---	---	---	---	---	---	---	---	218,645	5,305,252
Sumner	22,821	601,710	515,996	86,876	1,177,497	5,866	---	19,061	4,272	---	4,823	---	---	---	9	30	2,438,961	16,549,804	
Thomas	8,739	117,460	103,292	16,799	522,191	4,003	---	3,179	---	---	1,930	---	---	---	---	---	---	777,593	6,127,458
Trego	3,827	102,062	72,592	517	111,887	---	---	2,058	---	---	---	---	---	---	---	---	---	292,943	2,961,891
Wabaunsee	6,934	161,321	66,266	41,352	262,070	2,071	---	2,159	---	5,538	---	---	---	671	5,526	3,014	556,922	4,855,931	
Wallace	2,284	72,811	16,157	414	79,398	---	---	467	---	---	750	---	---	---	---	---	---	172,281	1,594,644
Washington	6,525	171,995	90,587	21,710	237,543	1,641	---	4,167	2,548	---	2,729	---	---	---	64	75	539,584	4,706,938	
Wichita	3,057	76,837	43,132	---	114,716	782	---	303	---	---	---	---	---	---	---	4	---	238,831	2,319,650
Wilson	9,403	264,423	106,406	549	352,754	3,310	---	2,338	---	268	1,913	---	---	---	906	---	742,270	6,627,647	
Woodson	3,748	110,999	53,743	77	118,822	2,449	---	794	---	---	945	208	---	---	1,261	---	293,046	2,700,000	
Wyandotte	149,927	2,947,198	6,646,398	10,392	7,136,434	---	23,107	---	---	---	27,580	---	---	---	---	---	---	16,941,036	98,000,000
TOTAL	2,710,957	45,374,376	48,871,022	2,474,466	136,626,318	206,985	130,137	2,211,577	253,435	31,887	2,327,777	4,198	985,614	53,372	180,224	473,655	242,916,000	1,859,879,964	

February 26, 1990

Mr. Chairman
Members, Senate Senate Committee on Assessment and Taxation

Re: SB-560 (Reading time -- 3 minutes)

My name is Neale Peterson. I am -- and have been for many more years than I care to remember -- Mayor of the City of Fairway in Johnson County.

Confident in doing so without their prior approval, I am here today to appear in support of Senate Bill 560 on behalf of the recently restless property taxpayers in Fairway. Also -- at their specific request -- on behalf of five of our neighboring cities. One of which is Roeland Park, whose Mayor, Judy Katz, is here with me today.

To recognize our critical and unique need for this particular piece of legislation -- it is necessary for one to know something of our demographics. So, let me briefly tell you that Fairway is a small, fully-developed, land-locked, and mostly all-residential community of about 5,000 historically peaceful souls. We are located just over the state line from the Plaza in Kansas City, MO. Although differing somewhat in population, the other five cities have these same kind of characteristics.

Now that the lessons in geography and sociology are over, the question in your minds just has to be -- "OK, fella, so what's your problem?"

Well, go along with me for a minute, if you will. Try to imagine yourself in a little four-part scenerio I'd like to paint for you:

1. In exercise of good faith -- you budgeted in accord with both the intent and the letter of the tax lid by NOT padding your '89 budget AND by levying the same property tax dollars for '90. A little pinch here, a little pinch there, and delaying plans for a needed infrastructure project made that all possible. The effort even became palatable when feedback from an explanatory letter mailed to all the residents was unanimously positive.
2. Near year-end, you (and all other taxing entities in your County) were shocked when someone found out and advised you that as a fall-out of reappraisal from K.S.A. 79-5105, you are going to have a critical shortfall of revenue as you budget for '91.
3. Soon thereafter, an extension of that tax lid, in some form, became imminent.
4. Now you have a dilemma on your hands. What do you do?

So much for an imaginary scenerio, because for Fairway and those I represent, it is neither an imagination, nor even a prophecy. It is a harsh reality, which will befall us if SB-560 fails to pass! If you doubt that, please recall our demographics, which preclude any growth of our tax base. Also, please know that we have previously exhausted all the other statutory opportunities afforded us for additional sources of revenue. And, the projections provided to our six cities by the County, predict shortfalls ranging from 9% to 24% of the total property tax levied for 1990. Speaking for Fairway alone -- although it may strike you as facetious -- our only options are (and have been for some time) to increase the cost of dog licenses and to forego the modest COLA increases deserved by all our dedicated employees.

In closing, I implore you to pass SB-560 and afford us an opportunity to cope with the shortfall by phasing it out. In analogy -- let us eat this loaf of bread in three slices, rather than the whole loaf in one oversized bite. Adoption of SB-560 would provide us with the latitude to manage the situation in the business-like manner expected by our taxpayers.

The only option suggested by some of your peers, is that we should explain to our constituents that lower taxes on automobiles will offset their property taxes. Even if it should do so equitably for all, I humbly submit that any effort to "educate" them in that way is merely wishful thinking and will simply not fly. Another suggestion is that we cut back services. In cities like us, that is not possible when the only services provided are basic to the mandated health and safety of our residents, such as snow removal and law enforcement.

If any of you have other suggestions, or any doubt or questions about our need for this Bill -- I urge you to speak up. We would certainly welcome your advice.

TESTIMONY TO SENATE ASSESSMENT AND TAXATION COMMITTEE

REGARDING SENATE BILL 560

ART DAVIS, ASSISTANT TO THE CITY ADMINISTRATOR

LENEXA, KANSAS

FEBRUARY 26, 1990

Mr. Chairman and Members of the Committee:

I am Art Davis, Assistant to the City Administrator for the City of Lenexa, a City of 33,000 residents located in Johnson County. I am representing the Lenexa Governing Body to voice their support for Senate Bill 560. I would also add that the Lenexa Chamber of Commerce is in full support of Senate Bill 560.

Specifically, we are asking for relief with respect to a projected revenue shortfall in 1991 of approximately \$533,000 as a result of the effect of reappraisal on the motor vehicle tax.

Reappraisal was sold to local governments as a process that would be revenue neutral. Lenexa, along with other local units of government including school districts, community colleges, the county library system, Johnson County Parks & Recreation, etc., cannot possibly take a loss of this magnitude without either cutting services or finding alternative revenue sources, i.e. ad valorem property taxes. One alternative would be if the state authorized cities a local option sales tax which could allow local units of government to reduce their reliance on property taxes as well as offset the projected revenue decreases in motor vehicle taxes.

Lenexa supports this proposed phase out through 1994. If a phase out is not accomplished, and/or some type of replacement revenue identified, Lenexa

will most likely be forced to increase ad valorem property taxes to offset the decrease. The motor vehicle tax is a completely different revenue and tax for local units of government in addition to the ad valorem property tax. Yet, it is a component of reappraisal and ad valorem property taxes since the existing formula is tied to the average county mill levy. By the Legislature taking no action on this bill, it in effect necessitates that local units of government make this revenue source up from property taxes, which will adversely affect several groups of individuals.

1. Senior citizens/low income families and families on fixed income who are property owners (providing they do not have vehicles or own vehicles of relatively small value). These individuals/families most likely receive little benefit from a decrease in motor vehicle property taxes but would incur a substantial burden in increased property taxes. Also, many older homes in Johnson County have been assessed higher valuations due to reappraisal.
2. Business Community. The business community was hit hard as a result of the recent reappraisal/classification process and will benefit little from the decrease in motor vehicle taxes (with a few exceptions), yet might be forced to incur increased property taxes.

These added burdens alert us to a basic change in taxing philosophy if the state legislature does not assist local units of government in dealing with this motor vehicle personal property tax glitch in some manner.

Finally, I would state that as local governmental units begin assessing increased ad valorem property taxes to offset the decrease in revenues, the following year will bring about an increased average county mill levy that will automatically increase the motor vehicle property taxes similar to their

previous levels. In effect, by not assisting local governments to deal with this glitch might well amount to a double tax increase.

I urge this Committee to support Senate Bill 560. The phase out will substantially assist local units of government to deal with this revenue short fall, allowing us to possibly avoid any further property tax increases. Mr. Chairman and members of the Committee, thank you for allowing me to speak today and I would be pleased to answer any questions you might have.

A-16
2-90

TESTIMONY

2/26/90

SENATE ASSESSMENT & TAXATION COMMITTEE
KANSAS LEGISLATURE

My name is Mary Birch. I am President of the Overland Park Chamber of Commerce and stand before you today, representing the business community in Overland Park.

The Overland Park Chamber of Commerce supports SB 560 pertaining to taxation of motor vehicles. It addresses one of the top legislative priorities of our organization in 1990.

Reappraisal/Classification quite obviously has had a dramatic impact in Johnson County. Unfortunately, this impact was not a one year occurrence. In essence there is still more to come.

This year, the results of both reappraisal and classification shifted about \$27 million of tax liability. Approximately \$22 million of that shifted to commercial property. Increases of 50 to 500% have already been incurred by commercial real estate.

Page 2.

Subsequently, as reported last week, Johnson County has an average effective commercial rate of 3.2%. And averages, as we know, indicate that some are lower and some are higher! We have had base employers (National Headquarters) in the service sector threaten to move out of the state and small businesses close up. Office rental rates have increased 80c to \$2.00 per square foot, some even more. We are at a decided competitive disadvantage with neighboring states to attract further business growth or even keep what we have. As one landlord told me the other day, to compete in the Kansas City market today, "It's like someone put a 100 pound weight around our necks and tied our hands behind our backs and said 'Go to it, Survive.'"

The reappraisal and classification issue in itself is a critical one and attempts are being made from everywhere to address it.

However, to exacerbate this catastrophic situation, we now face the motor vehicle problems. This year, automobiles in Johnson County will be assessed at the county mill average of approximately 177 mills. Next year they will be assessed at an average rate of approximately 106 mills. That translates into a loss to local units of government of another \$27 million. Therefore, another shift to real estate is going to occur. Considering the existing percent locked into the constitution with commercial at 30% and other classes much lower, commercial real estate once again is going to carry the major portion of the shift.

Page 3.

The business community is here to tell you we can't take it. Another 5 - 10 mill increase in property taxes will kill us. The effective rate will go up again. The residents get a one year break and then their homes go up.

The shift is too much for us to absorb at one time. Phasing it in will give us a little time for adjustment, absorption and natural growth (maybe) to help us out.

We realize this is not as critical a situation in other counties, but it threatens the very survival of Johnson County as a viable economic entity in the State of Kansas. We also realize how popular this issue is with the residential community, but there will be no residential community if there is no business community.

THE CITY OF WICHITA



DEPARTMENT OF FINANCE
OFFICE OF DIRECTOR
CITY HALL — THIRTEENTH FLOOR
455 NORTH MAIN STREET
WICHITA, KANSAS 67202
(316) 268-4434

February 26, 1990

The Honorable Dan Thiessen, Chairperson
Committee on Assessment and Taxation
Senate Chambers
State Capitol
Topeka, Kansas 66612

Dear Senator Thiessen:

Senate Bill No. 560 amends current law to mitigate the adverse impacts of reappraisal on motor vehicle property tax revenues in 1991. Motor vehicles are taxed at a rate derived from the average county tax rate (current general property taxes certified by all taxing subdivisions in the county divided by the county assessed valuation). In many Kansas counties, assessed valuation increased significantly in 1989. This increase has resulted in corresponding decreases in the 1989 average county tax rate, which will be used to calculate motor vehicle property taxes in calendar year 1991 (the time lag is due to administrative reasons involving the State Department of Revenue and the various county clerks). Senate Bill No. 560 phases the decline in the average county tax rate resulting from reappraisal over three years:

1. In 1991, the county average tax rate would be no less than 90 percent of the 1989 rate.
2. In 1992, the county average tax rate would be no less than 80 percent of the 1989 rate.
3. In 1993, the county average tax rate would be no less than 70 percent of the 1989 rate.
4. In 1994, the county average tax rate would be computed the same as under current law.

The average county tax rate declined from 139.95 to 119.73 mills, a decrease of 20.22 mills or 14.45 percent. The statewide average declined from 130.40 to 111.42 mills, a decrease of 18.98 mills or 14.6 percent.

The Honorable Dan Thiessen, Chairperson
Committee on Assessment and Taxation
February 26, 1990
Page 2

For Sedgwick County and Wichita, the net effect of Senate Bill No. 560 would be to spread the loss in motor vehicle property tax revenues over a two year period. Without enactment of Senate Bill No 560, the City of Wichita would lose approximately \$1.1 million in 1991. With passage of the bill, the City would lose about \$830,000 in 1991 and the remaining \$470,000 in 1992.

If the Legislature cannot enact a proposal to maintain the effective tax rate on motor vehicles which would eliminate revenue losses, Senate Bill No. 560 at least mitigates the damage to local governments.

A new tax lid could eliminate the margin under the existing lid to levy additional property taxes. Therefore, local units could not increase general property taxes to offset motor vehicle property tax lost revenues--unless the new tax lid exempts levies needed to offset motor vehicle property tax losses. Some municipalities may not have the capacity to shift the lost motor vehicle property tax revenues to the general property tax within their current tax lid. Therefore, new statutory language would be required to permit municipalities to shift motor vehicle property tax losses to the general property tax.

Sincerely,



John Moir
Director of Finance

JM/gf



Overland Park

TESTIMONY BEFORE
SENATE COMMITTEE ON ASSESSMENT & TAXATION

FEBRUARY 26, 1990

Good morning, Chairman Thiessen, members of the Senate Assessment and Taxation Committee, my name is Alan Sims, Assistant to the City Manager, representing the City of Overland Park. I appear before you today in support of Senate Bill 560.

As you are aware, motor vehicle taxes collected by counties and distributed to cities are based on the county average tax rate. As a result of reappraisal, the assessed valuation in Johnson County increased 89 percent, which resulted in a reduction in the mill rate of more than 40 percent. When that reduced county average rate is applied to the special vehicle valuation, the motor vehicle tax collected will decrease significantly. As indicated by the attached estimate, the fiscal impact to the City of Overland Park is about \$1.2 million.

Motor Vehicle Revenue Shortfalls, proposal No. 9, was a topic for discussion during the 1989 interim study session. The charge given to the special committee on Assessment & Taxation was to study the impact of reappraisal and classification on motor vehicle taxes and make recommendations to alleviate the anticipated large shortfalls therefrom. Senate Assessment and Taxation Committee
February 26, 1990 ATTACHMENT 8

The Special Committee concluded that lower mill levies would cause reductions in motor vehicle taxes, but the mill levies would not be affected until calendar year 1991. By then, the committee further concluded that local units would have the time to charter out of the new tax lid or turn to other revenue sources. Some members of the committee also suggested that local governments cut services to offset the loss in revenue.

It is our belief that the suggestion to cut services is merely a slap in the face to those local units of government that committed themselves to hold the line on spending and kept property taxes down. I call your attention to the results of the special audit requested by the Legislative Division of Post Audit into the effectiveness of property tax limitation enacted in response to statewide reappraisal. The City of Overland Park was cited as having increased its budgeted levies by less than one percent for 1988-89. Even officials from the Hayden administration have been quoted saying Overland Park was one of the best in adhering to the letter and spirit of the law.

Having to cut \$1.2 million poses a real and actual threat to the City of Overland Park's ability to deliver public safety services -- police, fire, and emergency services to the community. For instance, a major portion of the Overland Park police and fire budgets is comprised primarily of personnel costs. If the \$1.2 million reduction were split between these two important services,

it would mean the loss of 15 police officers and 18 firefighters. The aggressive approach that we have taken in the war on drugs and drug abuse, i.e., education programs in the schools, drug investigations and enforcement, would have to be curtailed. Response times would suffer and an entire crime prevention unit would be sacrificed.

In the fire district, the removal of 18 firefighters would force two engine truck companies out of service, as well as the elimination of the only hazardous materials response team in the county. Such a cut would inevitably mean higher property insurance premiums for home and business owners.

As to the recommendation to charter out from under a new tax lid and raise taxes to compensate for the loss, we question the merit of placing an additional burden on taxpayers, some of which have already experienced 200, 300 and 400 percent increases. It is also our understanding that the new tax lid would be "ironclad," meaning any such increases in property taxes would be prohibited. If that is the case, then we are forced once again to consider the previously mentioned undesirable alternative of cutting services.

We readily embrace and welcome the committee's recommendation to turn to replacement sources of revenue. However, in the absence of alternative sources of revenue, we submit to you that the phase-in provision of SB 560 are the best approach because it would provide a much-needed transition period to allow local

governments an opportunity to adjust to this significant loss in revenue.

We thank you for this opportunity to appear in support of SB 560.

TESTIMONY TO THE SENATE ASSESSMENT AND TAXATION COMMITTEE
ON SENATE BILL 560

LINTON BARTLETT, CITY OF KANSAS CITY, KANSAS

The City of Kansas City supports Senate Bill 560 and appreciates this opportunity to express our opinion on this important legislation.

Motor vehicle property taxes are based on the average county mill levy rate in the preceding year. Due to reappraisal and classification, the assessed valuation in Wyandotte County has increased, which in turn means that the average county mill levy rate decreased. Therefore, the City's revenue from motor vehicle property taxes will decrease as the county-wide average mill levy rate also decreases.

The current estimated 1989 tax year assessed valuation for all of Wyandotte County totals \$601,874,334. This represents a 42 percent increase from the September 1988 valuation. Estimated assessed valuation for the City of Kansas City, Kansas alone has increased from \$388,985,268 to \$545,092,169 -- a 40 percent increase.

Based on the latest numbers available, the average tax rate in Wyandotte County has decreased by 21.5 percent. The mill levy for the City of Kansas City decreased from 77.201 to 57.201 or a 26.0 percent reduction. A reduction at the average county mill levy rate of 21.5 percent would result in lost revenue of approximately \$2.0 million to the City of Kansas City in 1991. To illustrate what that amount of money means to the City, \$2.0 million is approximately the amount budgeted for 1990 to run the City's emergency medical services program. To lose that amount of revenue would have a substantial adverse impact on an already tight budget. In the 1990 budget motor vehicle property taxes account for 6.0 percent of the annual cash-basis revenue collections for the City. With a proposed loss of \$2.0 million the City would see a revenue reduction of approximately 2.0 percent in one year.

Given these circumstances, the City's 1990 Legislative Program supported legislation which would hold cities harmless from this potential loss in motor vehicle property tax revenue. Since there was little or no support for such legislation, the phase-in approach contained in Senate Bill 560 is crucial so that the City's annual operations budget does not have to absorb a \$2.0 million revenue loss in one year. This phase-in period would give the City time to adjust its expenditures to meet the declining motor vehicle tax revenues or to raise replacement revenue from other permitted revenue sources.

In a budget where sales tax revenues are showing little or no growth and property tax revenues are closely controlled by the City Council, the opportunity to phase-in the significant loss in motor vehicle property tax revenue would help minimize any potential impact on needed programs and services.

Therefore, the City of Kansas City respectfully asks the Senate Assessment and Taxation Committee to act favorably on Senate Bill 560. The bill provides a reasonable solution to a potentially major budgetary problem for many local units of government in Kansas.

Thank you for the opportunity to express our opinion on this bill.

Senate Assessment and Taxation Committee
February 26, 1990 ATTACHMENT 9



CITY OF OLATHE

MEMORANDUM

TO: Members of the Senate Committee on Assessment and Taxation
FROM: Donald R. Seifert, Planning and Development Director
SUBJECT: Senate Bill No. 560, Motor Vehicle Tax
DATE: February 26, 1990

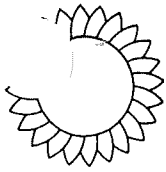
On behalf of the Olathe City Council, thank you for the opportunity to speak today in support of SB 560. This bill would phase in the loss of motor vehicle tax revenue that will occur in 1991 and later years for local government units in counties which experienced valuation increases following statewide reappraisal. As the Committee knows, Johnson County experienced the largest valuation increase in the state. The County also had the largest percentage decline in its average mill levy. For this reason, this issue is particularly important to us.

For 1990, the motor vehicle tax represents 20% of the general property tax levied to support the City of Olathe's library, debt service, and general operating funds. Under current law, we project the loss of approximately \$760,000, or a 40% decline in motor vehicle tax revenue to support our city's 1991 budget. This is an extremely large decrease to absorb in one budget year.

It will be difficult, if not impossible, to simply cut spending, increase other revenues, or shift a loss of this magnitude to real estate. Depending on the outcome of this legislative session, our city may or may not have the authority to examine other revenue sources. Shifting the motor vehicle loss to real estate will further aggravate the difficult tax situation we are all experiencing concerning property owners. We strongly believe the motor vehicle tax provides a critically needed balance to the mix of revenue sources available to local government.

We are aware that many people object to the current level of motor vehicle property taxes in Kansas. With a large population of new residents, we frequently hear in Olathe these same complaints of high vehicle taxes, usually from people that have moved here from a high real estate but low vehicle tax state. However, we all must recognize that the motor vehicle loss must be made up somewhere to provide the services expected by our citizens.

We would urge the Committee to favorably recommend this bill. SB 560 will allow our municipal budget a few years to gradually adjust to this serious revenue loss.



FEBRUARY 26, 1990

HEARING ON SENATE BILL 560

SENATE ASSESSMENT AND TAXATION COMMITTEE

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 and appearing in support of Senate Bill 560.

Senate Bill 560 offers a solution to a problem created due to the reappraisal process relative to the rate of tax for motor vehicles. The tax rate for motor vehicles is based on the average county mill levy, which in Johnson County was reduced approximately 40% after reappraisal. For the County government alone, this equates to over \$4. million dollars in lost revenues in 1991. For all taxing units within the county the total amount will be over \$27 million. Senate Bill 560 offers a phase in approach to the revenue loss that at least will provide us the time to adjust over a period of years, rather than having it impact in one year.

During the 1989 Legislative Session local governments were assured that it was not the intent of the Legislature to reduce revenues in this manner and that it would only take a technical "clean-up" bill in 1990 to take care of it. Some time after the Legislature adjourned, this seemed to change in some minds and the motor vehicle tax rate began being described as a tax reduction resulting from reappraisal. We contended during the Interim Study that it was not a tax reduction but rather a tax shift, because the only way that the revenue loss could be recovered was with increased property tax. Further, as property tax increased to cover the shortfall, this would automatically push up the motor vehicle rate, thus making it a tax increase in the long run.

This all held true until the "Iron Clad" tax lid came on the scene. If that concept, or anything similar to it, is adopted we will have only two recourses, cut services or place higher user fees on them. Over the last twenty years in Johnson County we have believed that the quality of life that has been provided by the local units has greatly influenced the growth and development of the area. We now contend that if we are forced to cut back on the key factors creating that level of quality it will have a direct effect

Senate Assessment and Taxation Committee

on our future. Further, if we are compelled to initiate or increase fees for emergency medical service, parks, libraries only to mention a few, the effect will be felt most by those in the lower income or fixed income category.

In the past few years Johnson County along with other local governments, has had to deal with many revenue problems, including the end of Federal Revenue Sharing. In addition we have experienced numerous mandates from the federal and state levels, such as increases in the cost of the judicial system, a corrections system that required the building and operation of a new jail and additional requirements in the area of wastewater treatment. All of this while the elderly population continues to grow rapidly and require increased services necessary to maintain their well being.

When reappraisal and classification were adopted by the Legislature the local units were guaranteed it was to be revenue neutral, in the Governor's message to the Legislature this year it was again mentioned that reappraisal was revenue neutral. As we face the loss of over \$4 million dollars, it is difficult to understand how that can be called revenue neutral. We are not asking that the motor vehicle taxes be raised or that they even remain at the current level permanently. We are only asking that we be given the opportunity to phase the loss into our budgets so that we will have the opportunity to devise workable solutions to the problem. We need the help of this committee, we urge you to send Senate Bill 560 to the full Senate recommended for passage.



SEDGWICK COUNTY, KANSAS

INTERGOVERNMENTAL COORDINATOR

WILLIE MARTIN

COUNTY COURTHOUSE • SUITE 315 • WICHITA, KANSAS 67203-3759 • TELEPHONE (316) 268-7552

To: Senate Committee on Assessment and Taxation
Re: Senate Bill 560-Special Motor Vehicle Tax
From: Willie Martin, Sedgwick County
Date: February 26, 1990

Mr. Chairman and members of the Committee thank you for this opportunity to testify on Senate Bill 560.

Kansas counties are more highly reliant on property tax than cities due to our lack of diversified revenues. Any shift in taxes without replacement revenue may require a cut in services or additional property taxes. The phase in proposed in this legislation would allow municipalities the opportunity to plan for and make appropriate shifts within their budgets. Voters are not receptive to large shifts in either services or taxes. Senate Bill 560 provides a method of adjustment which we feel would be in the best interest of all concerned.

The need for motor vehicle tax strongly relates to the county services it helps to support. The Sheriff's department and the road and bridge fund are basically non-revenue producing operations and the largest portion of the budget for Sedgwick County. Counties do not receive revenue from road violations even though enforcement of the law is provided by the Sheriff. Motor vehicle tax in some measure supports these auto related functions. Without motor vehicles the majority of service provided by the Sheriff's road patrol and the need for continual road and bridge maintenance and construction would be unnecessary. Funding from the motor vehicle tax is, in large measure, service related across the state regardless of county size and population.

Sedgwick County supports Senate Bill 560 and respectfully request that your Committee give it favorable recommendation.



Testimony on SB 560
before the
Senate Assessment & Taxation Committee
by

Bill Curtis, Assistant Executive Director
Kansas Association of School Boards

February 26, 1990

Mr. Chairman and members of the Committee, we appreciate the opportunity to testify today on behalf of the 302 member school districts of the Kansas Association of School Boards. KASB supports SB 560 as it would phase in the loss of revenue from motor vehicle taxes and consequently not require higher property taxes all at once to make up for the lost revenue.

Revenues from motor vehicle taxes have risen in the 10% to 11% range over the past three years for school district general fund budgets. In 1987-88 school year they provided approximately \$99 million. In 1988-89 they were slightly over \$111 million, and this school year it is estimated they will provide \$112 million. Because the county average tax rate is used from the previous year, the loss of revenue will not be felt until the next school year.

The vast majority of school districts will not see much of a loss in revenue because their valuation did not increase significantly. However, in those counties that experienced a dramatic increase in valuation, the loss could be several million dollars. It is estimated that the loss will be most severe in Johnson County and somewhat less

in other urban counties. Schools in Johnson County received approximately \$30 million from motor vehicle taxes this past year. Considering that the valuation almost doubled, the loss in revenue could be in the \$12 to \$15 million range.

It should be pointed out that the school districts that will lose the most are also those that are generally increasing in enrollment. If the Kansas Legislature should enact a mill levy freeze or cap, those districts that lose the revenue from motor vehicle taxes will be hit doubly hard, a loss in revenue and more students. If the Kansas Legislature should enact a dollar freeze or cap, property taxes would increase anyway because the lost revenue could only be made up from the property tax source.

We appreciate the time and attention of the Committee. We would urge the committee to give favorable consideration to SB 560.



Blue Valley

"growing with pride"

February 26, 1990

**Blue Valley
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Office of the
Superintendent

Dr. James C. Thompson

Testimony before the
Senate Assessment and Taxation Committee

Jim Thompson
Superintendent of Schools
Blue Valley Unified School District #229

Mr. Chairman and honorable members of the Senate Assessment and Taxation Committee, I am here today to urge your support for S.B. 560 which will permit the phase-in of the reduction in motor vehicle taxes over the next several years. Although this bill would appear to have application only in those counties which have experienced a reduction in tax levies following reappraisal and classification, I call to your attention the fact that all school districts which receive state equalization aid will be directly effected by shifts which will occur in the distribution of state aid once the motor vehicle tax reductions take place. Therefore, all communities will be effected in one way or another and should be concerned about these reductions and shifts.

The amount of motor vehicle tax shortfall to local units of government will be substantial across the state. It is estimated that school districts will lose over \$30 million. In my county, alone, the loss for the school

districts and community college will be nearly \$18 million. The shortfall will result in three major responses: (1) One response is that local units of government will be forced to raise real estate property taxes to make up the difference; (2) Another outcome will result in large shifts in the state aid distribution formula because motor vehicle tax revenue is currently a deduction in the formula; and (3) Some revenue source to local units of government will be lost altogether because there is no revenue alternative for the special capital outlay fund or other special funds for which there is a levy lid. Let me comment on each of these responses.

In many of the same communities which will experience these motor vehicle tax reductions, the property owners have already had significant increases in their property taxes following reappraisal and classification. They may be looking forward to these reductions in motor vehicle taxes. I doubt that many of them realize that their joy will be short-lived. Corresponding increases in ad valorem taxes will follow. There is already concern over the reliance on property taxes in the state. Such reliance is counter-productive to the kind of economic development we should be trying to attract into the state. A phase-in of the vehicle tax reduction will lessen the impact of any necessary increases in property taxes over the next several years.

Because motor vehicle taxes are a deduction in the current school aid distribution formula, the shortfalls in those taxes will result in increases in state aid to those school districts in succeeding years. That is true only in those districts which receive state aid. However, the shifting which will occur in the distribution of state aid will come on top of massive shifting already taking place as a result of assessed valuation changes following reappraisal and the recent discovery of huge shifts in taxable income around the state. How much shock can the state aid formula take at one time? All of the wealth and distribution factors seem to be undergoing massive changes at the same time.

Some of the loss of motor vehicle tax revenue to school districts cannot be recouped. Special funds such as the special capital outlay and recreation commission levies that have a levy cap will lose the revenue from the shortfalls. As an illustration of this loss, our special capital outlay fund receives about \$200,000 in motor vehicle taxes this year. A 40 percent loss, or \$80,000, will be a net loss to the school district. This is most unfortunate in times which require capital expenditures to upgrade the school facility infrastructure of the state.

Members of the Committee, I urge you to support the phase-in of these motor vehicle tax reductions as S.B. 560 provides. The above conditions can be largely accommodated

if there is a transition period so that sudden shifts can be avoided. I believe that to do otherwise is a disservice to the taxpayers of the state and to the officials of the local units of government.



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Executive Director
John T. Torbert

February 26, 1990

TESTIMONY

To: Senate Assessment and Tax Committee
From: John T. Torbert
Executive Director
Subject: SB 560 (Motor Vehicle Taxes)

The Kansas Association of Counties is in support of SB 560. Our convention adopted platform statement on this issue is as follows:

"When reappraisal was discussed, local governments were promised by the state that we would be held harmless from actual losses in revenue. This motor vehicle situation is leading to a revenue loss in some counties. In some situations, the loss will be substantial and of such magnitude that it can not be made up from other sources of tax dollars. Given the "hold harmless" promise and the fact that legislatively created problems deserve legislative correction, the legislature should take action to hold local government harmless from this shortfall, or, at the very least, minimize its impact."

Senate Bill 560 does not "hold us harmless" from revenue losses that will be experienced as a result of mill levies decreasing after reappraisal. It does however, minimize the impact of those losses. Further, instead of the loss hitting all at once, this legislation phases it out, thus making it easier to account for in the budgeting process.

This legislation has the most impact in those counties with significant increases in valuation and thus significant decreases in their tax levies. (Counties with decreases valuation would not be affected by this legislation.) A conservative estimate of the lost revenue is a statewide impact of in excess of \$50 million. If HB 2700 is enacted into law as it is currently proposed, (ironclad tax lid) there would not be any ability to make up for this lost revenue by shifting to other ad valorem property taxes.

This legislation will act as a shock absorber. The result will be that motor vehicle personal property taxes in those counties affected would still go down. They will just not go down as rapidly. It is also not a good idea to concentrate all of your "tax eggs" in one basket. This legislation keeps revenue sources somewhat diversified which is a positive result. With all the tax shifts that have occurred in such short fashion, we do not think it wise at this time to allow an additional shift. This legislation precludes that additional large shift.

We urge your favorable consideration of SB 560.

TSJMV TAX