

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by SENATOR DAN THIESSEN at
Chairperson

519-S a.m./p.m. on Friday, March 2, 1990 in room 519-S of the Capitol.

All members were present except:

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:

Mark Bershears, Tax Division, Department of Revenue

Chairman Thiessen called the meeting to order at 11:12 a.m., turned attention to SB560 recognizing Senator Langworthy.

SB560:AN ACT relating to taxation of certain motor vehicles; concerning the rate of tax imposed thereon; amending K.S.A. 79-5105 and repealing the existing section.

Senator Langworthy said she thought SB560 is a good bill and would be very helpful. She had a handout showing 28 counties that had an increase in county average levy from 1988 to 1989 (the 1990 and 1991 "motor vehicle" tax years, respectively) so the tax rates would naturally be higher.

A total of 38 counties had county average tax rate decreases of less than 10%, so they, likewise, would not be affected by the passage of SB560. (ATTACHMENT 1)

Tom Severn said the 10% depreciation should be 16%.

Senator Kerr moved to favorably pass SB560, 2nd by Senator Langworthy. The motion carried.

Chairman Thiessen turned attention to SB414 and recognized Mark Bershears, Department of Revenue.

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

Mark Bershears said Carol Inland, Sales Tax Auditor with the Department of Revenue, told him that the taxpayers told them they had gone through an audit, and the records with the Department indicated they had, but we don't know what kind of audit it was or the details of the audit, but with time the Departments records indicated they had gotten a clean bill of health, and the taxpayers say that no payments are being assessed, and nothing is in the system currently.

Senator Fred Kerr said he felt the people have a legitimate problem and it is probably unfair that this tax has to be charged retro-actively, and this is no year for tax exemptions, he said he is willing to support the bill because he thinks it is unfair and will probably end up costing jobs in Kansas, if we don't pass it, however if the bill picks up any baggage at all, I would have problems with supporting it further.

After committee discussion regarding exemptions in the bill.

Mark Bershears they are not including in their billing statements, what they are doing is accruing liability on their books for tax purposes. He said in Pennsylvania these type of services are not subject to sales tax.

Mr. Bershears said he is the attorney that represents the company, and when they were notified, we told them at this point, it is the Department position that they owe tax. They simply feel that they can't collect tax at this point and maintain their business, and they feel very strongly about this. This audit was January 18, 1989, and it was on a \$1.M worth of inventory.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,
room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Friday, March 2, 1990

Senator Montgomery asked Mr. Bershears if there is any other company that gets this exemption?

Mark Bershears said the railroads, the airlines and interstate pipelines have this type of exemption for repair of remanufacturing purposes that are brought into the State.

Senator Petty made a conceptual motion to amend to give the amount back, between April 1, 1986 to September 30, 1988, 2nd by Senator Kerr.

After additional committee discussion.

Senator Martin said if the bill could be drafted so these operations would be exempt, maybe put a definition in for their manufacturing process.

Senator Petty commented on the length of time, and she said her considerations were in terms of the present tax situation that we are in right now, and providing tax exemptions.

Senator Francisco offered a substitution motion, to conceptually amend the bill "so they would be required to pay back taxes due, and exempt hereforward" 2nd by Senator Langworthy.

Senator Montgomery said he could not make a substitute motion but would like to suggest that this bill be blessed and rereferred back to this committee, before he makes a vote on either one of the above motions. He said, if the two Senator's with motions on the floor would agree to leave those motions on the floor.

Senator Petty withdrew her motion, 2nd by Senator Kerr and Senator Francisco withdrew his motion, 2nd by Senator Langworthy.

Senator Montgomery made a substitute motion to send SB414, to an exempt committee to be referred back to this committee, 2nd by Senator Lee. The motion carried.

The Chairman turned attention to SB423 and recognized Senator Oleen.

SB423:AN ACT relating to income taxation; concerning military retirement benefits; amending K.S.A. 79-32,117 and repealing the existing section also repealing K.S.A. 79-32,111b.

Senator Oleen said SB423 came to us from the Special Committee on Taxation, and she said she thought it was most important to keep this bill alive.

Senator Oleen moved to send SB423 to Ways and Means Committee, and referred back to this committee, 2nd by Senator Montgomery.

There was committee discussion ton SB423 being double referred because it has been in the Tax, and Ways and Means committees.

Senator Francisco made a substitute motion to report SB423 favorably.

Senator Kerr said we should request the President of the Senate withdraw the bill from this committee and send to Ways and Means, and referred back to this committee.

Don Hayward said the bill is already exempt and The Chairman said we do not have to take any action on the bill.

Chairman Thiessen turned attention to SB729 dealing with escaped taxes and he told the committee we will look at this Monday at the request of Senator Martin.

Senator Langworthy said SB432 is the community college bill and she thinks it is ready to go with an amendment, but she found out that maybe it isn't ready but would like to have it handled by Monday, so it can be referred back, because she would like to see it go this year, but she wants time to check a potential problem that has been raised on bonding and adding in the training centers to the list of items.

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Chairman Thiessen said we will meet on Monday at the regular time and if there are any bills that need to be looked at, that can be done as Monday will be the deadline.

Senator Francisco asked the Chairman if he would entertain a motion to bless another bill he would like to hear, on vending machines so we can have hearings.

Senator Francisco moved to send SB586 to an exempt committee and referred back to us, 2nd by Senator Lee. The motion carried.

Senator Martin said he would like for SB692 to be routed to Ways and Means, and The Chairman said we are out of time and we can do that on Monday, and he adjourned the meeting at 11:40 a.m.

GUEST LIST

COMMITTEE: _____ SENATE
ASSESSMENT & TAXATION _____

DATE: Friday 3-2-90

NAME (PLEASE PRINT) ADDRESS COMPANY/ORGANIZATION

| | | |
|----------------------------|--------------|----------------------|
| NANCY WEEKS | SURLETTE | HASKELL CO. TREAS. |
| Betty M ^c Bride | Columbus, Ka | Cherokee Co. Treas. |
| Gerry Ray | Olathe, Ks | Ja Co Commissioner |
| John D. Parht | Topoka | KAC |
| Dave Corbin | Topoka | Ly of Municipalities |
| John D M ^c Neal | Topoka | Self |
| Cindy Gilpin | Topoka | Budget |

EFFECTS OF PASSAGE OF SB 560 ON INDIVIDUAL TAXPAYERS AND
THE AMOUNT OF MOTOR VEHICLE TAXES PAID

First, 28 counties had an increase in county average levy from 1988 to 1989 (the 1990 and 1991 "motor vehicle" tax years, respectively) so the tax rates would naturally be higher.

Further, a total of 38 counties had county average tax rate decreases of less than 10%, so they, likewise, would not be affected by the passage of Senate Bill 560.

The following comparisons (for those counties which would be impacted) are based on information contained in a memo from the Legislative Research Department to Senator Gus Bogina dated January 28, 1990. The assumption used in the examples shows the taxes to be paid by an individual in 1990, and 1991 with the passage of SB 560, and without it's passage. The examples assume a vehicle with a market value, in 1990, of \$10,000, and a 10% depreciation between 1990 and 1991. Examples are given for various counties.

| County | 1990 tax | 1991 tax w SB 560 | 1991 tax w/o SB 560 |
|-------------|----------|----------------------|------------------------|
| Johnson | \$532.74 | \$431.52 | \$288.23 |
| Douglas | 478.62 | 430.76 | 325.57 |
| Crawford | 454.41 | 368.07 | 313.69 |
| Sheridan | 415.62 | 336.65 | 289.33 |
| Wyandotte | 577.20 | 467.53 | 407.78 |
| Cheyenne | 350.28 | 283.73 | 249.56 |
| Ellis | 395.85 | 320.64 | 283.42 |
| Scott | 412.11 | 333.81 | 297.76 |
| Sherman | 394.92 | 319.89 | 286.07 |
| Sumner | 473.97 | 383.92 | 344.17 |
| Leavenworth | 463.02 | 375.05 | 336.23 |
| Shawnee | 535.02 | 433.37 | 389.34 |
| Jackson | 420.51 | 340.61 | 308.31 |
| Seward | 378.03 | 306.20 | 279.75 |
| Barber | 386.52 | 313.08 | 286.36 |
| Thomas | 402.96 | 326.40 | 299.21 |
| Jefferson | 393.39 | 318.65 | 293.38 |
| Brown | 397.47 | 321.95 | 297.05 |
| Ford | 448.56 | 363.33 | 337.10 |
| Cherokee | 360.27 | 291.82 | 271.43 |
| Edwards | 356.46 | 288.73 | 270.41 |
| Saline | 424.23 | 343.63 | 322.84 |
| Doniphan | 447.75 | 362.68 | 341.09 |
| Reno | 423.24 | 342.82 | 324.38 |
| Sedgwick | 419.85 | 340.08 | 323.27 |
| Riley | 438.63 | 355.29 | 338.12 |
| Nemaha | 331.08 | 268.17 | 255.31 |
| Miami | 395.28 | 320.18 | 304.88 |
| Stafford | 385.44 | 312.21 | 298.86 |
| Geary | 393.45 | 318.69 | 307.53 |
| Butler | 429.69 | 348.05 | 336.50 |
| Pawnee | 359.07 | 290.85 | 283.77 |
| Grant | 191.10 | 153.26 | 149.88 |
| Wabaunsee | 354.15 | 286.86 | 282.58 |
| Hamilton | 326.79 | 264.70 | 261.63 |
| Barton | 406.38 | 329.17 | 325.51 |
| Chautauqua | 367.05 | 297.31 | 294.30 |
| Wallace | 285.27 | 231.07 | 230.72 |
| Franklin | 401.94 | 325.57 | 325.35 |