Approved ~~Monday, May 07, 1990~~
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

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

11:00 a.m./~~p.m.~~ on Thursday, March 15, 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:
Senator Jack Steineger
Stan Simon, Apartment Property Management
Paul Fleener, Director of Public Affairs for KS Farm Bureau
Bernie Koch, Wichita Area Chamber of Commerce
Dee Likes, Executive Vice President, KS Livestock Association
Bob Corkins, Director of Taxation, KS Chamber of Commerce & Industry
Charles "Chuck" Stuart, Legislative Liaison, United School Administrators of KS
Mary Ellen Conlee, Executive Dir. of the KS Association for Small Business
Jack Brand, Lawrence Apartment Association
Terry Humphrey, Executive Dir. KS Manufactured Housing Association

Chairman Thiessen called the meeting to order at 11:05 a.m. and said we would be hearing proponents and opponents today, regarding SCR1637 and recognized Senator Jack Steineger.

SCR1637:A PROPOSITION to amend section 1 of article 11 of the constitution of the state of Kansas, relating to the taxation of property.

Senator Jack Steineger said he presumes that every member of this committee has seen (2) publications put out by the Department of Revenue prior to the people voting on classification and reappraisal, which inferred to the people of the State of KS that classification and reappraisal will not significantly affect the amount of taxes that you pay. He said, he thinks people should be able to rely on those statements put out by the State Government which we represent. In truth, we all know what happened, there were dramatic shifts and now the defense that the Department of Revenue puts forth is, when we made those statements we were talking about the House classification and reappraisal bill, and when that bill got to the Senate, the Senate is the one that inserted the massive exemptions for inventories and accelerated the depreciations, and that is why "we were incorrect, or didn't tell the people the straight thing". This is what the Department of Revenue has said about their (2) publications.

If this committee inserted the massive exemptions you would recall, I don't recall. HCR1637 before you will make it possible to return the KS taxpayer to that position, or close, that he was in, in tax year 1988. It returns inventories to the tax rolls, inventories that have been taxed in KS since 1867 and it does away with the accelerated --- depreciations, which was granted along with the exemption of the inventories.

The Resolution attempts to compromise on the issue as to how dangerous it is to let the Legislature have the ability to set the classification rates, it does that by a sliding scale and you can look in the text of the bill itself, and see for example, real property goes in at 12%, but there is ability for the Legislature to adjust that 12% within a range, of not less than 9% or more than 12%. So through-out the various classes of property, the importance of having the adjustable range, is that will give us the ability to fine tune the classification and reappraisal process, to carry out what the people of KS were told, and he thought that most people in KS thought, when they voted for this, it would be possible to re-insert property that has been taxed since 1867.

You can not take one tax, you have to look at all taxes, and he asked the committee to look carefully at school finance, he said, the chance of valuation is dramatic and State school aid is distributed under a formula and the key component of the formula is district wealth, and district wealth is composed of two parts, valuation and income

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

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m.~~p.m.~~ on ~~Thursday, March 15~~, 1990.

and because of classification and reappraisal valuation has taken a dramatic dip of 50%, the concurrent factor then of income has risen 50%, now what does this mean? This means, there has been a shift of about 20% according to the latest estimate, and now all school aid will be shifted, 20% amounts to a calculated figure of $106.M.

Senator Steineger said the way to deal with this is put the inventories back on the tax rolls, and do away with the accelerated depreciation and this dramatic shift will be corrected in district wealth. (NO WRITTEN TESTIMONY)

After committee discussion The Chairman recognized Stan Simon, Stan Simon and Associates, Inc., Topeka, KS.

Stan Simon said he is in property management and they represent the owners of 1000 apartments in Topeka, Salina and K.C., plus one Shopping Center and a Mobile Home Park.

Mr. Simon said since the reappraisal and assessment took place many property owners are in negative cash flow because of excessive property taxes, they are unable to make current needed major repairs, like paving, roofs, exterior painting, etc. 12% sounded good, but there was a hidden catch that went unnoticed, and that was "the adjustable mill levy", it took everyone by surprise, and did not allow the tax relief we had hoped for and where it did allow some, it was only temporary. Now the adjustable mill levy will sink the entire industry if we don't do something about it quickly. The mill levy positively has to be capped, or you blow the economic growth, health, and strength of the entire State. He said, the problem is industry wide in KS. (ATTACHMENT 1a and 1b)

Paul Fleener, Director of Public Affairs for KS Farm Bureau said the Bureau has discussed with this committee in earlier testimony, and on other propositions to amend the classification section of the Constitution, and their interest in and participation in the shaping of the limited classification amendment which was approved by the KS Legislature in 1985. The objective of that amendment was to protect two classes of property, agricultural land and residential property.

This measure would undo so much of the good work that was done previously that it cannot be supported. It puts inventories of merchants' and manufacturers' back on the tax rolls and leaves to the whim of the Legislature the rate to be established to tax them. It puts livestock back on the tax rolls, and again leaves to the Legislature the determination of "an appropriate rate" somewhere between 18% or 25%.

He said, their policy position also suggests "the appraisal process should be the focus of legislative directives" to correct the problems. He urged the committee to report the measure adversely. (ATTACHMENT 2)

Bernie Koch, Wichita Area Chamber of Commerce said, it has been difficult for them as a Chamber of Commerce to come to grips with what position to take on this issue. He said, their members are large businesses and small, and 80% of their members have 100 or fewer employees, but they have large members as well, with thousands of employees, and we have both with and without inventories. A large number of our members have been hit hard by reappraisal and classification, and they also have a number of members that are manufacturers who do not want a return of the inventory tax.

All of our members agree on one thing, the overall property tax burden on business, both commercial and industrial, is too high, and something must be done to reduce our reliance on the property tax.

He said, we let Japan and other countries capture a major portion of our automobile, steel and other manufacturing jobs. Now, communism is dying, and with it an unworkable economic system. It's being replaced with free enterprise...capitalism. There's more competition than ever before out there. It can only increase and we'd better be ready for it.

He said, their only conclusion is that we must reduce our reliance on property taxes through other revenue raising measures that may be unpopular. (Attachment 3a,b,c,d,e,f, & g)

Dee Likes, Executive Vice President, KS Livestock Association said KLA is strongly opposed to reopening the classification section of the KS Constitution. They believe that adjusting the assessment rates will simply exchange one set of problems for a new set of problems and they believe that some classes of taxpayers have more to lose than to gain.

He said, it is their sincere belief that to reimpose a tax on livestock would cause severe economic harm to the livestock and grain industries specifically, and also have a broad negative impact on the entire KS economy. (ATTACHMENT 4)

Bob Corkins, Director of Taxation, KS Chamber of Commerce and Industry said KCCI believe this resolution promises many of the same disadvantages for the business community in this State as do most of the constitutional amendments proposed so far. The fact that it does not recommend a set scheme of property class assessment percentages is not an improvement over competing proposals. SCR1637 still threatens to shift the tax burden from one class of property to another without ensuring an even-handed response to the property tax problem shared by all.

He said, they believe that any reclassification would create as much "unfairness" as it eliminates. Without stability, new businesses will be discouraged from locating in KS, existing KS firms will be discouraged from expanding their operations, and some existing businesses will be tempted to relocate to more favorable areas.

He urged the committee members to oppose the Resolution. (ATTACHMENT 5)

Charles "Chuck" Stuart, Legislative Liaison, United School Administrators of Kansas said, their collective view continues to be that they are concerned that important decisions are being contemplated before all information is known. We are simply opposed at this point in the session to solutions which call for a revisiting of the constitution. We continue to believe that much of the furor over the property tax will be lessened when the process authorized by this legislature has been allowed to work its course. (ATTACHMENT 6)

Mary Ellen Conlee, Executive Director of the KS Association for Small Business said she assumed she would have another opportunity to testify before the committee to discuss her views on what is referred to as the inventory tax, which is very often accelerated tax on machinery and equipment, so she said today she would just leave her testimony with the committee and take another opportunity to address the committee. (ATTACHMENT 7)

Jack Brand testifying on behalf of the Lawrence Apartment Association said they are strongly opposed to the portion of SCR1637 that would raise the classification percentage on multi-family residential real property from 12% to 20%. A 67% increase would have a catastrophic effect on most of the apartments listed in his hand-out.

He said, in our KS towns and cities there are many thousands of citizens who live in multi-family rental properties. These citizens range from young students to the elderly. Using a different classification percentage for multi-family residents designates them as second class citizens paying a disproportionate share of real property taxes because of their place of residency. All Kansans should be treated alike and taxed alike. There should be an identical classification amount for all KS residents.

With Mr. Brands' handout is a list of Lawrence, KS Apartment Projects, an analysis of overview of operating experience, garden type buildings-appendix c & d, and American cities comparison of real estate taxes on apartments. (ATTACHMENT8)

Terry Humphrey, Executive Director, KS Manufactured Housing Association said KMHA represents all facets of the manufactured housing industry and our associate members the Recreational Vehicle Council.

She said, she would address the provision of the bill that effects manufactured housing rental communities in KS. Specifically they oppose provision (4) in the bill that raise the multifamily property tax assessment rate from 12% to 20%. Under the current provisions of Classification, the manufactured housing rental community is classified as multifamily and therefore under the proposed bill would receive a major tax increase.

Manufactured housing serves the low to moderate income families who want to own their own home. Many manufactured home owners have their home in a rental community or park, where they lease the land. This is out of choice or because single site placement is unavailable. The manufactured housing tenant situation is very similar to that of apartment tenant, where they are predominately young familes or elderly. For these groups of people it is very difficult to deal with rent increaes. And they are less able to price shop when a rent increase comes because of the major expense involved in moving their home. Likewise these people are tied to their location because of schools, shopping, and their proximity to work.

Secondly, she pointed out to the committee the portion of SCR1637 that reinstates the inventory tax. Both the manufactured housing industry and the R.V. Council oppose reinstatement of the inventory tax for merchants and manufacturers based on the same reasons the Legislature approved the proposed exemption in 1985. Our association still believes that KS has a lot of work to do in the area of economic development and that the reinstatement of this tax could inhibit that progress. (ATTACHMENT 9)

Chairman Thiessen adjourned the meeting at 12:22 p.m..

<u>TESTIMONY AGAINST PARTS OF SENATE BILL #1637</u>

MY NAME IS STAN SIMON. I HAVE BEEN IN PROPERTY MANAGEMENT SINCE 1969. MY COMPANY IS STAN SIMON AND ASSOCIATES, INC. 2135 POTOMAC, TOPEKA, KANSAS. AREA CODE: 913 232 4999

WE REPRESENT THE OWNERS OF 1000 APARTMENTS, IN TOPEKA, SALINA, AND KANSAS CITY WHICH WE MANAGE, PLUS ONE SHOPPING CENTER, AND A MOBILE HOME PARK.

PROPERTY TAXES HAVE SLOWLY GROWN OVER THE YEARS. <u>PRIOR TO THE REAPPRAISAL, THEY WERE TOO HIGH</u> FOR MOST OWNERS TO EVEN MAINTAIN THEIR PROPERTIES,LET ALONE HAVE ANY CASH FLOW. NOW, IN MANY CASES, PROPERTIES ARE IN NEGATIVE CASH FLOW BECAUSE OF EXCESSIVE PROPERTY TAXES. NOW, ALMOST EVERYONE I KNOW IN THE BUSINESS IS <u>TOTALLY</u> UNABLE TO MAKE <u>CURRENTLY NEEDED</u> MAJOR REPAIRS, LIKE PAVING, ROOFS, EXTERIOR PAINTING, ETC.

12% CLASSIFICATION SOUNDED GOOD, BUT THERE WAS A HIDDEN CATCH THAT WENT UNNOTICED, AND THAT WAS "THE AJUSTABLE MILL LEVY". IT TOOK EVERYONE BY SURPRISE, AND DID NOT ALLOW THE TAX RELIEF WE HAD HOPED FOR, AND WHERE IT DID ALLOW SOME, IT WAS ONLY TEMPORARY. NOW, THE AJUSTABLE MILL LEVY WILL SINK THE ENTIRE INDUSTRY IF WE DONT DO SOMETHING ABOUT IT QUICKLY.

IN SHAWNEE COUNTY THE SCHOOL DISTRICT, AND THE COUNTY CLERK AGREE THAT THE SCHOOLS ALONE NEED A 20 MIL RAISE FOR THIS YEAR.

IF THE PRESENT 12% RESULTS IN EXCESSIVE TAX, IT IS OBVIOUS WHY THE 18% TO 25% CLASSIFICATION CALLED FOR APARTMENTS IN SENATE BILL 1637, OR ANY OTHER BILL, IS TOTALLY INAPPROPRIATE. THE SAME IS TRUE OF THE 20% CLASSIFICATION FOR COMMERCIAL PROPERTY.

WHEN YOU ADD THE "UNCONTROLLED AJUSTABLE MIL LEVY" TO THE TAX SITUATION, ITS LIKE POURING GASOLINE ON THE FIRE. THE MIL LEVY POSITIVELY HAS TO BE CAPPED, OR YOU BLOW THE ECONOMIC GROWTH, HEALTH, AND STRENGTH OF THE ENTIRE STATE.

THE BEST ANSWER FOR EVERY KANSAN'S FUTURE FINANCIAL HEALTH IS TO DO AWAY WITH CLASSIFICATION FOR REAL ESTATE, AND TAX IT A PERCENTAGE OF ITS ASSESSED VALUATION. YOU WILL FIND, WHEN YOU LOOK AT THE ACTUAL FINANCIALS OF HUNDREDS OF PROPERTIES, THAT 1% IS AN APPROPRIATE, AND ABSOLUTELY NECESSARY NUMBER FOR APARTMENTS, AND 1 1/2% IS A FEASIBLE AND ESSENTIAL PERCENTAGE FOR THE ECONOMIC SURVIVAL OF THOUSANDS OF COMMERCIAL PROPERTIES, AND THEIR SMALL HARD HIT TENANTS.

IN JUST ONE HOUR OF TELEPHONING TO THREE OWNERS IN WICHITA, TOPEKA, AND KANSAS CITY, THERE WERE 3086 APARTMENTS AT OR NEAR NEGATIVE CASH FLOW NOW, THAT WOULD BE THROWN INTO IMMEDIATE DANGER OF FORCLOSURE BY SENATE BILL 1637, OR HR 5039. IF YOU WILL PLEASE CALL, I WILL GIVE YOU A COPY OF MY HR 5039 TESTIMONY THAT LISTS THE PROPERTIES, AND PHONE NUMBERS OF THE OWNERS. THE PROBLEM IS INDUSTRY WIDE. THANKS FOR YOUR KIND ATENTION. STAN SIMON 232 4999.

UNFAIR?

DEAR LEGISLATOR:

WOULD YOU LEGISLATE THAT SUPERMARKETS
ARE NO LONGER ALLOWED TO REPAIR
THEIR BUILDINGS, OR MAKE THEIR
LOAN PAYMENTS, OR PAY DIVIDENDS
TO THEIR STOCKHOLDERS?

WOULD YOU DO IT TO:

DOCTORS? HOSPITALS? DEPARTMENT STORES? GAS STATIONS?
PLUMBERS? ELECTRICIANS? RESTAURANTS? VIDEO STORES?
NEWS STANDS? NEWSPAPER PUBLISHERS? FARMERS?
DISCOUNT STORES? CHURCHES? AUTOMOBILE DEALERS?
AUTOMOBILE MANUFACTURERS? TIRE MAKERS?
LADIES SPECIALTY STORES? MOVIE CHAINS?
ELECTRONIC STORES? ETC.

WELL,

INNOCENTLY, AND BY MISTAKE, AND LACK
OF KNOWLEDGE OF THE NUMBERS,
WE HAVE JUST DONE THIS TO
THE APARTMENT, AND COMMERCIAL
REAL ESTATE INDUSTRIES
THROUGH CLASSIFICATION.

THE CONSEQUENCES OF THIS ERROR ARE MUCH MORE DRASTIC THAN WE WOULD IMAGINE:

1. MANDATORY RENT RAISES, FOR THE SEGMENT OF THE POPULATION THAT CAN LEAST AFFORD THEM: FIXED INCOME ELDERLY, THE POOR, THE LOW INCOME, AND MEDIUM INCOME, AND ALL OTHER PEOPLE WHO LIVE IN APARTMENTS

2. MANDATORY DECAY AND FORECLOSURE FOR THOUSANDS OF APARTMENTS AND COUNTLESS COMMERCIAL AND RESIDENTIAL REAL ESTATE INVESTMENTS

3. BILLIONS OF DOLLARS OF REDUCED VALUE OF REAL ESTATE, AND SUBSEQUENT LOSS OF TAXES.

4. SHOCKING PUNITIVE AND INAPPROPRIATE UNFAIRNESS TO ONE SEGMENT OF OF THE BUSINESS COMMUNITY!

THIS IS A FAR MORE SERIOUS PROBLEM THAN WE HAVE BEGUN TO REALIZE, AND A MONUMENTAL MISTAKE.

NONE OF US HAVE THE INTENT TO KNOWINGLY DO WHAT WE ARE GETTING FRIGHTENINGLY CLOSE TO DOING, AND THAT IS DESTROY THE ENTIRE INCOME PROPERTY INDUSTRY IN KANSAS.

THAT CERTAINLY CANNOT BE IN OUR BEST INTERESTS.

<u>FACT</u>: COMMERCIAL AND APARTMENT PROPERTIES <u>CANNOT</u> <u>SURVIVE AN UNCAPPED MILL LEVY</u>.

<u>FACT</u>: APARTMENTS CANNOT LONG SURVIVE A LEVEL OF TAXES HIGHER THAN 1% OF THEIR ASSESSED VALUATION.

<u>FACT</u>: COMMERCIAL REAL ESTATE CANNOT STAY VIABLE WITH TAXES HIGHER THAN 1 1/2% OF ASSESSED VALUATION.

<u>WHAT DO WE DO NOW?</u>

ALTER PROPOSED LEGISLATION TO ACCOMODATE THE ABOVE PARAMETERS, AND

<u>PASS THE LEGISLATION NECESSARY TO PROVIDE ALTERNATE SOURCES OF TAXES</u>, BY ADOPTING AND AMENDING ONE <u>OR SEVERAL</u> OF THE BILLS IN THE TAX COMMITTEES OF BOTH HOUSES. <u>PLEASE DO IT NOW</u>. THIS IS A CRISIS SITUATION!

<u>THANKS EVER SO MUCH</u> OR READING MY PERSONAL HOME COMPUTER 4 A.M. THOUGHTS, AND PLEASE CALL ME AT HOME, 272-5140, OR AT WORK, 232-4999. STAN SIMON-2135 POTOMAC, TOPEKA, KS. 66611 MARCH 14,1990

TESTIMONY

NAME: STAN SIMON

REPRESENT: OWNERS OF 1,000 RENTAL UNITS WE MANAGE AND ONE 65,000 SQ. FT. SHOPPING CENTER WE MANAGE. I ALSO HAVE INFORMATION FROM OTHER OWNERS IN KANSAS CITY AND WICHITA AS OF 2/13/90.

POSITION: AGAINST RESOLUTION 5039'S CLASSIFICATION NUMBERS ON APARTMENTS, AND THE SENATES 18% TO 25% CLASSIFICATION BILL.

WHY: VERY SIMPLY PUT, THE 20% CLASSIFICATION UNDERMINES THE ECONOMIC VIABILITY AND CONTINUED EXISTENCE OF THE MAJORITY OF PROJECTS I KNOW OF, OR HAVE INFORMATION ON. IT ALSO PREVENTS THE ACCRUAL OF CRUCIAL FUNDS FOR ROOFS, PAVING, FURNACES, APPLIANCES ETC., NOT AVAILABLE EXCEPT BY PUTTING AWAY MONTHLY REPLACEMENT RESERVES. IT ALSO DEPRIVES OWNERS OF EVEN MINIMAL RETURNS ON THEIR INVESTMENTS, AND IN MOST CASES WILL CAUSE NEGATIVE CASH FLOW, DETERIORATION, AND POSSIBLE FORECLOSURE.

EXAMPLES:

1. CARRIAGE HOUSE, 282 UNITS, TOPEKA, KANSAS. AFTER 5 YEARS OF EXTREME NEGATIVE CASH FLOWS, 1990 PROMISED A CASH FLOW OF $110,000 OR SO, BEFORE RESERVES FOR REPLACEMENT. 20% CLASSIFICATION PLUS THE 23 MILL 501 ANTICIPATED INCREASE, WOULD THROW IT INTO AN $18,000 LOSS, CANCEL CHANCES FOR RESERVES, AND ELIMINATE ANY RETURN TO INVESTORS. CONTACT DICK ANDERSON 800-821-7195.

2. PINES APARTMENTS, 200 +, TOPEKA, KANSAS. NOW JUST GETTING CLOSE TO BREAKING EVEN AFTER 4 YEARS OF NEGATIVE CASH FLOW. 20% CLASSIFICATION OR EVEN 15% WOULD THROW IT INTO LARGE LOSSES. AGAIN CONTACT JOE BALESTRASSE, PROPERTY MANAGER, 816-474-5080. RESULT, NO REPLACEMENT RESERVES, AND NO CASH FLOW TO INVESTORS, AND ON TOP OF THAT, LARGER NEGATIVE CASH FLOW, THREATENING THE SURVIVAL OF THE PROJECT. 23 ADDITIONAL MILLS FOR 501 MAKES IT EVEN WORSE.

3. CHALET APARTMENTS, 250 + UNITS, TOPEKA, KANSAS. CONTACT JOE ANDERSON, PROPERTY MANAGER, 913-661-0330. LOST $14,000 IN 1989. 20% CLASSIFICATION WOULD THROW IT INTO A VERY LARGE AND DANGEROUS NEGATIVE CASH FLOW, WITH NOTHING GOOD IN SIGHT. 23 MILLS ADDITIONAL FOR 501 WOULD PUT ANOTHER NAIL IN THE COFFIN.

4. ARROWHEAD APARTMENTS, 436 UNITS, KANSAS CITY AREA. $112,000 NEGATIVE CASH FLOW IN 1989. 20% OR EVEN 15% WOULD THROW IT INTO MASSIVE LOSS, AND EVEN POSSIBLE BANKRUPTCY. JOE ANDERSON, PROPERTY MANAGER, 913-661-0330.

5. FORREST GROVE, 132 UNITS, WICHITA, KANSAS. $16,600 POSITIVE CASH FLOW IN 1989. NOT ENOUGH TO FUND RESERVES, GIVE INVESTORS A RETURN, NOW. 20% CLASSIFICATION WOULD GIVE IT A LARGE NEGATIVE CASH FLOW AND ENDANGER ITS FINANCIAL EXISTENCE. VIRGINIA SPEERS, PROPERTY MANAGER, 316-686-0019.

6. CHERRY HILL, 348 UNTIS, WICHITA, KANSAS. WITH $35,000 SO CALLED WINDFALL AND TAXES IN 1989 OF $108,516, IT LOST $29.00. 20% OR EVEN 15% CLASSIFICATION WOULD THROW IT INTO A LARGE NEGATIVE CASH FLOW.

7. SUNDANCE APARTMENTS, 496 UNITS, WICHITA, KANSAS. 1989 TAXES WENT DOWN FROM $202,296 TO $159,170 CAUSING A SO CALLED $43,000 WINDFALL, AND A CASH FLOW OF $27,947. 15% OR 20% WOULD THROW IT INTO A MASSIVE NEGATIVE CASH FLOW, ZERO RETURN TO INVESTORS, NO MONEY NEEDED FOR RESERVES TO KEEP IT FROM TURNING INTO A SLUM AND IMMINENT FORECLOSURE.

8. UNDISCLOSED NAME, 253 UNITS, WICHITA, KANSAS. TAXES DROPPED BY SO CALLED WINDFALL FROM $108,692 TO $73,706, YET THE PROJECT STILL EXPERIENCED A ($105,416) NEGATIVE CASH FLOW. 15% OR 20% CLASSIFICATION WOULD THROW IT INTO BANKRUPTCY.

9. BROOKWOOD APARTMENTS, 109 UNITS, TOPEKA, KANSAS. 1989 TAXES WERE $33,619.15. 20% CLASSFICIATION WOULD INCREASE THEM TO $56,031. IF 501 GETS THE 23 MILLS IT NEEDS, TAXES IN 1990 WILL BE $64,303. THIS PRODUCES A NEGATIVE CASH FLOW OF ($5,330), NO $20,000 IN CRUCIAL REPLACEMENT RESERVES, NO $28,500 RETURN TO INVESTORS (6% ON $475,000), A TOTAL OF ($53,830) SHORTFALL, AND IMPENDING COMPLETE DETERIORATION OF THE PROPERTY AND FORECLOSURE. 15% CLASSIFICATION BEINGS ON ($37,754) SHORTFALL, AND 12%, A ($28,109) SHORTFALL, AND A 2% RETURN ON THE $475,000 INVESTED. 12% CLASSIFICATION AND A 100 MILL LEVY IS THE BEST YET, ONLY ($10,606) SHORTFALL AND A CASH FLOW OF 4% ON THE $475,000 INVESTED. STILL NOT TOO SWIFT, BUT SURVIVING, AND MAKING A LITTLE, AND KEEPING THE PROPERTY FROM DETERIORATING INTO A SLUM.

10. HARRISON PLACE, 125 UNITS, TOPEKA, KANSAS. THIS NICE PROJECT IS ON THE ROPES. 15% <u>OR</u> 20% CLASSIFICATION WILL PUSH IT TO BANKRUPTCY. INCIDENTALLY, THIS PROJECT SERVES THE POOR, THE YOUNG, THE ELDERLY, AND THE HOMELESS. ITS RENTS ARE $239 ALL BILLS PAID EXCEPT PERSONAL ELECTRIC (HAS GAS HEAT). IT IS IMMACULATE. IN 1988 THE TAXES WERE $38,698.77. THE PROJECT HAD A ($28,870) LOSS. IN 1989, THE TAXES WERE $35,323.29 WITH THE SO CALLED WINDFALL. THE PROPERTY HAD A ($17,673) CASH LOSS. IN 1990 IF INCOME AND EXPENSE STAY AS THEY ARE, MORE OR LESS, AND WE GET 20% CLASSIFICATION, THE PROPERTY WILL UNDOUBTEDLY LOSE ($30,400+). IF THE MILL LEVY GOES UP 23 MILLS FOR 501 AND THE CLASSIFICATION FOR APARTMENTS <u>GOES DOWN TO 15%</u> THE PROJECT WILL HAVE A NEGATIVE CASH FLOW OF ($33,.021.84). THIS IS A REAL LIFE EXAMPLE. A TRUE VISION OF AN APPROACH TO TAXATION THAT DOESN'T WORK IN THE REAL WORLD.

11. EASTBORO SHOPPING CENTER. A TRAGIC COMEDY OF APPRAISAL ERRORS, AND THE 30% CLASSIFICATION DISASTER. 1988 INCOME APPROXIMATELY $15,000 PLUS. 1989 INCOME NOT CLEAR, DUE TO EXTENSIVE REHAB. 1990 INCOME APPROXIMATELY ($14,200) LOSS, BEFORE PARTIAL RECOVERY FROM MARGINAL TENANTS, ($6,005) NEGATIVE CASH FLOW <u>IF</u> CAN COLLECT FROM ALL TENANTS. IF 501 ADDITIONAL MILLS GOES THROUGH, THE LOSS GOES TO ($19,830) PER YEAR, BEFORE COLLECTION FROM TENANTS, OR ($11,501) LOSS IF SUCCESSFUL IN COLLECTING TENANTS SHARE.

FACT: COMMERCIAL AND APARTMENT PROPERTIES DO NOT HAVE THE FINANCIAL CAPABILITY TO SUPPORT SCHOOLS AND MUNICIPALITIES TO THE EXTENT THEY ARE NOW REQUIRED TO, UNDER PRESENT STATUTE.

FACT: DEFERRED MAINTENANCE HAS TO BE ADDRESSED, AND REPLACEMENT RESERVES USED AS THE LEGITIMATE EXPENSES THAT THEY MOST CERTAINLY ARE IN THE APPRAISAL PROCESS. A RETURN ON INVESTMENT MUST BE ALLOWED, NOT ELIMINATED.

FACT: PROPERTY OWNERS MUST BE PROTECTED FROM UNJUST, UNREALISTIC TAX PROCEDURES THAT RESULT IN CONFISCATION OF FUNDS, AND BANKRUPTCY OF THEIR PROPERTIES.

FACT: THE EXAMPLES HERE ARE JUST THE TIP OF THE ICEBERG. TAX PROCEDURES BEING CONSIDERED IN 5039 AND THE SENATE 18 TO 25% BILL, WOULD RESULT IN LOSS OF HUNDREDS OF BUSINESSES AND WHOLESALE MOVE OUT OF GOOD FIRMS AND PEOPLE FROM THE STATE OF KANSAS.

FACT: ALTERNATE SOURCES OF TAXES MUST BE FOUND NOW! NOT SOME TIME IN THE FUTURE. THE CRISIS IS NOW!

FACT: NET RESULT, IF THE PRESENT PURSUIT CONINUES, CAN BE A DECLINING, FINANCIALLY SHADY STATE OF KANSAS, WITH NO NEW BUSINESSES OR VIBRANT PEOPLE COMING IN, NO GROWTH, NO BRIGHT FUTURE, AND THE CREATION OF VAST DETERIORATING MULTI-HOUSING AND COMMERCIAL REAL ESTATE SLUMS. FROM JUST THE FEW PROPERTY OWNERS I HAVE CONTACTED, THIS PREDICTION IS A TRUE THREAT TO ALL OF US, NOT JUST WORDS!!!

WHAT NOW? WE CAN WIN THE WHOLE BALL GAME! WE DO NOT HAVE TO GO ON WITH THIS TRAGEDY IN THE MAKING!!!

HOW? ONE EXCELLENT AND SIMPLE POSSIBILITY IS THE "CITIZENS FOR FAIR TAXATION" CONSTITUTIONAL AMENDMENT. (ATTACHED) IT CLEANS UP THE WHOLE MESS AND FOSTERS AN EXCITING BRIGHT FUTURE OF GROWTH AND PROSPERITY FOR ALL KANSANS.

FINAL: AS THE HORROR STORIES ACCUMULATE, IT BECOMES EVIDENT THAT "CLASSIFICATION" WAS A TRAGIC ERROR. IN INNOCENCE OF THE CONSEQUENCES, MOST OF US VOTED FOR IT, INCLUDING ME. UNLESS WE NOW LIMIT APARTMENTS AND COMMERCIAL TO 12%, UNTIL WE CAN GET RID OF CLASSIFICATION, AND ALSO MOST IMPORTANT, CAP THE MILL LEVY AROUND .100 FOR APARTMENTS, WE WILL SEE HORROR STORIES IN 1990 THAT WILL BLOW YOUR MIND, AND WHOLESALE BUSINESS EVACUATION FROM THE STATE OF KANSAS.

GOD PLEASE GIVE US THE STRENGTH AND WISDOM AND GUTS TO DO WHAT NEEDS TO BE DONE.

STAN SIMON
2135 POTOMAC
TOPEKA, KANSAS
913-232-4999

sas Farm Bureau

PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT AND TAXATION

RE: S.C.R. 1637 ... a proposition to amend the classification section of Article 11 of the Kansas Constitution

March 12, 1990
Topeka, Kansas

Presented by:
Paul E. Fleener, Director
Public Affairs Division
Kansas Farm Bureau

Mr. Chairman and Members of the Committee:

My name is Paul E. Fleener. I am the Director of Public Affairs for Kansas Farm Bureau. We appreciate the opportunity to make very brief comments to your Committee today. We appear before you to express our opposition for S.C.R. 1637.

Mr. Chairman, and Members of the Committee, we have discussed with this Committee in earlier testimony, and on other propositions to amend the classification section of the Constitution, our interest in and participation in the shaping of the limited classification amendment which was approved by the Kansas Legislature (by the required two-thirds majority) in 1985. The objective of that amendment was to protect two classes of property ... agricultural land and residential property. Then-Governor John Carlin and those in the Legislature had reached accommodation ... if not accord ... on a limited classification amendment which would **accompany** any measure on statewide reappraisal. The Legislature recognized it would not have one without the other. The Legislature recognized that **to the extent**

possible the objective of a classification amendment would be to "maintain the status quo."

The Legislature also recognized that many types of property had been underappraised and there would be significant shifts **within classes of property.**

Mr. Chairman, and Members of the Committee, you all know that prior to reappraisal ... prior to the implementation of the limited classification amendment we now have in our Constitution, all properties in the state of Kansas which were subject to the ad valorem tax were supposed to have been at 30 percent of fair market value. For reasons that have been described countless times in Committee hearings, very few properties were at 30 percent of fair market value. So, with a limited classification amendment, the goal was to maintain those properties at whatever deviation from 30 percent of fair market value at approximately that same proportional share. For example, in 1985 agricultural land was at six to eight percent of fair market value. Residential properties were from eight to 10 percent. Without benefit of a lower assessment rate in the classification amendment, which this Legislature did by the two-thirds majority, and which the people of this state approved, the tax load would have **shifted dramatically TO** those properties (farms and homes) **from** other classes of property.

We always like to find something good to say about a bill or resolution if we can. We can say that on lines 27-31, there is a favorable recommendation to value buildings and improvements located on agricultural land at from 10 percent to 15 percent. That's where our favorable comments must stop, however. This measure would undo so much of the good work that was done previously that it cannot be supported. It puts inventories of merchants' and manufacturers' back on the tax rolls and leaves to the whim of the Legislature the rate to be established to tax them. It puts livestock back on the tax rolls, and again leaves to the Legislature the determination of "an appropriate rate" somewhere between 18 percent or 25 percent.

At our annual meeting in Wichita, held on Dec. 3-5, 1989, our delegates adopted the policy position you find attached to our testimony today. Those delegates ... farmers and ranchers ... represented all 105 counties. They examined this issue thoroughly and at length. They discussed and debated it, then adopted the policy you see. Within that policy you find this statement: "Appropriate appraisal procedures in existing laws were not used." Mr. Chairman, they're referring to the hue and cry that was arising between early November, 1989, when tax notices came out, and the date of our meeting. One statewide association, with one segment of its membership fanning the coals, was trying to persuade everyone that the problem existed in all classes of property and particularly would impact severely on homeowners. Well, you and our delegates know that's not the truth. And our delegates said that if appraisal procedures had been used accurately we would not have had the problems you were hearing about. They believe that. They continue to believe it. And they'd like to see some directive to PVD and county appraisers to do the job properly and to take into account all of the factors in, for example, K.S.A. 79-503a.

Our policy position also suggests "the appraisal process should be the focus of legislative directives" to correct the problems. And most importantly, for today's testimony, our members said this:

> **The classification amendment should NOT be resubmitted.**

Because of our policy position, Mr. Chairman, and Members of the Committee, we bring these comments to you in opposition to S.C.R. 1637. We thank you for considering our views. We ask you to report this measure adversely.

Thank you for the opportunity to appear. We would be pleased to respond to questions.

Property Classification and Reappraisal

The Kansas Legislature in 1985 adopted, by the required two-thirds majority, and voters in Kansas approved by an overwhelming majority, a proposal to amend the Finance and Taxation Article (Art. II) of the Kansas Constitution to provide limited classification of real and personal property for assessment and taxation purposes. The proposed amendment was designed to ensure against an unfair shift of status quo taxes, and was intended to provide for equitable taxation within and among the various classes of property.

The anticipated equity did not occur, largely because appropriate appraisal procedures in existing law were not used. In many cases undocumented and unsubstantiated county index and depreciation schedules used in valuation were allowed by the Property Valuation Department (PVD), without regard for the inequities that this procedure would cause between counties. Quality control of each county's appraisal procedures should be required.

The appraisal process should be the focus of legislative directives. In order to achieve a valid state appraisal, the indexes used by counties in Computer Assisted Mass Appraisal (CAMA) should be uniform statewide, with allowance for any slight deviations. Further, the depreciation schedules should also be uniform county-to-county within acceptable deviations.

Appeals, tax payment under protest and new valuation notices under the annual maintenance reappraisal which do use all appropriate factors in K.S.A. 79-503a, will also help bring about equity.

The classification amendment should NOT be resubmitted. The constitutional provisions should remain intact and the appraisal process should be the focus of legislation and directives to the PVD, county appraisers and firms contracted to conduct appraisals.

County Boards of Equalization should be given the right to protest to the Board of Tax Appeals on behalf of their counties any valuation of state assessed property.

We urge Farm Bureau members in all counties to work with their county appraiser to determine the fairness and equity of their appraisal with the county and between counties.

Reappraisal legislation and the classification amendment to the Kansas Constitution have provided for appraisal of agricultural land on the basis of its income-producing capability. The legislation set forth an equitable procedure for determination of net income and an appropriate capitalization rate for agricultural land. These factors and procedures must be retained to assure equity and stability in valuation of agricultural land.

The reappraisal statutes require annual updating of the appraisal and valuation of taxable property. The cost associated with this annual updating should not be borne entirely be the counties. We suggest that 50 percent of this additional expense be paid by the state.

SENATE TAXATION COMMITTEE
March 15, 1990

Testimony on SCR 1637
by
Bernie Koch
Wichita Area Chamber of Commerce

Mr. Chairman, members of the committee, thank you for the opportunity to testify today I'm Bernie Koch with the Wichita Area Chamber of Commerce.

I can appreciate the difficulty of your task and sympathize with your efforts to reach a consensus on the issue of property taxes. It's been difficult for us as a Chamber of Commerce to come to grips with what position to take on this issue.

Our members are large businesses and small. 80 percent of our members have 100 or fewer employees, but we have large members as well, with thousands of employees.

We have large companies with and without inventory, and we have small companies with and without inventory. Many of our commercial properties have been hit with large property tax increases as the result of reappraisal and classification. We also have many members who are manufacturers who do not want a return of the inventory tax.

These businesses do agree on one thing, the overall property tax burden on business, both commercial and industrial, is too high, and something must be done to reduce our reliance on the property tax. The effective property tax rate in Kansas is higher than our surrounding states for both commercial and industrial property. Yes, even with the inventory exemption, property taxes on industrial property are higher than our surrounding states.

Another position we agree on is that inventory should not be taxed. We reached that position because we know that the basis of our economy, the engine that drives our economy, is manufacturing. About 31 percent of the non-governmental jobs in Sedgwick County are manufacturing jobs. Another third of the jobs are somehow related to manufacturing. Another way to put it in perspective is that 26 percent of the manufacturers in Kansas are located in Sedgwick County.

For the most part, our members without inventory understand this and do not favor a solution that increases the tax burden on manufacturers.

We know that other states would love to have those manufacturing jobs and aren't above trying to get them.

There's also the global perspective.

First, we let Japan and other countries capture a major portion of our automobile, steel and other manufacturing jobs. Now, communism is dying, and with it an unworkable economic system. It's being replaced with free enterprise...capitalism. There's more competition than ever before out there. It can only increase and we'd better be ready for it.

We still build the best airplanes in the world right here in Kansas, but even that competition is getting tough and we are not playing on a level playing field.

For example, foreign aircraft manufacturers don't have to live with high liability costs that add considerably to the purchase price of a Kansas-made aircraft.

Most of those foreign manufacturers of aircraft are at least partially owned and heavily subsidized by government. They include British Aerospace, Aerospatiale from France, Dassault from France, Embraer from Brazil, Canadair, and Israeli Aircraft Industries.

Many offer what we call predatory financing. It includes low interest rates, no payments, or low payments for a long time.

If one of these companies have a loss, the government simply covers it. Airbus, which is a company sponsored by France, Germany, the Netherlands, Spain, England and other associated countries, lost money for years. The governments simply picked up the tab. None of these companies are as dependent as our Kansas companies are on making a profit to avoid bankruptcy and to avoid laying off people. Unfortunately, these foreign competitors are starting to make inroads here in the United States.

Thus, it does not seem to be a good idea to put inventories back on the tax rolls, or shift other taxes onto manufacturers.

Our small manufacturers in particular feel that taxing inventories is unfair. When business is good, inventories can be small. When business is bad, inventories can grow. The tax becomes a burden at a time when the business can least afford to pay it.

SCR 1637 also increases property taxes on commercial and industrial machinery and equipment. This comes at a time when we want to encourage our small manufacturers to replace old equipment with modern machines that will keep them competitive. One of the reasons the Japanese have been so successful in automobile manufacturing is their heavy investment in machinery and equipment when our own automakers were not modernizing. That cost us thousands of auto industry jobs.

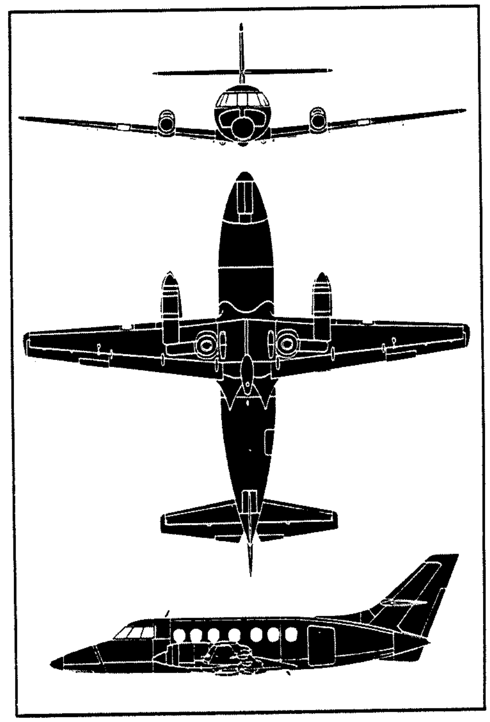
What's the answer then to our property tax dilemma? Clearly, commercial property effective tax rates are too high in Kansas. Our conclusion is that we must reduce our reliance on property taxes through other revenue raising measures that may be unpopular. Frankly, it's the only conclusion we can reach.

Thank you for the opportunity to testify.

BAe Jetstream 31

Confusion: Merlin II/III

Power: 2 × TPE331 turboprops *Span:* 15.85m *Length:* 14.37m

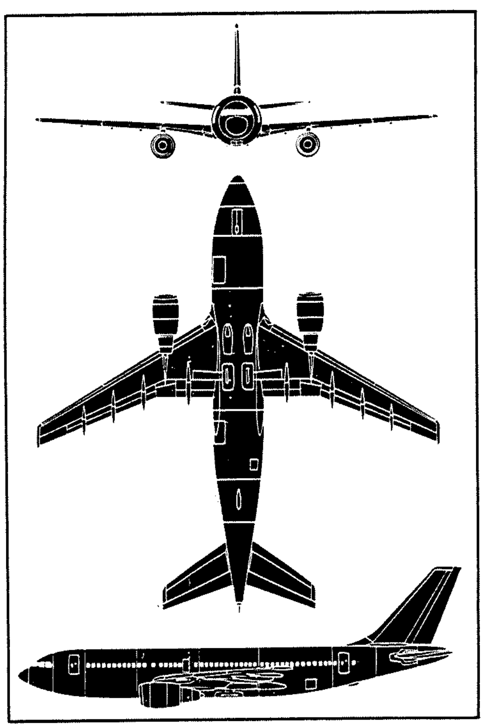


In its original form the Jetstream was developed by Handley Page and then Scottish Aviation. Thirty Astazou-powered Jetstreams 1 and 2 are still in civil service, while T1s and T2s are used by the RAF and the Royal Navy. British Aerospace Scottish Division (formerly Scottish Aviation) produced a much modified version called Jetstream 31, powered by two Garrett turboprops and aimed at the commuter and light business markets. A flight development aircraft flew in March 1980. Four Jetstreams, as T Mk 3 were ordered for the Royal Navy. By March 1989 some 252 Jetstreams had been sold. The Jetstream Super 31 has more powerful TPE 331 engines. A projected version is the Jetstream 41 which will carry 29 passengers as compared with 19 on the 31. *Country of origin:* UK.

Airbus A310

Confusion: A300, 757, 767, TriStar, DC-10

Power: 2 × CF6 or JT9D turbofans *Span:* 43.9m *Length:* 46.6m



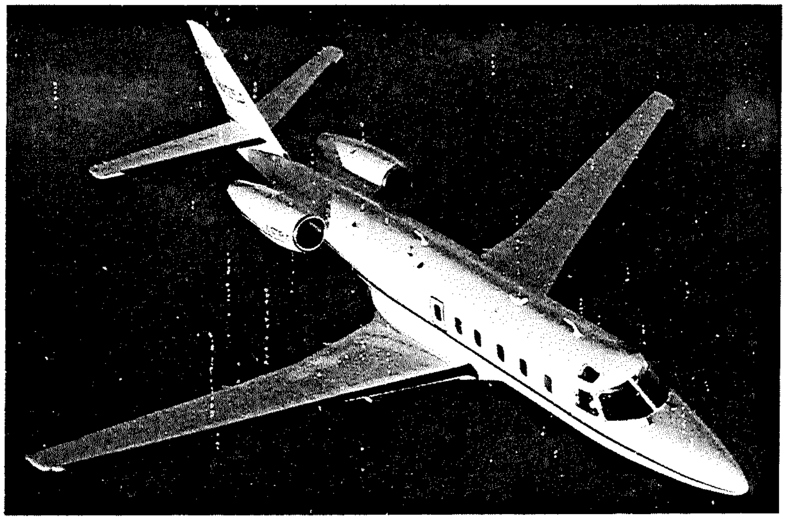
A combination of a shortened-fuselage A300 and a new advanced-technology wing produced the Airbus A310, a direct rival to the Boeing 767. Like the 767, the A310 is offered with two different powerplants. By March 1989 180 A310s had been ordered. First flown in April 1982, the type went into service in April 1983, with Lufthansa and Swissair the first two users. With maximum payload the A310 can fly 4,090km at a speed of 828km/h. A310-200 is the basic version, the -200C is a convertible version, and -200F a freighter. A first delivery of the A310-300, with longer range, took place in April 1986. Wingtip fences were introduced in 1986. *Countries of origin:* France/Germany/Netherlands/Spain/UK, plus other associated countries. *Silhouette:* A310-200. *Picture:* A310-300.

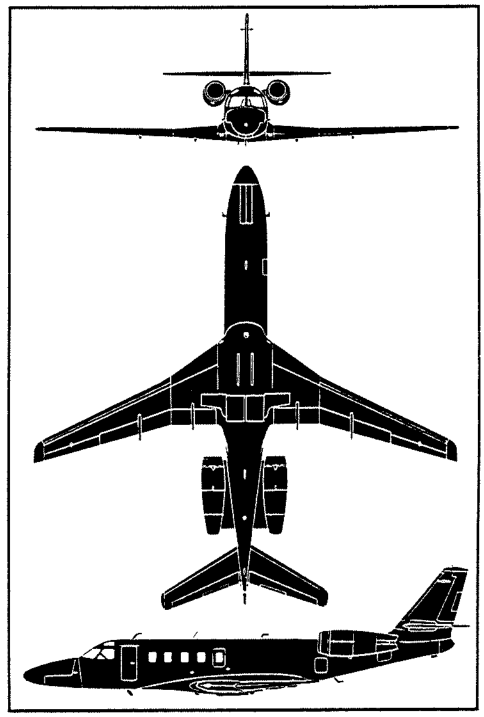
SENATE ASSESSMENT AND TAXATION COMMITTEE
THURSDAY, MARCH 15, 1990 ATTACHMENT 3b

Confusion: Mystère Falcon 10/100

IAI 1125 Astra

Power: 2 × TFE731 turbofans *Span:* 16.05m *Length:* 16.94m



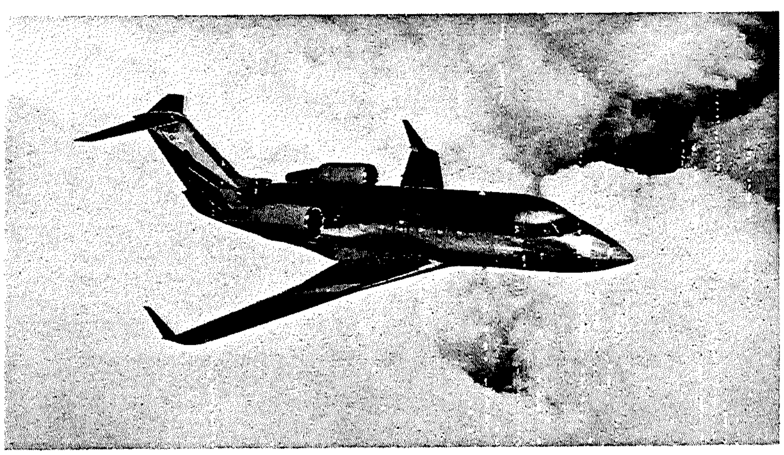


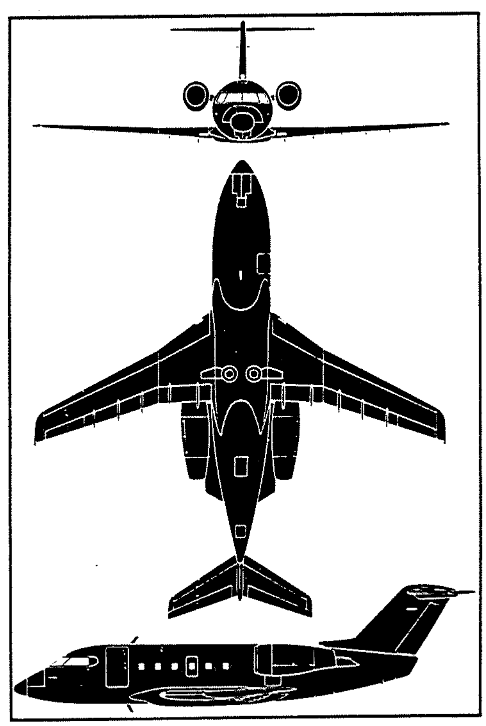
Developed from the straight wing Westwind, the swept-wing 1125 Astra is a business aircraft seating two crew and up to six passengers. Maximum cruising speed is 862km/h and maximum range with long-range tanks and four passengers is 5,763km. The Astra first flew in March 1984. An Israel Aircraft Industries subsidiary company in the USA, called Astra-Jet Corporation, has been concerned with marketing the aircraft. *Country of origin:* Israel.

Confusion: BAe 125, Falcon 10, Falcon 20, Corvette

Canadair Challenger

Power: 2 × ALF502 or 2 × CF34 turbofans *Span:* 18.83m *Length:* 20.82m



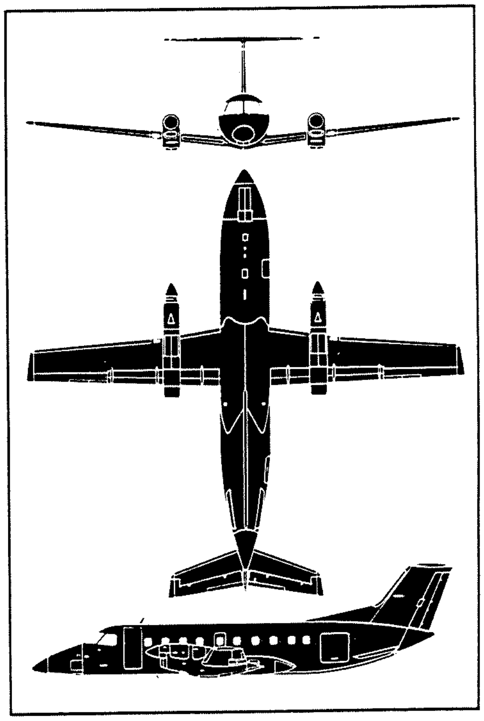


Designed for use as an executive jet, commuter airliner and express cargo aircraft, the Canadair CL-600 Challenger (later re-designated Challenger 600) first flew in August 1978. It has a roomy cabin seating up to 28 passengers and has a cruising speed of 745km/h. The next version is the Challenger 601 with GE CF34 engines and winglets. By March 1989 some 107 Challengers had been ordered. A number of Challengers have been ordered for military use and as VIP transports. A long range development, now available, has a range of 6,667km, while an upgraded engine variant is the 601-3A. A new stretched version is the 601RJ (Regional Jet). *Country of origin:* Canada. *Silhouette:* Challenger 600. *Picture:* Challenger 601.

36-2

EMBRAER EMB-120 Brasilia

Power: 2 × PW115 turboprops *Span:* 19.78m *Length:* 20m

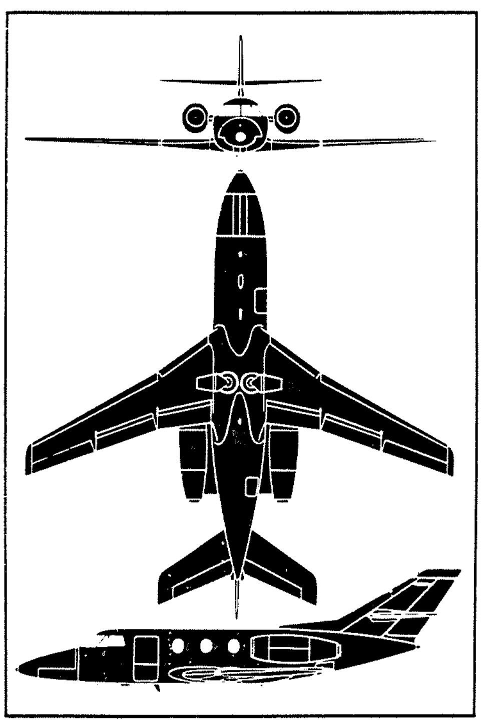


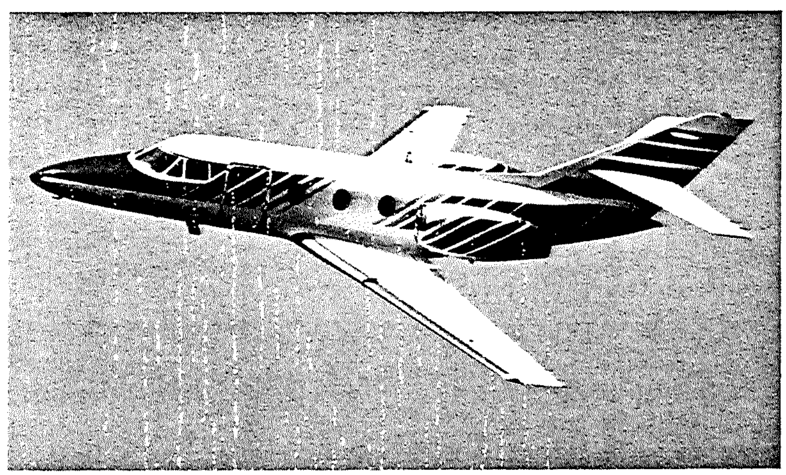
First flown in July 1983, the EMB-120 Brasilia is a twin turboprop passenger and cargo aircraft. Seating 30, the Brasilia has a cruising speed of 487km/h and a range of 1,112km. Deliveries commenced in mid-1985. Military versions include the C-97 and VC-97 for the Brazilian Air Force. By April 1988, 226 Brasilias had been ordered. *Country of origin:* Brazil.

Dassault-Breguet Mystère-Falcon 10/100

Confusion: Falcon 20, BAe 125, Corvette

Power: 2 × TFE731 turbofans *Span:* 13.08m *Length:* 13.85m





Essentially a scaled-down version of the Mystère-Falcon 20, the Mystère-Falcon 10 executive aircraft first flew in December 1970 and deliveries began in 1973. The 10 was replaced on this production line by the 100 with increased take-off weight and a fourth cabin window on the starboard side. The French Navy uses seven 10s as Mystère-Falcon 10 MER for fighter intercept training. Several hundred of the two types have been ordered. Typical weight of the 100 with four passengers, two pilots, and maximum fuel, is 8,280kg. Fast cruise is 912km/h and range 3,480km. *Country of origin:* France. *Silhouette:* Mystère-Falcon 10. *Picture:* Mystère Falcon 100.

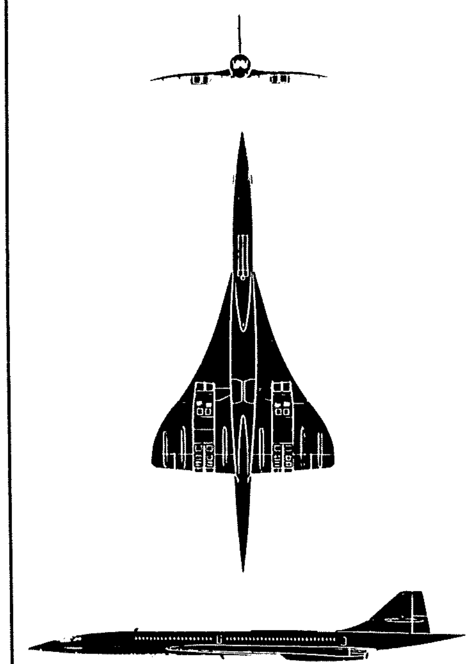
3b-3

3b-4

Confusion: Viggen, Draken

Aérospatiale/BAe Concorde

Power: 4 × Olympus 593 reheated turbojets *Span:* 25.56m *Length:* 61.66m



The world's only fully operational supersonic airliner, the Anglo-French Concorde can carry 128 passengers at a speed of Mach 2 for 6,300km. It first went into service with British Airways and Air France in 1976. Eighteen Concordes were built, of which 14 entered service. The external layout is unusual: the engines are boxed under the wing in two pairs, while the wing is ogive-shaped in planform and steeply cambered at the leading edge. Concorde's service ceiling is 18,300m, higher than that of any other airliner in service. Concorde commercial services were inaugurated on January 21, 1976, when the fifth and sixth production aircraft (Air France F-BVFA and British Airways G-BOAA) flew Paris-Dakar-Rio de Janeiro and London-Bahrain respectively. *Countries of origin:* France/UK.

Great Plains Ventures, Inc.
3526 N. Oliver • Wichita, Kansas 67220
(316) 684-1540 • FAX (316) 684-5627

March 1, 1990

Mr. Tim Witsman, President
The Chamber
350 West Douglas
Wichita, Kansas 67202

Dear Mr. Witsman:

As a holding company with investments in small manufacturing companies we must compete with manufacturing companies in other parts of this country and other parts of the world. The taxes that we are required to pay have to be included in the cost of the products we manufacture. If our tax burden becomes too high, we can no longer compete and we either export the jobs or somebody in a more favorable tax climate will take the business from us.

From a historical standpoint our companies total taxes per employee have increased from $3,149 per employee in 1986 to $8,500 per employee in 1989, a period of four years. Twenty years ago we had no payroll or employees. Today our annual payroll is in excess of $7,000,000 for our more than 300 employees.

The recent change brought about by reappraisal and classification has up to this point had a favorable impact on our company. Our real estate taxes have gone up 61% and our personal property taxes have gone down 75%, for a net improvement of a tax decrease of 36%.

We believe that the current law on "classification and reappraisal" will be beneficial to our companies, our employees and our community. It will assist us in our future growth plans. We believe that the inventory tax is the most regressive tax that can be placed on a manufacturer. It burdens a company in both good and bad times and can destroy a company's equity in any recessionary business climate.

Please feel free to use my comments in The Chambers presentation to the legislature.

Sincerely,

GREAT PLAINS VENTURES, INC.

C. D. Peer
President

AUTOMATION-PLUS, INC.

CONTROL SYSTEMS FOR AUTOMATION

6053 SOUTH SENECA
WICHITA. KANSAS 67217
(316) 529-2345

WICHITA AREA CHAMBER OF COMMERCE
350 West Douglas
Wichita, Kansas 67202

Attn: Mr. Tim Wittsman
Mr. Bernie Koch

This letter is written to express our concern on the pending reinstatement of the inventory tax and increase in property taxes.

We are in the business of providing engineered solutions for increasing manufacturing productivity and quality through the use of advanced technology.

To provide quick turnaround and service to our customer base we must maintain an extensive inventory of products. Our quick response to customer requirements has allowed us to compete with the large, lower priced competition coming from Tulsa and Kansas City, Missouri. A reinstatement of the inventory tax will force us to reduce our inventories and lose our advantage over the out of state firms.

In addition, to provide the systems that our customers are asking for requires a heavy investment in capital equipment. Any increase in the property tax rate on equipment will force us to pass our cost onto our customers, again weakening our position against the larger out of state firms.

Your efforts to maintain the current tax situation with respect to inventory and property are greatly appreciated.

Sincerely,

AUTOMATION PLUS, INC.

Douglas E Wohlford

DOUGLAS E. WOHLFORD
President

SENATE ASSESSMENT AND TAXATION COMMITTEE
THURSDAY, MARCH 15, 1990 ATTACHMENT 3d

Wichita Tool Company, Inc.

P.O. BOX 17278 6053 SOUTH SENECA
WICHITA, KANSAS 67217

(316) 529-2222
FAX: (316) 529-4364

February 28, 1990

WICHITA AREA CHAMBER OF COMMERCE
350 West Douglas
Wichita, Kansas 67202

Attn: Mr. Tim Witsman
Mr. Bernie Koch

This letter is in regards to the pending tax changes and their impact on our local economy and the State of Kansas. The small business owners are still trying to overcome the added expense of increased real estate taxes. A reinstatement of the inventory tax, or an increase in the property tax could thrust many businesses into bankruptcy.

We are in the business of building injection molds for the plastics industry. An inventory tax is unfair in our type of business due to the "turn-around" time factor involved in purchasing inventory items for use in the manufacture of a mold. From customer order to finished product, a mold could take anywhere from six weeks to twenty-six weeks, depending on the size and complexity. At any given time, as much as 20% of our sales could be tied-up in inventory.

To manufacture our product takes a large capital equipment investment. The recent reduction of the property tax was a welcome relief amidst the constant increases incurred in operating costs. To be competitive in today's market, businesses must be able to maintain their existing machinery while acquiring new equipment to modernize methods of increasing productivity.

Our taxation stature makes it very hard to compete with surrounding states. One of our major customers is located in Texas. To continue doing business, we must hold our pricing, unable to pass on the additional tax burden. This is a definite advantage for our competition located in other states not experiencing the recent tax increases Kansas is incurring.

To help you understand our product, enclosed you will find a picture of an injection mold producing a part for a lawnmower control. This mold was one of four sold to our customer in Texas, a sales of approximately $150M. We can not continue to vie for this business with the tool shops located in the Texas area, as our cost of doing business continues to rise.

Your efforts to lower, or at least maintain the tax problems facing today's business owners will be appreciated. We need to realign our tax values for the growth and well being of our State's economy.

Sincerely,

WICHITA TOOL COMPANY, INC.

Bill Pritchard
BILL PRITCHARD
President

BP:lp

unifLo conveyor, inc.

3526 n. oliver st., wichita, kansas 67220 • (316) 688-0000

March 1, 1990

Mr. Tim Witsman, President
The Chamber
350 West Douglas
Wichita, KS 67202

Dear Mr. Witsman:

This letter is to make you aware of our Company's strong position against any possibility of restatement of property taxes on inventory.

Our Company is in a very competitive industry competing with many national and international concerns. The conveyors that we manufacture are important productivity tools used by other manufacturers and distribion services. All sales made by us either bring money into Kansas from other states or keep Kansas companies from buying equipment from out of state conveyor manufacturers.

Forty three states do not have inventory taxes. With our major competitors located in states that do not tax inventories, how are we to be competitive! Like all our expenses, this tax must be added on to the selling price and increases our prices. Some Kansans finally recognized how ludicrous it was to tax inventory when our neighboring and most other states do not tax it. Let's not regress. Taxing inventory will simply add to the list of items that keep business and jobs from coming to Kansas. It may even contribute to driving current business out of Kansas. It is vitally important to this community and State to maintain a manufacturing job base.

Sincerely,

UNIFLO ~~CONVEYOR~~, INC.

Ronald W. Moore

Ronald W. Moore
Vice-President

/cg

SENATE ASSESSMENT AND TAXATION COMMITTEE
THURSDAY, MARCH 15, 1990 ATTACHMENT 3f

AEROSPACE SYSTEMS & COMPONENTS, INC.
1620 SOUTH BROADMOOR • WICHITA, KANSAS 67207
PHONE: (316) 686-7392 FAX: (316) 686-8542

March 1, 1990

Mr. Tim Witsman, President
The Chamber
350 W. Douglas
Wichita, Kansas 67202

Dear Mr. Witsman:

All taxes are a hindrance to the growth and financial strength of small growing manufacturing companies, but the cruelest and most devastating tax of all is the inventory tax.

As a small manufacturer we have experienced the burden of paying taxes on inventory which we didn't want and which had little current value because of schedule stretch outs by our customers during a business slow down.

We paid personal property taxes (primarily on inventory) while losing money each year from 1982 to 1987. Our major stockholder, fortunately, made capital contributions to offset our losses. We survived and currently have an annual payroll of more than $700,000 and 31 employees.

We believe the current tax law with classification and reappraisal to be a significant improvement over past tax laws for the small manufacturer. Reinstatement of the inventory tax would be a significant set back to our plans for future growth and expansion.

Sincerely,

AEROSPACE SYSTEMS & COMPONENTS, INC.

Kenneth Rix

Kenneth W. Rix
Vice President

/ts

SENATE ASSESSMENT AND TAXATION COMMITTEE
THURSDAY, MARCH 15, 1990 ATTACHMENT 3g

Kansas Livestock Association

6031 S.W. 37th Street • Topeka, Kansas 66614-5128 • Telephone: (913) 273-5115
FAX: (913) 273-3399
Owns and Publishes The Kansas STOCKMAN magazine and KLA News & Market Report newsletter.

STATEMENT OF

THE KANSAS LIVESTOCK ASSOCIATION

TO THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

SENATOR DAN THIESSEN, CHAIRMAN

WITH RESPECT TO

SCR 1637

PRESENTED BY

DEE LIKES, EXECUTIVE VICE PRESIDENT

MARCH 12, 1990

KLA appreciates the frustration that many of you are experiencing in attempting to deal with the property tax issue and we thank you for giving us this time to express our position and reemphasize our concerns.

In brief, KLA is strongly opposed to reopening the classification section of the Kansas Constitution. We believe that adjusting the assessment rates will simply exchange one set of problems for a new set of problems and we believe that some classes of taxpayers have more to lose than to gain. When Professor Fisher summarized his report to you recently, one of the most significant conclusions he revealed is that a large portion of the complaining which is being done is coming from taxpayers within various property classes who were vastly underappraised prior to reappraisal. In other words, he said that it was inevitable that these people would experience increased valuation on their property and that many of them would therefore receive property tax increases. I submit to you that this will be no different even with a new constitutional provision which overhauls property tax assessment rates.

Of primary concern to KLA are the provisions which seek to reimpose the inventory tax. It is our sincere belief that to reimpose a tax on livestock would cause severe economic harm to the livestock and grain industries specifically, and also have a broad negative impact on the entire Kansas economy generally.

Please consider these points as you formulate your opinion relative to this issue:

If cows were valued at $700 per head and assessed at 20% in a hypothetical county with a property tax levy of 100 mills, the calculation becomes $700 x .20 = $140 assessed valuation x 100 mills = $14.00 property tax per cow annually. In the case of a livestock producers weaning 400 pound calves from that mother cow, this tax will increase his break-even by over $3.50 per 100 weight.

If feedlot animals were valued $800 the calculation becomes $800 x .20 = $160 assessed valuation x 100 mills = $16 tax. If that tax is pro-rated for the amount of time that the animal is on feed in Kansas and we assume that period to be 120 days, the tax is $5.33 per head or.

Kansas ranks third in the nation in cattle feeding. The number one and number two states, Texas and Nebraska, have no livestock tax. Colorado, another competing state, also has no livestock tax. I submit to you that a livestock tax - of virtually any amount - will have the effect of diverting cattle into these other states.

The cattle feeding industry has been termed "a mobile industry that deals with a transient product". Cattle feeding is a highly competitive, tightly-margined industry and the cattle will go where the total cost of feeding the animal are lowest. It is a constant struggle for Kansas feedyard owners and managers to attract cattle to Kansas and the only way I could think of to divert more cattle to our neighboring states would be to also give cattle feeders free trucking to those states. It would literally be so negative to Kansas cattle feeding that even Kansans who are part owners of Kansas feedyards would have an incentive to send cattle to other states to be fed.

Kansas markets approximately 4.2 million fed cattle per year. Kansas imports between 3 to 3-1/2 million cattle to be grazed on Kansas pastures and fed in Kansas feedyards. The owners of these cattle are sometimes Kansas residents and sometimes they live out of state. However, the effect is identical...they would have a strong economic incentive to never bring those cattle to Kansas but instead have them shipped to a state where cattle are not taxed. Many of these cattle owners, once acquainted with and satisfactorily served by feedyards in other states, may never return to Kansas to feed cattle. This, in turn, hurts the competitiveness of Kansas packing plants. Once we tax the cattle out of Kansas, the feedyard industry will decline. With most cattle spending between 120-150 days on feed, it only takes that length of time to move a significant portion of the cattle being fed in Kansas feedyards. If this happens, the Kansas packing industry will eventually begin to relocate.

Ironically, much of the benefit that is supposedly designed to be derived from reimposition of this tax would never really materialize. However, the total Kansas economy would be harmed in the process.

A recent study completed by Kansas State University economists makes several conclusions:

1) *"Historically, the cattle feeding industry has operated on small, and quite often negative, margins. The large influxes of cattle coming into the state would likely decline if the inventory tax is enacted."*

"Custom feedlot operators in Kansas could find themselves unable to compete with cattle feeders in the competitive neighboring cattle feeding states of Texas, Nebraska and Colorado." "Of these 3 states, Kansas would be the only one with such an inventory tax on cattle, creating an absolute cost disadvantage for Kansas feedlots."

2) *"The phenomenal growth rate that the Kansas beef industry has enjoyed will not continue and may decline in the presence of the proposed inventory tax, especially over a period of several years." "Indeed, signs are appearing that the growth rate of the Kansas beef industry is already beginning to level off even in light of the removal of the livestock personal property tax that was in place in Kansas through 1988." "Nebraska's cattle feeding sector has increased in recent years and the announcement of IBP to open a 4,000 head per day cattle slaughtering plant in Nebraska is likely to provide further impetus for growth there." "The cattle industry in Kansas is just now maturing and the proposed inventory taxes could induce shifts in the cattle industry towards neighboring states."*

3) *"Clearly, any reduction in the size of the Kansas cattle and meat processing industries would have a negative effect on the Kansas economy." "It is important to note that the impact on the total Kansas economy will be much larger than the impact on the cattle production and meat processing industries alone." "For example, if the value of fed cattle output declined by only $34 million (roughly 1% of the 1989 value of fed cattle marketings in Kansas), total output in the Kansas economy would be expected to decline by an upper limit of $98 million in short run." "A reduction in the size of the fed cattle industry would also induce a relatively large decline in Kansas total household income."*

I hasten to add this tax would also negatively impact the swine and sheep industries in a similar way. It appears to us that if you view the reimposition of the inventory tax as a solution, it is extremely possible you will have created a solution that was worse than the problem.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

A consolidation of the Kansas State Chamber of Commerce, Associated Industries of Kansas, Kansas Retail Council

SCR 1637 February 27, 1990

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Assessment and Taxation Committee

by

Bob Corkins
Director of Taxation

Mr. Chairman and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry. Thank you for the chance to express our concerns about SCR 1637 and to oppose the liberal manipulation of property taxes which it would permit.

> The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.
>
> KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.
>
> The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

This resolution promises many of the same disadvantages for the business community in this state as do most of the constitutional amendments proposed so far. The fact that it does not recommend a set scheme of property class assessment percentages is not an improvement over competing proposals. Nor is it superior to create a range within which these percentages may vary. SCR 1637 still threatens to shift the tax burden from one class of property to another without ensuring an even-handed response to the property tax problem shared by all.

Far from being a solution, KCCI believes that this proposal would guarantee a continuation of the current confusing property tax debate in every succeeding session of this legislature. It would only prompt many of the same claims of injustice or corresponding new claims of injustice from different classes year after year after year.

We believe that any reclassification would create as much "unfairness" as it eliminates. Because the tax base varies so greatly from one county to the next, it is impossible to devise a single state-imposed system of classification that would be equitable throughout Kansas. Of course, the existing classification scheme is not perfect. However, no evidence suggests that any reclassification would be more fair to more counties and with fewer individual hardships than the current classification provision.

KCCI also strongly objects to the threat which this proposal would bring regarding the taxation of business personal property. Economic growth would suffer from the reinstatement of the inventory tax, from the repeal of the current accelerated depreciation now allowed on business machinery and equipment, from any increase in the tax burden which might be imposed on either of these classes, and <u>even</u> from the <u>mere threat</u> that these classes and assessment rates would be subject to change from year to year. Business development depends upon predictability and on a favorable political climate with respect to Kansas' business policies. Without stability, new businesses will be discouraged from locating in Kansas, existing Kansas firms will be discouraged from expanding their operations, and some existing businesses will be tempted to relocate to more favorable areas.

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

Testimony presented before the
Senate Committee on Assessment and Taxation

SCR 1637

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

March 15, 1990

Kansas Association of Schools Boards
Kansas-National Education Association
Schools for Quality Education
Schools for Equal Education in Kansas
USD 501, Topeka

United School Administrators of Kansas

Mister Chairman and members of the committee, I am Chuck Stuart representing the United School Administrators of Kansas. My testimony today, as on similar measures before this committee represents the collective views of the organizations and the school districts listed above.

Our collective view continues to be that we are concerned that important decisions are being contemplated before all information is known. We are simply opposed at this point in the session to solutions which call for a revisiting of the constitution. We continue to believe that much of the furor over the property tax will be lessened when the process authorized by this legislature has been allowed to work its course.

We further oppose **SCR 1637** in that we believe classes of property must continue to be listed in the constitution and thereby allowed to work over the long haul. We appreciate the opportunity to be heard on this issue.

SCR1637/gwh

SENATE ASSESSMENT AND TAXATION COMMITTEE

March 15, 1990

Re: SCR 1637

Senator Thiessen, members of the committee, I am Mary Ellen Conlee, Executive Director of the Kansas Association for Small Business. Much has been said about the impact of reappraisal and classification on the small businesses of Kansas. For the past five years the KASB has represented its members, 200 companies in or serving manufacturing, in support of an improved business climate, believing that a strong industrial sector fuels the economy. Critical to that purpose has been the elimination of the merchants' and manufacturers' inventories tax and the reduction and stabilization of personal property taxes on machinery and equipment. The proposed amendment before you today is a step back from that goal.

The Kansas Association for Small Business strongly opposes the reinstatement of the inventories tax. During the development of the classification amendment 5 years ago, manufacturers understood that lower classification levels (12%) placed on homes and higher classification levels (30%) placed on commercial and industrial property meant higher property taxes for business. For that reason, business took this opportunity to address a long standing problem in the Kansas tax structure.

INVENTORIES TAXES: The inventories tax had disadvantaged Kansas manufacturers in the national marketplace. Inventories are not a measure of the true value of a business. They are, instead, a component part of certain kinds of businesses. For example, the hardware store must maintain a full, expensive inventory to service customers while a restaurant uses up its inventory daily. The inventory tax, therefore, became a penalty tax for owning certain businesses.

For a manufacturing company, inventories are a combination of raw materials, work in progress, component parts and finished goods. The value of inventories result from business decisions unrelated to the income of a particular business. For example, high raw materials inventory may result from sound purchasing policies or from the varying delivery demands of customers. In a state with inventories tax, sound purchasing decisions based on volume discounts would need to be tempered by an analysis of the tax implications. In a different scenario, if a customer is managing inventory carefully, or has an inadequate cash flow , the subcontract manufacturer may be asked to hold finished goods--i.e.: higher inventories and higher taxes. Further, if a customer delays a purchasing decision, one of our companies may have to hold raw materials awaiting a new delivery date, i.e.: higher inventories and higher taxes.

A sluggish economy increases both raw materials and finished goods inventories. Therefore, the manufacturer and the retailer as well, pay an inventory tax penalty. The taxation of inventories is not equitable taxes for all businesses. It is an additional tax for certain kinds of businesses.

MACHINERY AND EQUIPMENT: SCR 1637 increases the tax on machinery and equipment while eliminating the seven-year straight line depreciation. This seven-year straight line depreciation was designed to address the valuation problems brought about by the use of trending factors. The reduction of taxes on commercial buildings coupled with increased taxes on machinery and equipment means additional taxes for the manufacturing sector.

The economic incentives passed by this legislature during the past few sessions created a positive environment for growth. For the subcontract manufacturers I represent, changing technology has required that growth through investment in new machinery and equipment. The improved business climate which has supported growth has allowed manufacturers to make required changes, expand capabilities and still remain competitive in the national marketplace.

Where a grinding machine, if replaced at the same level of technology, may cost $30,000, a small CNC computerized machining center, necessary to do the job at today's tolerance level, would cost $100,000. The prime contractor now prefers to send orders on computer tape. Subcontract manufacturers which will be in business in 5 years must convert to this new expensive technology. The modern machine shop, the support system for aircraft and farm machinery manufacturing, is often housed in real estate valued at $200,000 while owning 2 million dollars worth of machinery and equipment. A tax system that singles out this machinery and equipment for the highest levels of taxation says, "don't grow in Kansas."

* *

The Kansas Association for Small Business asks each of you to maintain a commitment to the elimination of the property tax on inventories. Secondly we ask you to maintain a commitment to a 20% classification, seven-year depreciation for machinery and equipment.

These were sound decisions by the Kansas Legislature in 1985, and by the people in 1986. At least half of the companies in the Kansas Association for Small Business are expanding and creating new jobs for Kansans. The economic development incentives passed by this legislature are working. Thank you.

TREND ANALYSIS

Histori... Overview of Operating Experience

The four tables on this page provide a brief overview of the variations in operating experience over the past fifteen years. The data are grouped by building type for all unfurnished buildings in the U.S. sample.

Five columns of data appear for each building type (left to right): Gross Possible Apartment Rents (Rents); Gross Possible Total Income (GPTI); Total Actual Collections (TAC); Total All Expenses (TAE); and Net Operating Income (NOI).

All figures are reported in Dollars per Square Foot of Rentable Area. All figures from 1973 to 1976 are averages. All figures from 1977 to 1987 are medians.

Table 17: ELEVATOR BUILDINGS

Year	Rents	GPTI	TAC	TAE	NOI
1973	3.66	3.97	3.85	2.04	1.81
1974	3.30	3.57	3.42	1.89	1.53
1975	3.55	3.80	3.64	2.03	1.62
1976	3.75	4.04	3.87	2.15	1.59
1977	3.63	3.85	3.71	2.14	1.53
1978	3.94	4.13	4.04	2.24	1.69
1979	4.20	4.49	4.32	2.34	1.96
1980	4.58	4.82	4.65	2.53	1.99
1981	5.31	5.59	5.37	2.89	2.48
1982	6.04	6.29	6.12	3.10	2.96
1983	6.68	7.02	6.73	3.31	3.31
1984	7.24	7.64	7.40	3.53	3.74
1985	6.91	7.26	6.75	3.55	3.33
1986	7.27	7.57	7.10	3.58	3.48
1987	7.51	7.80	7.36	3.95	3.41

Table 18: LOW-RISE, 12-24 UNITS

Year	Rents	GPTI	TAC	TAE	NOI
1973	2.32	2.38	2.27	1.18	1.09
1974	2.38	2.45	2.33	1.18	1.14
1975	2.50	2.58	2.47	1.26	1.21
1976	2.63	2.69	2.57	1.36	1.21
1977	3.09	3.17	3.03	1.54	1.42
1978	3.32	3.37	3.28	1.61	1.59
1979	3.62	3.73	3.52	1.74	1.73
1980	3.96	4.03	3.84	1.86	1.90
1981	4.43	4.48	4.24	2.06	2.18
1982	4.86	4.94	4.68	2.26	2.34
1983	5.22	5.33	5.03	2.31	2.70
1984	5.53	5.62	5.37	2.36	2.84
1985	5.73	5.86	5.60	2.52	2.94
1986	6.04	6.21	5.64	2.72	2.98
1987	6.21	6.21	5.95	2.77	3.16

Table 19: LOW-RISE 25+ UNITS

Year	Rents	GPTI	TAC	TAE	NOI
1973	2.41	2.48	2.34	1.16	1.18
1974	2.54	2.63	2.48	1.26	1.23
1975	2.71	2.80	2.61	1.39	1.22
1976	2.85	2.94	2.78	1.45	1.33
1977	3.18	3.29	3.09	1.61	1.51
1978	3.30	3.41	3.24	1.64	1.57
1979	3.72	3.83	3.58	1.75	1.79
1980	4.02	4.12	3.88	1.95	1.93
1981	4.52	4.65	4.45	2.13	2.19
1982	4.96	5.10	4.83	2.32	2.37
1983	5.25	5.43	5.05	2.40	2.64
1984	5.73	5.94	5.57	2.62	2.93
1985	5.90	6.11	5.55	2.68	2.85
1986	5.82	6.00	5.48	2.73	2.79
1987	5.93	5.96	5.46	2.72	2.73

Table 20: GARDEN TYPE BUILDINGS

Year	Rents	GPTI	TAC	TAE	NOI
1973	2.31	2.38	2.23	1.10	1.13
1974	2.49	2.58	2.38	1.22	1.16
1975	2.65	2.73	2.52	1.31	1.21
1976	2.78	2.87	2.67	1.40	1.27
1977	2.96	3.04	2.86	1.47	1.41
1978	3.14	3.23	3.04	1.51	1.52
1979	3.42	3.54	3.32	1.62	1.66
1980	3.74	3.86	3.60	1.73	1.81
1981	4.12	4.24	4.00	1.93	2.00
1982	4.53	4.67	4.37	2.07	2.24
1983	4.79	4.94	4.58	2.18	2.33
1984	5.06	5.21	4.80	2.31	2.44
1985	5.26	5.43	4.91	2.45	2.44
1986	5.44	5.61	5.03	2.51	2.48
1987	5.59	5.77	5.08	2.62	2.47

7-3

GARDEN TYPE BUILDINGS
UNFURNISHED

MEDIAN INCOME AND OPERATING COSTS

SELECTED REGIONS
U.S.A. AND CANADA

	TOTAL U.S.A. 3,016 BUILDINGS 531,752 APARTMENTS 438,530,508 RENTABLE SQUARE FEET							CANADA 79 BUILDINGS 12,564 APARTMENTS 11,060,041 RENTABLE SQUARE FEET						
	BLDGS.	-----% OF GPTI------			----$/SQ.FT.----			BLDGS.	-----% OF GPTI------			----$/SQ.FT.----		
		MED	LOW	HIGH	MED	LOW	HIGH		MED	LOW	HIGH	MED	LOW	HIGH
INCOME														
RENTS-APARTMENTS	(3014)	97.5%	96.3%	98.5%	5.59	4.71	6.63	(79)	97.7%	96.1%	98.6%	6.02	5.49	6.94
RENTS-GARAGE/PARKING	(335)	1.4	.6	2.6	.08	.04	.16	(28)	2.1	.5	4.5	.15	.04	.30
RENTS-STORES/OFFICES	(30)	1.1	.6	2.1	.07	.04	.12	(1)	1.4			.09		
GROSS.POSSIBLE RENTS	(3013)	97.7%	96.6%	98.6%	5.60	4.71	6.67	(79)	98.3%	97.4%	99.1%	6.02	5.49	7.08
VACANCIES/RENT LOSS	(3015)	9.1	5.0	14.7	.54	.29	.87	(79)	5.4	.9	13.4	.37	.07	.74
TOTAL RENTS COLLECTED	(3014)	88.1	81.9	92.7	4.91	4.08	5.96	(79)	92.2	83.8	97.9	5.60	4.76	6.67
OTHER INCOME	(2804)	2.5	1.6	3.6	.14	.09	.21	(71)	1.8	1.1	2.7	.11	.07	.18
GROSS POSSIBLE INCOME	(3015)	100.0%	100.0%	100.0%	5.77	4.85	6.89	(79)	100.0%	100.0%	100.0%	6.17	5.70	7.26
TOTAL COLLECTIONS	(3014)	90.9	85.3	95.0	5.08	4.23	6.17	(79)	94.6	86.4	99.1	5.72	4.86	6.74
EXPENSES														
MANAGEMENT FEE	(2900)	4.5	3.9	4.9	.26	.21	.32	(71)	4.4	3.8	4.7	.27	.23	.31
OTHER ADMINISTRTVE.**	(2931)	6.6	3.9	9.4	.39	.23	.55	(73)	5.4	2.3	7.5	.35	.12	.51
SUBTOTAL ADMINIST.	(3005)	11.1%	8.2%	13.9%	.65	.48	.82	(79)	8.6%	5.4%	11.5%	.53	.35	.69
SUPPLIES	(2707)	.4	.2	.8	.02	.01	.05	(70)	.3	.2	.5	.02	.01	.03
HEATING FUEL-CA ONLY*	(1364)	.7	.3	1.4	.04	.02	.08	(25)	.7	.4	1.2	.04	.02	.07
CA & APTS.*	(637)	3.9	2.9	5.6	.26	.17	.37	(22)	3.6	2.5	6.1	.30	.18	.36
ELECTRICITY--CA ONLY*	(2635)	1.8	1.2	2.5	.10	.07	.14	(59)	1.6	.8	2.1	.09	.05	.13
CA & APTS.*	(331)	2.6	1.5	5.9	.13	.08	.40	(19)	1.8	1.3	5.4	.11	.08	.43
WATER/SEWER--CA ONLY*	(136)	1.0	.5	2.0	.06	.02	.13	(11)	.4	.3	.6	.03	.01	.04
CA & APTS.*	(2860)	2.8	1.9	4.0	.16	.12	.23	(65)	2.9	1.7	4.4	.17	.11	.27
GAS----------CA ONLY*	(1015)	.5	.2	1.3	.03	.01	.10	(21)	.6	.5	2.1	.05	.03	.14
CA & APTS.*	(781)	1.6	.9	2.3	.10	.06	.15	(15)	1.9	.9	2.3	.12	.05	.15
BUILDING SERVICES	(2533)	1.1	.7	1.7	.06	.04	.10	(49)	1.4	.8	1.9	.08	.05	.12
OTHER OPERATING	(1288)	.6	.2	1.8	.04	.01	.10	(35)	.5	.1	1.3	.03	.00	.09
SUBTOTAL OPERATING	(3015)	9.0%	6.6%	11.9%	.51	.38	.70	(78)	8.6%	5.6%	11.5%	.54	.29	.77
SECURITY**	(1225)	.4	.2	.7	.02	.01	.04	(22)	.3	.2	.5	.02	.01	.04
GROUNDS MAINTENANCE**	(2919)	2.1	1.4	3.0	.12	.08	.18	(76)	1.8	1.2	2.5	.11	.07	.15
MAINTENANCE-REPAIRS	(2986)	3.4	1.8	5.7	.19	.10	.32	(78)	4.7	3.1	7.5	.28	.21	.45
PAINTING/DECORATING**	(2942)	2.2	1.3	3.5	.13	.08	.21	(78)	1.9	1.3	2.7	.12	.08	.19
SUBTOTAL MAINTENANCE	(3015)	8.4%	6.0%	11.6%	.49	.35	.68	(79)	8.7%	7.2%	12.0%	.53	.41	.77
REAL ESTATE TAXES	(3002)	7.8	5.7	10.1	.45	.31	.61	(79)	8.8	5.8	11.7	.55	.36	.86
OTHER TAX/FEE/PERMIT	(1639)	.1	.1	.4	.01	.00	.02	(40)	.2	.1	.6	.01	.00	.04
INSURANCE	(3000)	2.4	1.7	3.2	.13	.10	.19	(77)	1.4	.8	2.7	.09	.06	.16
SUBTOTAL TAX-INSURNCE	(3011)	10.6%	8.4%	13.3%	.61	.47	.78	(79)	11.4%	8.3%	16.1%	.71	.55	1.03
RECREATNL/AMENITIES**	(1750)	.4	.2	.8	.02	.01	.05	(40)	.9	.4	1.6	.07	.02	.09
OTHER PAYROLL**	(2375)	4.9	3.1	6.9	.28	.18	.39	(61)	3.6	2.1	6.1	.22	.14	.36
TOTAL ALL EXPENSES	(3013)	45.2%	39.1%	52.1%	2.62	2.19	3.13	(79)	43.3%	37.9%	50.3%	2.73	2.33	3.32
NET OPERATING INCOME	(3015)	44.1%	35.2%	52.4%	2.47	1.77	3.34	(79)	47.4%	39.9%	55.8%	2.89	2.29	3.74
PAYROLL RECAP**	(2667)	9.2	6.9	11.5	.53	.41	.67	(69)	7.1	4.5	10.5	.45	.29	.62

FOOTNOTE: For a description of Utility Expense (*) and Payroll Cost (**) reporting, and an explanation of the report layouts and method of data analysis, refer to the sections entitled *Guidelines for the Use of this Data* and *Interpretation of a Page of Data*. For definitions of the income and expense categories, refer to the Appendix.

7-4

GARDEN TYPE BUILDINGS
UNFURNISHED

MEDIAN INCOME AND OPERATING COSTS

SELECTED METROPOLITAN AREAS
U.S.A.

TAMPA-ST PETER., FL — 47 BUILDINGS 9,630 APARTMENTS 7,478,516 RENTABLE SQUARE FEET

TOPEKA, KS — 10 BLGS. 1,119 APTS. 918,221 SQ.FT.

TRENTON, NJ — 5 BLGS. 1,398 APTS. 1,029,797 SQ.FT.

	TAMPA-ST PETER., FL							TOPEKA, KS			TRENTON, NJ		
	BLDGS.	-----% OF GPTI------			----$/SQ.FT.----			BLDGS.	% GPTI	.$/SQFT	BLDGS.	% GPTI	$/SQFT
		MED	LOW	HIGH	MED	LOW	HIGH		MED	MED		MED	MED
INCOME													
RENTS-APARTMENTS	(46)	96.1%	95.5%	97.2%	5.63	4.77	7.25	(10)	96.6%	4.84	(5)	99.3%	7.01
RENTS-GARAGE/PARKING	( )							(4)	.7	.04	( )		
RENTS-STORES/OFFICES	( )							( )			(1)	.7	.06
GROSS POSSIBLE RENTS	(46)	96.1%	95.5%	97.2%	5.60	4.77	6.83	(10)	96.6%	4.87	(5)	100.0%	7.01
VACANCIES/RENT LOSS	(46)	8.8	6.8	12.2	.55	.31	.84	(10)	11.3	.60	(5)	3.8	.23
TOTAL RENTS COLLECTED	(46)	87.4	83.6	90.7	4.98	4.16	6.51	(10)	85.4	4.74	(5)	96.1	6.17
OTHER INCOME	(46)	3.9	2.8	4.5	.23	.15	.31	(10)	3.6	.16	(2)	1.7	.12
GROSS POSSIBLE INCOME	(46)	100.0%	100.0%	100.0%	5.94	4.99	7.33	(10)	100.0%	4.93	(5)	100.0%	7.13
TOTAL COLLECTIONS	(46)	91.4	88.0	93.2	5.28	4.43	6.66	(10)	88.9	4.79	(5)	96.2	6.29
EXPENSES													
MANAGEMENT FEE	(46)	4.6	4.4	4.8	.31	.23	.36	(10)	4.4	.23	(5)	4.9	.35
OTHER ADMINISTRTVE.**	(46)	6.6	5.6	8.0	.42	.30	.58	(10)	7.8	.38	(3)	5.6	.35
SUBTOTAL ADMINIST.	(46)	11.3%	10.2%	13.7%	.72	.56	.96	(10)	12.6%	.58	(5)	8.8%	.70
SUPPLIES	(44)	.3	.2	.5	.02	.01	.03	(9)	.2	.01	(4)	1.1	.04
HEATING FUEL-CA ONLY*	(11)	.3	.2	.5	.01			(6)	.7	.03	(1)	3.3	.24
CA & APTS.*	( )				.18			(1)	.2	.01	(2)	9.2	.56
ELECTRICITY--CA ONLY*	(41)	2.2	1.8	2.4	.13	.10	.16	(6)	2.5	.11	(5)	1.8	.13
CA & APTS.*	(4)	2.7			.12			(4)	2.7	.15	( )		
WATER/SEWER--CA ONLY*	(3)	.3			.03			( )			(1)	4.1	.29
CA & APTS.*	(43)	3.4	2.5	4.2	.22	.18	.27	(10)	2.4	.12	(4)	5.5	.38
GAS----------CA ONLY*	(32)	.4	.2	.4	.02	.01	.03	(2)	2.5	.14	(1)	2.5	.18
CA & APTS.*	(5)	.3			.02			(1)	2.0	.10	(1)	1.6	.10
BUILDING SERVICES	(24)	1.9	1.3	2.5	.10	.07	.13	(10)	1.3	.05	(3)	2.0	.18
OTHER OPERATING	(25)	3.4	2.5	3.8	.23	.14	.28	(6)	1.0	.06	(1)	2.5	.22
SUBTOTAL OPERATING	(46)	9.0%	7.7%	10.7%	.50	.45	.69	(10)	9.8%	.47	(5)	11.8%	1.18
SECURITY**	(29)	.6	.4	.9	.04	.03	.05	(2)	.2	.01	( )		
GROUNDS MAINTENANCE**	(45)	3.1	2.1	3.4	.19	.14	.25	(10)	1.4	.07	(4)	2.6	.14
MAINTENANCE-REPAIRS	(46)	2.5	1.8	3.5	.17	.10	.23	(10)	4.3	.21	(5)	11.2	.92
PAINTING/DECORATING**	(44)	2.0	1.2	2.4	.13	.08	.15	(10)	2.0	.10	(5)	1.4	.17
SUBTOTAL MAINTENANCE	(46)	8.3%	6.1%	9.6%	.50	.37	.63	(10)	7.7%	.39	(5)	16.6%	1.15
REAL ESTATE TAXES	(46)	10.6	8.7	11.0	.60	.47	.77	(10)	12.8	.65	(5)	11.5	.79
OTHER TAX/FEE/PERMIT	(37)	.2	.2	.3	.02	.01	.02	(6)	.3	.01	(3)	.5	.03
INSURANCE	(46)	3.3	1.9	3.9	.18	.12	.24	(10)	2.1	.10	(4)	3.7	.15
SUBTOTAL TAX-INSURNCE	(46)	13.4%	11.4%	15.1%	.82	.58	1.02	(10)	14.2%	.76	(5)	15.7%	1.03
RECREATNL/AMENITIES**	(12)	.4	.3	.5	.02	.02	.04	(8)	.4	.02	(3)	.6	.05
OTHER PAYROLL**	(41)	4.7	4.1	6.3	.32	.25	.35	(10)	5.3	.27	(4)	5.6	.47
TOTAL ALL EXPENSES	(46)	47.8%	44.8%	51.3%	2.77	2.37	3.50	(10)	49.5%	2.48	(5)	58.5%	3.89
NET OPERATING INCOME	(46)	42.2%	37.1%	47.1%	2.58	1.72	3.22	(10)	40.5%	2.35	(5)	38.2%	2.46
PAYROLL RECAP**	(46)	9.5	8.6	11.6	.62	.52	.68	(10)	8.6	.47	(3)	7.1	.56

FOOTNOTE: For a description of Utility Expense (*) and Payroll Cost (**) reporting, and an explanation of the report layouts and method of data analysis, refer to the sections entitled *Guidelines for the Use of this Data* and *Interpretation of a Page of Data*. For definitions of the income and expense categories, refer to the Appendix.

7-5

My name is Jack Brand and I am appearing on behalf of the Lawrence Apartment Association. We strongly oppose that portion of Senate Concurrent Resolution 1637 that would raise the classification percentage on multi-family residential real property from 12 percent to 20 percent.

The proposed change for multi-family residential may be premised on the conclusion that under classification in 1989 apartment real property taxes went down. This may be true in some counties, but it is not true in Douglas County. As chart A attached to my statement shows, in Lawrence, some apartments' taxes went up, some stayed about the same and some went down. But a further 67 percent increase would have a catastrophic effect on most of those apartments shown.

The proposed change may also be premised on the conclusion that apartment owners in the long run pay real estate taxes and apartment renters do not pay such taxes. Nothing could be farther from the truth.

As real estate taxes on single family housing are costs that owners or renters of single family property must bear so are real estate taxes on apartments costs that must be borne by the occupants of such multi-family housing. On a long run basis, and we assume that this bill seeks long range solutions, the expenses of operating multi-family housing directly affect, and in large part determine, the rents that are charged for such housing. That expenses determine rents is an article of faith in the apartment industry. To demonstrate this to you, I have attached as chart B a trend analysis from the <u>1988 Manual of the Institute of Real Estate Management</u>. It shows the relationship between rents and expenses in the United States from 1973 to 1987. As you can see from the chart, almost every single time that expenses went up (these are shown under the column total all expenses--TAE) then rents went up. Almost every single time that expenses went down, rents went down. Small increases with expenses dictated small rent increases. Large expense increases dictated large rent increases. (I have highlighted those numbers on the charts showing expenses for the year going down and rents going down.) Ask someone in the apartment industry if expenses determine rents. And if you don't accept their word, study this chart.

I have also attached chart C showing the percent that real estate taxes, on the average, bear to gross possible total income. As you can see the national average is 7.8 percent. Further you can see from this chart that real estate taxes nationally comprise 17.2 percent of total expenses. Then I have attached as chart D these figures for Topeka, Kansas. The figure is 12.8 percent in Topeka. In Topeka apartment real estate taxes comprise 25.9 percent of total expenses compared to the national average of 17.2 percent. Chart E shows the rankings of American cities based on the percent of real estate taxes to gross possible total income. Out of 116 American cities shown by the Institute of Real Estate Management, Topeka had the eleventh highest apartment real estate taxes. Only in the states of Minnesota, Wisconsin, Michigan, Iowa, Oregon, New York and New Hampshire were apartment real property taxes higher.

The matter of classification was first studied by and then recommended to the legislature by the Kansas Tax Review Committee in June of 1984. They held some six hearings statewide, and thoroughly considered the matter. They recommended that apartments and single family be taxed under the same classification. They rejected the concept that there should be two classes of residency in Kansas and that residents of apartments should bear a proportionately heavier real estate tax burden.

In our Kansas towns and cities there are many thousands of citizens who live in multi-family rental properties. These citizens range from young students to the elderly. Using a different classification percentage for multi-family residents designates them as second class citizens paying a disproportionate share of real property taxes because of their place of residency. All Kansans should be treated alike and taxed alike. There should be an identical classification amount for all Kansas residents.

Appendix A

Lawrence, Kansas Apartment Projects

Project	Number Of Units	1988 Assessed Value	1988 Assessed Per Unit	1988 Taxes	1989 Assessed Value	1989 Assessed Per Unit	1989 Taxes	1989 Appraised	1989 Appraised Per Unit	% Change 1988 to 1989
Aspen West	72	121,300	1,682	20,565	222,960	3,097	28,048	1,858,000	25,806	36.4
Boardwalk	230	322,620	1,403	54,774	976,900	4,247	122,894	8,140,833	35,395	124.4
Graystone	86	52,140	606	8,852	93,695	1,089	11,787	780,792	9,079	33.2
Malls Olde English Village	144	293,220	2,036	49,783	439,260	3,050	55,259	3,660,500	25,420	11.0
Naismith Place	48	102,500	2,135	17,402	154,835	3,226	19,478	1,290,292	26,881	11.9
1224 Ohio	4	9,740	2,435	1,654	16,355	4,089	2,057	136,292	34,073	24.4
Parkway Terrace	67	46,340	692	7,868	70,205	1,048	8,832	585,042	8,732	12.2
Shannon Plaza Townhomes	18	46,840	2,602	7,952	131,425	7,301	16,533	1,095,208	60,845	107.9
Trailridge	168	359,300	2,139	61,002	527,750	3,131	66,391	4,397,917	26,178	8.8
Apple Lane	75	97,260	1,297	16,513	117,170	1,562	14,740	976,417	13,019	-10.7
Berkeley Flats	96	159,530	1,662	27,085	200,700	2,091	25,248	1,672,500	17,422	-6.8
Campus Place	21	59,760	2,846	10,146	79,525	3,787	10,004	662,708	31,558	-1.4
Emery Place	29	40,590	1,400	6,891	53,245	1,836	6,698	443,708	15,300	-2.8
Kentucky Place	18	59,840	3,324	10,160	69,950	3,886	8,800	582,917	32,384	-13.4
Prairie Ridge Place	101	205,460	2,034	34,883	268,765	2,661	33,811	2,239,708	22,175	-3.1
Shannon Plaza Club	64	132,290	2,067	22,460	169,200	2,644	21,285	1,410,000	22,031	-5.2
South Pointe	108	200,180	1,854	33,987	231,480	2,143	29,120	1,929,000	17,861	-14.3
University Terrace	72	129,390	1,797	21,968	156,395	2,172	19,674	1,303,292	18,101	-10.4
Birchwood Gardens	92	192,920	2,097	32,754	210,580	2,289	26,491	1,754,833	19,074	-19.1
Clinton Place	58	130,710	2,254	22,192	137,930	2,378	17,352	1,149,417	19,818	-21.8
Grandview Terrace Quadruplexes	44	104,010	2,364	17,659	115,880	2,634	14,578	965,667	21,947	-17.4
Heatherwood Valley	72	331,450	4,603	56,274	348,910	4,846	43,893	2,907,583	40,383	-22.0
Oaks	72	107,660	1,495	18,279	97,355	1,352	12,247	811,292	11,268	-33.0
Park Plaza South	102	152,250	1,493	25,849	160,360	1,572	20,173	1,336,333	13,101	-21.9
Parkway 4000	55	345,100	6,275	58,591	344,495	6,264	43,337	2,870,792	52,196	-26.0
Peppertree	80	205,810	2,573	34,942	202,485	2,531	25,473	1,687,375	21,092	-27.1
Princeton Place	48	204,010	4,250	34,637	198,635	4,138	24,988	1,665,292	34,485	-27.9
Quail Creek	95	275,080	2,896	46,703	278,620	2,933	35,050	2,321,833	24,440	-24.9
Summit House	18	31,100	1,728	5,280	32,905	1,828	4,139	274,208	15,234	-21.6
Sunrise Place	68	177,690	2,613	30,168	207,315	3,049	26,080	1,727,625	25,406	-13.6

a complete list of Lawrence projects.

AMERICAN CITIES COMPARISON OF REAL ESTATE TAXES ON APARTMENTS

City	Real Estate Taxes as a Percent of Gross Possible Total Income (GPTI)	Rank based on Real Est. Taxes as a percent of GPTI
Abilene, TX	9.2	46
Akron, OH	10.5	29
Albany-Troy, NY	12.0	15
Albuquerque, NM	5.2	100
Allentown-Beth, PA	8.2	54
Ashville, NC	7.3	72
Atlanta, GA	6.6	82
Augusta, GA	4.1	113
Austin, TX	9.6	41
Baltimore, MD	7.4	70
Birmingham, AL	4.5	109
Boston, MA	8.4	54
Buffalo, NY	12.3	14
Cedar Rapids, IA	16.9	3
Charleston, SC	7.5	68
Charleston, WV	7.9	64
Chattanooga, TN	11.3	19
Chicago, IL	10.5	29
Charlotte, NC	6.8	81
Cincinnati, OH	5.9	88
Cleveland, OH	7.3	72
Colorado Springs, OH	7.3	72
Columbia, SC	6.3	87
Columbus, OH	6.6	82
Dallas, TX	8.5	52
Dayton, OH	5.5	93
Daytona Beach, FL	10.1	32
Denver, CO	8.2	57
Des Moines, IA	14.2	8
Detroit, MI	10.6	26
El Paso, TX	8.4	54
Eugene, OR	18.0	1
Evansville, IN	11.1	21
Fayetteville, NC	9.6	41
Flint, MI	10.0	36
Ft. Worth, TX	9.2	46
Fresno, CA	7.3	72
Gainesville, FL	10.0	36
Gary-Hammond, IN	9.6	41
Grand Rapids, MI	10.1	33
Greensboro-H Pt, NC	5.8	89
Greenville, SC	7.4	70
Green Bay, WI	11.8	16
Hamilton, OH	3.8	114
Harrisburg, PA	7.2	76
Hartford, CT	8.0	61
Houston, TX	9.0	48
Huntsville, AL	5.7	91
Indianapolis, IN	7.9	64
Jackson, MS	11.4	18
Jacksonville, FL	9.8	40
Kalamazoo, MI	10.6	26
Kansas City, MO	8.5	52
Knoxville, TN	10.7	25
Lancaster, PA	8.2	57
Lansing, MI	13.7	11
Las Vegas, NV	4.9	101
Lexington, KY	4.9	101
Little Rock, AR	4.9	101
Los Angeles, CA	4.6	107
Louisville, KY	5.4	96
Lincoln, NE	11.3	19
Macon, GA	6.6	82
Madison, WI	13.9	9

City	Real Estate Taxes as a Percent of Gross Possible Total Income (GPTI)	Rank based on Real Est. Taxes as a percent of GPTI
Manchester, NH	13.9	9
Memphis, TN	7.1	78
Miami, FL	10.5	29
Milwaukee, WI	14.9	15
Minneapolis-S Pl, MN	16.7	4
Mobile, AL	5.3	98
Montgomery, AL	4.2	112
Nashville, TN	6.9	80
New Orleans, LA	5.4	96
Newark, NJ	10.9	23
Newport News, VA	5.5	93
Norfolk, VA	5.7	91
Oakland, CA	7.2	76
Odessa-Midland, TX	10.1	32
Oklahoma City, OK	4.6	107
Omaha, NE	10.4	31
Orange County, CA	3.4	115
Orlando, FL	8.7	50
Oxnard-Ventura, CA	6.6	82
Peoria, IL	10.9	23
Philadelphia, PA	8.0	61
Phoenix, AZ	8.0	61
Pittsburgh, PA	9.4	45
Portland, OR	14.8	6
Providence, RI	10.0	36
Raleigh-Durham, NC	6.5	86
Reno, NV	4.3	111
Richmond, VA	5.8	89
Roanoke, VA	6.7	82
Rochester, NY	14.5	7
Sacramento, CA	7.7	66
St. Cloud, MN	17.9	2
St. Louis, MO	9.6	41
Salt Lake City, UT	5.7	91
San Antonio, TX	8.9	49
Saginaw, MI	9.9	38
San Bernardino, CA	8.1	60
San Diego, CA	5.3	98
San Francisco, CA	4.6	105
San Jose, CA	3.4	116
Santa Barbara, CA	4.4	110
Seattle, WA	7.7	66
Savannah, GA	8.6	51
Sioux City, IA	12.6	13
S. Berd/Ft. Wayne, IN	7.5	68
State College, PA	5.5	93
Stockton, GA	7.2	76
Tacoma, WA	8.3	56
Tampa-St. Peter, FL	10.6	26
Topeka, KS	12.8	12
Trenton, NJ	11.5	17
Tucson, AZ	9.9	38
Tulsa, OK	4.8	104
Washington, DC	4.6	104

TESTIMONY BEFORE THE

SENATE ASSESSMENT AND TAXATION

COMMITTEE

TO: Senator Dan Thiessen, Chairman and
Members of the Committee

FROM: Terry Humphrey, Executive Director
Kansas Manufactured Housing Association

DATE: March 15, 1990

RE: SCR 1637

Mr. Chairman and members of the committee I am Terry Humphrey, Executive Director of the Kansas Manufactured Housing Association and I appreciate the opportunity to comment on SCR 1637. The Kansas Manufactured Housing Association represents all facets of the manufactured housing industry and our associate members the Recreational Vehicle Council.

First I will address the provision of this bill that effects manufactured housing rental communities in Kansas. Specifically we oppose provision (4) in this bill that raise the multifamily property tax assessment rate from 12% to 20%. Under the current provisions of Classification, the manufactured housing rental community is classified as multi-family and therefore under the proposed bill would receive a major tax increase.

Typically manufactured housing serves the low to moderate income families who want to own their own home. Many manufactured home owners have their home in a rental community or park, where they lease the land. This is out of choice or because single site placement is unavailable.

The manufactured housing tenant situation is very similar to that of apartment tenant, where they are predominately young families or elderly. For these groups of people it is very difficult to deal with rent increases. And they are less able to price shop when a rent increase comes because of the major expense involved in moving their home. Likewise these people are tied to their location because of schools, shopping, and their proximity to work.

112 S.W. 6TH • SUITE 204 • TOPEKA, KS 66603 • 913/357-5256

In recent years, local, state and federal governments have become aware of an affordable housing crisis and steps are being taken at all levels of government to evaluate the problem and initiate remedies. Presently the United States Congress is deliberating on the National Affordable Housing Act and it is expected that the Act will require state and local housing plans before federal funds are available. In addition, it is expected that the housing plans will need to examine how public policy including tax policy effects affordable housing.

It is my understanding that part of rational for raising the tax assessment on multi-family housing properties is based on a perception that multi-family housing units received a tax break under the '86 Classification Amendment. However, after polling our rental community owners, I found that a substantial number of these communities actually experienced a significant property tax increase and I have attached the results of my poll to my testimony. Only three members reported no tax increase.

Secondly, I would like to address the portion of SCR 1637 that reinstates the inventory tax. Both the manufactured housing industry and the R.V. Council oppose reinstatement of the inventory tax for merchants and manufacturers based on the same reasons the Legislature approved the proposed exemption in 1985. Our association still believes that Kansas has a lot of work to do in the area of economic development and that the reinstatement of this tax could inhibit that progress.

In conclusion KMHA respectfully requests that you treat multi-family housing for tax purposes in the same manner as single family housing and four-plexes; and that you reject the reinstatement of merchants and manufacturers inventory tax. Thank you very much.

KANSAS MANUFACTURED HOUSING ASSOCIATION
Property Tax Poll

M.H. Rental Communities	Tax '88	Value	Tax '89	Value	% Change
Colonial -Wichita	$15,794.53	$101,460.00	$61,965.24	$505,422.00	292.00%
Conestogo - Edwardsville	8,337.47	52,170.00	40,749.06	330,640.00	389.00%
Conestogo - Edwardsville	8,383.82	16,630.00	23,581.22	131,090.00	181.00%
Countryside - Manhattan	6,323.00	235,475.00	10,408.00	789,500.00	65.00%
Liberal Mobile Home Park	689.22	5,450.00	1,986.82	15,612.00	188.00%
Lakeshore - Wichita	5,676.41	37,640.00	15,410.82	124,884.00	171.00%
Lamplighter - Wichita	13,765.30	11,650.00	16,879.66	46,740.00	23.00%
Pacesetter - Wichita	5,418.46	35,930.00	15,353.06	124,416.00	183.00%
Mobile Manor-2206 - Wichita	5,195.00	115,710.00	18,092.00	1,229,800.00	248.00%
Mobile Manor-2014 - Wichita	1,864.00	41,520.00	5,440.00	369,800.00	192.00%
Mobile Manor-3850 - Wichita	2,790.00	62,130.00	12,859.00	874,000.00	361.00%
River Oaks - Wichita	27,739.74	33,650.00	134,569.40	35,640.00	36.00%
Santa Barbara - Olathe	67,344.63	111,980.00	91,856.44	368,670.00	36.00%
Sherwood Acres - Wichita	3,375.17	10,290.00	5,158.11	41,472.00	78.00%
Silver Spur-1915 - Wichita	9,657.42	64,520.00	22,553.68	183,960.00	134.00%
Silver Spur-3825 - Wichita	3,379.61	22,410.00	7,137.51	57,840.00	111.00%
Silver Spur-3825 O - Wichita	1,316.55	8,730.00	3,435.48	27,840.00	361.00%
Silver Spur - Goddard	1,109.06		3,821.87	33,336.00	245.00%
South Village Inc - Topeka	17,834.66		31,990.71		79.40%

*Three members responded with no change.