

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 29, 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:

None Appearing

Chairman Thiessen called the meeting to order at 3:32 p.m. and said there is a lot of activity in the area of taxes on the House side, some new suggestions and of course, we have had some proposals in this committee that we had hearings on, but we haven't had committee discussion and we need to do this, he said at this time he doesn't want motions or action on the resolutions, but have more discussion and see what the committee might want to do, he recognized Senator Fred Kerr.

Senator Fred Kerr said he was expecting some information and data runs but does not have them yet. He said, it would really be helpful to the process if there was something that could be put together and get it through the committee and the Senate before recess.

He said, there is a lot of danger to having either House adopt a constitutional amendment along the lines of whatever we ultimately agree on. Basically the policy that is in the runs that are being put together, will be a combination between the classification change and the 1¢ sales tax to roll back school property taxes, and the classification change that we requested in this one, would be moving commercial property down to 25% and raising the business machines and equipment to 30%, state assessment to 35%, and lodges at 12%. We are hoping, even though the state assessment is raised to 35%, the roll back would bring them back to where they would have the same relative tax burden. This should be ready by tomorrow.

Senator Kerr said he talked to the Attorney General and after consideration, they would like to have language a little more precise, and that is the reason for the delay in not receiving the runs for today's meeting.

After committee discussion, The Chairman recognized Senator Montgomery.

Senator Montgomery said he had talked with the Department of Valuation and asked them if they were gathering information on a County wide basis and what the different percentages would be if we set a class of property on the business side, the 1st \$50,000 at 15%, and approximately the 2nd \$50,000. at 20%, and the rest of it at 30%, and the same way on business machinery, the 1st \$50,000. at 20% and the remainder would be at 30% and I wanted to include the Fraternal Organizations, Community Centers and those non-profit groups at the 12% rate. He said, this is all of the changes that he has requested, and they now have the data for 10 Counties, the 5 largest in the State and they picked 5 others at random. They intend to have the whole State by next Tuesday to show how many parcels would be at the \$50,000. bracket.

Senator Montgomery said until we get this information we don't know how much valuation is going to be decreased in order to determine how much money we are going to need to replace it, and he said, he supports a sales tax increase, what ever percentage it takes to roll back, and replace the lost valuation.

Senator Petty asked if there is a way to assure that people know this is not new money. She said, she would like this clarified.

Senator Fred Kerr said if it is in the constitution, then that portion of the sales tax increase would continue to be for property tax relief, that 1¢. There is no assurance that in future years, the Legislature won't change the constitution.

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room 519-S, Statehouse, at 11:00 a.m. ~~xxx~~ on Thursday, March 29, 1990

If it is unconstitutional to put two subjects in the same amendment, then we only go to one classification amendment.

To run a bill on the sales tax increase for property tax relief, the bill could trigger, only if the constitutional amendment passes, so you accomplish the same thing. So there again, it may be changed by future legislation. There is no way to make that assurance, so we should do the best, we can this year with no assurance that it can not be changed in the future.

Chairman Thiessen said if the last six months is any indication of how the taxpayers feel about reducing reliance on property tax, and if that continues, it may be a bit difficult for future legislature to change the direction of those funds that will be generated from that, but there is always a possibility.

Senator Montgomery said he would like for the committee to look very seriously at setting a cap, of 1½% on residential and 2% or 3% on commercial. We would have to look at the counties individually to see where it will fit. He said, he feels if we don't put caps on property tax and we roll back 20 or 25% of the school local base property tax, that without the cap, in a very short time that roll back of 20 or 25% would fade fast, and he does not think the property taxpayers will support it. If any constitutional amendments are not guaranteed somehow by a cap then you will have a hard time convincing the taxpayers to go for any changes.

Senator Karr said he thought the committee should decide if they wanted to do anything in revenue enhancement that relates to the State concerns, or anything in the area beside the regressive sales tax, that has some adverse affects. Do we even want anything on the table regarding income tax?

He said, there are not exemptions on the run, and he thought the committee should have some kind of tax policy, for not only the immediate crisis, but a crisis that is probably developing very rapidly in State government and being translated into higher property tax.

Chairman Thiessen said this all has to be discussed, but he thought, they were separate issues to some degree, and he said, anything in these areas that a member of the committee would like to propose, could certainly be discussed.

Senator Francisco said he felt, the committee should look at not just sales tax, but a little sales, a little income and repealing some sales tax exemptions. He said, he would like that type of package rather than the one discussed at the beginning of this meeting.

Senator Fred Kerr said he did not see how we can address revenues for 1991, because we may not need any, or we could need a lot.

Chairman Thiessen said he felt, if the committee could reach a consensus on where we want to go with the property tax proposals, that we have discussed, then we could start looking at the other areas as they develop and see what we want to do in those areas. He said, he thought as for the taxpayers out there, the property taxes is a very big issue and while the other areas can affect it, he thought, the committee has to know just what those demands are going to be and what goes by the 2nd floor to be signed into law.

He said, he thought the people of the State are expecting some roll back in the reliance on property taxes, and he felt the committee should work in this direction.

Chairman Thiessen had to leave the meeting at 4:04 p.m., and Vice Chairperson, Senator Audrey Langworthy chaired the rest of the meeting.

Senator Fred Kerr received the expected runs, mentioned at the beginning of the meeting and he explained the new runs to the members. (ATTACHMENT 1)

Senator Frahm asked Senator Kerr if we could get information on all the counties? Senator Kerr said he had not asked for all the counties yet, because he wanted to get it as close as we could before asking the Department to do all that work, and if we need some numbers changed, he would request that to be done.

Senator Martin said he thought, we needed some additional information to look at for

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example, the run Senator Burke had, there was inventory included in it and he thought, the committee would be remiss if they didn't at least look at that.

He said, in the sales tax exemptions, he thought, the committee should also look at that, because SB692 raises \$210.M also, he said maybe the committee would want to look at the in-lieu options on inventory, so when we go to the floor with it we have 27 votes.

Senator Petty said she had an additional possibility, and that is in terms of Cities requiring additional revenue to cover police and fire fees. There was a concept discussed in Local Government, which would deal specifically with police and fire fees from property that is tax exempt, such as charitable organizations. She felt, if we had inventory which is exempt and subject to protection by cities and counties, for that inventory, shop lifting, fire, etc. that it might make sense to give the cities and counties the option of charging a service fee to protect inventory.

Senator Francisco said SCR1645 which would allow local excise tax on inventories and merchants taxable inventories, and that may be something the committee wants to consider, this would help the counties with lost revenue, to come back and place a tax on the manufacturers inventory exemptions, and this would take care of what Senator Petty was talking about.

Senator Martin said SB782 provides an excise tax on personal property inventories, and this is another option, and this should come under the umbrella of the statutes that we are bringing to the table for consideration, and in a broader context.

After committee discussion Vice Chairperson, Senator Audrey Langworthy thanked the members for the discussion and input into this meeting, and she said if any one thought of any more they would like to add to Senator Kerr's proposal they could meet with him and it could be discussed at a later meeting. She adjourned the meeting at 4:40 p.m.



KANSAS DEPARTMENT OF REVENUE

Property Valuation Division
Robert B. Docking State Office Building
Topeka, Kansas 66625-0001
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ATT 1
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MEMORANDUM

TO: THE HONORABLE FRED KERR
SENATE MAJORITY LEADER

FROM: JOHN LUTTJOHANN, DIRECTOR
PROPERTY VALUATION DIVISION

DATE: MARCH 29, 1990

RE: SIMULATION

Attached is a simulation run on the proposed classification communicated to me by Steve Stotts. The proposal would leave the current classification scheme in place with the exceptions noted below.

Classification changes

1. Multi-family dwelling with more than four units would be assessed at 15%.
2. "All other" class would be assessed at 25%.
3. Business Machinery and equipment would be assessed at 30%.
4. State assessed property would be assessed at 35%.

Assumptions used are as follows:

1. 9% of the fair market value of residential real property would be assessed at 15%.
2. The fair market value of the property in the base will remain constant from 1989 to 1990.
3. The revenues raised by the property tax will raise by 7% in 1990.

STATEWIDE

REVENUE 3/29/90 10:03 AM	1988 ACTUAL ASSESSED VALUATION AND TAX DOLLARS				1989 ACTUAL ASSESSED VALUE AND TAX DOLLARS CONSTITUTIONAL ASSESSMENT RATES								SIMULATION - ESTIMATE ONLY			
	1988 ASSESSED VALUATION	% OF TOTAL	1988 TAX DOLLARS	% OF TOTAL	1989 ASSESSED VALUATION		1989 TAX DOLLARS		1989 TOTAL VALUATION		1990 ASSESSED VALUATION		1990 TAX DOLLARS			
					% OF TOTAL	% OF TOTAL	% OF TOTAL	% OF TOTAL	% OF TOTAL	% OF TOTAL	% OF TOTAL					
URBAN REAL ESTATE																
RESIDENTIAL	2,525,973,245	22%	417,415,892	28%	*	3,981,348,590	28%	502,618,279	32%	33,177,888,250	43%	4,070,926,888	28%	551,457,473	33%	
VACANT LOTS	48,591,731	0%	8,040,461	1%		134,866,486	1%	16,509,004	1%	1,123,887,383	1%	134,866,486	1%	17,745,220	1%	
ALL OTHER	1,096,236,787	10%	183,152,971	12%	**	2,723,427,580	19%	347,351,502	22%	9,078,091,933	12%	2,269,522,983	16%	310,799,906	18%	
AGRICULTURAL	0	0%	0	0%	***	10,200,830	0%	1,286,967	0%	34,002,767	0%	10,200,830	0%	1,381,711	0%	
TOTAL URBAN REAL ESTATE	3,670,801,763	32%	608,609,324	41%		6,849,841,486	49%	867,765,752	55%	43,413,870,333	56%	6,485,517,188	45%	881,384,311	52%	
RURAL REAL ESTATE																
RESIDENTIAL	327,560,661	3%	40,811,760	3%	*	772,544,994	5%	82,561,628	5%	6,437,874,950	8%	789,927,256	5%	84,914,800	5%	
VACANT LOTS	0	0%	0	0%		24,288,467	0%	2,504,448	0%	202,403,892	0%	24,288,467	0%	2,488,314	0%	
ALL OTHER	155,361,002	0%	17,931,398	1%	**	513,276,420	4%	53,706,375	3%	1,710,921,400	2%	427,730,350	3%	45,547,964	3%	
AGRICULTURAL	1,870,998,180	15%	188,604,371	13%	***	1,492,023,130	11%	154,602,757	10%	4,973,410,433	6%	1,492,023,130	10%	158,056,374	9%	
TOTAL RURAL REAL ESTATE	2,153,917,843	19%	247,347,529	17%		2,802,133,011	20%	293,375,209	19%	13,324,610,875	17%	2,733,989,203	19%	291,005,451	17%	
TOTAL URBAN & RURAL REAL ESTATE																
RESIDENTIAL	2,853,533,906	25%	458,227,652	31%	*	4,753,891,584	34%	585,179,907	37%	39,615,763,200	51%	4,860,854,145	34%	636,372,273	38%	
VACANT LOTS	48,591,731	0%	8,040,461	1%		159,013,452	1%	19,013,452	1%	1,326,291,275	2%	159,013,452	1%	20,231,534	1%	
ALL OTHER	1,251,597,789	11%	201,084,369	14%	**	3,236,704,000	23%	401,057,878	26%	10,789,013,333	14%	2,697,253,333	19%	356,347,870	21%	
AGRICULTURAL	1,870,998,180	15%	188,604,371	13%	***	1,502,223,960	11%	155,889,723	10%	5,007,413,200	6%	1,502,223,960	10%	159,438,085	9%	
TOTAL REAL ESTATE	5,824,719,606	51%	855,958,853	58%		9,651,974,497	68%	1,161,140,961	74%	58,738,481,008	73%	9,219,486,391	64%	1,172,389,782	70%	
URBAN PERSONAL PROPERTY																
GAS AND OIL	4,982,014	0%	782,013	0%		3,151,359	0%	435,485	0%	10,504,530	0%	3,151,359	0%	468,541	0%	
BUSINESS MACH. & EQUIP.	607,622,421	5%	100,251,389	7%		485,403,871	3%	63,001,360	4%	2,427,019,355	3%	728,105,807	5%	101,344,723	6%	
ALL OTHER PERSONAL	45,017,639	0%	7,886,461	1%		63,845,117	0%	8,364,050	0%	212,817,057	0%	63,845,117	0%	8,988,984	1%	
MOBILE HOMES	17,462,598	0%	2,800,198	0%		32,404,219	0%	4,316,496	0%	270,035,158	0%	32,404,219	0%	4,624,970	0%	
MOTOR VEHICLES	134,294,340	1%	21,835,796	1%		43,041,337	0%	5,648,996	0%	143,471,123	0%	43,041,337	0%	6,082,409	0%	
MERCHANTS INVENTORY	330,797,995	3%	53,950,601	4%		0	0%	0	0%	1,101,610,953	1%	0	0%	0	0%	
MANUFACTURERS INVENTORY	208,704,935	2%	34,888,218	2%		0	0%	0	0%	697,382,410	1%	0	0%	0	0%	
LIVESTOCK	580,591	0%	107,910	0%		0	0%	0	0%	2,208,630	0%	0	0%	0	0%	
TOTAL URBAN PERSONAL PROPERTY	1,349,442,533	12%	222,280,014	15%		627,845,903	4%	81,764,387	5%	4,865,046,417	6%	870,547,839	6%	121,469,827	7%	
RURAL PERSONAL PROPERTY																
GAS AND OIL	1,130,238,656	10%	88,916,511	8%		1,189,378,187	8%	84,494,374	5%	3,964,593,957	5%	1,189,378,187	8%	88,752,799	8%	
BUSINESS MACH. & EQUIP.	248,806,322	2%	28,282,280	2%		202,962,057	1%	21,328,197	1%	1,014,810,285	1%	304,443,086	2%	32,040,539	2%	
ALL OTHER PERSONAL	13,408,588	0%	1,532,467	0%		3,682,064	0%	3,682,064	0%	118,914,447	0%	3,682,064	0%	3,751,575	0%	
MOBILE HOMES	14,608,877	0%	1,640,525	0%		18,300,656	0%	1,878,288	0%	152,505,467	0%	18,300,656	0%	1,892,348	0%	
MOTOR VEHICLES	110,238,277	1%	12,491,582	1%		62,669,680	0%	6,437,594	0%	208,898,933	0%	62,669,680	0%	6,813,236	0%	
MERCHANTS INVENTORY	40,665,869	0%	4,527,724	0%		0	0%	0	0%	135,552,897	0%	0	0%	0	0%	
MANUFACTURERS INVENTORY	172,958,176	2%	19,390,491	1%		0	0%	0	0%	576,527,253	1%	0	0%	0	0%	
LIVESTOCK	115,007,573	1%	12,880,879	1%		0	0%	0	0%	383,358,577	0%	0	0%	0	0%	
TOTAL RURAL PERSONAL PROPERTY	1,843,928,338	16%	169,842,459	11%		1,508,984,914	11%	117,818,497	8%	6,555,161,815	8%	1,610,465,943	11%	133,050,498	8%	
TOTAL URBAN & RURAL PERSONAL PROPERTY																
GAS AND OIL	1,135,218,670	10%	89,698,524	8%		1,192,529,546	8%	84,929,859	5%	3,975,098,487	5%	1,192,529,546	8%	89,221,340	8%	
BUSINESS MACH. & EQUIP.	853,672,055	8%	128,533,649	9%		888,365,928	5%	84,329,558	5%	3,441,829,640	4%	1,032,548,692	7%	133,388,281	8%	
ALL OTHER PERSONAL	59,297,064	1%	9,418,928	1%		99,519,451	1%	12,046,114	1%	3,441,731,603	0%	99,519,451	1%	12,720,559	1%	
MOBILE HOMES	32,014,189	0%	4,440,723	0%		50,704,875	0%	6,192,764	0%	422,540,825	1%	50,704,875	0%	6,517,316	0%	
MOTOR VEHICLES	244,292,785	2%	34,127,378	2%		105,711,017	1%	12,084,591	1%	352,370,057	0%	105,711,017	1%	12,878,845	1%	
MERCHANTS INVENTORY	371,149,155	3%	58,478,325	4%		0	0%	0	0%	1,237,163,850	2%	0	0%	0	0%	
MANUFACTURERS INVENTORY	382,172,899	3%	54,278,709	4%		0	0%	0	0%	1,273,909,663	2%	0	0%	0	0%	
LIVESTOCK	115,669,322	1%	12,988,789	1%		0	0%	0	0%	385,564,407	0%	0	0%	0	0%	
OTHER EXEMPT	0	0%	0	0%		0	0%	0	0%	1,974,700,172	3%	0	0%	0	0%	
TOTAL PERSONAL PROPERTY	3,193,488,139	28%	391,945,024	26%		2,136,830,817	15%	199,582,884	13%	13,394,908,404	17%	2,481,013,781	17%	254,520,122	15%	
URBAN PUBLIC UTILITY CORP.	511,932,996	5%	79,575,708	5%		532,778,225	4%	69,464,172	4%	1,775,927,417	2%	621,574,596	4%	87,646,788	5%	
RURAL PUBLIC UTILITY CORP.	1,821,890,991	16%	152,803,874	10%		1,782,939,184	13%	140,422,193	9%	5,943,130,613	8%	2,080,095,715	14%	168,004,667	10%	
TOTAL PUBLIC UTILITY	2,333,823,987	21%	232,379,583	16%		2,315,717,409	16%	209,886,365	13%	7,719,058,030	10%	2,701,670,311	19%	253,651,455	15%	
TOTALS FOR URBAN PROPERTY	5,532,177,292	49%	910,465,047	62%		8,010,465,614	57%	1,018,994,311	65%	50,888,733,964	65%	7,977,639,622	55%	1,090,500,725	65%	
TOTALS FOR RURAL PROPERTY	5,819,737,172	51%	569,793,863	38%		6,094,057,109	43%	551,615,898	35%	26,963,697,751	35%	6,424,530,861	45%	590,060,614	35%	
TOTALS FOR STATEWIDE	11,351,914,464	100%	1,480,258,909	100%		14,104,522,723	100%	1,570,610,209	100%	77,852,431,716	100%	14,402,170,482	100%	1,680,561,339	100%	

* INCLUDES RESIDENTIAL AND FARM HOMESITES
 ** INCLUDES ALL OTHER
 *** INCLUDES AGRICULTURAL LAND ONLY
 # DENOTES USE VALUE
 ## DENOTES RETAIL COST WHEN NEW LESS DEPRECIATION
 ### DENOTES EXEMPT PROPERTY VALUATION PROJECTIONS FROM PREVIOUS YEARS

1 1988 AVG LEVIES USING 1988 COUNTY ASSESSMENT RATES

COUNTY	.13040
URBAN	.16458
RURAL	.09791

2 1989 AVG LEVIES APPLIED TO ACTUAL ASSESSED VALUES AS REPORTED BY CLERKS

COUNTY	.11136
URBAN	.12721
RURAL	.09052

3 1990 EST LEVIES APPLIED TO 1989 ASSESSED VALUES AS REPORTED BY CLERKS

COUNTY	.11669
URBAN	.13669
RURAL	.09184

NOTE: The 1988 data was calculated in compliance with KSA 79-1439 prior to amendment. The 1989 data was calculated in compliance with KSA 79-1439 after the implementation of the classification amendment. In all cases wherein exempt valuations are utilized, the data is based upon unverified data for prior years and is restricted to only some of the exempt personal property classes. Most exempt personal property is not returned to the county and therefore is not available on a current database. Exempt real estate has not been reported to the Department of Revenue as of this date and is not included in any of the projections. Other exempt property includes vehicle inventory, feedlots, farm machinery and business aircraft.

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