

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

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

4:30 a.m. ~~pm~~ on Thursday, April 3, 1990 in room 521-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:

- John Luttjohann, Director of Property Valuation, KS Dept. of Revenue

Chairman Thiessen called the meeting to order at 4:45 p.m. and said we have a new run on "all others" at 25% without a threshold, and he recognized John Luttjohann to review the run with the committee.

John Luttjohann said his hand-out (ATTACHMENT 1) addresses Simulation 4 and 5. Simulation 4, addresses Classification changes: and "all other" class would be assessed at 25% except: (A) The first \$50,000 in value of each parcel would be assessed at 20%. (B) Property owned by Not for Profit entities would be assessed at 12%. Simulation 5, is a state-wide run wherein all of the assumptions and classification criteria have been maintained (see Attachment 1) with the exception that the total valuation of property in the "All Other" class is assessed at 25%.

After committee discussion Chairman Thiessen reminded the members that there is a motion on the floor from the earlier meeting, and he recognized Senator Montgomery.

Senator Montgomery said he did not believe we are addressing the problem with "the all other", and he said he realized what is going to happen if we leave it at 20% for all properties, and he felt that is the reason the \$50,000 threshold would work, because it would not shift any more over residential. He said, if you don't have any more dollars, you just reduce the valuation and shift it around. The same thing as moving the utilities to 33%, and he said he does not like that either.

He said he thought they needed another class in there for the small business man, and \$50,000 would address that. It would give you another class without having to establish another class.

Chairman Thiessen asked for a vote on the; motion by Senator Karr to delete the threshold to \$50,000, 2nd by Senator Kerr. The motion failed by a voice vote.

Chairman Thiessen asked the members if they had any other amendments or changes?

Senator Martin said he felt we should have a discussion about inventories, and he said, he did not want to put it into the constitution amendment, but he thought, they needed to look at SB782, which came out of Ways and Means and it does provide for an excise on inventories, which he thought, goes to the heart of what some of the members believe, that inventories are receiving substantial service and they should have to pay for some of that service, and he asked "if the committee wanted to work a statutory bill or stay on the constitutional amendment"?

Chairman Thiessen said he preferred to stay on the constitutional amendment, as that is what we are concentrating on, and he said, he understands that 44 state's do exempt inventories and we have done it, and there have been some businessess that have expanded on that basis.

Senator Martin said on one hand they exempted from the advalorem, but on the other they picked it up in lieu of or excise, there are a number of state's that do that, and they do it basically because of fire and police protection, being provided to the owner's of those inventories, so they are receiving substantial benefit from those particular services.

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.

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CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 521-S, Statehouse, at 4:30 a.m. ~~xxxx~~ on Thursday, April 3, 1990.

Chairman Thiessen said they do pay real estate taxes, which goes for that now.

Senator Montgomery asked if we are discussing SB782 or not? Chairman Thiessen said he preferred not to, as we are on the constitutional amendment. He asked if the members had any other comments or questions?

Senator Francisco said he understood that the Board of Commerce and Industry met in December, and they agreed on a position to place 10% or some percentage of that tax back on the tax rolls, and he asked if they could hear from the Department.

Bud Grant with the KCCI said basically it was a proposal to put the circuit breaker, which at that time you were considering several proposals that would have provided commercial property owners tax relief, and recognizing that funding was going to be a problem, he said, their Board of Directors met, and then a group of about 35 of our members met, specifically to develop a proposal which we then brought back to the legislature, which included the catalog sales, sales tax, and some accerlerated collections, but part of that is, those that were involved with heavy inventories, agreed any amount in excess of \$10,000 and income surtax, specifcally to fund the circuit breaker.

Senator Fred Kerr moved the committee introduce a resolution as drafted in ATTACHMENT 1 with multi-family 15%, all other at 25%, and the 1st \$20,000 at 50%, non-profit 12%, business equipment and machinery at 30% and state assessed property at 33%, 2nd by Senator Karr. The motion carried 7 to 3.

Chairman Thiessen said this would conclude the meeting and said we will be meeting tomorrow and he would announce the time. He adjourned the meeting at 5:15 p.m.

GUEST LIST

MTC

Room 521-5

COMMITTEE: SENATE ASSESSMENT & TAXATION

DATE: 4:30 P.M.

TUES. 4-3-90

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Curt Carpenter	Great Bend	Centel
Christy Young	Topeka	Topeka Chamber of Com
Jerry Consoad	LAWRENCE	KGE
Woody Woodman	KCMO	KCP
Alan Steppat	Topeka	Pete McGill & Associates
Rich McKee	Topeka	KLA
James Stubbs	"	#BAK
Jim Ludwig	TOPEKA	KPL GAS SERVICE
George Barber	Topeka	Barber & Associates KS Consulting Engrs
Don Johnson	Topeka	Dr. Lodge & Co
EDDIE RUCKETT	WICHITA	KRA
Daphne Clark	KCMO	Dallmark Co
Art BROWN	KCMO	KS Lumber Dealers
TREVA POTTER	TOPEKA	PEOPLES NAT GAS
John Vorbert	"	KAC
Leo Grant	"	KCCI
Ken Coles	Topeka	KNEA
Art Hubbell	Topeka	KS. LE ASSOC.
Warren Forke	Manhattan	KS Farm Bureau
Freddie Cron	Topeka	KS Soc of Architects
Paul McKeon	Topeka	OK 4 201 20
Coland Smith	Wichita	WIBA
Sherry Ray	Olathe	Johnson Co
Karl Frank	Topeka	KAR
Marian R. White	"	KFF+



KANSAS DEPARTMENT OF REVENUE

*Property Valuation Division*  
Robert B. Docking State Office Building  
Topeka, Kansas 66625-0001  
(913) 296-4218

MEMORANDUM

TO: THE HONORABLE FRED KERR  
SENATE MAJORITY LEADER

FROM: JOHN LUTTJOHANN, DIRECTOR  
PROPERTY VALUATION DIVISION

DATE: APRIL 3, 1990

RE: SIMULATION 4 & 5

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**SIMULATION 4:**

**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%, except:
  - a. The first \$50,000 in value of each parcel would be assessed at 20%.
  - b. Property owned by Not for Profit entities would be assessed at 12%.
3. Business Machinery and Equipment would be assessed at 30%.
4. State assessed property, including public utility inventories, would be assessed at 33%.

**Assumptions used are as follows:**

1. 9% of the fair market value of residential real property would be assessed at 15% (Multifamily).
2. 2% of "All Other Property" would be assessed at 12% (Non Profit). 17% of "All Other-Urban" would be assessed at 20% (First \$50,000 of Value). 46% of "All Other-Rural" would be assessed at 20% (First \$50,000 of Value).
3. The fair market value of the property in the base will generally remain constant from 1989 to 1990. \$42 million in appraised valuation of Public Utility inventories has been added in 1990.
4. The revenues raised by the property tax will raise by 7% in 1990.

**Rollback Component:**

The last column shows the effect of a 1% sales tax increase to replace a portion of the property tax.

**SIMULATION 5:**

Also attached, is a state-wide run wherein all of the above assumptions and classification criteria have been maintained with the exception that the total valuation of property in the "All-Other" class is assessed at 25%.

**1988 Real Estate Abstract  
(Compiling for Comparison to 1989 Classes)**

Because of statistical reporting requirements of the classes for 1988 being different than the 1989 requirements, an effort was made to bring the classes to conform to 1989. The following is an accounting on how the 1988 valuation data was modified to conform to the 1989 data being reported as required by K.S.A. 79-1439.

<u>1988</u>	<u>Classification</u>	<u>1989</u>
<u>Urban-Real Estate</u>		
Residential Multi-Family Mineral Interest	Residential	Residential Farmstead
Vacant Lot	Vacant Lot	Vacant Lot
Commercial/Industrial	All Other	Commercial/Industrial Recreational All other real property not otherwise specifically subclassified
0	Agricultural	Agricultural Land-Use Value
<u>Rural-Real Estate</u>		
Home Sites Planned Sub-Division Recreational	Residential	Residential Farmstead
0	Vacant Lot	Vacant Lot
Commercial Spot Industrial	All Other	Commercial/Industrial Recreational All other real property not otherwise specifically subclassified
Ag. Non-Investment Ag. Investment Mineral Interest	Agricultural	Agricultural Land - Use Value
<u>Personal Property</u>		
<u>Urban and Rural</u>		
<u>1988</u>		<u>1989</u>
Royalty & Working Interest Itemized Equipment	Gas and Oil	Royalty & Working Interest Itemized Equipment
Machinery & Equipment Rental & Leased Equip. Construction Equipment	Machinery & Equipment	Machinery & Equipment
Other Taxable Personal Property	All Other	All Other Tangible Personal Property not otherwise specifically classified
Improvements on Leased Land	Mobile Homes	Mobile Homes (used for Residential Property)
Trucks/Trailers Buses/Motor Homes Campers Misc. Vehicles	Motor Vehicles	Motor Vehicles
Merchants' Inventories	Merchants' Inventories	0
Manufacturers' Inventories Bonded Warehouse Inventories	Manufacturers' Inventories	0
Livestock	Livestock	0

1988 Abstract of Valuations of Tangible Personal Property did not break out penalty by class. A multiplier was computed; total valuation with penalty to valuation without penalty, then applied to each class of property. 1989 valuations included penalty, so therefore 1988 valuations needed to include penalty, otherwise we are working with apples and oranges.



STATEWIDE

REVENUE 4/3/90 3:08 PM

1988 ACTUAL ASSESSED VALUATION AND TAX DOLLARS

1989 ACTUAL ASSESSED VALUE AND TAX DOLLARS CONSTITUTIONAL ASSESSMENT RATES

SIMULATION - ESTIMATE ONLY

1% SALES TAX

1988 ASSESSED VALUATION % OF TOTAL 1988 TAX DOLLARS % OF TOTAL

1989 ASSESSED VALUATION % OF TOTAL 1989 TAX DOLLARS % OF TOTAL

1989 TOTAL VALUATION % OF TOTAL

1990 ASSESSED VALUATION % OF TOTAL 1990 TAX DOLLARS % OF TOTAL

1990 TAX DOLLARS WITH SALES TAX ADJUSTMENTS % OF TOTAL

Main data table with columns for 1988 and 1989 actuals, 1990 simulation, and 1% sales tax. Rows include Urban Real Estate, Rural Real Estate, Urban Personal Property, Rural Personal Property, Total Urban & Rural Personal Property, Total Urban & Rural Real Estate, Total Personal Property, and Totals for Urban Property, Rural Property, and Statewide.

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

Table 1: 1988 AVG LEVIES USING 1988 COUNTY ASSESSMENT RATES. Columns: COUNTY, LEVY. Values: URBAN .13040, URBAN .16458, RURAL .09791.

Table 2: 1989 AVG LEVIES APPLIED TO ACTUAL ASSESSED VALUES AS REPORTED BY CLERKS. Columns: COUNTY, LEVY. Values: URBAN .11136, URBAN .12721, RURAL .09052.

Table 3: 1990 EST LEVIES APPLIED TO 1989 ASSESSED VALUES AS REPORTED BY CLERKS. Columns: COUNTY, LEVY. Values: URBAN .11807, URBAN .13764, RURAL .09351.

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 rendered 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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