Approved **August 17, 1990**
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION COMMITTEE.

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

11:00 a.m./p.m. on Wednesday, May 2, 1990 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

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

Conferees appearing before the committee:

Theresa Kiernan, Assistant Revisor
Winnie Kingman, Sedgwick County
Willie Martin, representing Sedgwick County

Chairman Thiessen called the meeting to order at 11:12 a.m. and announced to the members that the Secretary has a number of minutes ready for approval, and these will be sent to your offices, for approval. He said, a number of them are quite lenghty and it will take a little time to look them over, and we will have them dated for approval, if there are no corrections.

The Chairman turned attention to HB3111 and recognized Theresa Kiernan to brief the committee on the bill.

> HB3111:AN ACT concerning public improvements within Sedgwick county; authorizing the issuance of bonds and temporary notes to finance such improvements; amending K.S.A. 19-101a, as amended by section 3 of 1990 HB3077, and repealing the existing section.

Theresa Kiernan, Assistant Revisor said Sedgwick adopted some home rule resolutions, authorizing certain improvements, and last year the supreme court ruled in a case which the decision has been withdrawn, and pending a rehearing, that case in Douglas County may adopt the home rule resolution to permit certain highway improvements, violated the home rule statute, by trying to authorize highway construction, and they said, they do not follow 68-580 a statute of statewide application. That the bond issue to the home rule resolution was invalid.

Several counties, feel that their bonds are issued illegally, so Sedgwick County came in and requested this bill to be drafted. The improvements are on page 9, and page 10 states "the issuance of general obligation bonds and temporary notes are hereby validated and confirmed". NO WRITTEN TESTIMONY.

Chairman Thiessen asked Theresa what would happen if this bill does not pass.

Ms. Kiernan said, it is hanging, if the supreme court re-affirms their decision, then the Sedgwick County Officials would chair a meeting to issue bonds.

Senator Martin asked Theresa "with the passage of this, does it affect the principles that are outlined in the Blevins vs Hiebert case?

Ms. Kiernan said it doesn't overturn the Blevins case. It would just take care of a question of whether, a taxpayer in Sedgwick County would challenge the issues of the bonds.

Senator Martin asked what the difference was between the Sedgwick County situation and the Douglas County situation? He said, he thought Douglas County did not have a vote by the people.

Ms. Kiernan said she did not know if Sedgwick home ruled out of the same statute. The courts ruled to finance highway construction.

Winnie Kingman, Sedgwick County said she knows this is different from Douglas County, but she could not quote the statute.

Senator Montgomery said he had a problem with the bill, only addressing Sedgwick County. He felt, if the committee is to address the bill, it should include every county.

There was committee discussion on HB3111 and Chairman Thiessen asked Ms. Kiernan to explain the amendment requested by Senator Harder for Harvey County. (ATTACHMENT 1)

Ms. Kiernan said basically it is the same as Sedgwick County, just validating revenue bonds and the issuance, for improvements.

Willie Martin, representing Sedgwick County said they have approximately $4.5M to $5.M out on temporary notes. The county was very reluctant to request legislation, we had to push for it to move forth, because there have been numerous comments and information that the supreme court, was supposed to have made a ruling on the 13th of April, so we hoped that would occur, and it did not, then we had the bill as introduced, validated Sedgwick County home rule action, which allowed us to do the Sedgwick procedure, levy special assessments, we amended the bill to very specifically list, six projects which we undertook, prior to this time. We have the temporary notes out, and it is difficult because we are having trouble getting anyone, the bar counselors, are unwilling to issue their opinion that we can, issue bonds.

She said, their projects are:(1 and 2), requested by residents of additions, streets and streets and water, they petitioned the payments for those improvements, will be assessed directly back to the benefitter's, one project is on the North side of Wichita, outside of an incorporated area, adjacent to the City of Wichita and Park City, and that particular project is basically an area of low to moderate income people, and the water is comtaminated, and the water is being trucked in at this time. We have a grant which will provide 47% of the funding of that project, and the rest of it will be, by the county at large.

She said, the other (3) projects are, in regard to the greyhound park, (1) for an interchange, to accommodate the park, plus make better access to the KS Coliseum, which is operated by Sedgwick County. The greyhound park developers will be paying at least 50% of the cost of that interchange. The improvements for the access streets going to the park have been brought up by the County to rule 4-lane, the park is assuming the responsibility for all access and entry ways.

The (3rd) project is finishing the park, and the developers are paying 75% of that and the county is paying 25%.

She said, what they were trying to do, is keep from levying the total cost of these projects countywide, and to levy them back against those corporations which receive the benefits.

Chairman Thiessen concluded hearings on HB3111 and he asked the committee if they had an opinion on what they wanted to do with the bill, or leave it lay until we find out what the courts rule, he reminded the committee members they have an amendment in front of them requested by Senator Harder regarding Harvey County, as they have a similar problem. (ATTACHMENT 1)

The Chairman recognized Senator Oleen.

Senator Oleen moved to amend HB3111, with the amendment requested by Senator Harder, and report the bill favorably as amended.

Senator Montgomery said he felt if we did this, we will have everyone wondering why they weren't offered the same chance, because he knows Riley County is in the same situation, and this would not help them any. Other members on the committee felt the same way about HB3111.

Chairman Thiessen ruled the motion by Senator Oleen, died for lack of a 2nd on the motion.

Chairman Thiessen turned attention to HB2852 and asked staff to review the bill for the committee.

> HB2852:AN ACT relating to the taxation of certain motor vehicles; concerning the calculation of tax payable; amending K.S.A. 79-5105 and repealing the existing section.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Wednesday, May 02, 1990

Tom Severn said HB2852 is a bill to address a couple of over sights in the tags and tax law. The problem it addresses is illustrated by Table (1) which is page 3 of the handout. A model year 1989 vehicle purchased in June of 1989, and sold in December of 1994. Two identical vehicles with identical values, one purchased by an individual who's initial is (A) and one by an individual who's initial is (T). The 1st year, (A) pays $360.00, and (T) pays $765.00, and each year thereafter as they renew their vehicle, they pay the same amount of taxes, then when they sell the vehicle in December of 1994, (A) gets back $38.00, and (T) gets back $207.00. (T) has paid $405.00 more in the 1st year and gets back $169.00 more at the end, so (T) winds up paying an additional $236.00 for the identical vehicle for the identical period of time.

Dr. Severn said the 2nd over-sight is, if you purchase a car with the model year, that is the next year, to put it in the current context, if you purchase a 1990 vehicle car in 1989 the vehicle would not be depreciated when you renew that registration in 1990, and you may have owned the car for 14 or 15 months, and the taxable value still would not have been depreciated. HB2852 corrects this situation in two ways, (1st) the model year of a new vehicle purchased during the calendar year, prior to the model year would be for the purpose of computing the tax, would be the year of purchase. If you purchased a 1990 vehicle in 1989 that would be a 1989 vehicle for purposes of computing tax, and you would get depreciation, each year that you owned the car. (2nd) is A and T pay different amounts of taxes, would be remedied by pro-rating the vehicles value between the current and succeeding calendar year, based upon the number of months in each calendar year, and the owner's registration year, and that is illustrated in Attachment 2 of his handout.

He explained Attachment 3 and 4 of his handout to the members. (ATTACHMENT 2)

After committee discussion, The Chairman recognized Senator Langworthy.

Senator Langworthy said she would like to amend the motor vehicle phase-out bill into HB2852. She said, the reason is because the House has not acted on that bill yet, and she felt it was important to remind the House that classification and reappraisal was meant to be revenue neutral, and there are 39 counties, where that will not be true, and she felt it would only be fair if they had the opportunity to address this troubling issue, for some counties. She said, the tax lid bill, we had yesterday, is not the same as the phase out bill, and she said, we only allowed the counties to exempt outside their lost money from the motor vehicle tax, and not be under the lid for that, so with that she asked the committee for their support.

Senator Audrey Langworthy moved to amend the motor vehicle phase out bill into HB2852, 2nd by Senator Fred Kerr. The motion carried.

A division on the motion was called, and the motion carried.

Senator Montgomery said diesel cars were not addressed on the cost.

Tom Severn said the basis of the tax and tags law is retail cost for new depreciated. There is no adjustment for such market condition, just as there is no adjustment for the value of classic car, no adjustment for the antique car, and no adjustment for the value of a damaged car. In 1979 when this was enacted, it was intentially done with the purpose of permitting the Department's computer to compute the tax bill and mail it out for the counties, and that was the rational for their choice at that time.

Senator Langworthy moved to favorably pass HB2852 as amended, 2nd by Senator Karr. The motion carried.

Senator Fred Kerr said we might want to take this bill to the Senate Floor this afternoon, if staff could get it worked, and get a combination of the two bills so the Senators would know what we are voting on.

Chairman Thiessen concluded the hearings and adjourned the meeting at 11:48 a.m.

PAH3111j1

Proposed Amendment to House Bill No. 3111
(As Amended by House Committee of the Whole)

On page 10, following line 22, by inserting:

"New Sec. 2. The board of county commissioners of Harvey county, Kansas, is authorized to issue general obligation bonds or temporary notes as necessary to finance the costs of completing those improvements authorized by the governing body of such county by Resolution No. 1988-16, adopted June 17, 1988, which improvements are to be paid, in whole or in part, through the issuance of general obligation bonds or temporary notes pursuant to K.S.A. 19-101a to 19-101c, inclusive, and amendments thereto. Any temporary notes of Harvey county issued prior to January 1, 1990, to finance such improvements and the proceedings and actions taken relating to the authorization of such improvements and the issuance of general obligation bonds and temporary notes are hereby validated and confirmed.";

By renumbering sections accordingly;

On page 12, in line 31, before the period, by inserting "or 2";

In the title, in line 10, by striking "Sedgwick county" and inserting "certain counties";

Senate Assessment and Taxation Comm.
Wednesday, May 2, 1990 ATTACHMENT 1

2-772

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

Room 545-N – Statehouse

Phone 296-3181

February 26, 1990

TO: Representative Michael O'Neal **Office No.** 426-S

RE: H.B. 2852

This is in response to your request to demonstrate the impact of H.B. 2852 on the motor vehicle tax burden borne by hypothetical taxpayers "A" and "T," both created in my memo dated October 13, 1989 (Attachment 1).

As you know, the new methodology for calculating motor vehicle depreciation for motor vehicle tax purposes was created in H.B. 2852 to correct the perceived inequity based on surnames that exists under current law. The attached tables demonstrate that the inequities would by and large be eliminated for the hypothetical taxpayers under the provisions of H.B. 2852 (Attachments 2-4).

The other major policy objective of H.B. 2852 is to correct the so-called "glitch" in the motor vehicle tax, whereby depreciation is based on the model year of the vehicles and not on the year in which they are purchased. The bill provides that when a new vehicle is purchased in the year prior to its model year, then the year of purchase becomes its model year.

I hope this information is helpful to you. If you have further questions, please contact me.

Chris W. Courtwright
Research Analyst

CC/jar

Enclosures

Senate Assessment and Taxation Comm.
Wednesday, May 2, 1990 ATTACHMENT 2

Attachment 1

MEMORANDUM

Kansas Legislative Research Department

Room 545-N -- Statehouse
Topeka, Kansas 66612-1586
(913) 296-3181

October 13, 1989

To:

From: Chris Courtwright

Re: Alphabetized Registration Schedule for Motor Vehicle Taxes

This memo is in response to your request for an example regarding the application of the motor vehicle tax for two hypothetical taxpayers in the same county who purchase the same new car at the same time, but have surnames at different extremes of the alphabet.

As you know, motor vehicles are registered according to a staggered registration schedule based on the first letter of the owners' surnames. I have attached a copy of that schedule provided by the Department of Revenue.

In our example, we will assume that two taxpayers with surnames beginning with "A" and "T", respectively, purchased identical motor vehicles valued at $15,000 each with a model year of 1989 in June, 1989 and registered those vehicles on July 1, 1989. Further assume for the sake of simplicity that neither taxpayer previously had a vehicle, so no credit for prior taxes paid is due.

The countywide average mill levy would be applied to 30 percent of the trade-in value when new, or $4,500 for both vehicles. Assuming that the countywide average mill levy is 120, the annual liability on each vehicle would be $540. Since the expiration date for A's registration is the end of February, he would owe 8 months' liability, or $360. When A renews in February of the next year, the tax would be based on the midpoint of the value class, depreciated 16 percent; thus, the taxable value of the vehicle would be $12,600. Assuming the countywide average mill levy did not change, the 120 mills then would be applied to $3,780 ($12,600 x 30 percent), and he would owe $453.60 to register the vehicle for the next full year.

Taxpayer T, on the other hand, would owe 5 months liability on the initial registration, since his registration normally expires at the end of November. So to register his vehicle from July 1 through November 31 T would incur a liability of $225 (5/12ths of $540). At time for T's renewal, however, the 16 percent depreciation would not have started, since the model year is the same as the registration year. T would therefore owe the full $540 to renew his registration for the next full year, and would pay a total of $765 in calendar year 1989.

Extending this analysis for another year, the renewal cost for both A and T would be $453.60 in 1990, and $381.02 in 1991.

Continuing the constant mill levy assumption and annual depreciation, the enclosed Table 1 shows that if both A and T disposed of the vehicles on December

31, 1994, collecting their respective amounts of refunds due, T would have paid $236 more in motor vehicle taxes after owning the vehicles for five and one-half years.

If one assumes that the vehicles had a 1990 model year, an identical analysis reveals a difference of $203 more in taxes paid by T (see Table 2).

Table 1

Model Year 1989 Vehicles Purchased in June 1989 and Sold in December 1994

Year	Depr Value	Tax Value	Tax @ 120 M	Initial Prorate	A's Tax	T's Tax	
1989	$15,000	$4,500	$540	8 Mos.	$360	$765	(405)
1990	12,600	3,780	454	$360	454	454	0
1991	10,584	3,175	381		381	381	0
1992	8,891	2,667	320	5 Mos.	320	320	0
1993	7,468	2,240	269	$225	269	269	0
1994	6,273	1,882	226		226	226	0
	Total				$2,009	$2,414	(405)
	Value of Remaining Registration				38	207	(169)
	Net Tax				$1,972	$2,207	(236)

Table 2

Model Year 1990 Vehicles Purchased in June 1989 and Sold in December 1994

Year	Depr Value	Tax Value	Tax @ 120 M	Initial Prorate	A's Tax	T's Tax	
1989	$15,000	$4,500	$540	8 Mos.	$360	$765	*(405)*
1990	$15,000	4,500	540	$360	540	540	*0*
1991	12,600	3,780	454		454	454	*0*
1992	10,584	3,175	381	5 Mos.	381	381	*0*
1993	8,891	2,667	320	$225	320	320	*0*
1994	7,468	2,240	269		269	269	*0*
	Total				$2,324	$2,729	*(405)*
	Value of Remaining Registration				45	246	*(202)*
	Net Tax				$2,279	$2,482	*(203)*

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Model Year 1989 Vehicles Purchased in June 1989 and Sold in December 1994

Year	Depr Value	A's Tax Value	T's Tax Value	Initial Prorate	A's Tax @ 120 M	T's Tax @ 120 M	*T's Adv*
1989	$15,000	$14,600	$12,800	8 Mos.	$350	$686	*(335)*
1990	12,600	12,264	10,752	$9,733	442	387	*54*
1991	10,584	10,302	9,032		371	325	*46*
1992	8,891	8,653	7,587	5 Mos.	312	273	*38*
1993	7,468	7,269	6,373	$6,250	262	229	*32*
1994	6,273	6,106	5,353		220	193	*27*
	Total				$1,956	$2,093	*(137)*
	Value of Remaining Registration				37	177	*(140)*
	Net Tax				$1,919	$1,917	*3*
	Sell on 12/31/94						

Kansas Legislative Research Department

26-Feb-90

Attachment 2

Model Year 1989 Vehicles Purchased in June 1989 and Sold in February 1995

Year	Depr Value	A's Tax Value	T's Tax Value	Initial Prorate	A's Tax @ 120 M	T's Tax @ 120 M	*T's Adv*
1989	$15,000	$14,600	$12,800	8 Mos.	$350	$686	*(335)*
1990	12,600	12,264	10,752	$9,733	442	387	*54*
1991	10,584	10,302	9,032		371	325	*46*
1992	8,891	8,653	7,587	5 Mos.	312	273	*38*
1993	7,468	7,269	6,373	$6,250	262	229	*32*
1994	6,273	6,106	5,353		220	193	*27*
	Total				$1,956	$2,093	*(137)*
	Value of Remaining Registration				0	145	*(145)*
	Net Tax				$1,956	$1,949	*7*

Cash in on 2/28/95

Attachment 3

Model Year 1989 Vehicles Purchased in June 1989 and Sold in June 1994

Year	Depr Value	A's Tax Value	T's Tax Value	Initial Prorate	A's Tax @ 120 M	T's Tax @ 120 M	*T's Adv*
1989	$15,000	$14,600	$12,800	8 Mos.	$350	$686	*(335)*
1990	12,600	12,264	10,752	$9,733	442	387	*54*
1991	10,584	10,302	9,032		371	325	*46*
1992	8,891	8,653	7,587	5 Mos.	312	273	*38*
1993	7,468	7,269	6,373	$6,250	262	229	*32*
1994	6,273	6,106	5,353		220	0	*220*
Total					$1,956	$1,901	*55*
Value of Remaining Registration					147	96	*51*
Net Tax					$1,809	$1,805	*4*

Cash in on 6/30/94

Kansas Legislative Research Department 26-Feb-90

Attachment 11

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