

Approved January 22, 1990
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by SENATOR AUGUST "GUS" BOGINA at
Chairperson

11:08 a.m./~~PM~~ on JANUARY 9, 1990 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Research Department: Diane Duffy, Leah Robinson
Revisor: Norm Furse
Committee Staff: Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Michael O'Keefe, Director, Division of the Budget
Ed Rolfs, Secretary of Revenue

Michael O'Keefe, Director, Division of the Budget, distributed and reviewed copies of Attachment 1, a summary of pages 11-12 of the Governor's Budget Recommendations for 1990. Mr. O'Keefe explained that there is no lapse bill and that budget cuts will be contained in reappropriations into FY 1991. He noted that other sources of funding for the circuit breakers will come from the State General Fund, the Economic Development Initiatives Fund, the State Highway Fund, and unbudgeted accelerators. Mr. O'Keefe explained that recommending that funding for the circuit breakers be made from the Economic Development Initiatives Fund (EDIF) monies in FY 1991 did not constitute a change in the Governor's concept of the scope and purpose of the EDIF money. In answering a question, he stated that the Governor believed that the Lottery would be continued.

In funding the commercial circuit breaker, Mr. O'Keefe noted that \$14.8 million does not appear in the budget document because that money is from accelerators, and initial budgets cannot contain monies from revenue sources that are not in place. He said that the Governor is recommending accelerators and changes in the provisions for semimonthly filers of withholding income tax.

Mr. O'Keefe noted that the administration is recommending the transfer date from the State General Fund to the Highway Fund be made annually beginning January 1, 1990. That will lessen the expenditures of the State General Fund for the purpose of funding the commercial circuit breaker by \$17,921,000 in FY 1990 and by \$800,000 in FY 1991.

From FY 1990 through FY 1992, total monies from the State General Fund for the purpose of funding both circuit breakers is \$23,334,000; from the Highway Fund, \$18,721,000; from the Economic Initiatives Development Fund, \$13,155,000; and from accelerators, \$14,800,000.

In answer to a question regarding the transfer of \$3.6 million from EDIF, Mr. O'Keefe noted that Attachment 2 provides a comparison of approved expenditures out of EDIF with what the Governor is recommending for FY 90 and FY 1991. Mr. O'Keefe told the Committee that the Governor's highest priority is property tax relief for businesses and homeowners and that is his reason for cutting funds from some of the EDIF projects.

Senator Rock questioned what impact the circuit breakers would actually have on property taxpayers. Mr. O'Keefe noted that the circuit breakers will provide short term immediate relief, and that the Governor recommends adding long term relief measures.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS
 room 123-S, Statehouse, at 11:08 a.m./p.m. on XX JANUARY 9, 1990

In answer to a question if the same difficulties that existed in determining cost estimates of the residential circuit breaker also exist in the determination of commercial circuit breaker costs, Mr. O'Keefe stated that he did not know. In answer to a question, Mr. O'Keefe said that if estimates are off, there are a number of ways of achieving and shifting funding within approved budgets without tampering with ending balances, but there is nothing else to accelerate or delay.

Ed Rolfs, Secretary of Revenue, distributed copies of Attachment 3, a memo regarding the percentage of participation in the Homestead Tax Relief Program and Attachment 4, a memo regarding the administrative impact of the commercial circuit breaker program. He then reviewed Attachment 5 which is the Administration's proposal for providing property tax relief to commercial property owners. Sec. Rolfs noted that statistical information provided through the data model which will be completed in late January will provide an indication of the reliability of the cost estimates of the commercial circuit breaker. He explained, however, that the cost of the commercial circuit breaker is being established and recommendations are being made that will hold refunds to the budgeted \$42.7 million cost.

In regard to the administration recommendations, concern was expressed that neither lessees nor large commercial property owners would qualify for the circuit breaker. Senator Winter noted his concern that a \$5,000 refund might be inadequate for commercial property owners whose taxes increased by \$100,000. In answer to a question, Sec. Rolfs noted that the recommendation does address tax increases due to property improvements through random audits of claims and reviews of building permits on file at the county level. Senator Doyen suggested that the administration give thought to working on a mathematical equation for determining eligibility rather than using the 100% figure. Senator Hayden expressed concern that the Committee might pass a bill that they thought would solve the problem only to have the Committee on Rules and Regulations alter it.

Senator Kerr noted that one must qualify for the commercial circuit breaker by exceeding either the statewide or countywide average commercial property tax rate. He felt that the absence of these qualifiers in the residential circuit breaker program suggest that it is geographically biased.

In response to a question regarding administrative costs of the commercial circuit breaker, Sec. Rolfs stated that the additional cost of administration would be \$22,600 for one year. He indicated that existing staff could perform most of the processing because it would occur after April 15.

Sec. Rolfs stated that he did not think recovering some of the money lost through reduction in inventory tax could be done through regulation.

The meeting was adjourned at 12:40 P.M. with the next meeting scheduled for January 10, 1990.

Property Tax Circuit Breaker Funding

<u>Program</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>Total</u>
Homeowners' Circuit Breaker	\$17,290,000	\$9,555,000	\$455,000	\$27,300,000
Commercial Circuit Breaker	\$42,710,000	0	0	42,710,000
Total	\$60,000,000	\$9,555,000	\$455,000	\$70,010,000

<u>Funding</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>Total</u>
Homeowners' Circuit Breaker				
SGF Appropriated	\$10,000,000	\$0	\$455,000	\$10,455,000
SGF: Current Year Budget Cuts	7,290,000	0	0	7,290,000
Economic Develop Inititatives Fund	0	9,555,000	0	9,555,000
Total	\$17,290,000	\$9,555,000	\$455,000	\$27,300,000
Commercial Circuit Breaker				
SGF: Highway Fund	\$17,921,000	\$800,000	\$0	\$18,721,000
SGF: Current year budget cuts	5,589,000	0	0	5,589,000
Economic Develop Inititatives Fund	3,600,000	0	0	3,600,000
Budgeted Subtotal	\$27,110,000	\$800,000	\$0	27,910,000
Accelerate Liquor Taxes	175,000	525,000	0	700,000
Accelerate Pvt Club Taxes	25,000	75,000	0	100,000
Financial Institutions Est Filings	1,000,000	3,000,000	0	4,000,000
Withholding Individual Income	2,500,000	7,500,000	0	10,000,000
Total	\$30,810,000	\$11,900,000	\$0	\$42,710,000

<u>Summary of Funding</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>Total</u>
State General Fund	\$22,879,000	\$0	\$455,000	\$23,334,000
State Highway Fund Transfer	17,921,000	800,000	0	18,721,000
Economic Develop Inititatives Fund	3,600,000	9,555,000	0	13,155,000
Unbudgeted Accelerators	3,700,000	11,100,000	0	14,800,000
Total	\$48,100,000	\$21,455,000	\$455,000	\$70,010,000

*SWAM
Jan. 9, 1990
Attachment 1*

Economic Development Initiatives Fund
Approved and Recommended Amounts

	FY 1990 <u>Approved</u>	FY 1990 <u>Adjusted</u>	FY 1991 <u>Recommended</u>
Anticipated Revenues			
Lottery	\$12,600,000	\$12,600,000	\$18,900,000
Racing	2,811,264	2,209,348	2,602,601
Interest	15,043	212,869	177,051
Carry Forward Balance	<u>1,198,503</u>	<u>921,097</u>	<u>693,547</u>
Total Available Resources	\$16,624,810	\$15,943,314	\$22,373,199

Transfers/Expenditures

NATURAL RESOURCE PROJECTS			
Hillsdale State Park	\$1,000,000	\$1,000,000	\$0
Jetmore - Multipurpose	451,250	451,250	0
Salt Water Contamination	1,500,000	1,500,000	0
Superfund	100,000	100,000	0
Recreation Access - Program	0	0	1,250,000
State Water Plan	<u>0</u>	<u>0</u>	<u>2,000,000</u>
Subtotal Natural Resources	3,051,250	3,051,250	3,250,000
KANSAS TECHNOLOGY ENTERPRISE CORPORATION			
Research Matching Grants	850,000	850,000	0
Business Innovative Research	150,000	(248,128)	50,000
Research Equipment	650,000	650,000	0
Industry Liaison	328,000	0	0
Centers of Excellence	2,055,380	2,055,380	2,450,000
Seed Capital Investments	440,000	440,000	0
Special Projects	150,000	150,000	0
Data Base Development	72,000	72,000	0
Value Added Processing Center	175,000	175,000	296,155
White Wheat Project	35,000	35,000	35,000
Operations	<u>153,930</u>	<u>153,930</u>	<u>227,879</u>
Subtotal KTEC	5,059,310	4,333,182	3,059,034
COMMERCE			
Small Business Development Centers	100,000	100,000	275,000
Certified Development Companies	100,000	100,000	425,000
Kansas Industrial Training	1,425,000	1,425,000	2,750,000
Trade Show Promotion	100,000	100,000	150,000
Kansas Partnership Program	3,437,088	325,000	500,000
Undesignated OOE	110,775	0	0
Rural Development - OOE	0	62,912	0
Main Street Program	75,000	75,000	75,000
Tourism Promotion	185,000	232,863	910,000
Eisenhower Centennial Promotion	62,500	62,500	0
Industrial Marketing	0	0	425,000
Kansas Partnership - OOE	0	14,560	7,630
Export Finance - Capitalization	750,000	750,000	0
Export Finance - OOE	110,867	26,500	0
Film Commission	<u>31,000</u>	<u>31,000</u>	<u>35,000</u>
Subtotal Commerce	6,487,230	3,305,335	5,552,630
AGRICULTURE MARKET PROMOTION			
KAN WORK (SRS)	50,000	50,000	0
KDFA	1,000,000	0	0
STATE FAIR	0	100,000	100,000
KANSAS, INC.	50,000	50,000	0
PUBLIC BROADCASTING	30,000	30,000	0
SCHOOL FOR VISUALLY HANDICAPPED	0	0	75,000
ARTS COMMISSION			
Arts Programming Grants	450,000	450,000	450,000
HISTORICAL SOCIETY			
Folk Arts Programming	0	0	20,000
WICHITA STATE UNIVERSITY	100,000	100,000	0
CIRCUIT BREAKER FINANCING	0	3,600,000	9,555,000
Total Appropriations	\$16,457,790	\$15,249,767	\$22,241,664
Ending Balance	\$167,020	\$693,547	\$131,535

SWAM
Jan. 9, 1990
Attachment 2



KANSAS DEPARTMENT OF REVENUE

Office of the Secretary

Robert B. Docking State Office Building
Topeka, Kansas 66612-1588

To: Senator August Bogina, Jr.
Statehouse

From: Ed C. Rolfs
Secretary of Revenue

Date: January 9, 1990

Regarding: Participation in the Regular Homestead Tax Relief Program

Our experience has been that the estimate of Kansas qualifiers that actually participate in the Homestead program is in the 30% to 35% range.

Most recently, this estimate was made in 1985, by dividing the number of participating households by the estimated number of qualified households. The second figure is from the U.S. Census Bureau, matched on age, income and child qualifiers. The estimate of participation is then slightly increased, because the Census figure includes all Kansans (not those with a full year of residency).

This estimated participation range is one that is acceptable to the Kansas Legislative Research Department; and is a range that other states have found.

General Information (913) 296-3909

Office of the Secretary (913) 296-3041 • Legal Services Bureau (913) 296-2381

Audit Services Bureau (913) 296-7719 • Bureau of Research & Revenue Analysis (913) 296-3081

Administrative Services Bureau (913) 296-2331 • Personnel Services Bureau (913) 296-3077

SWAM
Jan. 9, 1990
Attachment 3

KANSAS DEPARTMENT OF REVENUE
Office of the Secretary
 Robert B. Docking State Office Building
 Topeka, Kansas 66612-1588

M E M O R A N D U M

TO: Senator August Bogina, Chairman
 Senate Ways and Means Committee

FROM: Ed C. Rolfs,
 Secretary of Revenue *Ed Rolfs*

SUBJECT: Circuit Breaker Fiscal Note

DATE: Tuesday, January 9, 1990

The estimated FY 1990 and FY 1991 administrative costs for the Department of Revenue to continue the property tax circuit breaker program are listed below (salary costs total twelve months, beginning April, 1990):

FY 1990

Salaries and Wages

Classification	F.T.E.	Gross Salaries	Benefits/ Insurance	Total
Administrator of Commercial Circuit Breaker	1.0	\$ 4,560	\$ 1,122	\$ 5,682
Office Assistant II	2.0	6,948	1,981	<u>8,929</u>
Subtotal, Salaries and Wages				\$ 14,611

Other Operating Expenditures

Item	Quantity	Unit Cost	Extended Cost
Microcomputer System (CPU, keyboard, software)	3	2,573	\$ 7,719
Other Capital Outlay (desks, chairs)	3 sets	lot	1,930
Telephone/electrical, including installations			1,431
Stationery and office supplies, incl. startup costs			<u>600</u>
Subtotal, Other Operating Expenditures			\$ 11,680
Estimated Total FY 1990 Cost			<u>\$ 26,291</u>

FY 1991

Salaries and Wages

Classification	F.T.E.	Gross Salaries	Benefits/ Insurance	Total
Administrator of Commercial Circuit Breaker	1.0	\$ 13,680	\$ 3,365	\$ 17,045
Office Assistant II	2.0	22,372	6,131	<u>28,503</u>
Subtotal, Salaries and Wages				\$ 45,548

Other Operating Expenditures

Item	Quantity	Unit Cost	Extended Cost
Telephone service, 3 lines for 9 months			\$ 1,080
Stationery and office supplies			<u>200</u>
Subtotal, Other Operating Expenditures			\$ 1,280

Estimated Total FY 1991 Cost

Total Estimated Costs, FY 1990 and FY 1991

\$ 46,828
<u>\$ 73,119</u>

SWAM
Jan. 9, 1990
Attachment 4



KANSAS DEPARTMENT OF REVENUE
OFFICE OF THE SECRETARY
Robert B. Docking State Office Building
Topeka, Kansas 66625-0001
(913) 296-4218

MEMORANDUM

TO: THE HONORABLE AUGUST BOGINA, JR., CHAIRMAN
SENATE COMMITTEE ON WAYS AND MEANS

FROM: ED C. ROLFS
SECRETARY OF REVENUE *Ed Rolf*

DATE: JANUARY 9, 1990

RE: COMMERCIAL CIRCUIT BREAKER

Thank you for the opportunity to appear today to discuss the Administration's proposal for providing property tax relief to Commercial property owners. The Governor has recommended \$42.7 million in relief for the commercial circuit breaker program. The Governor is endorsing a targeted circuit breaker program.

The target group is commercial property taxpayers who have witnessed more than a 100% increase in their property taxes, run small businesses, have limited income and have had limited savings through the inventory exemption and the reduction in taxes on personal property. The refund of property tax for this group should be \$5,000 or 50% of the increase from 1988 to 1989, whichever is less.

Many in this group were hit by unanticipated and substantial property tax increases. The commercial circuit breaker program will allow this group time to factor these changes into their budgets and serve as a bridge to permanent and lasting property tax relief measures.

TARGETING FEATURES OF THE PROPOSAL

DEFINITION OF COMMERCIAL PROPERTY

There is not a classification in our constitutional scheme of

SWAM
Jan. 9, 1990
Attachment 5

property taxation that is called "commercial". This type of property we think of as commercial is part of the "all other" property classification.

We would propose that the Commercial Circuit Breaker be limited to what is generally thought of as business property. The Sales-Ratio study has traditionally defined commercial property as *including all land and improvements utilized or intended to be utilized as a business or income producing enterprise and all personal property subject to ad valorem taxation listed on commercial personal property statements*. We would suggest that this definition be incorporated into a Circuit Breaker bill.

AGGREGATE TAX INCREASE

It is also necessary to target relief to a taxpayer whose **total** property taxes increased by the 100% threshold. Two factors of importance operate here.

Include both real and personal property taxes.

To qualify for a refund the total real *and* personal property taxes assessed for 1989 must exceed the 1988 taxes by 100%. Many businesses may have seen a large increase in their property taxes on real estate, however, those increases may have been offset by the elimination of the inventory tax and the substantial reduction in taxes on business machinery and equipment.

"Per Taxpayer rather than "per parcel" approach.

Taxpayers who own multiple properties would qualify for only one refund check, and would have experienced a net overall tax increase of 100% or more on all of their property. In addition, *rules of attribution* should be adopted to limit businesses which are commonly owned to one refund.

There are instances where taxpayers have witnessed a substantial increase on some property while at the same time having minimal increases on others. The administration believes that all properties should be combined when conducting the 100% threshold test.

EFFECTIVE TAX RATE TEST

The program should be targeted to taxpayers whose actual effective tax rate exceeds either the state-wide or county-wide average.

When analyzing percentage increases, some of these occurred do to differing ways in which local jurisdictions treated commercial property taxpayers historically. A commercial property taxpayer who owned property in a county that kept values fairly current would have a much small percentage increase than one which did not. It is only fair to limit the refund to those that exceed these averages as these are the taxpayers who have an equity claim.

SMALL BUSINESS DEFINITION

In order to target refunds to "small businesses", the term should be defined. Attached is a definition which is already utilized in our statute which basically limits the term to companies with a maximum of 25 to 50 employees and less than \$1.5 million to \$4.0 million in annual gross receipts, depending on the type of business.

FEDERAL TAXABLE INCOME TEST

Refunds will be targeted to taxpayers whose average federal taxable income over the past three years has been \$50,000 or less. Appended hereto is suggested statutory language. The program is designed to meet the needs of those small businesses which face difficulty in meeting their property tax obligations and therefore, we propose the inclusion of an income test in the program.

FISCAL DATA CURRENTLY AVAILABLE

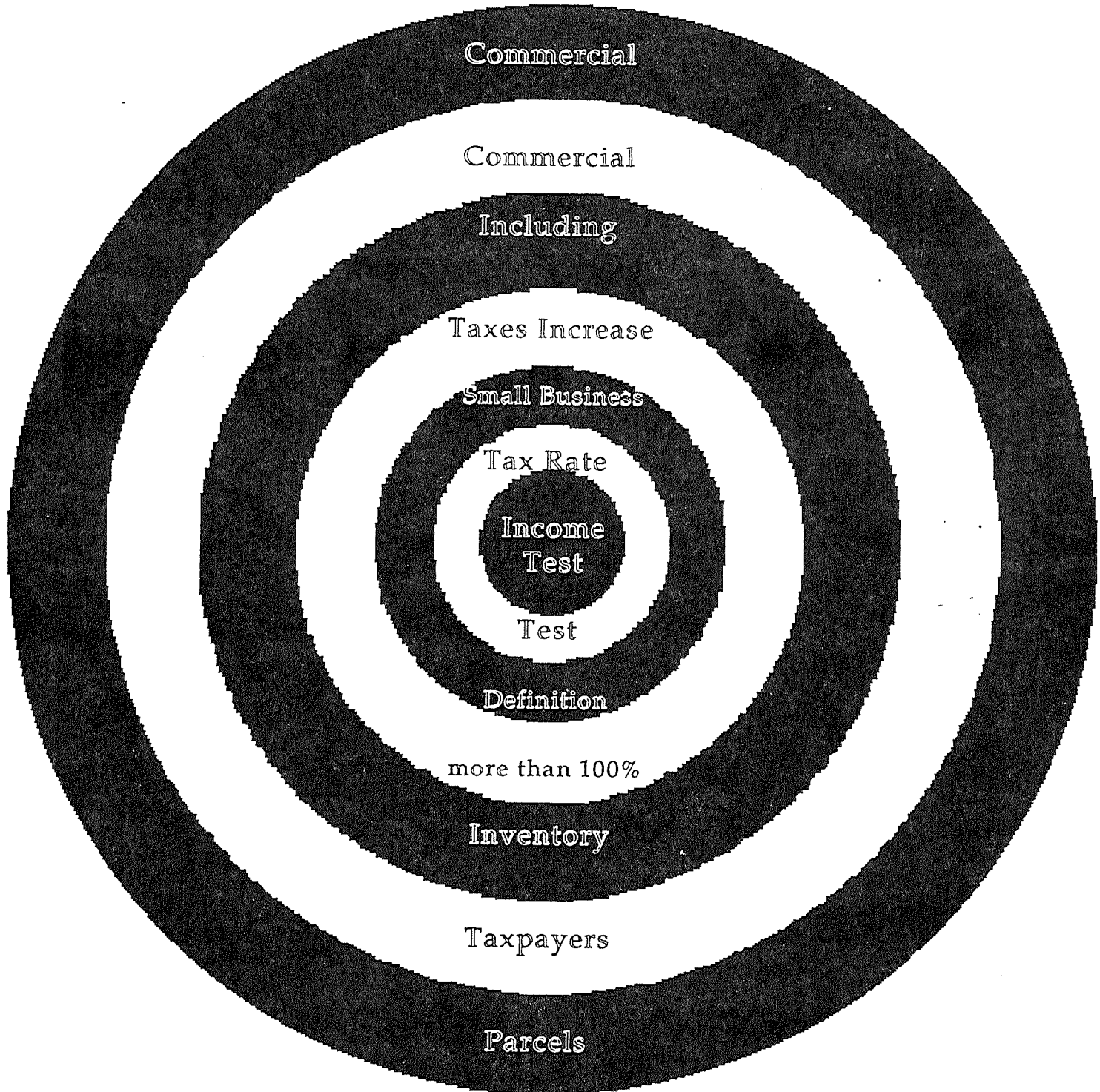
As I indicated yesterday, a data model is currently being developed by the staff of the Property Valuation Division. This model will be built using a statewide statistical sampling technique that involves collection of information on over 400 parcels and individually contacting 400 commercial property taxpayers to gather data which is not available in state or county computer systems.

The information will be available in the latter part of January. The Governor has directed the Department to work with the legislature in crafting a targeted circuit breaker program that is within his recommended appropriation of \$42.7 million and contains the targeting features which have been proposed.

I would be happy to respond to any questions you may have.

Commercial Circuit Breaker

Target Area





KANSAS DEPARTMENT OF REVENUE

Office of the Secretary

Robert B. Docking State Office Building

Topeka, Kansas 66612-1588

(913) 296-3041

COMMERCIAL CIRCUIT BREAKER PROGRAM
FISCAL ESTIMATE

Commercial Circuit Breaker:

Property tax increase of 100% from 1988;
Refund of lesser of \$5,000 or 50% of the
difference between the tax levied from 1988
to 1989.

\$81,500,000

LIMITATIONS:

1. Limited by taxpayer instead of per parcel approach.	20%	- 16,300,000
2. Include Personalty and Inventory in the threshold limitation.	10%	- 6,520,000
3. Effective Tax Rate Test - Refund applies to those whose effective tax rate exceed either the statewide or countywide average commercial property tax rate.	15%	- 8,802,000
4. Small Business Limitation	5%	- 2,493,900
5. Federal Taxable Income must be less than \$50,000	10%	- <u>4,738,410</u>

Estimated Fiscal Impact \$42,645,690

M E M O R A N D U M

TO: Mr. Michael O'Keefe
Division of Budget

DATE: February 20, 1989

FROM: Kansas Department of Revenue

RE: House Bill 2319
as Introduced

BRIEF OF BILL:

House Bill 2319, as introduced, would provide for a state-funded "homestead" property tax refund for commercial property owners. The owner of commercial real estate whose property taxes levied in 1989 upon all of such owner's commercial property exceed by at least 100% the property taxes levied upon the same commercial property in 1988, may apply to the Division of Taxation of the Department of Revenue for a refund of property taxes levied upon such property. For calendar year 1989, the amount of such refund shall be equal to the lesser of \$5,000 or 50% of the difference between the property tax levied on such property in 1988 and the property tax levied on the same property in 1989. For calendar year 1990, the amount of such refund shall be equal to the lesser of \$2,500 or 25% of the difference between the property tax levied on such property in 1988 and the property tax levied on the same property in 1989.

The Director of Taxation is to provide appropriate forms to applicants, county clerks and county treasurers. The Secretary of Revenue is authorized to issue rules and regulations. The funds for the refunds will be appropriated. No refund will be issued for an amount less than \$5. Filings must be made by October 15. A refund amount may be applied against any liability outstanding in the Department of Revenue. Applicants must provide copies of 1988 and 1989 tax statement, with an ownership statement. Provision is made for audits, recovery of excessive refund payment, and appeals to the State Board of Tax Appeals.

This bill is an independent act, effective from and after publication in the statute book.

FISCAL IMPACT:

Assuming filing would begin January 1, 1990 and that the appropriation would be from the State General Fund, it is estimated that passage of this bill would have a significant, but indeterminable, effect upon the State General Fund in Fiscal Year 1990.

The 1988 statewide assessment/sales ratio for commercial and industrial property is 10.61%. Therefore, it will require an increase in market value of 182.75%, or approximately 200%, to bring the assessed value to 30% of market. With a 200% increase in assessed value, a corresponding decrease in the mill levy of 66% would be required for tax liability to remain constant.

There are an estimated 90,000 improved, commercial and industrial parcels in Kansas. Each is a potential claimant under this bill.

EXAMPLE: 1988 assessed value = 10.61 % of market value.
1988 average statewide mill levy \$130.40 per thousand.

Assume: Assessed value of property in 1988 = \$50,000
 $\$50,000 \times \$130.40 \text{ per thousand} = 1988 \text{ tax liability of } \$6,520$

Then: 1989 assessed value of same property will be $(\$50,000) + (200\%) =$
\$150,000

If this property were to pay the same amount of tax in 1989, then $\$6520 \div \$150,000 =$
\$43.46 per thousand would be the new mill levy. This would represent an
approximate 66% decrease in the mill levy. For the 1989 property tax to increase by
100% the average mill levy would still have to decrease by approximately one-third.

Even though many counties are projecting decreases in their mill levies for tax year
1989, no information currently exists to project the magnitude of any decreases
which may occur.

Total assessed value of commercial and industrial real estate in Kansas for tax year
1988 was \$1.25 billion. Applying the statewide average mill levy yields a total
estimated tax of \$163 million. If the tax doubles and one-half the increase may be
refunded, then the potential refund is \$81.5 million. However, it must be pointed out
that in many areas the tax increase will be substantially more than 100%, but in all
cases the refund is limited to \$5,000.

ADMINISTRATIVE IMPACT:

If this bill were passed, it is estimated that the Department would incur \$35,947 one-
time and \$110,540 annual expenses for a total of \$146,487 in Fiscal Year 1990. Please
see detailed costs, attached.

A completely new processing cycle would need to be created by the Income Tax
Bureau of the Department for the processing of commercial property refunds.

There would be no additional costs to the Division of Property Valuation.

ADMINISTRATIVE PROBLEMS AND COMMENTS:

Division of Property Valuation:

There are several problems associated with the language used in this bill. First, the
who may apply are limited to owners of commercial real estate; however, line 21 says
that the taxes to be considered for refund are those on "all of such owner's
commercial property". While it is unclear, this would seem to imply that one must
add in taxes on all personal property and commercial motor vehicles, etc., before the
comparison were made. If this is the case, then the fiscal impact would be
significantly reduced.

Second, does the same language (all of such owner's commercial property) limit the
owner of multiple commercial properties to one claim for refund?

Third, how will the provisions of this bill be applied to mixed use properties?
Previously, a property which was used both for commercial and residential purposes

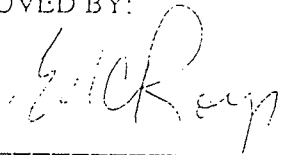
had only one assessed value because all property was assessed at 30%. For tax year 1989, each use will have a separate assessed value to accommodate different assessment levels. The bill does not address what values are to be compared in these situations.

Division of Taxation:

A number of the current homestead refund provisions also apply to this refund act. However, there is no income limit for claimants under this bill and there is no requirement that the claimant be a resident of Kansas. The bill does not provide that the property be located in Kansas. The bill makes no provision for decedent taxpayers. Will a claim be allowed on the behalf of a deceased taxpayer?

Unlike provisions of the Homestead Property Tax Refund Program, this bill makes no provision that the claimant must file, with a copy of the statement of property taxes levied, a statement "that the property taxes...have been or will be paid by the claimant and that there are no delinquent property taxes..." (K.S.A. 79-4511(b)).

APPROVED BY:



Ed C. Rolfs
Secretary of Revenue

Salaries and Wages

(4) Tax Examiner I	\$21,220	\$ 84,880
(1) Office Assistant II	\$17,746	<u>17,746</u>
	Total	\$102,626

Capital Outlay

(4) 60 X 30 Executive Dbl. Pdl. Desk @ \$340/ca.	\$ 1,360	
(1) 60 X 30 Secretarial Dbl. Pdl Desk @ \$490/ca.	490	
(4) Swivel Tilt Arm Chair @ \$175/ca.	700	
(1) Steno Posture Chair @ \$125/ca.	125	
(4) 12 Column Printing Calculator @ \$106/ca.	424	
(2) 5 Drawer File (Letter) @ \$180/ca.	360	
(3) Open Shelf File 90 X 12 X 36 @ \$180/ca.	540	
(1) Video Terminal @ \$980/one time charge	980	
(1) Terminal Cable @ \$125/ea.	125	
(1) Installation of Cable @ \$275/ea.	275	
(1) CRT Work Station @ \$95/ca.	<u>95</u>	
	Total	\$ 5,474

Contractual Services

(2) Telephone Sets @ \$30/ca.	\$ 60
(2) Telephone (Monthly Fec) @ \$36/mo.	864
(2) Telephone Installation @ \$207/ca.	414
(2) Holes Telephone @ \$27.50/ca.	55
(-) Electrical Outlets @ \$48.50/ca.	194

Printing

Additional Forms	10,750
Miscellaneous	1,000
Postage	18,000
Floor space 600 sq. ft. @ \$11.75/sq. ft.	<u>7,050</u>

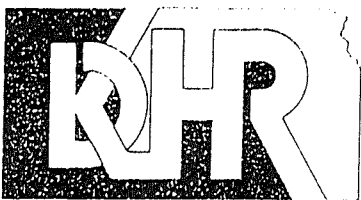
Total \$ 38,387

Total Salaries and Wages	\$102,626
Total Capital Outlay	5,474
Total Contractual Services	<u>\$ 38,387</u>

Grand Total \$146,487

KANSAS

DEPARTMENT OF HUMAN RESOURCES



RECEIVED
LABOR MARKET INFORMATION SERVICES
401 S.W. Topeka Boulevard, Topeka, Kansas 66603-3100
(913) 296-5058
DEC 12 1989

PLANNING & RESEARCH

Mike Hayden, Governor

Ray D. Siehndel, Secretary

December 11, 1989

Ms. Martha Carithers
Kansas Department of Revenue
Research Section-2nd floor
Landon State Office Building
Topeka, Kansas 66612

RE: Data Request

Dear Ms. Carithers:

Following our discussion of Monday, December 11, I am submitting the attached table for your review and comment. Information is as reported for the quarter ending March 1988. While the data is well over one year old, the per cent distribution among size categories will vary little with the current period. The first and second columns are total active firms covered by the Kansas Employment Security Law and the remaining two columns reflect private ownership only.

Let me know if I can provide additional information. Contact me 913-296-5058.

Sincerely,

William H. Laves, Chief
Labor Market Information Services

Attachments

WHL:aw

TABLE 1
EMPLOYING UNITS AND NUMBER OF EMPLOYEES
BY SIZE CLASS AND OWNERSHIP
MARCH 1988 1/

Size of Employment Category	<u>All Coverage</u>		<u>Private Ownership</u>	
	<u>Employing Units</u>	<u>Employment</u> *	<u>Employing Units</u>	<u>Employment</u>
<u>Total</u>	<u>62,283</u>	<u>968,421</u>	<u>58,925</u>	<u>798,959</u>
1-4	34,093	71,043	32,361	67,731
5-9	12,638	82,704	12,206	79,829
10-19	7,556	101,328	7,303	97,936
20-49	4,783	144,891	4,473	134,698
50-99	1,792	123,571	1,523	104,141
100-249	1,021	153,962	772	116,931
250-499	238	81,135	184	62,571
500-999	101	68,433	63	42,804
1000 +	61	141,354	40	92,318

1/ Employment "covered" by the Kansas Employment Security Law as reported to "Covered Employment and Wages ES-202".

* Employees reporting hours worked

Kansas Department of Human Resources
Division of Policy and Management Analysis
Research and Analysis Section
April 19, 1989

INCOME TEST

"Net income" means:

(A) In the case of individuals, the average of adjusted gross income, as defined for federal income tax purposes, for the three taxable periods prior to 1989;

(B) in the case of corporations and financial institutions, the average federal taxable income, as defined for federal income tax purposes for the prior three taxable periods prior to 1989;

(C) in the case of partnerships, the average ordinary income, as defined for federal income tax purposes, for the prior three taxable periods prior to 1989;

(D) in the case of trusts, the average distributable net income, as defined for federal income tax purposes, for the prior three taxable periods prior to 1989; and

(E) for any other taxpayers, the average income for the prior three taxable periods prior to 1989, pursuant to rules promulgated by the secretary of revenue.

In the case of taxpayers, not in existence for three taxable periods prior to 1989, the average income for all prior taxable periods shall be used.

(c) The secretary of aging shall prepare annually a report evaluating the effectiveness of the older Kansans employment programs and recommending measures to increase the number of older Kansans gainfully employed. The report shall be prepared and made available annually to the governor, members of the legislature, the secretary of human resources and the members of the advisory council on aging no later than December 15 in any year.

(d) As used in this section, "older Kansan" means a resident of the state of Kansas who is 55 years of age or older.

History: L. 1982, ch. 333, § 1; July 1.

Article 60.—KANSAS SMALL BUSINESS PROCUREMENT ACT

Cross References to Related Sections:

Division of purchases, department of administration, see 75-3737a et seq.

75-6001. Short title. This act may be cited as Kansas small business procurement act.

History: L. 1978, ch. 354, § 1; July 1.

75-6002. Policy; fair proportion of state purchases and contracts placed with small businesses. Because the existence of a strong and healthy free enterprise system is directly related to the well-being and competitive strength of small businesses and to the opportunity for these small businesses, including those owned and operated by minority persons, to have free entry into business, to grow and to prosper, it is declared to be the policy of this state to ensure that a fair proportion, at least but not limited to ten percent (10%), of the total dollar amount of purchases of and contracts for property and services for the state (including but not limited to supplies, materials, equipment, maintenance, contracted services, repair services and construction) be placed with small businesses. Each state agency shall participate to the extent possible in carrying out this policy.

History: L. 1978, ch. 354, § 2; July 1.

75-6003. Definitions. As used in this act, unless the context clearly requires otherwise, the following words and phrases shall have the meanings respectively ascribed to them in this section:

(a) "Small business" means a business which is independently owned and

operated, not dominant in its field of operation and is not an affiliate or division of a larger business.

(b) "Business" means: (1) An entity organized for profit, including but not limited to, an individual, partnership, corporation, joint venture, association or cooperative; or (2) a bona fide nonprofit organization operating primarily for the habilitation, rehabilitation or employment of handicapped persons which employs at least five handicapped persons for every nonhandicapped person who is directly engaged in the manufacture and processing of products by the nonprofit organization.

(c) "Dominant in its field of operation" means exercising a controlling or major influence in a kind of business activity in which a number of businesses are engaged. In determining if a business is dominant, the following criteria, among others, shall be considered: Number of employees; volume of business; financial resources; competitive status or position; ownership or control of materials, processes, patents, license agreements and facilities; sales territory; and nature of business activity. Furthermore, notwithstanding the above criteria, the following businesses shall be deemed dominant in their field of operation: (1) Manufacturing businesses which employ more than 50 persons and have in the preceding three fiscal years exceeded \$3,000,000 gross income annually; (2) general construction businesses which in the preceding three fiscal years exceeded \$4,000,000 gross income annually; (3) all other nonmanufacturing businesses which employ more than 25 persons and have in the preceding three fiscal years exceeded \$1,500,000 gross income annually.

(d) "Affiliate or division of a larger business" means a business which is a subsidiary of or owned in part by a larger business which is dominant in its field of operation, or which is owned in excess of 20% by the partners, officers, directors, majority shareholders or their equivalent, of a larger business which is dominant in its field of operation.

(e) "Small business set-aside" means a purchase request which will be offered to and response accepted only from small businesses.

(f) "Minority person" means a citizen of the United States who is Negro, Hispanic,

Article 11.—FINANCE AND TAXATION

§ 1. (a) System of taxation; classification; exemption. The provisions of this subsection (a) shall govern the assessment and taxation of property until the provisions of subsection (b) of this section are implemented and become effective, whereupon subsection (a) shall expire. The legislature shall provide for a uniform and equal rate of assessment and taxation, except that the legislature may provide for the classification and the taxation uniformly as to class of motor vehicles, mineral products, money, mortgages, notes and other evidence of debt or may exempt any of such classes of property from property taxation and impose taxes upon another basis in lieu thereof. All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, and all household goods and personal effects not used for the production of income, shall be exempted from property taxation.

(b) System of taxation; classification; exemption. (1) The provisions of this subsection (b) shall govern the assessment and taxation of property on and after January 1, 1989, and each year thereafter. Except as otherwise hereinafter specifically provided, the legislature shall provide for a uniform and equal basis of valuation and rate of taxation of all property subject to taxation. The provisions of this subsection (b) shall not be applicable to the taxation of motor vehicles, except as otherwise hereinafter specifically provided, mineral products, money, mortgages, notes and other evidence of debt and grain. Property shall be classified into the following classes for the purpose of assessment and assessed at the percentage of value prescribed therefor:

Class 1 shall consist of real property. Real property shall be further classified into four subclasses. Such property shall be defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of value:

- (A) Real property used for residential purposes including multi-family residential real property 12%
- (B) Land devoted to agricultural use which shall be valued upon the basis of its agricultural income or agricultural productivity pursuant to section 12 of article 11 of the constitution 30%
- (C) Vacant lots 12%
- (D) All other urban and rural real property not otherwise specifically subclassified 30%

Class 2 shall consist of tangible personal property. Such tangible personal property shall be further classified into six subclasses, shall be defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of value:

sification and assessed uniformly as to subclass at the following percentages of value:

- (A) Mobile homes used for residential purposes 12%
 - (B) Mineral leasehold interests 30%
 - (C) Public utility tangible personal property 30%
 - (D) All categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985 30%
 - (E) Commercial and industrial machinery and equipment which, if its economic life is seven years or more, shall be valued at its retail cost when new less seven-year straight-line depreciation, or which, if its economic life is less than seven years, shall be valued at its retail cost when new less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property 20%
 - (F) All other tangible personal property not otherwise specifically classified 30%
- (2) All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchant's and manufacturer's inventories and livestock and all household goods and personal effects not used for the production of income, shall be exempted from property taxation.

History: Adopted by convention, July 29, 1859; ratified by electors, Oct. 4, 1859; L. 1861, p. 62; L. 1923, ch. 255, § 1; L. 1963, ch. 459, § 1; L. 1974, ch. 460, § 1; L. 1985, ch. 364, § 1; Nov. 4, 1986.

Research and Practice Aids:

Constitutional Law ⇐ 229(1 to 3), 282 et seq.; Taxation ⇐ 39 et seq., 191 et seq.

Hatcher's Digest, Constitutional Law §§ 57, 63; Taxes §§ 12 to 42.

C.J.S. Constitutional Law §§ 520 et seq., 648 et seq.; Taxation §§ 21 et seq., 215, 216, 1098.

Law Review and Bar Journal References:

"Legal Framework Governing the Kansas Non-Profit Corporation-Part II," Fred Lovitch, 48 J.B.A.K. 343, 348 (1979).

"The Kansas Property Tax: Mischievous, Misunderstood, and Mishandled," Lori M. Callahan and Linda Parks, 22 W.L.J. 318 (1983).

"The Kansas Property Tax: Understanding and Surviving Reappraisal," P. John Brady, Brian T. Howes and Greg L. Musil, 57(3) J.K.B.A. 23, 24 (1988).

TABLE 4
 Commercial and Residential Properties' Countywide Effective Tax Rate
 (Effective Tax Rate = Mill Levy x Assessment Ratio, Changed to Percent)
 1988 and 1989 and Percent Change

County	Commercial Property Effective Tax Rate			Residential Property Effective Tax Rate		
	1988	1989	% Change 1988-89	1988	1989	% Change 1988-89
Allen	1.77%	3.89%	119.3%	1.30%	1.56%	20.0%
Anderson	1.55%	3.18%	105.6%	1.15%	1.27%	10.8%
Atchison	2.86%	4.23%	47.9%	1.68%	1.69%	1.0%
Barber	1.39%	3.18%	128.9%	1.26%	1.27%	1.1%
Barton	1.95%	3.62%	85.3%	1.56%	1.45%	-6.9%
Bourbon	2.18%	4.07%	87.0%	1.55%	1.63%	4.9%
Brown	1.46%	3.30%	126.5%	1.64%	1.32%	-19.5%
Butler	1.68%	3.74%	122.7%	1.22%	1.50%	22.4%
Chase	1.95%	3.34%	71.1%	1.22%	1.33%	9.6%
Chautauqua	0.68%	3.27%	383.3%	1.32%	1.31%	-0.8%
Cherokee	1.57%	3.02%	92.1%	1.19%	1.21%	1.8%
Cheyenne	1.62%	2.77%	71.1%	1.26%	1.11%	-11.8%
Clark	3.46%	3.16%	-8.8%	1.19%	1.26%	6.4%
Clay	2.19%	3.77%	72.3%	1.28%	1.51%	17.7%
Cloud	3.29%	4.61%	40.1%	2.20%	1.85%	-16.1%
Coffey	0.75%	1.45%	94.1%	0.44%	0.58%	33.6%
Comanche	2.49%	3.35%	34.2%	1.59%	1.34%	-15.9%
Cowley	1.95%	4.29%	119.8%	1.38%	1.72%	24.3%
Crawford	1.30%	3.49%	168.2%	1.28%	1.39%	8.8%
Decatur	1.25%	2.97%	137.2%	1.11%	1.19%	7.6%
Dickinson	1.88%	3.34%	77.7%	1.10%	1.34%	21.0%
Doniphan	2.39%	3.79%	58.6%	1.59%	1.52%	-4.4%
Douglas	1.38%	3.62%	162.7%	1.21%	1.45%	19.5%
Edwards	1.82%	3.00%	65.1%	1.76%	1.20%	-31.8%
Elk	1.62%	4.06%	150.4%	1.74%	1.62%	-6.3%
Ellis	2.01%	3.15%	56.5%	0.97%	1.26%	30.2%
Ellsworth	1.49%	3.70%	147.5%	1.31%	1.48%	12.6%
Finney	1.71%	3.20%	87.0%	1.11%	1.28%	15.7%
Ford	2.28%	3.75%	64.2%	1.46%	1.50%	2.7%
Franklin	1.78%	3.62%	103.2%	1.18%	1.45%	22.1%
Geary	1.21%	3.42%	182.3%	1.28%	1.37%	6.9%
Gove	1.76%	3.07%	74.6%	1.77%	1.23%	-30.6%
Graham	1.38%	3.80%	174.6%	1.53%	1.52%	-0.7%
Grant	0.85%	1.67%	95.6%	0.56%	0.67%	19.7%
Gray	1.81%	3.45%	90.4%	1.19%	1.38%	15.7%
Greeley	2.22%	3.10%	39.4%	1.44%	1.24%	-14.0%
Greenwood	1.15%	4.51%	292.4%	1.93%	1.80%	-6.4%
Hamilton	2.29%	2.91%	26.9%	1.06%	1.16%	9.7%
Harper	2.18%	3.61%	65.8%	1.46%	1.45%	-0.8%
Harvey	1.74%	4.07%	134.8%	1.30%	1.63%	25.8%
Haskell	0.81%	1.90%	134.9%	0.65%	0.76%	16.4%
Hodgeman	2.13%	3.79%	77.7%	1.58%	1.52%	-4.2%
Jackson	1.23%	3.43%	178.0%	1.34%	1.37%	2.5%
Jefferson	1.38%	3.26%	135.4%	1.10%	1.30%	18.8%
Jewell	3.84%	3.62%	-5.8%	2.94%	1.45%	-50.8%

Page 2, Kansas Inc. Tax Tables

County	Commercial Property Effective Tax Rate			Residential Property Effective Tax Rate		
	1988	1989	% Change 1988-89	1988	1989	% Change 1988-89
Johnson	0.96%	3.20%	232.7%	1.14%	1.28%	12.5%
Kearny	0.50%	1.44%	185.8%	0.36%	0.57%	57.9%
Kingman	1.12%	3.37%	201.0%	0.97%	1.35%	38.6%
Kiowa	1.55%	2.67%	73.0%	1.01%	1.07%	5.8%
Labette	1.66%	4.31%	159.3%	1.58%	1.73%	9.0%
Lane	1.75%	3.89%	122.2%	1.57%	1.56%	-0.6%
Leavenworth	1.04%	3.74%	259.7%	1.16%	1.49%	28.9%
Lincoln	2.92%	3.83%	31.2%	2.09%	1.53%	-26.5%
Linn	0.72%	2.08%	188.7%	0.82%	0.83%	1.9%
Logan	2.16%	3.19%	47.5%	1.10%	1.28%	16.3%
Lyon	2.25%	4.23%	87.9%	1.49%	1.69%	13.8%
Marion	1.05%	3.21%	206.8%	1.08%	1.28%	18.8%
Marshall	2.12%	3.77%	77.7%	1.82%	1.51%	-17.2%
McPherson	1.45%	3.56%	146.1%	1.07%	1.43%	33.5%
Meade	0.63%	2.79%	343.8%	0.87%	1.12%	28.5%
Miami	1.80%	3.39%	88.6%	1.07%	1.36%	26.7%
Mitchell	3.70%	3.66%	-1.2%	1.55%	1.46%	-5.7%
Montgomery	1.59%	4.28%	168.9%	1.74%	1.71%	-1.9%
Morris	1.25%	3.17%	153.7%	0.93%	1.27%	36.4%
Morton	0.68%	2.11%	212.0%	0.73%	0.85%	16.3%
Nemaha	1.14%	2.84%	147.9%	1.07%	1.13%	6.0%
Neosho	2.55%	4.89%	92.1%	1.70%	1.96%	15.0%
Ness	1.57%	3.44%	119.4%	1.37%	1.38%	0.5%
Norton	3.11%	4.01%	29.0%	1.61%	1.60%	-0.5%
Osage	1.78%	3.15%	77.1%	1.11%	1.26%	13.9%
Osborne	3.38%	3.61%	6.7%	1.93%	1.44%	-25.1%
Ottawa	1.23%	3.48%	182.2%	1.20%	1.39%	15.5%
Pawnee	1.49%	3.15%	112.3%	1.28%	1.26%	-1.2%
Phillips	2.51%	3.88%	54.6%	1.77%	1.55%	-12.4%
Pottawatomie	0.54%	2.01%	274.1%	0.50%	0.80%	61.6%
Pratt	1.42%	3.81%	169.0%	1.26%	1.53%	21.2%
Rawlins	2.10%	3.84%	82.2%	1.30%	1.53%	17.7%
Reno	2.52%	3.60%	42.9%	1.57%	1.44%	-8.3%
Republic	2.56%	3.79%	47.8%	2.75%	1.52%	-44.8%
Rice	1.64%	3.51%	114.0%	1.51%	1.40%	-6.9%
Riley	1.81%	3.76%	107.7%	1.40%	1.50%	7.3%
Rooks	1.26%	3.57%	183.0%	1.22%	1.43%	16.6%
Rush	2.42%	3.57%	47.9%	1.93%	1.43%	-26.1%
Russell	0.95%	3.48%	265.1%	1.18%	1.39%	18.3%
Saline	1.46%	3.59%	145.1%	1.12%	1.43%	27.8%
Scott	1.30%	3.31%	154.9%	1.11%	1.32%	19.1%
Sedgwick	1.53%	3.59%	134.2%	1.12%	1.44%	28.3%
Seward	1.26%	3.11%	146.9%	1.03%	1.24%	20.5%
Shawnee	1.87%	4.33%	131.0%	1.37%	1.73%	26.7%
Sheridan	1.10%	3.21%	193.4%	1.20%	1.29%	6.8%
Sherman	1.36%	3.18%	133.3%	1.80%	1.27%	-29.3%
Smith	2.96%	3.68%	24.2%	2.61%	1.47%	-43.6%
Stafford	2.54%	3.33%	31.2%	1.47%	1.33%	-9.7%
Stanton	0.75%	2.33%	209.2%	0.78%	0.93%	20.2%
Stevens	0.52%	1.12%	115.2%	0.35%	0.45%	28.9%

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County	Commercial Property Effective Tax Rate			Residential Property Effective Tax Rate		
	1988	1989	% Change 1988-89	1988	1989	% Change 1988-89
Sumner	1.47%	3.82%	160.0%	1.09%	1.53%	40.9%
Thomas	1.41%	3.32%	136.0%	1.18%	1.33%	12.6%
Trego	1.28%	3.39%	164.3%	1.58%	1.36%	-14.1%
Wabaunsee	1.07%	3.14%	193.9%	0.88%	1.26%	43.2%
Wallace	2.59%	2.56%	-1.0%	1.55%	1.03%	-33.9%
Washington	1.77%	3.57%	101.4%	1.91%	1.43%	-25.3%
Wichita	2.54%	3.67%	44.7%	1.60%	1.47%	-8.0%
Wilson	2.19%	3.55%	62.4%	1.68%	1.42%	-15.7%
Woodson	2.09%	3.40%	62.7%	1.44%	1.36%	-5.3%
Wyandotte	1.96%	4.53%	130.9%	1.51%	1.81%	19.8%
Maximum	3.84%	4.89%	383.3%	2.94%	1.96%	61.6%
Minimum	0.50%	1.12%	-8.8%	0.35%	0.45%	-50.8%
Median	1.66%	3.48%	114.0%	1.28%	1.39%	7.6%

Ten Counties With Greatest Percent Increase:

COMMERCIAL						
1	Chautauqua	0.68%	3.27%	383.3%		
2	Meade	0.63%	2.79%	343.8%		
3	Greenwood	1.15%	4.51%	292.4%		
4	Pottawatomie	0.54%	2.01%	274.1%		
5	Russell	0.95%	3.48%	265.1%		
6	Leavenworth	1.04%	3.74%	259.7%		
7	Johnson	0.96%	3.20%	232.7%		
8	Morton	0.68%	2.11%	212.0%		
9	Stanton	0.75%	2.33%	209.2%		
10	Marion	1.05%	3.21%	206.8%		
RESIDENTIAL						
1	Pottawatomie	0.54%	2.01%	274.1%	0.50%	0.80%
2	Kearny	0.50%	1.44%	185.8%	0.36%	0.57%
3	Wabaunsee	1.07%	3.14%	193.9%	0.88%	1.26%
4	Sumner	1.47%	3.82%	160.0%	1.09%	1.53%
5	Kingman	1.12%	3.37%	201.0%	0.97%	1.35%
6	Morris	1.25%	3.17%	153.7%	0.93%	1.27%
7	Coffey	0.75%	1.45%	94.1%	0.44%	0.58%
8	McPherson	1.45%	3.56%	146.1%	1.07%	1.43%
9	Ellis	2.01%	3.15%	56.5%	0.97%	1.26%
10	Leavenworth	1.04%	3.74%	259.7%	1.16%	1.49%

SOURCE: Kansas Inc.

Kansas Department of Revenue, "Real Estate Assessment/Sales Ratio Study, 1988." and in-house table titled "Prop. Val. Countywide Statistics as of 12/8/89."