

Approved January 17, 1991  
Date

MINUTES OF THE House COMMITTEE ON Taxation

The meeting was called to order by Representative Joan Wagnon at  
Chairperson

9:10 a.m./~~p.m.~~ on January 16, 1991 in room 519-S of the Capitol.

All members were present except:

Representative Bill Reardon  
Representative Rex Crowell  
Representative Jo Ann Pottorff

Committee staff present:

Tom Severn, Research  
Chris Courtwright, Research  
Doug Johnston  
Linda Frey, Committee Secretary

Conferees appearing before the committee:

Representative Wagnon called the committee to order and introduced the members of the staff who will be serving the committee this year.

The seven new representatives on the committee introduced themselves. They are Representative Kent Glasscock, Representative Steve Wiard, Representative Robert Krehbiel, Representative Aldie Ensminger, Representative Gwen Welshimer and Representative Kent Campbell.

Representative Wagnon stated that the committee would operate under the following procedures.

For members;

All absences will be excused, but please call the office if you know in advance you will be gone. As a courtesy, any member's request to introduce a bill will be honored. Roberts Rules of Order will be used. Not all bills referred will have a hearing -- this is totally at discretion of chair. Action on previously heard bills could occur at any time, but not generally on same day as hearing unless special circumstances exist. Committee time is posted at 9:00, but will delay on starting hearings until 9:10 to give everyone a chance to arrive from caucus meetings.

For public;

All conferees need written testimony, 30 copies. Chair may set time limits on conferees during hearings in order to give everyone an opportunity to be heard; generally no testimony should exceed 5 minutes. Please call the office to request to testify.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation,  
room 519-S, Statehouse, at 9:10 a.m./~~p.m.~~ on January 16, 1991.

The subcommittee process was discussed (Attachment 1). Three subcommittees and their chairs were named. They were Subcommittee on Classification, Representative Joan Adam, Chair; Subcommittee on Rollback, Representative Bruce Larkin, Chair; and Subcommittee on Lids/Local Option/Other, Representative Ken Grotewiel, Chair. Subcommittees were to meet for two weeks.

Representative Joan Adam gave a briefing on Interim Committee Work on the Sales Tax Base. She stated the interim committee discussed plans to expand the sales tax base to be more progressive and responsive to economic development. She stated current Kansas law mandates 8% of sales tax revenues are earmarked for property tax relief. Representative Adam felt that provision would need to change if the tax base were expanded. She reviewed material from the Evaluation of Sales Tax Alternatives (Attachment 2). The Interim Committee on the Sales Tax Base made no recommendation to the whole committee (Proposal No. 2).

Meeting adjourned at 9:52 a.m.



Study Groups or Subcommittees  
House Taxation Committee, 1991 Session

Purpose for all sub-committees:

(1) Develop a short list of viable tax relief options for full committee to consider on the assigned topic.

Process to follow:

(1) Brainstorm for new ideas and review old ones -- then weed out nutty stuff. Don't be afraid to be creative in the beginning. Everything is on the table!

(2) Test your ideas. Review what other states have done to solve similar problems. Ask the interest groups what problems they see -- and ask them to give you both sides. Ask for computer runs or fiscal notes if appropriate. Coordinate data requests when possible to be sensitive to staff time/information problems. But if you need data, don't be afraid to ask for it.

(3) Present report to full committee. If you are not sure of the direction, you could present a concept for discussion; then proceed with finalizing details. Get bills drafted and request full committee introduction. At this point the subcommittee work is probably finished and the full committee will proceed with hearings and the usual committee process of discussion, amendment and action.

Subcommittee I. Classification (Joan Adam, Chair)

Review problems created by reappraisal shifts which were described last year which can only be corrected with constitutional change, ie. commercial business without inventories, fraternal organizations, etc. Decide which ones need to be corrected.

Obtain 90 reappraisal data and compare to 89 data. (This has been requested.) Ask for computer runs on recommend changes in assessment percentages. Present best plans to full committee.

Consider impact of recent Supreme Court Decision on merchants inventory exemption. Does this definition need to be changed?

Discuss how to implement any proposed constitutional change -- via special election to impact the 90 assessments, or at the next regular election.



Subcommittee II. Rollback (Bruce Larkin, Chair)

Review who is affected by a general rollback of property taxes; who benefits and who pays.

Develop a proposal(s) to reduce local mill levies using statewide-generated source of revenue. Review Governor's proposal, other ideas from 90 Session and new ones.

Issues for this subcommittee:

- how to return money to local units to lower property tax levies; LAVTR? SDEA? Other?
- could sales tax exemptions be revoked to generate revenue; if so, which ones and how much would it raise?
- should the sales tax base be broadened to include services? if so, which ones?
- should income tax/sales tax/other taxes be in the mix?

Subcommittee III. Lids/Local Option/Other (Ken Grotewiel, Ch.)

Some say local spending has to be controlled to get true property tax relief. How effective are tax lids in general, the current one in particular?

- assess effectiveness of reappraisal lid;
- look at mill levies -- what happened.
- is there anything we can do to hold down property taxes?

What reappraisal problems continue to plague us? Are there bold, new solutions we have overlooked to insure good appraisals? Are there special programs which need to be continued or expanded to target tax relief to special groups?

- performance incentives for counties to maintain reappraisal
- changes in homestead eligibility; permanent circuit-breakers

Should we expand the local option tax authority to other taxing sources to alleviate problems in certain high tax areas?

- earnings or local option income taxes?

**EVALUATION OF SALES TAX ALTERNATIVES**

*Selected -*

<b>Criteria</b>	<b>Sales Tax Increase</b>	<b>Sales Tax on Services - Selected</b>	<b>Sales Tax on Services - General</b>
<b>RELIABILITY</b>			
Stability	Moderate to Good - Concern with untaxed services and certain exemptions will lead to some instability	Improvement over current because of broader base, assuming additions are not terribly cyclical, e.g., construction	Improvement over current and selected services because of broader base
Elasticity	Moderate - Less than 1.0 given exemptions and limited services - Historical decline will continue	Improvement over current - Brings it closer to 1	Improvement over current - Brings it closer to 1
<b>EQUITY</b>			
Vertical	Regressive even with utilities and rebate - Untaxed expenditures	Improvement over current is likely, depending on list - Tax still likely regressive	Improvement over current - with broad inclusion - Tax still likely to be regressive
Horizontal	Can be some problems given base - Not large	Improved over current - Base broadened, but corp. form may become important	Improved over current - Base broadened, but corp. form is important
Low Income	Utilities exemption and rebate mitigate concern - Expansion of rebate should be considered	Depending on breadth may require "large" low income offset	May require "large" low income offset
<b>EFFICIENCY</b>			
Resource distortion	Favors untaxed goods and services	Reduces discrimination in current tax	Reduces discrimination in current tax
Pyramiding	Modest pyramiding in current structure	Depends on list of services	More of a problem than under other alternatives
Effect on corporate form	Little effect	Increased effect depending on services included	More of an issue than with other alternatives

HOUSE TAXATION  
Attachment # 2  
01/16/91

<b>Criteria</b>	<b>Sales Tax Increase</b>	<b>Sales Tax on Services - Selected</b>	<b>Sales Tax on Services - General</b>
<b>INTERSTATE TAX COMPETITION</b>			
Convoy Test	Moderate concern- Current maximum state-local of 6.25% is near upper tier	Can be seen as negative Depends on coverage, tradeoffs, and debate	Can be seen as negative Depends on tradeoffs and debate
Competitive disadvantage	No change from current	Use tax required	Use tax required
<b>ADMINISTRATION/ COMPLIANCE</b>	Rate increase does not alter current situation radically	Initial definition, education burden can be substantial	Initial education burden can be substantial

Figure 1  
Distribution of Sales Tax Receipts

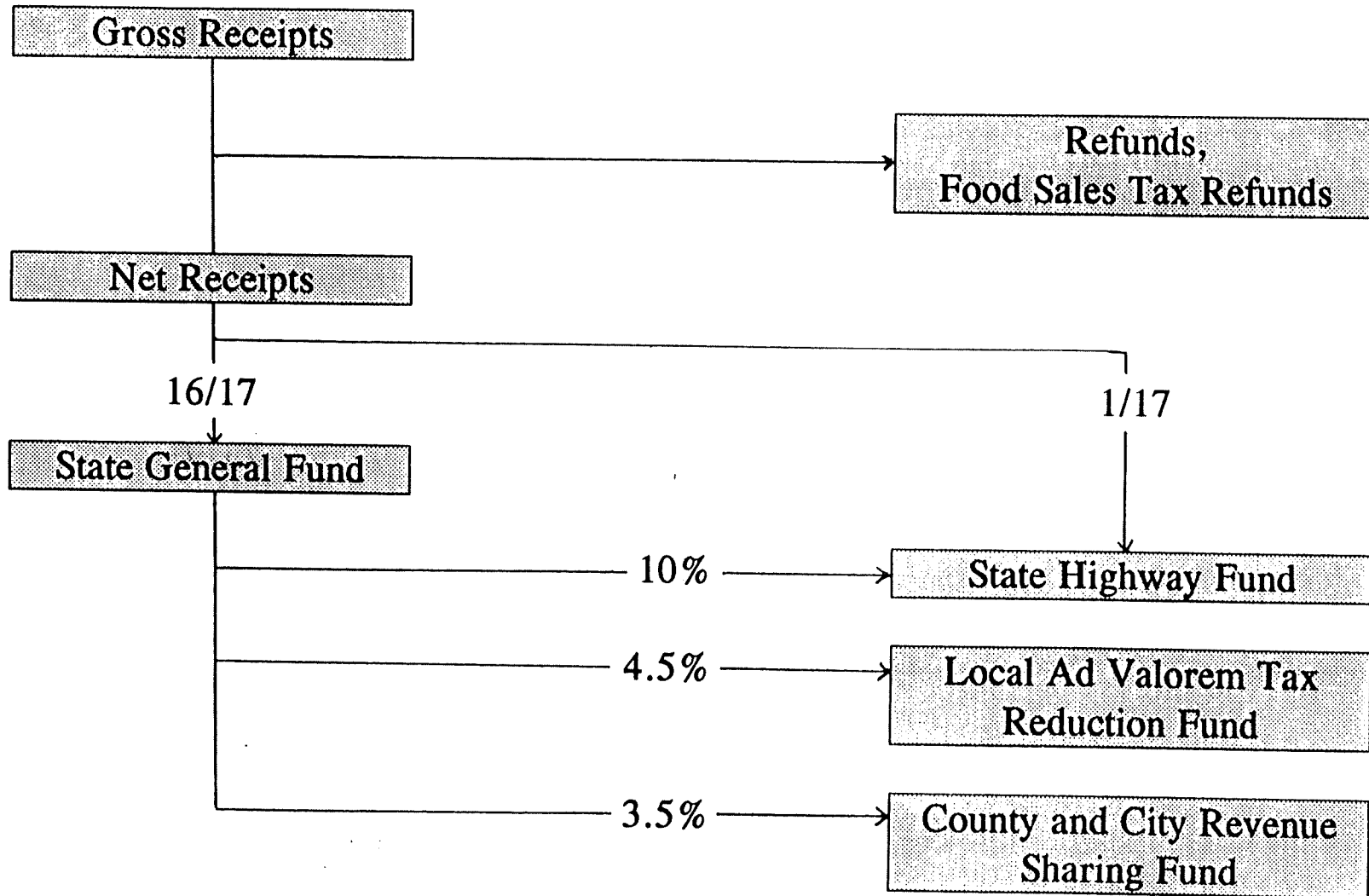




Figure 2  
Distribution of Use Tax Receipts

