

Approved March 19, 1991
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by Joan Wagnon at
Chairperson

9:10 a.m./p.m. on Thursday February 21, 1991 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

- Tom Severn & Chris Courtwright, Legislative Research;
- Don Hayward & Bill Edds, Revisors;
- Linda Frey, Committee Secretary

Conferees appearing before the committee:

Chairman Wagnon called the committee to order at 9:10 a.m. for hearings on HB 2347, the tax lid extension.

A memorandum from the Dept. of Revenue was distributed to committee members in response to the committee's request for an administrative analysis of the proposal to allow commercial and industrial real estate owners the option of being assessed at 30% with inventory exempt or being assessed at 20% with the inventory taxed (attachment 1).

Chairman Wagnon introduced the new director of the Property Valuation Dept., David Cunningham. Cunningham introduced several members of the Reappraisal Advisory Committee (RAC). RAC members include various county officials including county clerks, treasurers, appraisers, commissioners. The committee was formed to provide a cross-section of those involved in the reappraisal process. RAC members provided information in regard to H.C.R. 5006 and H.C.R. 5007 (attachment 2).

Pat Ismert, Sedgwick county appraiser, discussed the information provided. She stated that 110 changes would be necessary throughout the whole Computer Assisted Mass Appraisal system and that this would prevent completion of the changes until 1992. She said changes in the treasurer's office would cost approximately \$50,000 and take 40 weeks to complete. The \$5,000 exemption and classification changes in H.C.R. 5006 and H.C.R. 5007 would necessitate these changes. It was stated that Sedgwick county and four other counties also utilized main-frame systems that would need to be modified.

Mark Lowe, Meade County Appraiser and President of the County Appraisers Assoc., stated that his county utilized a System 36. He said everything in his system would have to be changed and that some new hiring would have to take place. He stated that system changes would require longer than 40 weeks work.

Patsy McDonald, Shawnee County Clerk, stated that the changes necessary to implement H.C.R. 5006 could not be finished in time

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.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

room 519-S, Statehouse, at 9:10 a.m./~~p.m.~~ on Thursday, February 21, 1991

to comply with the property tax calendar dates. She stated that approximately 50 programming changes would be necessary in the Shawnee county main-frame system.

Frustration was expressed that the time need for technical changes in local systems in order to impliment a new classification amendment would act as a barrier to its enactment in 1991.

Ismert replied to a question regarding the utilization of the \$5,000 exemption by saying a blended percentage rate would be easier to use but would not reduce significantly the 40 weeks of work required for reprogramming.

The Chair requested RAC members to further evaluate any specific classification proposals and further advise the committee.

Public hearings were opened on HB 2347.

Arthur H. Griggs, Acting Sec. of Administration, testified in support of HB 2347, the tax lid extension (attachment 3). The thrust of his testmony was that the lid did control growth in mill levies.

There was a question on whether the effectiveness of the lid was a result of capping cash reserves. Barbara Butts, Municipal Accountancy, responded that cash reserves were a factor and the lid led to increased balances. Reserves could be restored if they had levies that they did not utilize. In the cases that they looked at, reserves are being decreased she said.

When asked about Home Rule, Griggs stated that each county could choose to opt-out. Griggs was also asked if reserves were used in general to meet budget needs with the property tax lid in place.

There was much discussion on whether the tax lid worked. Griggs said levies were reduced but three factors were at work: the tax lid, spending balances and local officials holding down levies. It was stated that a combination of public pressure and the property tax lid held down local spending. One representative stated that the protest petition was similar to the concept of a local initiative/referendum.

Rep. Ken Grotewiel, Chair of Subcommittee III, discussed his subcommittee's proposal for a more restrictive property tax lid. He said it was better for local government. A four year extension was also mentioned. Rep. Grotewiel said he saw it as a way to give local taxpayers a chance to protest.

John T. Forbert, Executive Director of the Kansas Assoc. of

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

room 519-S, Statehouse, at 9:10 a.m./~~p.m.~~ on Thursday, February 21, 1991.

Counties, testified against HB 2347 (attachment 4). He asserted in his testimony that tax lids do not work. He said that artificial controls distort reality and do not reflect local needs. He said the best way to control local spending is to let local government work its own problems out.

Torbert further stated that the lid would send a mixed message because exemptions for the lid include non-priority items.

Torbert noted as an example another state where taxes had been increasing each year, despite a tax lid, except in 1982 when the lid was removed. Removing the lid led to lower property tax levies.

Paul M. Klotz, representing the Assoc. of Community Mental Health Centers of Kansas, Inc., testified in opposition to HB 2347 (attachment 5). He introduced Dwight Young, Director of Counseling in a Great Bend mental health center. Young described the financial situation at his center, brought on by increased clientele, decreased revenues and budget constraints because of the tax lid. The inadequate funding has caused his agency to exhaust their reserves in order to maintain the services.

Gerry Ray, Intergovernmental Officer for the Johnson County Board of Commissioners, testified in opposition to HB 2347 (attachment 6).

Ernie A. Mosher, Executive Director of the League of Kansas Municipalities, testified in opposition to HB 2347 (attachment 7).

Public hearings on HB 2347 were closed.

The Chair announced a tentative schedule for the following week.

The committee adjourned at 10:15 a.m.

GUEST LIST

COMMITTEE: Separation

DATE: 2/21/91

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
<i>John McBride</i>	<i>Topeka</i>	<i>observer</i>
George Goebel	Topeka	AARP CCTF - SLC
HAROLD PITTS	"	AARP-CCTF
Wendell STROM	Topeka	AARP - CCTF
Dwight Yoans	Great Bend	The Center for Counseling
<i>Paul Klotz</i>	<i>Topeka</i>	<i>Assoc. of CMHC's, Inc.</i>
JOHN KOEPKE	TOPEKA	KASB
<i>George Barber</i>	<i>Topeka</i>	<i>KS Consulting Engrs</i>
KAREN FRANCE	TOPEKA	KAR
DAVID CORLIS	LAWRENCE	CITY of LAWRENCE
<i>W. J. J. J.</i>	<i>Menden</i>	<i>KFFI</i>
<i>Taxara Neugebauer</i>	<i>Lawrence</i>	<i>City of Lenexa</i>
Ed W. IBOURD	Topeka	Washburn Univ.
Judy Aron	"	Am Inst of Architects
Shelley Sutton	Topeka	KS. Engineering Society
Bob Cookins	Topeka	KCCI
Art Brown	KCMO	KS. IFR Dealers Assn.
Keith Lilly	Salina, KS	County Treasurer (RAC)
<i>Jim Young</i>	<i>Topeka</i>	<i>AARP - CCTF</i>
<i>Sister Kocielnys</i>	<i>Topeka</i>	<i>Governor's Reg. Affairs</i>
P. Higgins	Topeka	Gov. Leg. Affairs
John Torbert	Topeka	KAC
<i>Gerry Ray</i>	<i>Olathe</i>	<i>Johnson Co. Commission</i>
<i>Lay M Smith</i>	<i>Shawnee Co</i>	<i>Shaw Co.</i>



KANSAS DEPARTMENT OF REVENUE

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

MEMORANDUM

TO: REPRESENTATIVE JOAN WAGNON, CHAIRPERSON
HOUSE ASSESSMENT AND TAXATION COMMITTEE

FROM: DEPARTMENT OF REVENUE

SUBJECT: PROPOSED METHOD FOR ASSESSING COMMERCIAL AND
INDUSTRIAL REAL ESTATE

DATE: FEBRUARY 21, 1991

This memorandum is in response to the Committee's request for an administrative analysis of the proposal to allow Commercial and Industrial real estate owners the option of being assessed at 30% with inventory exempt or being assessed at 20% with inventory taxed.

First, we believe that further guidance must be provided before either the Division or the counties could administer this proposal.

1. How would property be treated that was owner occupied but had no inventory? (an attorneys office)

2. How would property be treated that was partially owner occupied and partially leased be treated? (would only the owner's inventory have to be taxed or would all inventory on the property have to be taxed before the owner could elect the lower assessment rate)

General Information (913) 296-3909
Office of the Secretary (913) 296-3041 • Legal Services Bureau (913) 296-2381
Audit Services Bureau (913) 296-7719 • Planning & Research Services Bureau (913) 296-3081
Administrative Services Bureau (913) 296-2331 • Personnel Services Bureau (913) 296-3077

HOUSE TAXATION
Attachment #1
02/21/91

3. How would property be treated that was totally leased? (would a mall be allowed to elect the lower rate even though none of the inventory inside was taxed?)

4. Must inventory be reported for each location? (could an owner of several commercial properties report inventory at only one location and elect the 20% rate for all properties?)

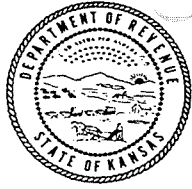
5. Would companies be allowed to transfer ownership of inventories to wholly owned subsidiaries in order to qualify for the lower assessment rate while still paying no tax on inventories?

Administratively, filing requirements would have to be reenacted for inventories including definitions, times, etc. The Division of Property Valuation would have to devise and prescribe forms and instructions for use in reporting inventories and for the taxpayer to use for electing their preferred tax method. The counties would have to have these forms printed.

We are assuming that counties would be required to send forms to the owner of record notifying them of their right of election and providing the form to report their inventory if that were their choice. Sufficient time would have to be allowed for the property owner to respond and to determine and report their prior years average inventory.

The CAMA system would require revisions before the county could record on the file a new sub class which would be assessed at a different percentage. The County Clerk's and County Treasurer's tax

Assuming the best case scenario, this proposal would be on the April 2, 1991 ballot. None of the administrative functions could begin until after that date. It is the consensus among the PVD staff and the County Appraisers from whom we have received responses, that it would not be possible to accomplish everything that would have to be done in time for tax base determinations to be made for the current year.



KANSAS DEPARTMENT OF REVENUE
Division of Property Valuation
Robert B. Docking State Office Building
Topeka, Kansas 66612-1585

To: Members of the House Assessment and Taxation Committee

From: Dave Cunningham, Director of Property Valuation

Subject: Synopsis of the Reappraisal Advisory Committee and
division comments with reference to contemplated
amendments to HCR 5006/5007.

IMMEDIATE PROBLEMS:

- 1991 notices for real estate are now going out to owners.
- current budgets will not permit additional expenditures required to accomplish task for 1991 even if such were physically possible.
- Larger counties could not get 1991 tax statements out until in 1992

LONG TERM GENERAL PROBLEMS:

- Any class expansion creates potential for more mixed use parcels
- The calendar simply will not accommodate additional time constraints.
- County budgets will not accommodate added costs of administration.

IMMEDIATE AND LONG TERM ADMINISTRATIVE PROBLEMS:

CLASS 1

Residential--

- Multi-family (4 units or less) gives way to many interpretation problems such as:

HOUSE TAXATION
Attachment #2
02/21/91

- Does this mean not more than four units under one roof?, on one parcel of land?-----
- Does this mean that if I own 5 single family residences either on the same parcel of land or at various parcels that the 5th one does not qualify as residential at 11%?
- Does this mean that if I own 1 or 4 single family residences, on one or more parcels, so long as I occupy one of them, all of them shall be classified as single family residential at 11%, but if I own 5 and occupy one of them, none of them qualify for the residential 11%?
- Does rental cluster housing qualify as "multi-family residential or are they each classed as single family"?
- It is a certainty that "multi-family" must be clearly and unequivocally defined.
- The potential will exist for the deeding off of tracts to enhance the assessment level.
- extremely difficult to maintain/could change every year
- labor intensive task to verify owner occupancy
- assessment level changes will in some taxing units render increased levies or shortfall in funding budget.
- requests for parcel splits will increase drastically thereby increasing workload.
- would require a split roll, one for partial exemption credit and one for all other residential if owner occupied is required.

Vacant lots--

- Tracking changes and tying to zoning requires time and labor and is quite subject to error because of line delineation

for zoning being somewhat indefinite and constantly changing.

Commercial and Industrial--

- option will be a nightmare to administer
- personal property and real estate notices would have to be consolidated
- tracking of those with and without inventory will be a problem
- Question: will farm outbuildings be classed as commercial/ industrial?
- how would property be treated that was owner occupied but had no inventory? (attorney's office, doctor, therapists, etc.)
- how would property be treated that was partially owner occupied and partially leased? (would only the owner's inventory have to be taxed or would all inventory on the property have to be taxed before the owner could elect the lower assessment rate)
- how would property be treated that was totally leased? (would a mall be allowed to elect the lower rate even though none of the inventory inside was taxed?)
- must inventory be reported for each location? (could an owner of several commercial properties report inventory at only one location and elect the 20% rate for all properties?)
- would companies be allowed to transfer ownership of inventories to wholly owned subsidiaries in order to qualify for the lower assessment rate while still paying no tax on inventories?
- administratively, filing requirements would have to be reenacted for inventories including definitions, times, etc..

The division of property valuation would have to devise and prescribe forms and instructions for use in reporting inventories and for the taxpayer to use for electing preferred tax method. The counties would have to have these forms printed.

--it is assumed that counties would be required to send forms to the owner of record notifying them of their right of election and providing the form to report their inventory if that were their choice. The CAMA system would require revisions before the county could record on the file a new sub class which would be assessed at a different percentage.

Mobile home parks:--

--clarification needed--would the 12% assessment level apply to improvements such as laundromats, concessions, clubhouse, pool, etc.

Fraternal benefit societies--

--would require annual tracking to assure that property meets IRS code of 1990.

Utility --

Railroads--

--by what means is C & I assessment level determined?

--for what year is the C & I assessment level of C & I to be used for current year assessment of railroads.

Interexchange Telecommunications Carriers--

--All public utility properties in Kansas are valued on a unit valuation method disregarding the separated value of personal and real. So long as the assessment levels

remain the same for both and the distribution of assessed value methods remain the same, few problems exist but for problems in reporting. To accomplish for 1991 would cause many problems in the systems now in place. Varied assessment rates within the same unit of property generates many problems.

(See attached fiscal note copies from PVD State Assessed Bureau)

CLASS 2

Utility--Railroads and Interexchange Carrier(see class 1 notes)

Inventories--

--would require reports each year for inventory
--1991 nearly an impossibility

FISCAL IMPACT

Partial exemption credits and lower assessed value percentages for smaller, less diversified areas would result in an overall loss in assessed value thereby either resulting in higher levies or less operating revenues to fund budgets from ad valorem taxes. Could result in warrant procedures to fund necessary services which then results in higher future levies to pay warrants.

Upon review of countywide statistics of the consequence, one may not see the internal (taxing unit) variation effects. In fact a county with only one metro or semi-metro unit may look good at the countywide stat level while most of the districts (units) in the county are drastically affected.

Most of the classification split-outs are labor intensive projects which require time and money both of which are in short supply. To increase county costs to give relief may be futile in that those costs cause increased county funding and levies.

Computer program changes would be required at both the county and the state levels for any classification or methodology changes required to implement alterations to the existing procedures. We are all aware that mechanization is nice but expensive to maintain and involves many different functions within an organization. Time is money and money in this case is taxes.

Any time that a change is made in the appraisers office programming, it is likely that the rest of the courthouse must change to accommodate the change also.

**PLEASE FIND ATTACHED HERETO COPIES OF THE RAC
MEMBER RESPONSES AND BUREAU RESPONSES
WITHIN THE DIVISION OF PROPERTY VALUATION.**

OFFICE OF
LARRY J. CLARK CAE
COUNTY APPRAISER
913/573-2889



WYANDOTTE COUNTY COURTHOUSE
KANSAS CITY, KANSAS 66101

TELECOPY MESSAGE

TO: Lyle Clark
Property Valuation Division

NUMBER OF PAGES INCLUDING
THIS PAGE: 3

FROM: Larry Clark
Wyandotte County Appraiser

DATE SENT: February 20, 1991

TIME SENT: 10:40

TELECOPY OPERATOR: Jent

(316)873-2603

***** ANY QUESTIONS PLEASE CALL 573-2889 *****

FACSIMILE NUMBER 296-2320

OFFICE OF
LARRY J. CLARK CAE
 COUNTY APPRAISER
 913/573-2889



WYANDOTTE COUNTY COURTHOUSE
 KANSAS CITY, KANSAS 66101

To: Dave Cunningham
 From: Larry Clark, Wyandotte County Appraiser
 Date: February 20, 1991
 Subject: Legislation

Administrative Problems:

Timing of these amendments is critical to the ability of counties to respond. Collection of additional data will be required by the provisions relative to inventories since we do not now require the reporting of such data. Current law K.S.A. 79-1467 requires the county appraiser to certify the personal property appraisal roll to the county clerk on or before the last business day in April. That will not be possible if taxpayers are asked to report inventories for tax year 1991. There are only 19 working days between the election date of April 2 and the certification date in which to have forms printed, mailed to and returned from taxpayers, assessments calculated and filed with the county clerk.

It would also be necessary for counties to establish and track owner occupancy, following a definition of that term by the state. There is no ready way of identifying owner occupied property in CAMA, which means that methods would have to be approved for establishing that fact and an enhancement made to the system to accommodate tracking of same. Tracking this situation on an ongoing basis would require the addition of staff within every county. It would have to be verified every year through some mechanism such as an application, and even more staff could be required if counties were required to perform audits.

A new land use code would have to be implemented for fraternal organizations which satisfied the guidelines for exemption. Tracking may be made more difficult by tying exemption to a specific federal regulation issued as of a specific date since obviously they are subject to change.

With the addition of classes comes the problem of notifying property owners of the new classifications and providing an opportunity to appeal them. Change of Value Notices have already been mailed in Wyandotte County and will be mailed in all counties by the April 2 date. In fact current law requires that all informal hearings be held and the results mailed back to the property owners by April 15. Therefore this amendment will necessitate a second round of notices, at least, and possibly a second round of informal hearings in each county.

Technical Problems:

Recognizing new classes of property and new assessment levels will require significant investment in personnel time and programming. I cannot estimate the time it will take for Cole Layer Trumble Company to adjust their programs to accept the new

classes, but six months or longer is not unreasonable. That would make it impossible to use their programs for the current tax year and the cost of altering these programs could easily exceed \$500,000 for the state.

There would also have to be some local re-programming in order to accommodate the changes on local assessment rolls. CLT programs calculate assessed values and then transfer them to a file to be picked up by another program and placed into the county's assessment administration file to be used for tax purposes. The time and expense involved in making these local changes will depend entirely on the individual counties involved and their contractor or in-house data processing staff. It would be doubtful, however, if any county were to have this work done in time for the county clerk's certification on July 1 even if the CLT programs were in place to first transfer values. The cost of this additional local programming could easily equal the CLT contract.

The division of residential property raises a definition question with regard to how the units will be counted. For example, one person may own four four-plexes all of which are located on the same parcel. The number of living units on the parcel is then 16. Is each structure to be counted as a single unit or is the combination to be counted as multi-family? In addition, if one unit of a multi-unit structure is owner-occupied, is that unit subject to the 5,000 exemption even when the total number of units in the structure exceeds four?

Fiscal Impact:

The fiscal impact cannot be gauged except to say that any expenditure outside the established budget is detrimental to the jurisdictions and taxpayers effected. Waiting until tax year 1992 to implement these proposed changes would allow local jurisdictions to properly plan and budget for whatever extra expenses will be involved. As stated earlier, the cost to implement the necessary changes in procedures could equal the statewide costs of CAMA enhancements. That, coupled with the added annual cost of maintaining a new system, could easily wipe out any tax savings property owners could otherwise anticipate from the amendment.

MARSHALL COUNTY, KANSAS

GAYLE LANDOLL
COUNTY CLERK
MARYSVILLE, KANSAS 66508
PHONE 913-562-5361

FAX #913-562-5685

Transmittal Sheet

Date: 2/19/91

Time: 1:45 p.m.

Transmitted by: Gayle Landoll

Telephone 913/562-5361

Address _____

To FAX # 913-296-2320

Company PVD

Attention: Lyle Clark

Number of pages being sent, including this page 2

COMMENTS: Please call if you
have a question

FEB 19 1991 TUE 13:47

MARSHALL COUNTY, KANSAS

GAYLE LANDOLL

COUNTY CLERK

MARYSVILLE, KANSAS 66508

PHONE 913-562-5361

February 19, 1991

Lyle Clark
 Property Valuation Department
 Docking State Office Building
 Topeka, KS 66612-1585

Re: H.C.R. #5006 & #5007 proposed
 classification changes

Dear Lyle:

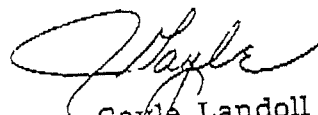
The first problem I can see with a 1991 implementation year for the assessment of inventory is the difficulty the appraiser will have in obtaining this information quickly enough to certify to the County Clerk, who in turn must certify valuations to the taxing districts. The school districts, in particular, begin demanding valuations by mid-June.

K.S.A. 64-103 states the secretary of state shall publish the constitutional amendment notice in one newspaper in each county once each week for 3 consecutive weeks immediately preceding the election. In order to accomplish this task, notice must be reach our local paper by March 11th. The Election Officers would also need to receive this information by that time in order to have ballots printed for the April 2nd election and to be made available for absentee voters. Many election officers combine polling places for the April General Election. With a constitutional amendment on the ballot in April there may be changes that need to be made in polling places and election board workers.

Our appraiser has determined there are 4,957 single residential real properties in Marshall County, which would result in a loss of assessed valuation of 2,974,200 for Marshall County. At the most, there might be 20 to 30 businesses in Marshall County with a merchants or manufacturers inventory in excess of \$150,000. This would not begin to make up for the loss in valuation from the exemption allowed for residential properties. Without other means to make up the resulting loss in taxes, levies would need to be increased accordingly to obtain the same amount of tax dollars.

These observations are strictly off the top of my head as I have had little time to research. I hope this will be of some help.

Yours truly,



Gayle Landoll
 Marshall County Clerk

RILEY COUNTY APPRAISER OFFICE
FACSIMILE TRANSMITTAL COVER

RILEY COUNTY APPRAISER'S OFFICE
110 COURTHOUSE PLAZA
MANHATTAN, KS 66502
FAX NUMBER: (913) 537-6394

DATE: February 20, 1991

TO: Lyle Clark

Division of Property Valuation

Topeka, KS

FAX NUMBER: 913-296-2320

FROM: Riley County Appraiser's Office

Sam Schmidt, Riley County Appraiser

DEPARTMENT NUMBER: 0003

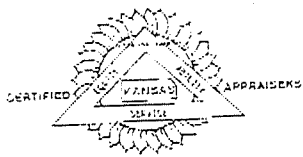
REGARDING: Classification proposal

REMARKS: _____

NUMBER OF PAGES (including cover): 2

If copies are not legible, please call 913-537-6310
ask for Sheri

Riley County Appraiser



Sam Schmidt, CKA
Appraiser

913-537-6310
110 Courthouse Plaza
Manhattan, Ks. 66502

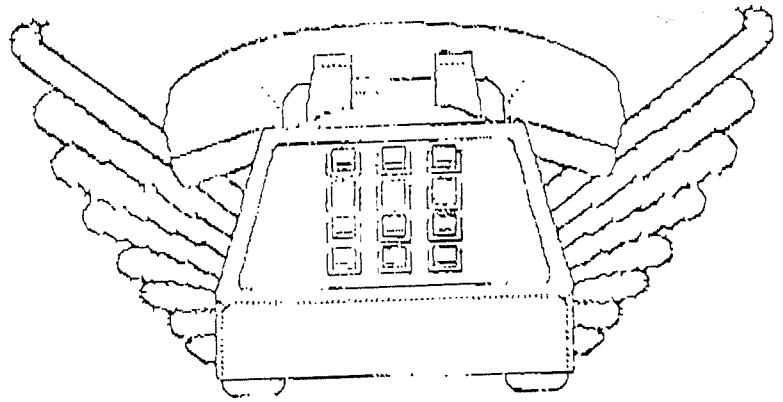
MEMORANDUM

TO: Lyle Clark
FROM: Sam Schmidt, Riley County Appraiser
RE: Impact of New Classification
DATE: February 20, 1991

1. Administrative Problems
 - A. Lack of trained staff
 - B. Appeals process will be on going
 - C. Will nullify certification dates for both real estate and personal property
 - D. Lack of funding
2. Technical Problems
 - A. Computer programs (30 days +)
 - B. Mailing list commercial (inventory)
 - C. All changes in land use and class changes would have to be done by hand.
 - D. Additional space for staff
3. Fiscal Impact
 - A. Cost \$8,000 - \$10,000 short term
 \$24,000 per year long term
 - B. Reduction in assessed value
 15,000,000 to 13,000,000

Time, cost and loss in valuation are fairly constant in each classification proposal.

Douglas County



FACSIMILE TRANSMITTAL SHEET

DATE Feb. 20, 1991

TIME 11:15 A.M.

TO: NAME Lyle Clark, Property Valuation
 ADDRESS _____
 TELEPHONE 296-2365
 FAX NO 913-296-2320

FROM: NAME Sue Neustifter
 AGENCY Register of Deeds- RAC
 TELEPHONE 841-7700 Ext 103
 FAX NO. 913-841-7700 Ext 148

MESSAGE Comparison of Current Classification

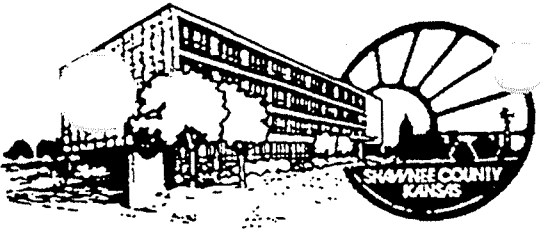
Attachment 2-14

1. Workload so great now that it would be impossible to redo 1991 in a reasonable time frame.
2. Numerous Computer software changes which create problems each time installed.
3. Percentage option of taxpayer would create an annual administrative nightmare.
4. Partial abatements create audit problems -
5. Splitting multifamily units will create all kinds of maneuvering to obtain the lower percentage.
6. Fact that there were less than 1% paid under protest for 1990 indicates that the current system has possibilities. Let it work at least another year.
7. Appraisers have taken so much heat that to create such a complicated system might also create a number of vacancies in Appraisers Offices statewide. (Includes Measure & Clerks but elective offices) may not have any candidates.
- B. Appears that we are trying to make a mockery of the ad valorem tax system.
9. As predicted prior to the Classification amendment all the special interest groups are now lobbying for their particular interests.
10. \$5,000. exemption on mobile homes will remove a number from the tax rolls entirely.

Vacant lots: Creating a possible statewide inequity as not all counties have countywide zoning.
Possible conflict with ag use as which takes priority.

Fraternal Benefit Societies: Who qualifies? Who defines who qualifies?

Date of Election: Not feasible as voters will need to be informed of the results of what they will be passing so that they won't be burned as they feel they have been in the past.



Shawnee County
Office of Court Appraiser

GARY M. SMITH, ASA, CKA
APPRAISER

ROOM 102
291-4100

COURTHOUSE
TOPEKA, KANSAS 66603-3960

FACSIMILE COVER LETTER

Please Deliver the following pages to: LYLE CLARK

Firm Name: PROPERTY VALUATION DIVISION

Business Phone: _____ Facsimile Phone: 296-2320

Total number of pages including this cover letter: 5

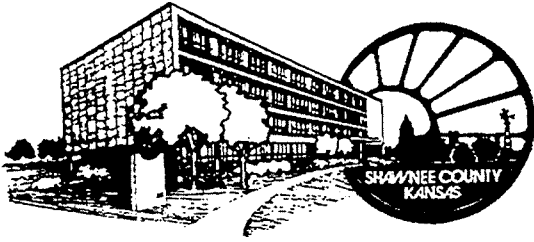
From: PAT McDONALD, Shawnee Co. Clerk

Phone: 291-4111

Sending Facsimile Phone: (automatic answer): 913-291-4217

If you are unable to read your copies, or have not received all your copies, please call Shawnee County Data Processing.

Date Sent: 2-20-91 Time Sent: 3:45 PM



**Shawnee County
Office of County Clerk**

PATSY A. "PAT" McDONALD

291-4155 Main
291-4159 Accounting

Courthouse - Room 107
Topeka, Kansas 66603-3963

February 20, 1991

David Cunningham
Property Valuation Director
Docking State Office Building
Topeka, Kansas 66612-1585

ATTN: Lyle Clark

Dear Lyle:

This is a quick and hurried answer to a complicated problem.

Administratively, I feel that to implement this as of January 1, 1991 would be quite a problem. As you know, we cannot compute the assessed valuation for budget purposes until we get the appraised value from the appraiser. Because of reappraisal, Board of Equalization hearings and protest hearings, it is difficult for the appraiser to furnish information timely as the law stands now.

Undoubtedly there would be changes to the Cama system, the AA system and the tax receipt file requiring costly and time-consuming re-programming. Our Data Processing programmer feels it would require 50 changes to programs to re-design the tax and receipt system.

In speaking for a mainframe county, many of the changes would affect County Clerks. The appraiser would still send us the appraised valuation on the residential real property (sub class 1). We would have our Data Processing programmer figure a way to reduce the appraised value by \$5,000 and then apply the 12 percent assessment rate on the AA file. In our County, Gary Smith, Appraiser, estimates the following:

Assessed Value

50,000 units x 5,000 x 12% = 30,000,000
2,500 units x 5,000 x 12% = 3,000,000

As you can see, this would result in a loss of assessed value in this category.

On a house appraised at \$30,000 this would result in a \$3,000 assessed value as compared to a current \$3,600 assessed value,

$\$30,000 - \$5,000 \times 12\% = \$3,000$

This is a 16% reduction.

On a house appraised at \$100,000, this would result in an \$11,400 assessed value as compared to a \$12,000 current assessed value.

Attachment 2-18

\$100,000 - \$5,000 = \$95,000 x 12% = \$11,400

This is a 5% reduction.

Mr. Smith feels that while we would lose valuation on residential property, we could gain approximately 15,000,000 on inventory, (even exempting up to 150,000 of value.)

Mr. Smith also feels machinery and equipment could give us an additional 30,000,000 in assessed value.

I am attaching the 1990 equipment breakdown for Shawnee County and the 1988 Inventory Count list for your review. Mr. Smith is available for questions regarding this.

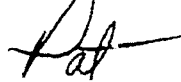
You will remember, the following dates are current law which we do our best to meet.

- April 1 - Appraiser notifies taxpayers of value--real property.
- May 1 - Appraiser notifies taxpayers of value--personal property.
(County Clerk publishes Board of Equalization hearings within 7 days of first notice.)
- June 17, 1991 - Board of Equalization adjourns sine die.
- March 1, 1991 - Appraiser delivers real estate to County Clerk.
- April 30 - Appraiser delivers personal property to County Clerk.
- July 1 - County Clerk certifies values to all taxing subdivisions for budgets and to Property Valuation Division.
- August 25 - Budgets are filed with County Clerk.

The abstract forms for both County and State would have to be changed to accomodate the new classes or assessment levels.

I hope this information is of some help to you.

Sincerely,



Patsy A. McDonald
Shawnee County Clerk

Shannon County

IN DATE 3/29/91
IN TIME 083333

PERSONAL PROPERTY
1988 INVENTORY COUNT LIST

PP1P159
PAGE 2

BUSINESS TYPE	1 TO 50000		50001 TO 100000		100001 TO 250000		OVER 250000		TOTAL	
	AMOUNT	COUNT	AMOUNT	COUNT	AMOUNT	COUNT	AMOUNT	COUNT	AMOUNT	COUNT
MERCHANT	11,648,304	841	10,700,395	149	19,201,160	122	44,906,604	63	86,456,394	1180
MANUFACTURE	843,503	108	592,941	3	3,586,774	23	46,570,663	25	51,593,881	164
BONDED WAREHSE	160,590	12	274,832	4	132,527	1	4,675,151	6	5,243,100	23
CONTRACTORS	192,764	16	136,454	2	0	0	0	0	329,218	18
BANK FIN INS	0	0	0	0	0	0	0	0	0	0
PROFESSIONAL	616,965	98	505,990	7	261,023	2	0	0	1,383,978	107
SERV STATION	1,094,912	92	96,939	1	520,113	3	374,783	1	2,086,747	97
ORGANIZATION	36,495	5	82,895	1	0	0	0	0	119,390	6
CABLE T.V.	0	0	0	0	0	0	0	0	0	0
FARM	0	0	0	0	0	0	0	0	0	0
GRAIN ELEVATOR	53,660	3	0	0	231,934	2	1,055,943	2	1,341,537	7
FEASING	186,088	17	127,088	2	150,348	1	0	0	463,524	20
R.E. INV. APT	0	0	0	0	0	0	0	0	0	0
REFINING	35,972	2	0	0	0	0	0	0	35,972	2
DIE	0	0	0	0	0	0	0	0	0	0
GAS	0	0	0	0	0	0	0	0	0	0
COMMUNICATIONS	73,182	4	0	0	0	0	0	0	73,182	4
MOTOR VEHICLE	935,944	57	567,250	3	1,210,140	7	12,714,031	13	15,327,365	85
NON BUSINESS	0	0	0	0	0	0	0	0	0	0
OTHER BUSINESS	515,838	103	566,039	3	1,954,206	12	506,780	2	3,542,913	125

APPE CNT- 212,970 NON/INV CNT- 211,128 ZERO VALUE CNT- 4 TOTAL INV AMOUNT- 167,997,201 TOTAL INV CNT- 1,838

PRINTED IN U.S.A.

Attachment 2-20

2914217
APPRAISER OFFIC TEL 2914217
Fe 30,91 15:48 No.002 P 04/05

RJN DATE 02/07/91
 RJN TIME 144722

PERSONAL PROPERTY
 1990 EQUIPMENT BREAKDOWN

Shannon County

PP1P1
 PAGE

BUSINESS TYPE	PURCHASE PRICE	7 YEAR VALUE	15 YEAR VALUE	COUNT
A MERCHANT	72,952,484	36,295,788	44,226,580	30833
B MANUFACTURE	331,255,056	119,065,514	177,327,856	18393
C BONDDED WAREHSE	13,172,617	6,490,062	8,305,668	4599
D CONTRACTORS	33,398,531	16,812,694	18,240,616	12850
E BANK - FIN INS	19,813,605	7,077,580	9,181,198	8296
F PROFESSIONAL	108,233,821	48,017,055	58,569,171	52148
G SERV STATION	3,034,729	1,299,052	1,593,854	1629
H ORGANIZATION	5,023,054	2,227,848	2,734,571	5805
I CABLE T.V.	9,483,749	3,134,292	4,965,648	607
J FARM	532,886	232,057	240,878	431
K GRAIN ELEVATOR	8,259,236	2,754,193	4,311,071	698
L LEASING	92,952,927	52,699,617	61,046,057	15683
M R.E. INV. APT	5,145,133	2,162,398	2,744,752	1830
N REFINING	223,409	73,983	81,191	107
O OIL	0	0	0	0
P GAS	0	0	0	0
R COMMUNICATIONS	18,287,189	6,005,794	7,205,111	3051
Y MOTOR VEHICLE	0	0	0	0
Y NON BUSINESS	0	0	0	0
Z OTHER BUSINESS	45,866,123	21,949,884	27,198,797	24110
TOTALS -	768,434,549	326,297,811	427,973,019	181070

JANICE

we recalculated the Table
 Straight Line To 20% year 15
 These are the new values
 up about 30%

TOTALS - 768,434,549 326,297,811 427,973,019 181070 TP CNT- 228625 E/I CNT-7004 0 VAL CNT-1204 NON EQP CNT- 3934

E_000007004
 T 000000689

Attachment 2-21

COUNTY APPRAISER OFFICE TEL 2914217
 2914217
 2914217
 Feb 20, 91 15:48 No. 002 P 05/05



SEDGWICK COUNTY, KANSAS

FAX TRANSMISSION SHEET

TO: Lyle Clark - Property Valuation

FAX NUMBER: 1-913-2910-2320

FROM: Pat Jomept

FAX NUMBER: (316) 383-7055

PAGES SENT INCLUDING COVER SHEET 9

COMMENTS:

Attachment 2-22



SEDGWICK COUNTY, KANSAS

OFFICE OF THE APPRAISER

PAT ISMERT
SEDGWICK COUNTY APPRAISER

JIM POWELL
CHIEF DEPUTY APPRAISER

COUNTY COURTHOUSE • SUITE 227 • WICHITA, KANSAS 67203-3795 • TELEPHONE (316) 383-7461

COMMENTS RE: HCR 5006 AND 5007

From Meeting with Gary Logan, Lori Steiner, George Daly,
Jim Powell Tuesday afternoon:

- To accomplish data processing's role to implement HCR 5006 or 5007 would require approximately 40 man-weeks of work time.

-Changes in the classifications of property could be handled by CAMA, but Hearing/Tracking can only accomodate four (there are at least 12 in the proposals.)

-The tax statement itself would have to be re-programmed and the forms re-printed as it can only handle four classes of property.

-Virtually none of the current statutory deadlines could be met (from change of value notices to assessment roll certification to mill levy adoption to tax bills).

-D.P. states that the tax bills for 1991 could not be ready to be mailed until well after the first of 1992.

-The Hearing process would be delayed because the number of appeals would be greatly increased.

-There are physical limitations in the real estate system. It can now accomodate only a maximum of six classifications. The proposal would create at least 12 classes of property.

-Field verification would be required for all properties which would be created by splits (numerous) and all properties with a new value.

-All mixed-use properties would have to be re-valued. The proposals would create more mixed-use properties. In addition, mixed-use properties can only be valued by the cost approach.

-The proposals would be like a totally new "reappraisal." With our current staff, it would take at least a year to accomodate the proposed changes. At the same time, revaluing the constitutionally required 25% would not be possible.

-If the \$5000 appraised value exemption were granted to residential property owners, the value notices themselves would have to be re-written to show the exempt portion. New value notices would have to be mailed to every homeowner. This would also open up the floodgates of the appeals process again. It would be 1-1-89 all over again.

-Regarding the "owner-occupied" portion of the multi-family designation, we currently have no way of identifying whether a property is owner occupied or not.

-The number of splits would skyrocket because of the 4-unit limitation for "residential" classification. This happened in Missouri.

-Data Processing says their costs that would be involved would exceed \$50,000.

-The 1992 25% reval would be impossible.

-The job could not be completed before tax time.

-There would be a loss of integrity in the system. In addition, the credibility of the entire reappraisal program would be called into question. Certainly, in the commercial area, more and more cases would end up in the Courts as the complexity of the system grows worse. Commercial taxpayers would feel that they could get a better shake in the courts since many judges don't understand the system as it is now and seem inclined to rule in the taxpayer's favor.

-This would be creating even more classification issues than we have now. It would create more questions, more "gray areas" instead of resolving them.

Attachment 2-24

CLASS	CURRENT # OF PARCELS	1990 APPRAISED	1990 ASSESSED	PROPOSED # OF PARCELS	PROPOSED APPRAISED	PROPOSED ASSESSED	*	% OF TOTAL FOR 1990	% OF TOTAL FOR 5007	% OF TOTAL FOR 5006
AG	12541	94278720	28283616	12541	94278720	28283616	28283616	3.71%	2.41%	2.13%
BT	5234	1754719750	0	5234	1754719750	0	0	0.00%	0.00%	0.00%
BU	2399	119580420	14349660	2399	107585420	12910250	12910250	1.89%	1.10%	0.97%
DU	11109	1546554275	463966283	11109	1546554275	309310855	463966283	60.80%	26.37%	34.95%
EU	120912	5332208975	219857	120912	4721598975	566591877	566591877	0.03%	48.30%	42.68%
RU	54	1032140	549642	54	1892140	366428	366428	0.07%	0.03%	0.03%
TELECOM	54	1032140	549642	54	1892140	366428	366428	0.07%	0.04%	0.04%
RAILROAD	134	1772830	531849	134	1772830	443208	110802	0.07%	0.04%	0.04%
UB, UE	169	1380150	414045	169	1380150	483053	483053	0.05%	0.04%	0.04%
UU	19426	215305861	25836703	19426	215305861	25836703	25836703	3.39%	2.20%	1.95%
MF-FAMILY	1110	1724704930	206964592	1110	1724704930	206964592	206964592	27.12%	17.64%	15.59%
PARKS	92	10673340	1280801	92	10673340	1280801	1280801	0.17%	0.11%	0.10%
COMMERCIAL LOTS	288	17199009	3439802	288	17199009	3439802	3439802	0.45%	0.23%	0.26%
FRONTIERS	14	5620520	843078	14	5620520	843078	843078	0.11%	0.07%	0.06%
FR	561	544271050	16381315	561	544271050	16381315	16381315	2.15%	1.40%	1.23%
ALL	174051	11378101970	763061202	174051	10747496970	1173135578	1327458600	100.00%	100.00%	100.00%

UNDER H.C.P. 5006
 RR, RU CODES EXCLUDES MULTI-FAMILY AND MU PARKS.
 UB, UE EXCLUDES COMMERCIAL LOTS AS IDENTIFIED BY LAND USE CODES 300, 400, AND 500.
 UU EXCLUDES FRONTIERS AND OTHER RURAL.

SEDGWICK COUNTY

RESIDENTIAL

Single - Must revise value notice to show taxable appraised value and exempt appraised value. This is necessary because appeals are based on full appraised value. Only full appraised value will show on CAMA unless we request an enhancement. Program 660 will produce total appraised value and will not break out the exempt portion without a major enhancement. This could be misleading as to the total taxable value. Data Processing, however, could probably write a program outside of CAMA to deal with the exempt portion.

Multi-family - A new class would need to be designated. Work would entail identifying the properties by land use and changing the classification. The classification could be changed by a program written by Data Processing (DP). DP would need to change the assessment rate also. There is the potential for many more splits as taxpayers try to break out their apartments into separate 4-plexes.

AG LAND - no change.

VACANT LOTS - We would need to identify those zoned as commercial. The City has been dumping this information into CAMA; therefore, the vacant lots zoned as commercial may be easy to identify. It is possible, however, that the zoning lines are not clearly defined. More hearings could be generated by taxpayers protesting a commercial lot classification. Also, more splits and combinations could be generated. The class could be changed in CAMA by a program written by DP which would cross reference the zoning information.

COMMERCIAL AND INDUSTRIAL - If the taxpayers are given a choice between 20% with inventory and 30% without, both DP's and the Appraiser's work load would increase dramatically. Taxpayers would need to be notified of their real estate value and inventory value (which we currently do not have). Somehow, personal property and real estate would need to come together on one notice. This would be a programming dilemma for DP. Staff would need to be available to deal with the questions, and the mailing and return of information. CAMA would have to be enhanced to allow for the assessment rate differences. The entry into CAMA identifying the differences would be manual. There would need to be a default assigned for those not returned. Taxpayers will be confused which will generate more questions.

MOBILE HOME PARKS, FRATERNAL BENEFIT SOCIETIES, AND OTHER REAL - These would first need to be identified, probably by land use. New classes would need to be created. The classes could be put into CAMA by a program written by DP.

The increase in classes would cause more properties to be categorized as "mixed use". The cost approach is the only approach available for mixed use properties because of CAMA system limitations. All properties newly categorized as mixed use would need to be identified and revalued, if the cost approach wasn't originally used. All of those that were previously residential, but are now mixed use, would have to be put on Commercial cards. Ex: Residence and Fraternity, Residence and commercial vacant lots, etc.

Hearing and Tracking may need to be enhanced by CLT to allow for more than three classifications on any one parcel. The increase in classes would probably cause some parcels to have more than three classes.

Attachment 2-27

programmed, we would need to create several new property types so that each 'assessment class' would have its own property type. For example, residential property would be broken down into RU, MU, and MR (the M is for multi-family residences). Other classes recommended are: CU and CR for commercial, IU and IR for industrial, PU and PR for mobile home parks, ?U and ?R for vacant commercial, ?U and ?R for improvements to land devoted to ag uses, and BU and BR for fraternal benefit societies.

- This would have a severe impact on the edits for the state abstract reports, and might even necessitate a complete restructuring of them.
 - This could be performed by a batch load process, using a combination of property type and land use to determine the new property type, which could influence several systems that only allow three or six property types on a parcel. (new program)
 - The best way to accomplish this task would be to tabilize all the property types. For each type, we would need to keep a field for assessment percentage, and another for 'exempt' value (i.e. The \$5,000 on residential).
 - These changes can possibly affect at least 110 programs that currently exist on our system.
- Identifying the vacant lots that are zoned as commercial would be a time-consuming project. There are currently 18,340 vacant lots on our system. The only piece of data we would have to go on to allow us to identify which of those is commercial and which is residential. A new program would have to be written aid in this task. *is the map, zone code.*
- In addition to the 35,000 change of assessment notices that we are already planning to send out, we would have to send out notices to every taxpayer showing the new assessed value of his/her property at a later date.
 - Allowing the selection of either 20% or 30% assessment rate for commercial properties would be the most difficult task of all. This would require building a cross reference between real estate and personal property so we could determine the total inventory for a specific property. It would also require the the appraiser's office get the inventory roll completely up-to-date. Once these two tasks are completed, we would have to send out a notice showing each commercial property owner the appraised value of their property and the amount of inventory on our rolls. They would then be required to send back their choice of assessment rates. We would have to make some decision as to which rate to use if they do not send the notice back to us.
 - We should not have any work to do on the utilities side of this proposal, since we are given assessed values *by the state.*
for utilities
 - How will we put this on a tax statement or change of valuation notice so the average taxpayer will be able to understand it?

Attachment 2-28

SEDGWICK COUNTY, KANSAS

<u>1988</u>	Number of Merchants	Value
Total with 100% inventory	2,505	220,724,170
Merchants with inventory of \$150,000 or more <u>after</u> ther 40% discount	336	.
<u>Total Additional Value</u>		
100%	336	152,687,590
If assessed at 25% the assessed value would be		38,171,897

<u>1988</u>	Number of Merchants	Value
Total with 100% inventory	2,505	220,724,170
Merchants with inventory of \$150,000 or more <u>before</u> the 40% discount	388	
<u>Total Additional Value</u>		
100%	388	157,592,390
If assessed at 25% the assessed value would be		39,398,097

<u>1988</u>	Number of Merchants	Value
Bonded Warehouse Inventory is the only type of inventory for 26 manufacturers or merchants.		
Number of manufacturers or merchants with a bonded warehouse inventory only that has a value of over \$150,000	11	
<u>Additional Value</u>		
100%	11	6,147,980
If assessed at 25% the assessed value would be		1,536,995

Attachment 2-29

SEDGWICK COUNTY, KANSAS

<u>1988</u>	Number of Merchants	Value
Total number of manufacturers with or without bonded warehouse inventory 100% value	432	466,131,780
The 100% value of all bonded warehouse inventory (This value is held by 26 manufacturers or merchants and some of the 432 manufacturers. Note: Not all manu- facturers have bonded warehouse inventory)		28,099,610
The number of manufacturers with manufacturer's inventory and/or bonded warehouse inventory over \$150,000	130	
<u>Additional Value</u>		
100% value	130	477,314,280
If assessed at 25% the assessed value would be		119,328,570

Attachment 2-30

CLASS	CURRENT # OF PARCELS	1990 APPRAISED	1990 ASSESSED	PROPOSED # OF PARCELS	PROPOSED APPRAISED	PROPOSED ASSESSED 5007	PROPOSED ASSESSED 5006	% OF TOTAL FOR 1990	% OF TOTAL FOR 5007	% OF TOTAL FOR 5006
RE, RU	12541	94278720	28283616	12541	94278720	28283616	28283616	2.02%	2.41%	2.13%
REX	5234	1754719750	0	5234	1754719750	0	0	0.00%	0.00%	0.00%
RE, R	2399	119580420	14349650	2399	107585420	12910250	12910250	1.02%	1.10%	0.97%
RE, DU	11109	1546554275	463966283	11109	1546554275	309310855	463966283	33.09%	26.37%	34.95%
RE, RU	120912	5332208975	639865077	120912	4721598975	566591877	566591877	45.63%	48.30%	42.68%
TELECOM	54	1832140	549642	54	1832140	366428	366428	0.04%	0.03%	0.03%
RAILROAD	134	1772830	531849	134	1772830	443208	110802	0.04%	0.04%	0.01%
UG, UE	169	1380150	414045	169	1380150	483053	483053	0.03%	0.04%	0.04%
RU	19426	215305861	25836703	19426	215305861	25836703	25836703	1.84%	2.20%	1.95%
MULTI-FAMILY	1118	1724704930	206964592	1118	1724704930	206964592	206964592	14.76%	17.64%	15.59%
MH PARKS	92	10673340	1280801	92	10673340	1280801	1280801	0.09%	0.11%	0.10%
COMMERCIAL LOTS	288	17199009	2063881	288	17199009	3439802	3439802	0.15%	0.29%	0.26%
FRATERNITIES	14	5620520	1686156	14	5620520	843078	843078	0.12%	0.07%	0.06%
OTHER REAL	561	544271050	16381315	561	544271050	16381315	16381315	1.17%	1.40%	1.23%
TOTAL	174051	11370101970	1402173610	174051	10747496970	1173135578	1327458600	100.00%	100.00%	100.00%

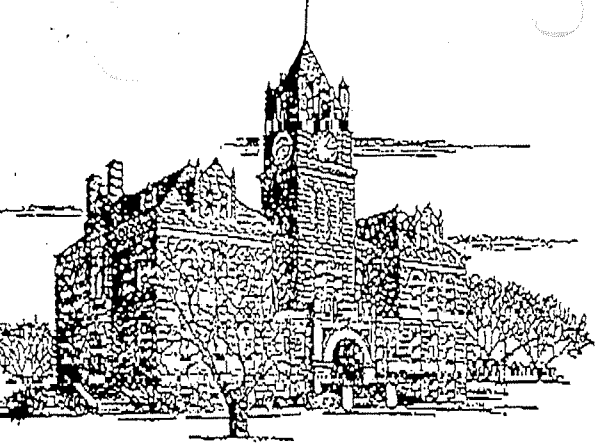
** TOTAL PAGE 002 **

~~TABLE H-2-2, 5006~~

RE, RU CLASS EXCLUDES MULTI-FAMILY AND MH PARKS.
 RE, RU EXCLUDES COMMERCIAL LOTS AS IDENTIFIED BY LAND USE CODES 300, 400, AND 500.
 RE, RU EXCLUDES FRATERNITIES AND OTHER REAL.

Revised - LCS.

Lyle Clark
 913-296-2365



MARION COUNTY COURTHOUSE

FAX 316-382-3420

TELECOPIER COVER LETTER

DATE OF TRANSMISSION Feb. 20, 1991

TIME OF TRANSMISSION 10:05

TRANSMITTING TO:

NAME Lyle Clark

CO/FIRM P.V.D.

FROM Max Hayden

CO. Marion County

ADDRESS Box 26

CITY Marion, Mo.

TELECOPIER # 316 382-3420

WE ARE TRANSMITTING 3 PAGES INCLUDING THIS COVER LETTER PAGE. PLEASE CONFIRM OR NOTIFY IF TRANSMISSION IS NOT COMPLETE.

CONFIRMATION NUMBERS Office 316-382-3715
Home _____

FEB 20 10 51 AM '81
 3163823420
 COMMUNICATIONS MARION CO R OF DEEDS P. 2

MARION COUNTY

Comments on HCR 5006 and 5007

Attachment 2-33

	Administrative	Technical	Impact	Conflicting Laws	Comments
Residential Real Single	Little	Program Change	5% loss of valuation	?	Owner occupied? Recreation homes? Slum lords?
Multi-family	No change	No change	no change	?	
Ag land	No change	No change	No change	No change	
Vacant lots	Minor problems	Program change	Minute gain	?	Not worth the bother in our County.
C & I 5006	Labor intensive	Near impossible	Little change	?	will aggravate landlord & tenant relations.
C & I 5007	No change	Program change	Little change	?	Would give relief to business
Mobile Home Parks	No change	No change	No change	No change	
Ag Improvements	No change	No change	No change	No change	
Utility real	None @ County	None @ County	Minor Gain	?	
Rail Road Real	" "	" "	" "		
Interexchange Tel	" "	" "	" "		
Other Real	No change	No change	No change	No change	
Mobile homes as residence	little	program change	Loss in Recreation areas.	?	Major levy increase at lakes
Minerals	No change	No change	No change	No change	
Utility Personal	None @ County	None @ County	Minor gain	?	
Railroad Personal	" "	" "	" "		
Interex Telecom.	" "	" "	" "		
Motor Vehicles	No change	No change	No change	No change	Would prefer statewide levy
Comm Mech & Equip	Minor	Program change	Small gain	?	Hurts Small business
Merchants inventory					
5006	Major problem	Major program	Minor gain	?	Administrative nightmare
5007	Somewhat difficult	Program change	Minor gain	?	Needs Administrative teeth.

MARION COUNTY

Comments on HCR 5006 and 5007

	Administrative	Technical	Impact	Conflicting Laws	Comments
Farm Imp. PP	No change	No change	No change	No change	
Manufacturers Inv. 5006	Major Problem	Major change	Minute gain	?	Landlord-tenant problem
5007	Hard to administrate	Program change	Minute change	?	Strong reporting guidelines
Utility inventories	None @ county	None @ County	Unkown	?	
Livestock	No change	No change	No change	No change	
Other PP	No change	No change	No change	No change	Prefer cost less depreciation
Tax Year Effective.	Could result in a second change of value notice. If this the case, would be impossible to meet certification date.				
Date of Election.	If passed, program changes would not be available for several months. Would be impossible to implement for tax year 1991.				

COMMENTS

The major shift of reappraisal in Marion County was from Ag Land to Commercial. Would suggest lowering the cap rate 1% to help ease the Commercial burden.

FISCAL NOTE

TO: Director
Division of Property Valuation
From: Robert M. Badenoch

DATE: 2/20/91 12:30 PM
RE: BILL NO. HCR 5007a

BRIEF OF BILL:

AN ACT amending the constitution by establishing new assessment levels and new subclasses, and also requiring railroad real and personal property to be assessed at the average rate of "all other commercial and industrial property". Changes PU assessment rate for real and personal from 30% to 35% and taxes inventories. Changes C&I property from 20% to 30% and creates a "Utility" subclass for Inter-Exchange Telecommunications Carriers.

FISCAL IMPACT:

The ACT would affect:

1. Motor Carriers By increasing the assessment on trailers by 50% (from 20% assessment to a 30% assessment $10/20 = 50\%$). The change would cause an estimated **\$1,540,000** in increased motor carrier tax revenues. Estimate based on changing the assessment levels used to calculate the 1990 motor carrier tax on trailers from 20% to 30%.

2. Utilities by increasing the assessment by 16.6% (from 30% assessment to a 35% assessment $5/30 = 16.6\%$). The change would increase receipts from utility properties by an estimated **\$34,000,000**. Estimate assumes a constant mill levy and is based on 16.6% of 1990 utility taxes excluding railroad taxes and including inventories.

3. Railroad - the assessment level of railroad real and personal property is changed from the current 30% to an average rate of all other commercial and industrial property. However, the HCR does not address how or when the average C&I rate is to be calculated. Such an "average rate" is not available on or before June 15 when the assessed values must, by current law, be certified to the counties, and the use of a prior years rate is discriminatory.

The presumed constancy of the C&I rate established by the "average rate" will not stop the railroads, under the 4R act, from contending that not all commercial and industrial property is subject to assessment and thereby further reduce the personal property assessment rate. The total effect on railroad assessment would be downward, but to what extent, at this point, is unknown.

4. Inter-exchange Telecommunications.

The assessment level of real property is changed from the current 30% to 20%. ($10/30 = 33\%$) or a 33% drop. Since the amount of real property value within the "unit market value" of these companies is unknown, and can not be determined under a unit value concept and/or because no allocation method has been proposed the amount of anticipated loss can not be estimated.

ADMINISTRATIVE IMPACT:

- a. Administrative procedures:
- b. Personnel needs
- c. Administrative costs (FY 1990 & FY 1991 - one-time or annual)
 1. Salaries & wages
 2. Contractual
 3. Commodities
 4. Capital outlays

ADMINISTRATIVE PROBLEMS AND COMMENTS:

There is a major danger in having both a real and personal classification for "Utility" property. Differing levels of assessment may be mandated. The Bureau presently uses what is termed a "UNIT" method of valuing "Utility" properties. The Unit valuation method is the most economical in terms of staff and time. This method is also recognized as producing the best defensible market values for utility property, but the method does not generate values that are divisible into real or personal property market values. Without such division, or some other mechanism to allocate real from personal, separate assessment levels cannot be employed. If different assessment levels are mandated, different methods of valuation may be required to appraise utility property. The requirement of separate market values for various pieces of real and personal property will require staff increases. It is estimated that a minimum of six additional Property Appraiser I's and three Engineers would be necessary to produce meaningful separate market values. Additionally, all of the presently employed distribution computer programs and methodology would need to be amended if not rewritten.

The ACT requires eight real property subclasses and six personal property subclasses to be defined by law for the purpose of subclassification..."(Page 2 Line 7&8). However, in both "public utility" real and personal public utility subclassification, additional subclassifications for railroad and for inter-exchange telecommunications property are created. This may lead to a question of the legitimacy of the "subclassifications" and appears to be in direct conflict with the subclassification language. In addition to the "subclassification" problem there is the problem of the "average rate" to be used. We suggest that if an annual "average rate" is to be used the "who, how and when" of its determination should be enacted into law.

If it is the desire to deny the 4R tax advantages to other public utility companies, then separate classifications must be created or the "equal protection" clause in the US Constitution is likely to mandate equal reductions for the "Public Utility" property class.

We note that the provisions of this subsection (a)[p.1 L 43 and P 2 L2] do not apply to "mineral products". During the inventory exemption litigation

the definition of "mineral products" became a question. There seemed to be no clear definition for the term "mineral products" nor whether or not gas and oil utility properties had or were part and parcel "mineral products".

An effective date of January 1, 1991 is administratively impossible to implement for the following reasons.

- a. No provisions for determining an "average rate" for railroads is in place.
- b. No provisions for distinguishing real versus personal property in the current years property tax filings (1991 forms are in the hands of the carriers) of Interexchange Telecommunications companies has been made.
- c. No appraisal procedures have been adopted to accommodate separate real and personal property values OR in the alternative no procedures, rulings or law defining how real and personal can be separated by allocation have been adopted.
- d. The computer programing for distributing assessed values to the counties would require extensive (several months) modification to accommodate differing real and personal property assessments rates and or values.
- e. The motor Carrier trailer listing forms (1991 forms are in the hands of the carriers) have not been modified to accommodate the fifteen year straight-line depreciation rate.

FISCAL NOTE

TO: Director
Division of Property Valuation
From: Robert M. Badenoch

DATE: 2/20/91 11:13 AM
RE: BILL NO. HCR 5006a

BRIEF OF BILL:

AN ACT amending the constitution by establishing new assessment levels and new subclasses, and also requiring railroad real and personal property to be assessed at the average rate of "all other commercial and industrial property". Changes PU assessment rate for real and personal from 30% to 35% and taxes inventories. Changes C&I property from 7% SL to 15% SL and assessment rate from 20% to 30%. Creates a "Utility" subclass for Inter-exchange Telecommunications Carriers.

FISCAL IMPACT:

The ACT would affect:

1. Motor Carriers

a. By increasing the assessment on trailers by 50% (from 20% assessment to a 30% assessment $10/20 = 50\%$). The change would cause an estimated **\$1,540,000** in increased motor carrier tax revenues.

Estimate based on changing the assessment levels used to calculate the 1990 motor carrier tax on trailers from 20% to 30%.

b. The change from 7% straight-line depreciation to 15% straight-line depreciation would: (Economic Life of trailer established at 10 years) 1. Increase taxes on trailers purchased new with purchase ages of 0 years through 9 years. 2. Increase taxes on all trailers purchased used with ages of 1 year to 9 years. 3. Neither increase nor decrease trailer taxes of equipment older than 10 years of age purchased used. The total effect on trailer assessment would be upward, but to what extent, at this point, is unknown; however we believe it to be a relatively small increase.

2. **Utilities** by increasing the assessment by 16.6% (from 30% assessment to a 35% assessment $5/30 = 16.6\%$). The change would increase receipts from utility properties by an estimated **\$34,000,000**. Estimate assumes a constant mill levy and is based on 16.6% of 1990 utility taxes excluding railroad taxes and including inventories.

3. **Railroad** - the assessment level of railroad real and personal property is changed from the current 30% to an average rate of all other commercial and industrial property. However, the HCR does not address how or when the average C&I rate is to be calculated. Such an "average rate" is not available on or before June 15 when the assessed values must, by current law, be certified to the counties, and the use of a prior years rate is discriminatory.

The presumed constancy of the C&I rate established by the "average rate" will not stop the railroads, under the 4R act, from contending that not all commercial and industrial property is subject to assessment and thereby

further reduce the personal property assessment rate. The total effect on railroad assessment would be downward, but to what extent, at this point, is unknown.

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ADMINISTRATIVE IMPACT:

- a. Administrative procedures:
- b. Personnel needs
- c. Administrative costs (FY 1990 & FY 1991 - one-time or annual)
 1. Salaries & wages
 2. Contractual
 3. Commodities
 4. Capital outlays

ADMINISTRATIVE PROBLEMS AND COMMENTS:

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The ACT requires eight real property subclasses and six personal property subclasses to be defined by law for the purpose of subclassification..."(Page 2 Line 7&8). However, in both "public utility" real and personal public utility subclassification, additional subclassifications for railroad and for inter-exchange telecommunications property are created. This may lead to a question of the legitimacy of the "subclassifications" and appears to be in direct conflict with the subclassification language. In addition to the "subclassification" problem there is the problem of the "average rate" to be used. We suggest that if

an annual "average rate" is to be used the "who, how and when" of its determination should be enacted into law.

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- e. The motor Carrier trailer listing forms (1991 forms are in the hands of the carriers) have not been modified to accommodate the fifteen year straight-line depreciation rate.

HOUSE BILL 2347, TAX LID EXTENSION

House Taxation Committee

Arthur H. Griggs, Acting Secretary of Administration

February 21, 1991

Thank you for the opportunity to discuss H.B. 2347, which extends the tax lid that was enacted last session for another year. Before discussing the bill I would like to introduce two Department of Administration staff that work day-to-day with local government budget and tax issues. Bill Ervin and Barbara Butts are in the Municipal Accounting Section and have a long history of assisting local government personnel with budgeting and related tax issues. They are a good resource in this area. I hope you feel free to utilize their assistance. I know local government officials have relied upon them for some time.

Bill's Purpose

Governor Finney recommended the extension of the tax lid because of the positive impact the lid had in keeping down property tax increases of counties, cities and townships in 1990. Attachment 1 shows the recent history of property tax increases. Note the 1990 increases: Counties were 1.94%; Cities were 2.79%; and Townships were 4.79%. While the tax lid alone cannot be pointed to as the reason for these smaller increases in property taxes in 1990, the 1990 result is significant. Continuation of the tax lid enhances the prospect of lessening property tax burdens for 1991.

I want to touch on the length of the extension and why only one year is proposed at this time. Extending the tax lid for one year will prompt a review of the tax lid next year. If the mix of revenue sources is changed, a review after another budget cycle will be desirable. There are numerous proposals before this Legislature, and it is difficult to determine what effect many of them will have on the taxes levied. A longer period of extending the tax lid is not viewed as objectionable. However, a review of this area should be undertaken again next year whether the extension is one or more years.

Components of the 1990 Tax Limit Bill

There are really two pieces to the 1990 tax limit measure. By far the largest piece is the tax lid. Cities, counties, townships, Washburn and community colleges are covered by the tax lid. It limits the amount of ad valorem taxes that those local units may levy. The major provisions of the law are:

The tax lid is based on the tax levies for either 1988 or 1989.

HOUSE TAXATION
Attachment #3
02/21/91

Adjustments are allowed for increased personal property and new improvements to real estate.

The primary expenditures which are outside of the tax lid are: bond and interest payments, no fund warrant payment, tort liability judgments, employee benefits, district court operating costs, out-district tuition and motor vehicle tax revenue decreases.

Local units of government can also make levies outside the tax lid by voter approval or chartering out from the tax lid, but chartering out is subject to a protest petition which calls for the matter to be placed on the ballot.

Taxing subdivisions which are not subject to the tax lid are subject to fund levy limits. The fund levy limited local units property taxes, in total, make up less than 4% of all property taxes levied. Examples of fund levy limited units are sewer districts, hospital districts, cemetery districts and watershed and drainage districts. The mill levy limits (1 mill for Fund A, 2 mills for Fund B, etc.) were suspended by the 1990 tax limit bill and dollar levy limits (\$800 for Fund A, \$1,200 for Fund B, etc.) were substituted using 1988 levies as the base.

School Districts

It should be pointed out that unified school district levies are not under the tax lid. The following shows percentages of all property taxes levied and how much is not under the tax lid:

1. Under the Tax Lid	43.6%
2. Under Fund Levy Limits	3.6%
3. Not under Tax Lid or Fund Levy Limits	
USD's	51.5%
State	<u>1.3%</u>
TOTAL	100%

Historically, USD expenditures have been set by statutory budget limits and by the amount of state aid appropriated annually to USDs.

Summary

In summary, the 1990 tax limit measure worked - it helped hold down tax increases by local units that were subject to the tax lid. For this reason, I ask the Committee to give favorable consideration to passage of House Bill 2347. It will continue the 1990 controls and will help in controlling property tax burdens in 1991.

8985A

Statewide Ad Valorem Levies By Type of Taxing District for 1987 to 1990

(Amounts are presented in thousands)

	Ad Valorem Tax Levy Amounts For				Percent of Total 1990	Percent of Increase		
	1987	1988	1989	1990		87-88	88-89	89-90
State	\$ 16,893	\$ 17,029	\$ 21,157	\$ 21,381	1.29%	0.81%	24.24%	1.06%
County	306,788	332,584	365,658	372,746	22.53%	8.41%	9.94%	1.94%
City	211,242	227,754	241,631	248,369	15.01%	7.82%	6.09%	2.79%
Township	20,054	22,958	21,934	22,984	1.39%	14.48%	-4.46%	4.79%
School	789,249	825,601	864,371	929,269	56.16%	4.61%	4.70%	7.51%
Other	48,142	54,333	55,859	59,933	3.62%	12.86%	2.81%	7.29%
Totals	<u>\$ 1,392,368</u>	<u>\$ 1,480,259</u>	<u>\$ 1,570,610</u>	<u>\$ 1,654,682</u>	<u>100.00%</u>	<u>6.31%</u>	<u>6.10%</u>	<u>5.35%</u>

SOURCE: Statistical Report of Property Assessment and Taxation for 1987, 1988 and 1989 and preliminary data for 1990

MUNICIPALITIES WITH A HOME RULE EXEMPTION FROM TAX LID.

Cities

Ashland
Burdett
Chetopa
Ellis
Fowler
Haysville
Kiowa
La Crosse
McDonald
Miltonvale
Mission Hills
Prairie View
Oskaloosa
Oxford
Ransom
Russell
Tribune

Counties

Ellsworth
Gray
Greeley
Jefferson
Miami
Pawnee
Sheridan
Sherman
Wichita

Townships

Alexandria Twp, Leavenworth Co.
Athen Twp, Jewell Co.

Libraries

Fort Scott Public Library
Leavenworth Public Library
Linwood Community Library
Marquette Community Library
Oxford Public Library
Phillipsburg City Library
Topeka Public Library
Winfield Public Library
Yates Center Public Library

Other

Blue Valley Recreation Commission
Washburn University

Exemption Summary

Cities - 17 out of a total 627 cities
Counties - 9 out of a total 105 counties
Townships - 2 out of a total 1,300 townships
Libraries - 9 out of total 310 libraries

February 20, 1991

Attachment 3-4



"Service to County Government"

212 S.W. 7th Street
Topeka, Kansas 66603
(913) 233-2271
FAX (913) 233-4830

EXECUTIVE BOARD

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Marjory Scheufler
Edwards County Commissioner
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Belpre, KS 67519
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Vice-President

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Alma, KS 66401
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(913) 266-0192

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(316) 848-3717

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Vernon Wendelken
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NACo Representative

Keith Devenney
Geary County Commissioner
(913) 238-7894

Executive Director

John T. Torbert

February 21, 1991

Testimony

To: House Taxation Committee

**From: John T. Torbert
Executive Director**

Subject: HB 2347- Tax Lid

The Kansas Association of Counties is opposed to HB 2347. This opposition is based upon our convention adopted platform statement passed unanimously last November.

Our opposition to this legislation is based upon the following points.

- 1) It was our understanding that this was to be a one year lid. At no point was there indication that this whole concept would be renewed.
- 2) There is no proof that tax lids, in and of themselves, have either a positive or negative effect on ad valorem property taxes. It is impossible to draw a cause and effect relationship between tax lids and tax increases. There are just too many other interrelated variables such as new or unfunded state mandates, population growth or loss, the amount of new improvements in real estate or increases in personal property valuations, economic upturns or downturns leading to changes in sales tax collections in those cities and counties using local option sales taxes or, an unusual or unexpected need for a new program or service.
- 3) A state imposed tax lid is the very antithesis of home rule. It perpetuates the notion that the state is better able to determine local spending priorities than is local government.

HOUSE TAXATION
Attachment #4
02/21/91

4) A tax lid erects artificial spending barriers. Any time that you insert artificial controls into spending and taxation decisions, it distorts reality. You do not end up with a budget that is truly reflective of the jurisdiction's needs. You end up with one that is artificially built around the state budget lines that have been drawn in the sand. It is simply not theoretically or practically possible for the state to design a lid that is going to "work" in 105 counties with vastly different needs and resources.

The best way to "control" local spending is to let the system work- let local officials do the jobs to which they were elected without undue or unnecessary state influence.

I would be happy to respond to any questions.

tsjtslid



**Association of Community
Mental Health Centers of Kansas, Inc.**

835 SW Topeka Avenue, Suite B, Topeka, KS 66612
Telephone (913) 234-4773 Fax (913) 234-3189

Testimony on House Bill 2347

**TO: HOUSE TAXATION COMMITTEE
Honorable Joan Wagnon**

**By: Paul M. Klotz
February 21, 1991**

John G. Randolph
President
Emporia

Eunice Ruttinger
President Elect
Topeka

Ronald G. Denney
Vice President
Independence

Donald J. Fort
Secretary
Garden City

Don Schreiner
Treasurer
Manhattan

Dan Watkins
Member at Large
Lawrence

Kermit George
Past President
Hays

Paul M. Klotz
Executive Director
Topeka

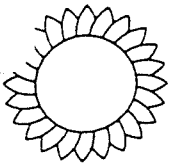
Thank you for this opportunity to comment.

Since the passage of the 1990 local tax lid, community mental health centers have experienced a statewide average reduction of about two percent in local tax revenue. This amounts to about \$150,000. Some individual centers have lost as much as 14 percent. The reason given is the state imposed local tax lid. At the same time, centers are being asked to gear up for a major state initiative called mental health reform, passed by a large majority of the 1990 Legislature. **The problem:** the state doesn't seem to have money to pay for this program. In fact, the state doesn't have funding to fund major existing center programs. **The result:** centers face major program cuts with many hundreds of patients being forced to return to the state hospitals at a tremendous cost to the state. Thus budget cuts, this year, could result in major state budget increases next year.

Counties signed off on mental health reform and, in fact, on community mental health in general 25 years ago, as a partner with the state. So far, they have fulfilled their part of the bargain. With the local tax lid it is difficult for them to continue as a full partner in that venture.

Thank you!

HOUSE TAXATION
Attachment #5
02/21/91



Johnson County
Kansas

FEBRUARY 20, 1991

HOUSE TAXATION COMMITTEE

HEARING ON HOUSE BILL 2347

TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL OFFICER
JOHNSON COUNTY BOARD OF COMMISSIONERS

Ms. Chairman, members of the committee, my name is Gerry Ray, representing the Johnson County Board of Commissioners and appearing today in opposition to House Bill 2347.

It is understood that counties are an "arm" of the state and as with all bodies, components parts are assigned the tasks to which they are best suited. Thus the state has assigned certain responsibilities to counties along with the authority to carry out those responsibilities. It follows then, that part of that authority should be the raising of the appropriate revenue with which to perform the duties assigned. We believe the local officials understand the level of services that are necessary in their jurisdiction, as well as the ability of their citizens to meet the cost of those services. There are no tax lids at the federal level nor at the state level, therefore it has always been a mystery as to why such lids are necessary for the local governments.

Although Johnson County was actively involved in working out the exemptions in the 1990 tax lid bill, we were able to construct our 1991 budget without using any of them. This was due to growth in the tax base and very responsible budgeting by our departments and agencies. We were fortunate and unusual to have experienced the growth level, however due to the national economy and other circumstances not within our control, we have no guarantee that the growth will continue. Therefore we feel it is necessary to provide more flexibility for the Commissioners to handle the operation of the county, rather than reinstating limitations on them.

Although we have made these arguments for many years, we would once again reiterate that the same constituency elect the local officials that elect the state officials. The local officers must face that same constituency every four years, if the people are not happy with them, they will not be elected again. It is our system, and it seems to be working well.

We would ask the Committee to not recommend the passage of House Bill 2347 or any other tax lid bill, thus allowing the local electeds to be responsible for the affairs of local government.

HOUSE TAXATION
Attachment #6
02/21/91



**League
of Kansas
Municipalities**

**Municipal
Legislative
Testimony**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 112 W. 7TH TOPEKA, KS 66603 (913) 354-9565 FAX (913) 354-4186

TO: House Committee on Taxation
FROM: E.A. Mosher, Executive Director, League of Kansas Municipalities
RE: HB 2347--Tax Lid Extension
DATE: February 20, 1991

As in the past, I appear in opposition to a property tax lid bill--HB 2347, on behalf of the League's member cities.

The League's convention-adopted policy statement on tax lids provides: "We continue to oppose any property tax lid law. We believe such state-imposed controls to be in conflict with the clear intent of constitutional home rule, which provides for the determination of local affairs by locally elected governing bodies, directly responsible to the citizens of the affected communities."

Past experience indicates that the 1991 legislature will not adjourn without passing a tax lid bill. And if one must be passed, HB 2347 may be the best approach since it provides at least some local discretion for local modification, under K.S.A. Supp. 79-5036. However, given the widely varying conditions in Kansas, developing a consistently fair state tax lid law seems impossible. This suggests that we ought to let the political process work at the local level. Voters must learn that decisions as to tax levy rates are made at the local level, not in Topeka. Local officials should have the authority to determine local property needs, and be held accountable for their actions at the polls.

Finally, I would note that there are some fiscal realities that must be dealt with in local government financing. In most local units, there has been very little recent growth in new improvements--even in some of our past growth areas. Some recent reports indicate that local sales tax receipts are declining. Yet the CPI index is rising. Tax lid laws deny local governments the flexibility they need to meet changing conditions. They may be politically popular for state legislators, but they are inimical to strong local government and to accountability at the local level.

HOUSE TAXATION
Attachment #7
02/21/91