

Approved April 13, 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 Wednesday, March 27, 1991, 19   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 & Douglas E. Johnston, aide

Conferees appearing before the committee:

Vice Chairman Larkin called the committee to order at 9:10 a.m. for hearings on HB 2586, HB 2593 and HB 2592.

Douglas G. Bach, representing Kansas City, Kansas, testified in favor of HB 2586 (attachment 1).

The following people testified against HB 2586:

Jack Glaves, representing the Panhandle Eastern Corporation (attachment 2)  
Alan Alderson, representing the Western Retail Implement and Hardware Assoc. (attachment 3)  
Art Brown, representing the Kansas Lumber Dealers Assoc. (attachment 4)  
Frances Kastner, Director of Governmental Affairs for the Kansas Food Dealers Assoc. (attachment 5)  
Tom Riederer, representing the Kansas Industrial Developers Assn. (attachment 6)  
Bud Grant, representing the Kansas Chamber of Commerce and Industry (attachment 7)  
Dale Willey, President of Dale Willey Pontiac-Cadillac in Lawrence (attachment 8)

Written testimony against HB 2586 was submitted from the following:

Jacque Oakes, representing the Kansas Independent Automobile Dealers Assoc. (Attachment 9).  
Terry Humphrey, Executive Director for the Kansas Manufactured Housing Assoc. (Attachment 10).

The public hearing was closed on HB 2586.

Dick Looman, representing Aristocrat Motors in Overland Park, testified against HB 2593. Looman discussed the investments his company had made in the Overland Park area and also stated that since the implementation of a federal tax on luxury items, his business has dropped by 70 percent. He stated that passage of HB 2593 would further damage his business and potentially any future investments.

Al Wittmann, co-owner of Gorges and Wittmann Auto Dealerships in Wichita, testified against HB 2593 (attachment 11).

Hearings on HB 2593 were continued until Thursday, March 28, 1991. Because of time constraints, public hearings on HB 2592 were not held and will be rescheduled. The committee adjourned at 10:00 a.m.

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.

GUEST LIST

COMMITTEE: \_\_\_\_\_

*Separation*

DATE: \_\_\_\_\_

*3/27/91*

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
<i>BOB GRANT</i>	<i>TOPEKA</i>	<i>KCCI</i>
<i>FRANCES KASTNER</i>	<i>TOPEKA</i>	<i>KS Food Dealers</i>
<i>JIM MURBIDE</i>	<i>TOPEKA</i>	<i>Observer</i>
<i>HAROLD PITTS</i>	<i>TOPEKA</i>	<i>AAKP-CCTF</i>
<i>R. ANDERSON</i>	<i>OTTEAWA</i>	<i>McGINTY &amp; B</i>
<i>Bob Corkins</i>	<i>Topeka</i>	<i>KCCI</i>
<i>Jim Young</i>	<i>Topeka</i>	<i>AAKP/CCTF</i>
<i>AUSTIN NOTHERN</i>	<i>TOPEKA</i>	<i>MARTIN TRACTOR CO.</i>
<i>Alan Steppat</i>	<i>TOPEKA</i>	<i>Pete McGill &amp; Associates</i>
<i>PATRICK J. HURLEY</i>	<i>Topeka</i>	<i>CESSNA.</i>
<i>John Peters</i>	<i>Topeka</i>	<i>Beck Aircraft</i>
<i>Bob Brown</i>	<i>KC mo</i>	<i>KS Lumber Dealer</i>
<i>Pam Somerville</i>	<i>TOPEKA</i>	<i>KS Motor Car Dealers Assn</i>
<i>Susan Carey</i>	<i>blitch</i>	<i>Self</i>
<i>Maurella Ratzlaff</i>	<i>Moundridge</i>	<i>Guest/NA</i>
<i>G.A. Kuhlmann</i>	<i>Chicago, IL.</i>	<i>Mercedes Benz of N. America</i>
<i>W. McCamb</i>	<i>LENIAH, KS</i>	<i>MERCEDES BENZ OF N.A.</i>
<i>Reinhold Reich</i>	<i>Topeka, KS.</i>	<i>Dale Sharp, Inc. - Mercedes</i>
<i>DICK LUMAN</i>	<i>OVERLAND PARK</i>	<i>ARISTOCRAT MOTOR COMPANY, INC.</i>
<i>BERT BENJAMIN</i>	<i>OVERLAND PARK</i>	<i>THE BMW GALLERY, INC.</i>
<i>JEFF TURNER</i>	<i>WASHINGTON, D.C.</i>	<i>PATTON, BOGGS &amp; BLOW</i>
<i>HAL WHITEFORD</i>	<i>MONTVALE, N.J.</i>	<i>MERCEDES BENZ of N.A.</i>
<i>Kristy Koscielny</i>	<i>Topeka</i>	<i>Governor's office</i>
<i>Alvin Jones</i>	<i>Wich.</i>	<i>Boeing</i>



**HOUSE COMMITTEE ON TAXATION  
HOUSE BILL 2586**

**Testimony of Douglas G. Bach  
City of Kansas City, Kansas  
March 27, 1991**

I appear today as a proponent of House Bill 2586, which will provide tax relief for the citizens of Kansas. The reinstatement of the excise tax on property inventories will serve to more equitably distribute the tax burden on the citizens of Kansas. When the inventory tax was given away, the homeowners and small businessmen took on the extra tax load. House Bill 2586 takes great steps toward putting tax allotments where they should be.

The City of Kansas City, Kansas believes that the exemption of merchants' and manufacturers' inventories from the tax rolls has played a significant role in causing very large tax increases for many commercial and residential property owners. In Wyandotte County, 14%, or \$64.8 million, was removed from the tax base due to the inventory exemptions. The other classes of property owners are therefore forced to make up for this shrinkage of the tax base through higher property taxes. Many of our citizens are low-income or senior citizens on fixed incomes, and they cannot afford even modest increases in their tax bills. Also, many commercial property owners have seen tax bills increase anywhere from 75% to over 500%. Such increases will have severe negative impacts on many businesses, and some will have to close or move across the state line.

Prior to 1989, the Kansas Statutes provided that real estate and intangible personal property would be assessed at 30% of fair market value; however, property in Kansas generally had not been reappraised since 1969, and the official report of the assessment ratio study for the State of Kansas for the year 1987 (the last year for which figures are available) published by the State Department of Revenue and Taxation shows for urban real property in Wyandotte County, Kansas, a median assessment of 7.65% of actual value.

Pursuant to an act of the Kansas legislature, all property in Kansas was reappraised in 1989, leading to a significant increase in real estate evaluation. The mill levy was reduced at that time in order to avoid any large real property tax increase. In addition, in conjunction with the November, 1986 general election, Kansas voters approved a proposition to modify the State Constitution with respect to classification of property for ad valorem taxation. For taxable years commencing January 1, 1989 and thereafter, real and personal property will be divided into classes and assessed at different percentages of fair market value. Land devoted to agricultural use will be valued on the basis of its agricultural income or productivity and assessed at thirty percent (30%) of the value so obtained; commercial and industrial machinery and equipment will be assessed at twenty percent (20%) of the fair market value; residential property and vacant lots will be assessed at twelve percent (12%) of the fair market value.

The taxpayers of the City of Kansas City, Kansas and across the entire state of Kansas experienced a significant adjustment with the recently completed statewide reappraisal and classification process. Real estate property in the state of Kansas was last reappraised for tax purposes in 1969. There was little, if any, uniformity and correlation between a property's market value and the value used for tax purposes. This caused a significant distortion in how various types of property were assessed for tax purposes. Reappraisal and classification were to bring consistency and statewide uniformity to the method of appraising and assessing property.

With the elimination of manufacturing and equipment inventories and livestock from the tax rolls, major shifts in property classes occurred. As stated above, in Kansas City, Kansas these exemptions totaled approximately \$64.8 million, or about 14% of the 1988 estimated tangible property tax base. General property taxes will be levied against a smaller tax base, thus further complicating the tax shifts caused by classification. As a result of this loss in the tax mix and the increase in real estate values, the remaining property classes assumed a relatively smaller percentage of the total. With the assumption of a greater portion of the tax base, real estate experienced a significant shift in the tax burden.

The City of Kansas City, Kansas supports House Bill 2586, which would restore personal property inventories to the tax rolls and reduce the taxes on real property.

BEFORE HOUSE TAXATION COMMITTEE ON HB 2586

REMARKS OF JACK GLAVES  
ON BEHALF OF PANHANDLE EASTERN CORPORATION

Hopefully you will recall the presentation that I made before your Committee as to the issue of the taxation of storage gas as merchants' inventory under the Constitutional Amendments proposed by HCR 5006 and 5007. Although our contention that the discriminating between my client Panhandle Eastern's gas storage inventory wrought by the exemption of all other merchants' and manufacturers' inventory apparently was not overwhelmingly accepted, given the recommendation for passage by this Committee of both Resolutions, I would at this point simply remind the Committee that HCR 5007, which is on General Orders in the House, proposes to assess public utility inventory at a 33% ratio but taxes railroad inventory at the average rate of all other commercial and industrial property. I again suggest that this discrimination of property in the same class is abhorrent to the Fourteenth Amendment of the U.S. Constitution. Eliminating the exemption and utilizing the 33% ratio increases Panhandle Eastern's property taxes by \$1,473,696 based upon 1990 valuations and levies. The taxation of storage gas, particularly when it is singled out for "special treatment", is onerous and extensively so as compared to Panhandle storage fields in Illinois and Michigan which do not levy taxes on storage gas.

We are now told by House Bill 2586, that in addition to the discriminatory treatment on storage gas afforded by the

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Classification Amendment, there will be levied a 2% excise tax on the value of the average inventory for the privilege of doing business in the state. This would add an additional \$208,000 of property taxes on the storage gas. Panhandle Eastern Corporation and affiliates had 1990 Kansas state property tax liability of \$5,525,659. Accordingly, their taxes would have increased over 30% in 1990 by the enactment of the proposed Classification Amendment and House Bill 2586.

From a legal perspective, the proposed excise tax appears to be incompatible with the Constitutional provision exempting merchants' and manufacturers' inventory (Article 11, Section 1b(2) of the Kansas Constitution). I am aware of Attorney General Opinion No. 89-150 in connection with House Bill 2003 in the 1989 Special Session. The Attorney General opined that,

" The Kansas Supreme Court has discussed the proposition that if a tax is in its nature and excise, it does not become a property tax because it is proportioned in amount to the value of the property used in connection with the occupation, privilege or act which is taxed. . ." (Page 3 of Opinion.)

We would contend that as applied to the taxation of storage gas, the value of that property in connection with the entire operation of Panhandle Eastern in Kansas is in fact disproportionate. Panhandle Eastern had gross investment at year end 1989 in Kansas of \$658,465,966. The 1990 storage gas valuation to which House Bill 2586 would be applicable was only \$10,382,459, about 1-1/2% of its total investment in Kansas. The business done by Panhandle in Kansas based on total valuation, revenues or any other basis is disproportionate to its gas



storage inventory and the "excise tax" as proposed simply becomes an additional property tax on the inventory, which violates the Kansas Constitutional Exemption.

Perhaps it has not been intended to impose both the inventory tax by the Classification Amendment and the excise tax by House Bill 2586 on the same property; at least we hope not. We do respectfully suggest that the imposition of both is a significant discouragement to doing business in the state; and even if your business is virtually captive from the fact that the investment is already there and difficult to change, we do ask that you seriously consider whether there is a rational, fair reason for discriminating against storage gas, which the Court has concluded is, in fact, merchant's inventory. Is it fair and just to tax it at a disproportionate rate with other similar property owned by Kansas industry in general?

We would urge that House Bill 2586 be amended by exempting public utility personal property inventory in Section 2 of the Bill. Thank you for your consideration.



ALDERSON, ALDERSON, MONTGOMERY & NEWBERY

ATTORNEYS AT LAW

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MEMORANDUM

TO: Members of the House Committee on Taxation  
FROM: Alan F. Alderson, Western Retail Implement and  
Hardware Association  
RE: House Bill No. 2586  
DATE: March 27, 1991

I appear today on behalf of Western Association's implement, outdoor power equipment and hardware dealer members of Kansas, in opposition to House Bill No. 2586. We have appeared a number of times in opposition to the reimposition of an inventory tax through various classification amendments, but I am not certain that HB 2586 doesn't present an even worse alternative. This bill presents no promise of a tradeoff for a reduction in real property taxes.

Notwithstanding the provisions of HB 2586 which would exempt merchants inventory to the extent of \$400,000, the members of the Association are strongly opposed to the reimposition of inventory taxes in any amount and by whatever name they are called. Substantial business planning has been done in reliance on the elimination of the inventory tax -- probably the most unfair of all property taxes -- and many dealers carry substantially larger inventories because of the constitutional provision exempting inventory from all taxation. Therefore, any reimposition of the inventory tax will have a more substantial impact than under the prior law.

This is because these retailers perceive the inventory tax to be the most unfair of all taxes. The reasons are numerous, but some of those given most often include:

1. The high degree of noncompliance with listing requirements.
2. Inventory taxes are the highest when the business can least afford to pay them.
3. Big ticket items don't turn over and can be re-taxed three or four times.
4. In addition, this bill presents other objectionable features:
  - a. No corresponding reduction in real estate taxes, creating a potentially higher overall tax;
  - b. the potential unconstitutionality of this so-called excise tax;
  - c. no freeport exemption;

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- d. the spectre of being readjusted every year depending on budget problems;
- e. not clear whether the exemption applies per entity or per location;
- f. payment through the state will not work a reduction in property tax in those counties where the removal of inventory from the tax rolls caused a reduction in the tax base;
- g. no provision for the exemption of inventory taxed in a prior year; and
- h. no provision to require valuation by taking into account a manufacturer's rebate/discount program.

Western Association is in the process of compiling the results of a survey of its members, and I will make these results available to you as soon as I have them. A cursory review of questionnaire answers makes several things clear, however:

1. Some dealers have in excess of \$3,000,000 inventory -- usually floor-planned -- which would result in devastation if this bill passed. Having large amounts of inventory has nothing to do with being able to pay a new tax in excess of \$50,000;
2. an overwhelming majority of dealers would rather keep inventory exempt than be given real estate tax breaks; and
3. most dealers would be required to cut back on employees and some would probably close their doors.

In summary, the members of the Western Association urge you to defeat HB 2586 because it would reenact the most unfair and economic growth-discouraging tax ever imposed under Kansas law. The business community in Kansas is entitled to rely upon what was decided by a vote of the people in 1986 without having to constantly fear the reimposition of the inventory tax.

I would be glad to answer any questions you might have.



800 WESTPORT ROAD • KANSAS CITY, MISSOURI 64111  
816/931-2102 FAX 816/931-4617

## MID-AMERICA LUMBERMENS ASSOCIATION

### TESTIMONY BEFORE THE HOUSE TAXATION COMMITTEE ON HB 2586

Madame Chairwoman, members of the committee, good morning. My name is Art Brown, and I represent the Kansas Lumber Dealers Association. I am here today to speak in opposition to HB 2586.

On February 14th of this year, our State Committee, listed at the end of this testimony, was asked what position they would take in regard to re-implementation of the inventory tax, or any other type of revenue enhancement that would be used in regard to merchants inventories. Even in regard to threshold levels, most of which would cover many of the small lumber operations in the state of Kansas, the committee unanimously voted that at no time would the lumber dealers support any measure which would bring inventories back on to the tax rolls in any form.

We realize that the Legislature has a mammoth task ahead of it in the area of tax policy, to satisfy some inadequacies that have developed due to the property tax issues in the state. As a committee, we feel that to add a tax to one entity to relieve a tax to another is just putting one brush fire out and starting another. We also feel that if indeed, inventories were taken off of the tax rolls by a Constitutional Amendment, that the fact they could be put back on by a statutory procedure could result in the possibility of long term instability in so far as thresholds on inventories in the future are concerned.

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What should be noted, is that so many of the smaller dealers, which fall under the \$400,000 threshold limit are as adamantly opposed to any revenue enhancement from inventories as the larger dealers, who would be impacted by the \$400,000 threshold.

As you have doubtless heard from several conferees in the past, the inventory tax is an anti-growth tax. We concur with that philisophy. There is a new home center here in Topeka which just opened, located at 29th and California, along with new lumber operations in Marion, and Alma, that in the words of the owners of these facilities, stated that the absence of any inventory or excise tax on inventories was a big factor in their decision making process to expand into these areas.

In 1965 there were 619 lumber operations in the state of Kansas. Currently there are 358 and this attrition continues, especially with the smaller market areas of the state. Any help the Legislature can provide these dealers in the area of growth for their business and products is greatly appreciated. As a committee however, an exise tax on inventory, we feel, is a step in the wrong direction.

I would stand for any questions or comments members of the committee may have and thank you for the opportunity to speak to you today on this issue.



# MID-AMERICA LUMBERMENS ASSOCIATION

## KANSAS STATE COMMITTEE OF LUMBER DEALERS

Harold Baalman, Chairman  
Marvin Feezor  
Jim Fewins  
Kevin Rasure  
Jim Mahoney  
Tom Jones  
Bill Schmidt  
Don Kerth  
Mark Mitchell  
Charles Boster  
Keith Swanson  
Eldon Cleaver  
R.K. "Pud" Green  
Bob Davis  
LeRoy Davenport  
Richard Smith  
Tom Koster

B & B Lumber  
Satanta Lumber  
Big Sugar Lumber  
Rasure Lumber  
Mission Lumber  
TJ's Lumber  
Topeka Lumber  
Verbeck Lumber  
T.M Deal Lumber  
Boster Lumber  
Howell Lumber  
Cleavers Farm & Home  
W.R. Green Lumber  
Hi-Plains Lumber  
Davenport Lumber  
Kansas Alum.  
Koster Lumber & Hdwr.

Wichita  
Satanta  
Ft. Scott  
Goodland  
Olathe  
Horton  
Topeka  
Wakeeney  
Wichita  
Salina  
Wamego  
Chanute  
Pratt  
Hugoton  
Frankfort  
El Dorado  
Cawker City



EXECUTIVE DIRECTOR  
JIM SHEEHAN  
Shawnee Mission

OFFICERS

PRESIDENT  
J. R. WAYMIRE  
Leavenworth

HOUSE TAXATION COMMITTEE

3-27-91

1st VICE-PRESIDENT  
SKIP KLEIER  
Carbondale

OPPOSING INVENTORY TAXES HB 2586

2nd VICE-PRESIDENT  
TREASURER  
MIKE BRAXMEYER  
Atwood

ASST. TREASURER  
JOHN CUNNINGHAM  
Shawnee Mission

As we have testified previously in this committee, and others, we never have been in favor of the Inventory Tax and thought Kansans had adequately addressed that in the Constitutional Amendment several years ago. None of our members want to avoid paying their fair share of taxes, but they also don't want to be penalized because they chose to locate in Kansas.

BOARD OF DIRECTORS

CHAIRMAN  
MIKE DONELAN  
Colby

STEVE ASHTON  
Salina

DONALD CALL  
Cedar Vale

GLEN CATLIN  
Herington

DUANE CROSIER  
Seneca

TOM FLOERSCH  
Fredonia

ROY FRIESEN  
Syracuse

ARNIE GRAHAM  
Emporia

STAN HAYES  
Manhattan

CHUCK MALLORY  
Topeka

JOHN McKEEVER  
Louisburg

LEONARD McKINZIE  
Overland Park

BILL REUST  
Parsons

BILL WEST  
Abilene

JOE WHITE  
Kingman

DIRECTOR OF  
GOVERNMENTAL AFFAIRS

FRANCES KASTNER

You will recall we shared comments made by two of our large wholesalers early in February (Flemings and Scrivner-Boogaart Supply Company) indicating they expanded operations in Kansas AFTER the inventory tax was removed. Legislators are not sending consistent messages to business when every year an attempt is made to circumvent the will of the people by trying to address statutorially an issue that was adopted in a recent Constitutional Amendment.

We respectfully request that you NOT consider reimposition of Merchants and Manufacturers Inventory tax through any method.

Frances Kastner, Director  
Governmental Affairs, KFDA

(913) 232-3310

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Testimony Before the  
House Taxation Committee

in opposition to H.B.2586  
by

Tom Riederer  
Representing

The Kansas Industrial Developers Association  
March 27, 1991

Representative Wagnon and members of the Committee, my name is Tom Riederer and I am the Vice President of Kansas Industrial Developers Association (KIDA). KIDA is an organization of over 100 professionals, from rural and urban Kansas, working to facilitate job creation and capital investment in the State. KIDA has worked with the Legislature over the past years to develop a strategy for the development of Kansas. A part of that strategy was the elimination of tax on inventories to enhance our competitiveness. Kansas competes in national and international markets, to not only expand the job base of the State, but also to retain the jobs we have. Currently only four of the 48 contiguous States have a tax on inventory, and KIDA feels strongly that reinstatement of inventory taxes in Kansas would seriously impede our business development efforts.

Most States are doing more to increase their competitiveness because they understand the importance of business expansion and retention. KIDA believes that the development of jobs and the investment of capital by business is the best way to provide for the future vitality of Kansas. We believe reinstating the inventory tax sends the wrong message to those businesses.

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# LEGISLATIVE TESTIMONY

## Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the  
Kansas State Chamber  
of Commerce,  
Associated Industries  
of Kansas,  
Kansas Retail Council

HB 2586

March 27, 1991

### KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the  
House Taxation Committee

by

Bob Corkins  
Director of Taxation

Madam Chairman and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry, and I thank you for yet another chance to express our strong opposition to any form of tax upon business inventories.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

The business community and our organization sought relief from the inventory tax for decades prior to its exemption in 1989. Although framed as an excise tax, the levy proposed by HB 2586 nevertheless shares every negative, business threatening

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characteristic inherent in the old inventory property tax. Unfortunately, this excise would be even worse.

Some businesses could pay more under this excise tax than they did under the former tax. In some counties having a below average mill levy, the effective property tax rate on inventories was less than the two percent rate proposed here. Furthermore, the base of taxable property subject to HB 2586 would be broader than that previously subject to the inventory property tax. Merchants would not be permitted to exclude 40% of their inventory's value as they could under the old tax. Merchants and manufacturers would also pay the excise tax on property that was previously exempt under the Freeport Act. Nobody has quantified the effect of this proposal's \$400,000 exemption per taxpayer. Assuming the exemption would be allowed in aggregate to each business entity, its benefit to each geographic branch of a single business could be minimal.

Finally, please consider the bearing which our state constitution has on this issue. We acknowledge the state attorney general's opinion that any measure of a tax (e.g. inventory value) may be employed without it dictating the subject (e.g. tax on ownership or tax on privilege) of the tax. However, our constitution explicitly prohibits any property tax upon inventories. There is ample legal precedent for declaring that the excise tax being proposed today is, in effect, a prohibited property tax upon inventories. Rest assured, there will be litigation challenging the constitutionality of this excise tax if it is enacted -- a legal expense to the state which you must weigh against any possible revenue benefit.

Of course, the ultimate cost to our state would take the form of economic stagnation and lost jobs. All of the growth-discouraging, efficiency-penalizing, anti-competitive, and regressive aspects of the former inventory tax would apply to this new inventory tax. It would also create a "tax vise" which could easily be tightened in each subsequent year by a simple majority vote of the legislature.

We urge you to reject this proposal and thus maintain the security and essential predictability of such an important tax policy within our Kansas Constitution.



KANSAS MOTOR CAR DEALERS ASSOCIATION  
 800 Jackson, Suite 808 • Topeka, Kansas 66612 • (913) 233-6456 • (800) 748-8201 (KS only) • FAX (913) 233-1462

# LEGISLATIVE TESTIMONY

TO: The Honorable Joan Waggon, Chair  
 House Committee on Taxation

RE: HB 2586 - EXCISE TAX ON INVENTORIES

FROM: The Kansas Motor Car Dealers Association  
 Dale Willey, President  
 Dale Willey Pontiac-Cadillac, Lawrence, Kansas

Date: March 27, 1991

Madam Chair and members of the committee. Our trade association represents over 330 franchised new car and truck dealers in Kansas.

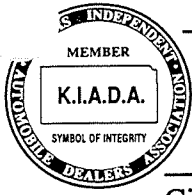
I appear before you today in opposition to HB 2586 which would impose a 2% excise tax on inventories with a 400,000 exemption. You have heard many times from many different people about the inequities of inventory taxes, and our members agree! Inventories maintained by car dealers - vehicles, parts, paint, and the like are enormous, most of which is financed.

The magnitude of placing an excise tax on merchants inventory for the new car dealers of Kansas would be staggering. We do not feel that those businesses, who, by their very nature must maintain inventories, should bear more of the tax burden than those businesses who are less inventory oriented.

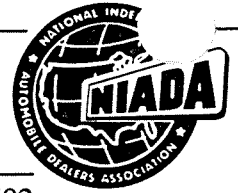
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Kansas car dealers are, for the first time in many years, in a competitive posture with car dealers in surrounding states. Missouri, Colorado, Nebraska and Oklahoma no longer tax motor vehicle inventories. In addition, our members pay their share of the tax burden - most of their dealerships are in prime real estate locations thus raising their property tax rates! The Kansas Motor Car Dealers fully appreciate the magnitude of the revenue shortfall facing the state and our Board of Directors voted to support a broader based tax in the form of sales and income taxes; however we are adamantly opposed to reinstating the inventory tax.

In closing, we appreciate the critical problem the legislature is facing, and request continued examination of the proposal at hand. Thank you for the opportunity to present our position.



# KANSAS INDEPENDENT AUTOMOBILE DEALERS ASSOCIATION



Citizens Bank & Trust Building • 6th & Humboldt • Manhattan, Kansas 66502  
Phone: 913-776-0044 FAX: 913-776-7085

March 27, 1991

TO: HOUSE COMMITTEE ON TAXATION

SUBJECT: H.B. 2586--EXCISE TAX ON PERSONAL PROPERTY  
INVENTORIES.

Madam Chair and Members of the Committee:

I am Jacque Oakes representing Kansas Independent Automobile Dealers Association, an organization of 270 used car dealers in the state of Kansas.

We enter this written testimony in opposition to H.B. 2586 imposing an excise tax on personal property inventories.

As small business people, we have already been hurt by classification, but now to receive an excise tax on inventories would be even more damaging to our businesses. The subtraction of \$400,000 would help. However, it does not take many cars to arrive at this figure quickly.

Inventories in addition to the classification problem would all be a great burden at the same time our industry is in a severe economic decline.

Please give H.B. 2586 your serious attention and do not vote this bill out of Committee.

Thank you.

HOUSE TAXATION  
Attachment #9  
03/27/91

*Individually we struggle to be heard—Collectively we cannot be ignored.*

KANSAS MANUFACTURED HOUSING ASSOCIATION

TESTIMONY BEFORE THE HOUSE

COMMITTEE ON TAXATION

TO: Representative Joan Wagnon, Chairman  
and Members of the Committee

FROM: Terry Humphrey, Executive Director

DATE: March 28, 1991

RE: House Bill 2586

Madam Chair and members of the committee. The Kansas Manufactured Housing Association and our associate members the R.V. Council oppose House Bill 2586 an excise tax on inventories.

Our association believes that the inventory tax is an unfair tax. Inventory is not a measure of business strength and profitability. Likewise, we feel that this type of tax will hinder existing business and discourage economic development in Kansas.

Therefore, we respectfully request that you do not pass HB 2586.

HOUSE TAXATION  
Attachment #10  
03/27/91

TESTIMONY PRESENTED TO THE HOUSE TAXATION  
COMMITTEE IN OPPOSITION TO HB 2593

Madam Chairman and members of the committee,

Thank you for the opportunity to appear before you today.

My name is Al Wittmann. I am a lifelong Kansas resident and co-owner of the Gorges and Wittmann Auto Dealerships in Wichita. Our company sells and services Mercedes Benz, Volvo, Porsche, Volkswagon, Audi, Acura, Jaguar, Saab, and Lexus automobiles. I am a small businessman, an active member of my community, and most importantly, I am an employer of 125 very, very concerned Kansas citizens.

My employees and I are very discouraged about bill 2593. While at the surface it seems to be an ideal avenue to generate revenues, upon closer scrutiny, it is in fact a very Anti-Kansas bill!

As a matter of record, we are all too familiar with the much published and hurriedly passed Federal Omnibus Budget Reconcilliation Act of 1990. It has been argued, (by both sides) that much of what was included was not read or understood. However, time was short and deadlines were near, so many voted for the legislation without full knowledge of what was being voted on. Now, the embarrassing task of righting the wrong has begun!

I urge our Kansas Legislators, to not act in haste or without facts. Also do not assume for a single moment that this new federal law is either fair, or right, or that it

HOUSE TAXATION  
Attachment #11  
03/27/91



will, in fact, generate any revenue. It is now widely accepted, that it will cost approximately 600 million dollars in order to collect the projected 500 million in tax revenues. Certainly, this is not what Washington had in mind.

As a businessman, I have seen increases in insurance rates, utility costs, property taxes, income taxes, sales taxes, gas guzzler taxes, and now luxury taxes. While I understand that there are many risks assumed when one chooses to participate in the great American dream of Capitalism, I also feel our founding fathers intended that we compete fairly among ourselves, and not with the burdens of our own government.

It is getting to the point that it may not be worth the risk or effort to be an employer, that is a business owner who pays wages, benefits, pension plans, employee insurances, social security, and provides opportunity for others as well as himself.

This bill singles out not just the rich, but the employers of many thousands of Kansas citizens. The very people who have taken on the personal risks involved in stimulating economic growth in our state. These people, who wish to spend their hard earned "after tax" dollars on the new vehicle of their choice may now have to stop and ask themselves, why should they continue to do business in a state which penalizes success? This also sends a powerfully negative message to those who are considering

starting a business. If and when you get to the end of your rainbow, government may see to it that there can be no pot of gold. Government has no right or place in dictating or taxing ones freedom of choice. This bill is in many ways Un-American, and to many is reminiscent of socialism.

It is also, most certainly not in our states best interest. This bill will force Kansas citizens to spend their dollars outside of our state. I can assure you that if Kansas has a state luxury tax, then our citizens will, shop interstate for any savings possible. Our company cannot afford to lose anymore sales. Our business has declined to a dangerously low level. Not only are we not collecting these hoped for taxes, but we are now struggling to survive. A once thriving industry is being ruined for nothing! We will see no new net tax revenues, and the very real possibility of layoffs to add to our state unemployment picture.

Our company has an annual payroll of 2.8 million, and we collected \$988,000 in Kansas sales tax for 1990. We pay \$100,000/yr in Property taxes, and we have invested millions of dollars in our version of the American Dream- To own our own business. We are not against taxes and will gladly pay our fair share, but the prospect of asking a select few of our citizens to shoulder the burden by taxing their taste in automobiles, is like driving a nail in our coffin. People will choose not to pay the tax either by buying out of state or by not buying at all. Either way, my company and my employees will be the losers.

If our State needs additional taxes to pay its Bills, then so be it! We only ask that you be fair and wise in your methods of taxation, and that you do not intervene in our freedom of choice, or discriminate against those who wish to pursue the American Dream. In short if taxes are needed, be up front about it, tax our income not our tastes.

This concludes my written testimony, I would be happy to answer any questions.