

Approved \_\_\_\_\_  
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by Joan Wagnon at \_\_\_\_\_  
Chairperson

9:10 a.m.~~pm~~ on Tuesday, April 2, 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;  
Douglas E. Johnston, aide

Conferees appearing before the committee:

Chairman Wagnon called the committee to order at 9:10 a.m. for hearings on SB 9, HB 2615, and discussion on HB 2580.

Hearings on SB 9 continued. E.A. Mosher, Executive Director of the League of Ks. Municipalities testified against SB 9, but suggested amendments (attachments 1 and 2).

A representative of the Ks. Assoc. of Counties stated their support for the amendment suggested by Mosher.

Hearings were closed on SB 9. The Chair brought up HB 2580 for discussion and action.

Rep. Grotewiel distributed proposed amendments to HB 2580 (attachment 3). He discussed the amendments and stated that they were clarifying in nature.

There was concern that HB 2580 would make information available to the public that is currently private. The committee also discussed altering the language in HB 2580 by replacing "verification" with some other term so that written affidavits would not be necessary to comply with the law.

Further action was suspended on HB 2580.

Hearings were opened on HB 2615.

Rep. Anthony Hensley stated that HB 2615 related to the distribution of money collected from taxes on illicit drugs. He said the bill mandated three distribution options which made the system more equitable for cities and counties.

The following people testified in favor of HB 2615:

Detective. Sgt. Randall K. Listrom of the Narcotics Unit of the Topeka Police Dept. (attachment 4)  
Dean Reynoldson, Analyst for the Dept. of Revenue Criminal Fraud Unit. (attachment 5)  
Jim Dyson, Detective Commander of the Leavenworth Police Dept. (attachment 6)

There were no opponents to HB 2615; hearings were closed. Hearings were opened on SB 214, but there were no conferees so hearings were closed.

The Chair brought up SB 72 for discussion and action.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

room 519-S Statehouse, at 9:10 a.m./p.m. on Tuesday, April 2, 1991

Rep. Grotewiel moved and Rep. Harder seconded the following amendments to SB 72 as requested by the Division of Property Valuation on March 29, 1991:

On line 7 of page four replace "personnel of the division of property valuation" with "director of the division of property valuation"; On line 20, page 4, replace "state" with "director of the"; On line 24, page 4, replace "the division of" with "director of the".

The motion carried.

Rep. Vancrum moved and Rep. Larkin seconded to change the date in line 9 of page 4 of SB 72 from April 30 to June 1. The motion carried.

Rep. Grotewiel moved and Rep. Welshimer seconded incorporating the Balloon amendment to HB 2580 (attachment 3) into SB 72 and drafting the combination as a House Sub. for SB 72. After discussion, the motion carried.

Rep. Ensminger moved and Rep. Shore seconded using different language in place of "sales verification form" to satisfy an earlier concern about the legal implication of the term "verification."

After discussion, action was suspended on SB 72 and the committee adjourned at 10:26 a.m.



**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: SB 9--Special Tax on Motor Vehicles  
DATE: April , 1991

I appear in opposition to SB 9 as a matter of principle, since it is not revenue neutral. The League's convention-adopted Statement of Municipal Policy on this matter provides: "Any changes to the state law levying a special, in lieu tax on motor vehicles should be revenue neutral to avoid further shifts to the general property tax."

Frankly, we remain confused about the whole "alphabet inequity" issue. We have not yet seen convincing evidence that our system in the past was significantly inequitable, when the total taxes paid on a vehicle is spread over a period of years. We do know that the estimated fiscal note is a \$24 million reduction in motor vehicle tax revenues for calendar year 1991.

We call to your attention that a surcharge, perhaps on a phase-in basis, could be added to the countywide average tax rate to offset some or all of the projected revenue loss. We support this approach to help avoid tax shifts to other property.

We are aware of the tax rate proration provisions of the bill affecting vehicles registered for a period covering two calendar years. This is estimated to increase vehicle taxes, statewide, by approximately \$7 million. We call to your attention that this proration of calendar year tax rates accelerates tax receipts, rather than provides net additional revenue, when the average rate goes up. If countywide tax rates go down--and this does happen--receipts will decline.

In addition to expressing our support for surcharges or other changes which would make the effort to reduce purported inequities revenue neutral, we propose for your consideration an increase in the minimum tax set by the present law for certain vehicles.

Our convention policy provides that the "annual maximum tax of \$6 on motorcycles and \$12 on other vehicles, established in 1979, should be increased". As noted below, applying the CPI index to these 1979-established minimums would raise the tax to about \$11 on motorcycles and \$22 on vehicles, an increase of 83%.

This proposal would require an amendment to K.S.A. 79-5105 be added to the bill. Since the present law provides that the tax on a "motor vehicle the age of which is 15 years or older shall be in the amount of \$12", the same amount as the minimum tax on "any other vehicle", it seems logical to increase the older vehicle tax to the same amount as the new indexed minimum for motor vehicles.

HOUSE TAXATION  
Attachment #1  
04/02/91

**President: Frances J. Garcia, Commissioner, Hutchinson \* Vice President: Robert G. Knight, Mayor, Wichita \* Past President: Irene B. French, Mayor, Merriam \* Directors: Michael A. Conduff, City Manager, Manhattan \* Ed Ellert, Mayor, Overland Park \* Harry L. Felker, Mayor, Topeka \* Greg Ferris, Councilmember, Wichita \* Idella Frickey, Mayor, Oberlin \* William J. Goering, City Clerk/Administrator, McPherson \* Judith C. Holinsworth, Mayor, Humboldt \* Jesse Jackson, Commissioner, Chanute \* Stan Martin, City Attorney, Abilene \* Mark Mingenback, Councilmember, Great Bend \* Joseph E. Steineger, Jr., Mayor, Kansas City \* Bonnie Talley, Commissioner, Garden City \* Executive Director: E. A. Mosher**

There are about 75,000 motorcycles and motorized bicycles in Kansas, and thus a \$5 fee increase, from \$6 to \$11, would raise about \$375,000. There are about 2,050,000 motor vehicles and staggered-registration trucks. Assuming 5% are now subject to a \$12 tax, there are about 102,500 vehicles that now pay \$12. An increase in this amount by \$10, from \$12 to \$22, would raise about \$1,025,000.

Thus the proposed amendment would not help too much to make SB 9 fiscally neutral. The rough total increase of \$1,400,000 is far less than the millions of reduced local revenue which would occur under other provisions of the bill. However, it would help local units a little, and if \$6 and \$12 was fair in 1979, \$11 and \$22 is fair in 1992.

Finally, we support amendments to specify that "next preceding tax year" means what it says, notwithstanding the opinion of a Johnson County district judge. We suggest a new sentence be added at the end of the line 18, page 2, to the effect that: "The amendment to clause B above shall not be construed to be a change in the meaning of the term "next preceding tax calendar year".

<u>Year</u>	<u>Consumer Price Index</u>		<u>Fee Indexed by CPI</u>	
	<u>Index Figure</u>	<u>% Annual Increase</u>	<u>\$6 Fee</u>	<u>\$12 Fee</u>
1979	72.6	11.3	\$ 6.00	12.00
1980	82.4	13.5	6.81	13.62
1981	90.9	10.4	7.51	15.02
1982	96.5	6.1	7.98	15.95
1983	99.6	3.2	8.23	16.46
1984	103.9	4.3	8.57	17.17
1985	107.6	3.6	8.89	17.79
1986	109.6	1.9	9.06	18.11
1987	113.6	3.7	9.39	18.88
1988	118.3	4.1	9.78	19.55
1989	124.0	4.8	10.25	20.50
1990	130.7	5.4	10.80	21.60
1991	137.9E.	5.5E.	11.40	22.79

E. is an estimate. The CPI Index increased 6.1% comparing December 1989 and December 1990.

1 of which is 12; ~~(b) multiply (4) by multiplying the amount deter-~~  
2 ~~mined under (a) clause (3) by 30% (which shall constitute the taxable~~ (to delete)  
3 ~~value of the motor vehicle); and (e) multiply (5)(A) if the period~~  
4 ~~for which an owner is seeking to register a motor vehicle covers a~~  
5 ~~portion of two calendar years, by adding the products obtained by~~  
6 ~~multiplying the taxable value produced under clause (4) by (i) the~~  
7 ~~county average tax rate for the calendar year two years prior to~~  
8 ~~the calendar year in which such registration period begins for that~~  
9 ~~portion of the taxpayer's registration year that falls in the current~~  
10 ~~calendar year, and (ii) the county average tax rate for the calendar~~  
11 ~~year preceding the calendar year in which such registration period~~  
12 ~~begins for that portion of the taxpayer's registration year that falls~~  
13 ~~in the succeeding calendar year; or (B) if the period for which an~~  
14 ~~owner is seeking to register a motor vehicle covers one calendar~~  
15 ~~year, by multiplying the taxable value of the motor vehicle produced~~ years  
16 ~~under (b) above clause (4) by the county average tax rate for the~~  
17 ~~next preceding tax calendar year two years prior to the calendar~~  
18 ~~year in which such registration period falls-~~

19 (c) The "county average tax rate" for a county means the total  
20 amount of general property taxes levied within the county by the  
21 state, county and all other taxing subdivisions levying such taxes  
22 within such county divided by the total assessed tangible valuation  
23 of property within such county as of November 1 of such the ap-  
24 propriate year as certified by the secretary of revenue.

25 Sec. 2. K.S.A. 79-5105 is hereby repealed.  
26 Sec. 3. This act shall take effect and be in force from and after  
27 January 1, 1992, and its publication in the statute book.

;and (6) multiply the amount determined under  
clause (5) by 107%. For the tax years 1981  
to 1991, inclusive, the county average tax  
rate for the calendar year two years prior to  
the calendar year in which such registration  
period began shall be the applicable county  
average tax rate.

HOUSE BILL No. 2580

By Committee on Taxation

3-12

8 AN ACT relating to the transfer of title to real estate; requiring sales  
9 verification forms to be filed upon making transfers and providing  
10 for the administration thereof; prescribing penalties for violations;  
11 repealing K.S.A. 58-2223a, 58-2223c, 58-2223d and 58-2223e and  
12 K.S.A. 1990 Supp. 58-2223b.

13  
14 *Be it enacted by the Legislature of the State of Kansas:*

15 Section 1. No deed or instrument providing for the transfer of  
16 title to real estate, shall be recorded in the office of the register of or affidavit of equitable interest in real estate  
17 deeds unless such deed ~~or~~ instrument shall be accompanied by a or affidavit  
18 completed real estate sales verification form by the grantor, grantee  
19 or his ~~or her agent concerning the property transferred.~~ Such forms not  
20 shall be filed of record by the register of deeds. ~~The register of~~ but shall be retained for public inspection for a  
21 deeds shall in conjunction with the county clerk use the information period of two years at which time they shall be  
22 derived from such form in preparing the report to the director of destroyed  
23 property valuation as provided for in K.S.A. 79-1436, and amend-  
24 ments thereto.

25 Sec. 2. The real estate sales verification form shall be devised  
26 by the director of property valuation, and the director shall furnish  
27 copies of the form to the register of deeds. The form shall be devised  
28 to obtain information regarding the identification and location of the  
29 property, name and address of the purchaser, sales price, date of  
30 sale, the classification and subclassification to which such property  
31 belongs, nature and circumstances peculiar to the sale, whether any  
32 personal property was included ~~in the sales price,~~ whether the pur- or liens  
33 chaser assumed any mortgages, loans, leases or taxes, the method  
34 of financing, whether any special assessments are levied against the  
35 property and such other information as the director of property  
36 valuation shall require. No information shall be regulated in such  
37 form which would require the disclosure of the interest rate paid  
38 by the purchaser or the specific term of any mortgage.

39 Sec. 3. The real estate sales verification form required by this  
40 act shall not apply to transfers of title:  
41 (1) Recorded prior to the effective date of this act;  
42 (2) made solely for the purpose of securing or releasing security  
43 for a debt or other obligation;

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1 (3) made for the purpose of confirming, correcting, modifying or  
2 supplementing a deed previously recorded, and without additional  
3 consideration;

(4) by way of gift, donation or contribution  
stated in the deed or other instrument;

(5) 4 ~~[(4)]~~ to cemetery lots; or  
(6) 5 ~~[(5)]~~ by leases and transfers of severed mineral interests.

6 Sec. 4. Any person who shall falsify the value of real estate  
7 transferred shall be deemed guilty of a misdemeanor and upon con-  
8 viction thereof shall be fined not more than \$100.

9 Sec. 5. K.S.A. 58-2223a, 58-2223c, 58-2223d and 58-2223e and  
10 K.S.A. 1990 Supp. 58-2223b are hereby repealed.

11 Sec. 6. This act shall take effect and be in force from and after  
12 its publication in the statute book.

Sec. 1. K.S. 1990 Supp. 79-1436 is hereby amended to read as follows: 79-1436. It shall be the duty of the director of property valuation, with the cooperation and assistance of registers of deeds, county appraisers or county clerks acting in the capacity of appraisers, and their deputies and clerks, to prepare and compile a listing of every tract or piece of real estate which has been or shall be either sold, transferred or contracted to be sold or transferred in each county and school district of the state, the conveyance or agreement evidencing the same having been recorded in the office of the register of deeds of such county. On forms provided by the director, such county officials shall monthly record the required information for collection by agents of the director who shall check to see that all transferred properties are included and shall make such further investigations as may be necessary to verify or supplement the information provided on the certificates-of-value real estate sales verification forms and the reports prepared by the county officials. Such reports shall show:

(1) The date of the sale, transfer or agreement as evidenced by the date of the execution of the instrument;

(2) the purchase price of the particular tract or piece of real estate as shown by the instrument;

(3) the value of such tract or piece of real estate as reflected by the certificate--of--value real estate sales verification form;

(4) the amount of any mortgage on such tract or piece of real estate assumed by the purchaser, including any purchase money mortgage, executed by the purchaser;

(5) the assessed valuation of such tract or piece of real estate as of January 1 of the year for which the assessment-sales ratio study is published;

(6) the classification and subclassification, if any, of the property sold, transferred or contracted for sale; and

(7) such other information as the director deems necessary to carry out the purposes of this act. The director and the director's agents shall have the right of access to the assessment rolls and other records in the offices of the county



clerks, county appraisers and registers of deeds for the purpose of securing information required by this act.

The provisions of this section shall apply to all taxable years commencing after December 31, 1988.

**TESTIMONY  
IN FAVOR OF HOUSE BILL 2615  
BY  
DET. SGT. RANDALL K. LISTROM  
TOPEKA POLICE DEPARTMENT  
NARCOTICS UNIT**

Some in the field of law enforcement liken the Drug Tax Act under Chapter 79 as similar to the laws which brought down the forces of Al Capon in Chicago during prohibition. I have never thought of taxing controlled substances as a method of sending drug dealers to prison, since to charge for the tax violation you must first seize the drugs.

The old fable claims that crime does not pay. The author of that fable never sold rock cocaine. Crime can pay, and pay very well. The provisions of Chapter 79 attempts two ideals. First, and perhaps foremost, it attempts to remove profit from drug dealers. Secondly, however, it is an opportunity to generate a source of revenue for the State. I liken the provision of Chapter 79 to the provisions of asset forfeiture under Chapter 65 in that not only do the provisions take away profit motive, but also allow for the drug dealer to pay for drug investigations.

In my eleven years as a drug law enforcement officer I have realized that there are three primarily elements to drug law enforcement. Officers conducting investigations must have training in key areas; such as use of informants, electronic surveillance techniques, raid procedures, undercover work etc. The officers must also be provided with equipment with which to conduct those investigations; such as unmarked vehicles, pen registers, night scope equipment etc. Finally, drugs are transient in nature, and hence officers must be prepared to conduct investigations throughout the not only their area, but in other jurisdictions as well. During my tenure as a drug law enforcement officer I have participated in investigations in New York, Los Angeles, Miami, Houston, Dallas and Dan Diego, in addition to most points in Kansas. Hence, narcotics investigations become some of the most complex and expensive investigations to conduct.

Where, then, does the money come to finance these

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investigations? If the focus of concern is a municipal enforcement team, the money must come from municipal sources. If, however, the enforcement team is a county entity, the current provisions of Chapter 79 allow for the county enforcement teams to draw from the revenue generated by all drug tax revenue collections from within that county. This means that municipal agencies are working to collect money for county enforcement, even though the cost of the investigation was financed by the municipal agency.

It occurs to me that the intent of the legislature when enacting the provisions of Chapter 79 was to make the provisions like those found under asset forfeiture provisions of Chapter 65. The language is very similar in that revenues are deposited in trust funds ear marked for law enforcement. This is good. Defray some of the costs of the more complex investigations and provide additional training to law enforcement. This will increase the number and quality of investigations conducted. It can also take some tax burden away from the law abiding citizen. These are all admirable goals. But why, then, overlook a taxpayer because they live in a municipal area, or why fail to provide these same advantageous to a municipal officer? Why should members of my unit work to increase the amount of training that county officers receive, or the quality of the investigations that they conduct?

We should not look at the Drug Tax Act as a punitive method to place drug dealers in prison. Rather, we should look towards the Act as a punitive method of recovering money lost in these complex investigations. To that properly, however, calls for the adoption of amendments promoted in House Bill 2615.

**MEMORANDUM**

**TO:** The Honorable Joan Wagnon, Chairperson,  
House Committee on Taxation

**FROM:** Dean Reynoldson, Analyst, Dept. of Revenue Criminal Fraud Unit

**DATE:** April 2, 1991

**SUBJECT:** House Bill 2615

I appreciate the opportunity to appear before you in support of House Bill 2615 on behalf of the Department of Revenue. The Department of Revenue's Criminal Fraud Unit, which was created in March of 1990, is housed within the Alcoholic Beverage Control. In addition to investigating tax fraud cases, this unit is responsible for the administration and enforcement of the drug tax law.

Current law provides for distribution of drug tax collections as follows:

- ⇒ 50% to the state general fund
- ⇒ 50% to the county in which the drugs were seized to be used solely for law enforcement purposes

House Bill 2615 would change the current distribution to:

- ⇒ 50% to the state general fund
- ⇒ 50% to the city or county agency which conducted the investigation

If the drug seizure is a result of a joint investigation involving more than one agency, the distribution would be made in equal portions to participating agencies unless they make an alternative agreement.

Under current law, the county receives proceeds from all drug seizures, even those executed by a city agencies. Distribution of the drug tax to local law enforcement agencies is intended to assist such agencies battle the drug problem. Such assistance is currently reaching only the county law enforcement community. Because cities are not recouping any of the cost associated with providing the Department with the drug seizure information necessary to make a tax assessment, many are not providing such information.

This bill would make the Department's drug tax program more effective by allowing all local law enforcement agencies to benefit. If House Bill 2615 is passed, the number of drug tax cases submitted to the Department for assessments would be expected to increase significantly.

Drug tax collections have increased dramatically since the inception of the Department's Criminal Fraud Unit. The monthly rate of drug tax collections has increased almost 14-fold during the Criminal Fraud Unit's first 13 months.

**DRUG TAX COLLECTIONS**

	<u>Total</u>	<u>Monthly Rate</u>
Pre-Criminal Fraud Unit (July of 1987 thru Feb., 1990; 32 months):	\$36,954	\$1,155
Since Criminal Fraud Formed (March, 1990 through March, 1991):	\$207,507	\$15,962

These figures would likely increase even further with passage of House Bill 2615.

Thank you for your attention. I would be happy to entertain any questions.

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Attachment #5  
04/02/91

**MEMORANDUM**

TO: The Honorable Joan Wagnon, Chairperson  
House Committee on Taxation

FROM: Jim Dyson, Detective Commander, Leavenworth Police  
Department, Leavenworth, Kansas

DATE: April 2, 1991

SUBJECT: House Bill 2615

Madame chairman and committee members, on behalf of the Leavenworth Police Department, I wish to express our appreciation for the opportunity to appear before you in support of House Bill 2615. The City of Leavenworth is located on the Missouri River, approximately 30 miles Northwest of the Kansas City Metropolitan area and 30 miles Northeast of Lawrence. The City of Leavenworth represents about 60% percent of the population of the county of Leavenworth.

Since 1983 the Leavenworth Police Department has supervised several successful undercover operations. The most recent operation concluded in May of 1990. This operation ended with the arrest of 44 individuals, charging them with 75 counts of illicit drug trafficking in Leavenworth County. The City of Leavenworth has tried to increase its efforts every year in the war against drugs. With the dwindling tax revenues this battle has reached stalemates. Additional revenues to the law enforcement fight against drugs is always a welcome resource.

The crime in Kansas' cities today sees the municipalities more involved in this fight. The larger populated cities are instituting their own programs and efforts in the area of fighting drugs. This in turn creates a drain on local tax revenues. It seems only fitting and just to return any revenue generated by the arrest in these municipalities, to the municipality for future efforts in the war on drugs. With the establishment of the Department of Revenue's Criminal Fraud Unit, it has become easier to report these violations. We whole hardly support this change in House Bill 2615. Our system will quickly absorb the needed criteria that generates the paper trail for the Criminal Fraud Unit. I have compiled some figures which include only arrests made by our department since 1989. These figures do not include any arrests made during our latest undercover operation. Since 1989, our officers have seized 2,833.45 grams of marijuana, and 66.94 grams of

cocaine. Unpaid taxes on the marijuana would amount to \$9,917.07. Unpaid taxes on the cocaine would amount to \$13,388.00, a total of unpaid taxes in the amount of \$23,305.07. If we include seizures in the undercover operation of 1989/1990 these unpaid taxes would surely double.

It is the feeling of our department that Bill 2615 is good for law enforcement. This Bill would generate additional funds for the local municipalities to wage their war on drugs. This sharing process would help reimburse the local municipalities that expended the initial taxpayers dollars to complete the investigation. The criminal element has scoffed at law enforcement over the years. After paying fines or doing minimal jail, time they are free to return to their financial stashes they had accrued during their drug dealings. House Bill 2615 would serve to further reduce the residual benefits of drug dealers. This bill will serve to attack these drug dealers in their pocketbook. This will make the dealing of illicit drugs a less lucrative occupation.

Our police department thinks that House Bill 2615 is good legislation and whole heartily supports it.

I thank you for your time.