

Approved Tuesday, February 5, 1991
Date

MINUTES OF THE SENATE _____ COMMITTEE ON _____ ASSESSMENT AND TAXATION _____

The meeting was called to order by Senator Dan Thiessen _____ at
Chairperson

11:00 a.m./~~p.m.~~ on Thursday, January 31 _____, 1991 in room 519-S of the Capitol.

All members were present except:

Committee staff present:
Don Hayward, Assistant Revisor
Bill Edds, Assistant Revisor
Chris Courtwright, Research Department
Tom Severn, Research Department
Marion Anzek, Committee Secretary

Conferees appearing before the committee:

Nancy Hempen, Douglas County Treasurer
Chris McKenzie, Douglas County Administrator
Anne Smith, Director of Legislation (KAC)
Gerry Ray, Intergovernmental Officer, Johnson Co. Board of Commissioners
Art Davis, Assistant to the City Administrator of Lenexa
Donald R. Seifert, Assistant Dir., Administrative Services, Olathe
Helen Stephens, Blue Valley USD 229
Larry Clark, KS Appraiser's Association
Ray Trail, Assistant City Manager & Dir. of Finance, Wichita
Ernie Mosher, Exec. Director, League of KS Municipalities

Chairman Thiessen called the meeting to order at 11:03.

Senator Sheila Frahm moved to approve the minutes of January 30, 1991, 2nd by Senator Janis Lee. The motion carried.

Chairman Thiessen turned attention to SB9 and recognized Nancy Hempen, Douglas County Treasurer.

SB9:AN ACT relating to the taxation of certain motor vehicles; concerning the calculation of tax payable; amending K.S.A. 79-5105 and repealing the existing section.

THE FOLLOWING CONFEREES ARE PROPONENTS OF SB9.

Nancy Hempen said with the implementation of the Department of Revenue's temporary regulation, a significant change to the motor vehicle tax system has occurred.

SB9 addresses the additional change needed to make the motor vehicle tax system completely equitable for all taxpayers throughout the alphabet for the life of the vehicle.

She urged the committees support and passage of SB9 saying the bill would bring equality to the motor vehicle tax system, and a solution to revenue loss is still needed. (ATTACHMENT 1)

Chris McKenzie, Douglas County Administrator testified on behalf of the Board of County Commissioners. He said, the purpose of SB9 is to equalize the motor vehicle tax burden for taxpayers, no matter what the first letter of their last name, and he said, he felt this to be a very important objective.

He urged the committees support for an amendment to SB9 to reduce the significant potential that an administrative action taken only months ago by the prior Secretary of Revenue will have on raising local property taxes in the very near future.

He said their proposed amendment is, Enact SB9 as written and provide complete equality to motor vehicle taxation in Kansas, but also include an adjustment factor of 7.8% to hold counties, cities, schools, townships and other local governments relying on motor vehicle tax revenue harmless from any future revenue loss. SB9 together with the hold harmless adjustment factor, provides the long term solution to this problem.

With his testimony is an attachment (Table 1: CY1991 Motor Vehicle Tax Projections and Estimates. (ATTACHMENT 2))

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

room 519-S, Statehouse, at 11:00 a.m. ~~xxx~~ on Thursday, January 31, 1991

Anne Smith, Director of Legislation, KAC said KAC feels the proposal by Douglas County Treasurer Nancy Hempen that was incorporated into SB9 will make the motor vehicle registration system fair and equitable to all taxpayers.

However, there continues to be no solution to the revenue shortfall to local governments. With the current regulation of the Department of Revenue, dealing with the 16% depreciation, there is a \$23M loss to local governments. Even if SB9 becomes law, there will continue to be around an \$18M loss to local governments.

He urged the committee to support the hold harmless factor suggested by Douglas County Administrator Chris McKenzie so that counties do not experience revenue shortfall. (ATTACHMENT 3)

Gerry Ray, Intergovernmental Officer, Johnson County Board of Commissioners said it is not their policy to support a piece of legislation that reduces the county's revenue. Although they do not fully agree with the contention of inequity, they feel it has been ruled on and the resulting ramifications must be addressed. She said after the order relative to the depreciation was issued, they worked with several counties, to work out a plan that would reduce the revenue losses to local governments. Two recommendations resulted. 1. implementation of a more current mill levy as set out in SB9 and 2. was to apply an adjustment factor that would make the process revenue neutral for the local taxing units. Johnson County supports both of the above provisions. (ATTACHMENT 4)

Art Davis, Assistant to the City Administrator of Lenexa, said Lenexa supports the concept of this re-structuring only if the results are revenue neutral for local units of government. (ATTACHMENT 5)

Donald R. Seifert, Assistant Director, Administrative Services, Olathe said the City of Olathe commends many of the members of the committee who served on the interim committee, for their work in studying this issue and drafting a bill aimed at eliminating the "alphabet inequity" in the current system. Olathe supports the concept of SB9 but their support is tempered by the fact that correcting "alphabet inequity" causes local governments in Kansas to experience an additional motor vehicle tax revenue loss, in addition to the major loss experience following implementation of state wide reappraisal.

Olathe supports a system of fair motor vehicle taxation, but believes the solution to inequity in the present system should not come at the expense of local revenue.

He urged the committee to devise a bill that is more "revenue neutral" to local government. (ATTACHMENT 6)

Helen Stephens representing Blue Vally USD 229 said she did not have written testimony but would turn it in to the committee secretary next week. She said USD 229 supports the amendment to hold harmless. Their USD has lost \$1.3M last year in motor vehicle tax which is approximately a 3 mill increase. With motor vehicle taxes going down, she said their only option is to raise property tax. NO WRITTEN TESTIMONY

THE FOLLOWING CONFEREES ARE OPPONENTS OF SB9

Larry Clark representing Kansas Appriasers' Association, said their concern is that actions have been taken in haste and with insufficient study in the area of motor vehicle taxation. (1) The inequity in the former system, if it existed at all, was minimal, and (2) the system adopted by the State and put into effect January 1, 1991 does not do away with the inequity, but simply transfers it to other taxpayers. (ATTACHMENT 7)

Ray Trail, Assistant City Manager and Director of Finance-Wichita said Wichita was distressed last year that another assault on an important revenue source was taking place. (1) local governments experienced a major loss of motor vehicle tax revenue due to reappraisal adjusted mill levies. For Wichita that loss of revenue exceeded \$1.6M, and now the change in motor vehicle tax collections resulting from the more recent alphabet debate will reduce Wichita's motor vehicle tax collections by another \$500,000. (ATTACHMENT 8)

Ernie Mosher, Executive Director, League of Kansas Municipalities said they are in opposition of SB9, since it is not revenue neutral. He said a surcharge could be added to the countywide average tax rate to offset some or all of the projected revenue loss.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Thursday, January 31, 1991

He said, they propose for consideration an increase in the minimum tax set by the present law for certain vehicles, a \$5.00 fee increase on motorcycles and motorized bicycles, which would raise about \$375,000 and a \$10.00 increase for motor vehicles and staggered registration trucks, would raise about \$1,025,000. He said, this would help local units. (ATTACHMENT 9)

Chairman Thiessen announced he was cancelling the meeting for Friday, February 2, 1991 regarding SB10 and would re-schedule SB10 for hearings. Chairman Thiessen adjourned the meeting at 11:52 a.m.

WRITTEN TESTIMONY WAS TURNED INTO THE SECRETARY BY THE FOLLOWING.

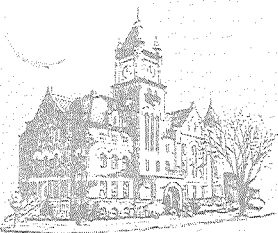
1. Willie Martin, Intergovernmental Coordinator, Sedgwick County Kansas (PROPONENT) (ATTACHMENT 10)
2. Mark A. Burghart, General Counsel, Kansas Department of Revenue (ATTACHMENT 11)
3. David Corliss, City of Lawrence (ATTACHMENT 12)

GUEST LIST

COMMITTEE: SENATE ASSESSMENT & TAXATION

DATE: 1-31-91

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
HAROLD C. PITTS	Topeka	AARP-CATF
ROBERT ANDERSON	OTTKWA	MID COST OF B
CINDY GILPIN	TOPEKA	BUDGET DIVISION
Cathy Holdeman	Wichita	City of Wichita
RAY TRAIL	Wichita	City of Wichita
P. Higgins	Topeka	Gov. Office
DAN STEVENS	TULSA OK	TEXACO
Steve Neske	Topeka	KDOR
Marga Bailey	Topeka	KDOR
Mark Tallman	Topeka	KASB
Willie Martin	Wichita	Sedgwick Co
Tom Whitaker	Topeka	KMCA
DAVID CORLISS	LAWRENCE	CITY of LAWRENCE
Tim Langlen	Topeka	Sen Kari's office
Barbara Butts	"	Dept of Admin
MARK A. BURGHART	TOPEKA	REVENUE
DOV SEIFERT	OLATHE	CITY OF OLATHE
SUSAN BERTON	OLATHE	CITY OF OLATHE
Helen Stephens	Blue Valley	Blue Valley 229
Pam Somerville-Jaylor	Topeka	KS Motor Land Dealers Association
Leroy Jones	Lenexa	BLE



Douglas County Treasurer
DOUGLAS COUNTY COURTHOUSE
Eleventh & Massachusetts
Lawrence, Kansas 66044

January 31, 1991

To: Mr. Chairman and Members of the Senate Assessment and Taxation Committee

From: Nancy Hempen, Douglas County Treasurer and Secretary of Kansas County Treasurers Association.

Thank you for the opportunity to appear before you today to continue to express my concerns with regard to the motor vehicle tax system. I want to emphasize to you that the protection of the staggered registration system is extremely important. Most counties could not handle the volume if vehicle renewal transactions were all due at one time. The inability to handle this work load is due to the higher overall vehicle transaction volume realized over the last 10 years, the insufficient VIPS equipment available in the counties, and to insufficient staffing and space allocations.

With the implementation of the Department of Revenue's temporary regulation, a significant change to the motor vehicle tax system has occurred. The equity problem has obviously been a real concern and has raised most of the questions being asked. I still believe the real question that needs answering is - "what is equitable?" I share the concern with the Department of Revenue and have had the opportunity to work very closely with them on the problem. The temporary regulation implemented by the Department of Revenue on January 1, 1991 did not correct the equity problem, although it is a beginning.

Representatives of cities, counties, school districts and the Kansas Assoc. of Counties have worked very closely with the Department of Revenue to find an equitable solution, protect the staggered registration / tax system and minimize the revenue impact for local units of government.

Nancy L. Hempen, County Treasurer
Courthouse

Eleventh & Massachusetts / Lawrence, Kansas 66044 / (913) 841-7700

1-31-91
ATT. 1

SB 9 is before you today because the Attorney General's opinion (90-112) does not give the Department of Revenue the authority, without legislation, to change the mill levy along with the depreciation. SB 9 addresses the additional change needed to make the motor vehicle tax system completely equitable for all taxpayers throughout the alphabet for the life of the vehicle.

By accelerating the mill levy to January 1st, along with the depreciation, "A" and "V" would be paying on two depreciations and two mill levy rates in one registration year. (Registration periods, except UXYZ, encumber a part of two calendar years.)

For example, assume Mr. "A" and Mr. "V" each register a 1986 Ford Mustang purchased June 1, 1985 and sold June 1, 1991. The documentation shown on the attached page reflects the taxes that would be paid, for the life of the vehicle, (1) under the original system, (2) under the Department of Revenue system with the temporary regulation now in effect, and (3) under the proposed SB 9. As you can see, the inequity is eliminated using the formula spelled out in SB 9.

In the event the temporary regulation expires March 1 or 31st, what happens? Do we revert back to the original system? What consequences will result by using either system? These are the kinds of questions that require an answer.

A key element in this puzzle, that is not resolved by this legislation, is the revenue loss to local units of government. The Department of Revenue's temporary regulation is projected to create over \$20 million in revenue loss for fiscal year 1991. These losses were not anticipated in the fiscal year 1991 budgets. With the passage of SB 9, these losses are only reduced by about 5.2 million. Please remember, this is in addition to the losses local units have already incurred due to real estate reappraisal.

Recently, many counties have been forced to make large tax refunds due to the Supreme Court ruling regarding inventory exemptions for the railroads and public utilities. In Douglas County the refund was \$67,649.24. That amount, I'm sure, is larger in other counties. This is another example of lost revenue to local units of government.

I know how complex and difficult this has been, but I ask you to please use your legislative wisdom to protect the staggered vehicle registration/tax system, to make the system equitable and to minimize the loss of revenue to local units of government. Your support and passage of SB 9 will bring equality to the motor vehicle tax system. A solution to revenue loss is still needed.

Before making any decision, I hope you will consider the effects of all proposals and how they will effect every taxpayer as well as the local units of government.

Thank you for your time and I would be happy to answer any questions.

<u>CRAWFORD COUNTY</u>	"A"	"V"	Difference
(72 months of ownership)			
Original system (Depreciation & mill levy at renewal)	1,381.90	1,489.97	106.07
Dept. of Revenue (Depreciation Jan. 1 Mill levy at renewal)	1,351.23	1,330.59	20.64
SB 9 (Depreciation & Mill levy Jan. 1)	1,351.32	1,351.32	-0-

DOUGLAS COUNTY

(72 months of ownership)			
Original System (Depreciation & Mill levy at renewal)	1,340.24	1,421.14	80.90
Dept. of Revenue (Depreciation Jan. 1 Mill levy at renewal)	1,310.27	1,183.94	126.33
SB 9 (Depreciation & Mill levy Jan. 1)	1,314.54	1,314.54	-0-

Example used is a 1986 Ford Mustang, class 10

Douglas County

TO: Senate Assessment and Taxation Committee
FROM: *CM* Chris McKenzie, Douglas County Administrator
DATE: January 31, 1991
SUBJECT: Senate Bill 9

I appear today on behalf of the Board of County Commissioners in support of 1991 Senate Bill 9. As you have already learned, the purpose of Senate Bill 9 is to equalize the motor vehicle tax burden for taxpayers--no matter what the first letter of their last name. That in and of itself is a very important objective. In addition to supporting that objective, I also urge you to support an amendment to SB 9 to reduce the significant potential that an administrative action taken only months ago by the prior Secretary of Revenue will have on raising local property taxes in the very near future. Let me explain what may initially appear confusing but which is fundamentally very simple.

Attached is a table prepared for the interim tax committee by the Legislative Research Department which illustrates the projected fiscal consequences for local governments of recent changes in the motor vehicle tax laws. Column 3 ("Projected CY90 Taxes") contains an estimate of the statewide motor vehicle tax collections in calendar year 1990 of \$301,805,939. Due to increases in assessed valuations in 1989 as a result of reappraisal, the countywide average tax rates that are used to compute motor vehicle taxes in calendar year 1991 declined significantly, causing an estimated loss of over \$55 million (or an 18.3% reduction) in motor vehicle tax revenue to local governments in 1991--a loss which was felt most significantly by school districts since they account for more than 50% of the property taxes levied and collected statewide. This loss--for which we were able to budget--is illustrated in Column 4 ("Projected CY91 Taxes") and it resulted in some increases in local property taxes as allowed by the property tax lid law last session.

After budgeting to sustain one major loss of motor vehicle tax revenue in FY 1991, in September, 1990 the Secretary of Revenue implemented temporary administrative regulations which not only have the effect of shifting the inequity of the taxation system from the back half of the alphabet to the front half, but which cause an unbudgeted loss of revenue statewide to schools, cities, counties, townships, etc. of an estimated \$23 million--an additional 9.3% revenue loss if you compare Column 5 ("Proj. CY91 Taxes with Temp. Reg.") to Column 4 in the table. This means local governments in Kansas in one calendar year will experience a loss of 27% in motor vehicle tax revenue--one-third of which we did not have the chance to account for last summer in our 1991 budgets.

Courthouse

Eleventh & Massachusetts / Lawrence, Kansas 66044 / (913) 841-7700

1-31-91
ATT 2-1

While your and our constituents may be cheering because these combined actions have significantly lowered local motor vehicle taxes, none of us should be fooled by the transparency of this temporary reduction. Some county governments may be able to tighten their belts and use their rapidly dwindling cash reserves to tide the county over for one year, but they can not and will not be able to do it for very long without raising the general property tax. The alternative is to make across the board cuts in all programs beginning with services to the aging and bridges and ending with services to youth and zoning.

In its present form SB 9 would reduce the loss to local governments from the Secretary of Revenue's administrative regulation from \$23 million to \$17.8 million in 1992, assuming collections are the same in 1992 as they are projected for 1991. SB 9 does not address the unplanned 1991 revenue loss of \$23 million. This can not be reversed unless the legislature acts immediately to reverse the Secretary's actions or the new Secretary of Revenue does so.

Our proposed amendment is quite simple. Enact SB 9 as written and provide complete equality to motor vehicle taxation in Kansas, but also include an adjustment factor of 7.8% to hold counties, cities, schools, townships and other local governments relying on motor vehicle tax revenue harmless from any future revenue loss. I hope the current Secretary of Revenue takes decisive administrative action to lift the prior Secretary's regulation and avoid the \$23 million revenue loss in calendar year 1991. In 1992 and beyond, however, SB 9, together with the hold harmless adjustment factor, provides the long term solution to this problem.

Douglas County officials have worked hard to help devise SB 9 and the reforms it contains. We now ask that you help us have the resources to deliver the services the legislature mandates we deliver or that the public expects without having to raise the general property tax to replace valuable motor vehicle tax revenue.

Thank you for your time and attention.

cc. Douglas County Commission
Douglas County Legislative Delegation
Secretary of Revenue

Tables 1 and 3

(Combined)

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Alphabetical by County

Table 1: CY 1991 Motor Vehicle Tax Projections and Estimates

KANSAS COUNTY NAME	(1) Projected CY90 Values	(2) Projected CY91 Values	(3) Projected CY90 Taxes	(4) Projected CY91 Taxes	(5) Proj. CY91 Taxes with Temp Req	(6) Est CY91 Taxes with Prorated Levies & Values	(7) Est CY91 Taxes, Prorated Taxes & Values, Oct 1 Yr
ALLEN	\$10,884,000	\$11,320,000	\$1,333,330	\$1,438,411	\$1,304,159	\$1,364,497	\$1,323,016
ANDERSON	5,856,000	6,090,000	613,337	632,531	573,495	586,898	569,056
ATCHISON	11,006,000	11,447,000	1,687,521	1,582,053	1,434,395	1,467,918	1,423,293
BARBER	5,534,000	5,755,000	712,995	598,220	542,386	555,062	538,188
BARTON	25,701,000	26,729,000	3,481,423	3,158,160	2,863,399	2,930,319	2,841,237
BOURBON	9,891,000	10,286,000	1,468,808	1,367,141	1,239,541	1,268,511	1,229,948
BROWN	7,746,000	8,056,000	1,026,283	868,673	787,597	806,004	781,502
BUTLER	41,427,000	43,085,000	5,933,707	5,252,732	4,762,477	4,873,781	4,725,618
CHASE	2,493,000	2,593,000	273,869	282,685	256,301	262,291	254,318
CHAUTAQUA	3,368,000	3,503,000	412,065	374,250	339,320	347,250	336,694
CHEROKEE	14,408,000	14,984,000	1,730,259	1,476,321	1,338,531	1,369,814	1,328,171
CHEYENNE	2,719,000	2,828,000	317,476	253,569	229,903	235,276	228,124
CLARK	2,624,000	2,729,000	259,545	281,587	255,305	261,272	253,329
CLAY	6,678,000	6,945,000	835,731	856,293	776,372	778,209	754,552
CLOUD	7,467,000	7,766,000	1,095,153	1,170,387	1,061,151	1,085,951	1,052,938
COFFEY	8,207,000	8,536,000	354,611	405,241	367,418	352,354	341,642
COMANCHE	2,429,000	2,526,000	278,607	276,070	250,303	253,588	245,879
COWLEY	26,267,000	27,318,000	3,863,207	3,829,308	3,471,906	3,553,047	3,445,035
CRAWFORD	24,576,000	25,559,000	3,722,622	2,910,400	2,638,763	2,700,433	2,618,340
DECATUR	3,474,000	3,612,000	380,928	350,814	318,071	325,505	315,610
DICKINSON	13,754,000	14,304,000	1,694,572	1,561,021	1,415,326	1,448,403	1,404,372
DONIPHAN	5,520,000	5,740,000	823,878	710,726	644,391	659,452	639,404
DOUGLAS	55,195,000	57,403,000	8,805,838	6,784,046	6,150,868	6,294,620	6,103,264
EDWARDS	3,560,000	3,703,000	423,017	363,489	329,564	337,266	327,013
ELK	2,553,000	2,655,000	326,421	352,376	319,488	326,955	317,015
ELLIS	20,823,000	21,656,000	2,747,600	2,227,508	2,019,607	2,066,807	2,003,976
ELLSWORTH	5,239,000	5,448,000	607,636	658,529	597,066	611,020	592,445
FINNEY	24,776,000	25,767,000	2,639,078	2,691,605	2,440,389	2,497,423	2,421,501
FORD	20,107,000	20,912,000	3,006,455	2,558,849	2,320,023	2,374,244	2,302,067
FRANKLIN	15,888,000	16,524,000	2,128,610	1,951,524	1,769,382	1,810,734	1,755,687
GEARY	14,571,000	15,154,000	1,911,024	1,691,664	1,533,775	1,569,621	1,521,904
GOVE	3,129,000	3,254,000	325,232	326,397	295,934	296,819	287,796
GRAHAM	2,957,000	3,075,000	386,824	381,406	345,808	351,494	340,809
GRANT	7,545,000	7,847,000	475,861	426,889	387,046	396,091	384,050
GRAY	5,298,000	5,510,000	616,733	621,127	563,155	576,317	558,797
GREELEY	1,820,000	1,892,000	197,750	186,118	168,747	172,691	167,441
GREENWOOD	5,740,000	5,969,000	891,409	849,279	770,013	788,009	764,054
HAMILTON	2,458,000	2,557,000	267,752	242,841	220,176	227,477	220,562
HARPER	6,374,000	6,629,000	817,483	782,562	709,522	726,105	704,031
HARVEY	21,909,000	22,786,000	3,213,733	3,033,469	2,750,345	2,814,623	2,729,059
HASKELL	4,402,000	4,578,000	293,790	283,977	257,472	263,490	255,479
HODGEMAN	2,338,000	2,432,000	289,436	301,235	273,120	290,268	281,444
JACKSON	8,078,000	8,401,000	1,132,256	940,235	852,480	872,403	845,882
JEFFERSON	13,248,000	13,778,000	1,737,213	1,467,320	1,330,370	1,361,462	1,320,073
JEWELL	3,365,000	3,500,000	416,693	413,495	374,902	383,664	372,001
JOHNSON	429,951,000	447,149,000	76,352,063	46,783,806	42,417,317	43,408,651	42,089,028
KEARNY	4,559,000	4,741,000	228,928	222,344	201,592	206,304	200,032
KINOMAN	7,657,000	7,963,000	828,617	876,325	794,534	813,103	788,385
KIOWA	3,664,000	3,811,000	335,824	332,995	301,915	308,971	299,579
LABETTE	15,170,000	15,777,000	2,263,227	2,223,129	2,015,637	2,062,745	2,000,037
LANE	2,637,000	2,743,000	318,887	348,752	316,201	319,836	310,113
LEAVENWORTH	39,068,000	40,631,000	6,029,727	4,959,284	4,496,418	4,601,503	4,461,618
LINCOLN	2,946,000	3,064,000	335,286	383,651	347,844	355,973	345,151
LINN	7,063,000	7,345,000	508,289	499,518	452,896	456,996	443,103
LOGAN	2,846,000	2,960,000	306,008	307,461	278,765	286,356	277,651
LYON	23,448,000	24,386,000	3,483,810	3,370,030	3,055,494	3,126,904	3,031,846
MARION	9,415,000	9,792,000	1,054,853	1,021,170	925,860	947,814	919,000
MARSHALL	8,892,000	9,248,000	1,193,488	1,138,078	1,031,857	1,055,973	1,023,871
MCIPHERSON	22,080,000	22,963,000	2,634,087	2,674,412	2,424,800	2,481,470	2,406,034
MEADE	4,204,000	4,372,000	349,760	398,630	361,424	369,871	358,627
MIAMI	19,942,000	20,739,000	2,627,606	2,295,231	2,081,010	2,129,645	2,064,904
MITCHELL	5,870,000	6,105,000	692,403	729,662	661,560	684,613	663,801
MONTGOMERY	26,438,000	27,496,000	4,025,451	3,844,072	3,485,292	3,566,746	3,458,317
MORRIS	4,958,000	5,156,000	541,788	533,371	483,590	494,892	479,847
MORTON	4,074,000	4,237,000	290,395	292,524	265,221	271,420	263,169
NEMAHA	8,552,000	8,894,000	943,816	824,276	747,344	764,810	741,559
NEOSHO	12,618,000	13,123,000	2,088,285	2,096,501	1,900,828	1,945,252	1,886,116
NESS	4,016,000	4,176,000	461,411	469,024	425,248	435,187	421,957
NORTON	4,362,000	4,536,000	599,933	594,109	538,658	551,247	534,489
OSAGE	12,272,000	12,763,000	1,394,309	1,314,919	1,192,193	1,220,056	1,182,966
OSBORNE	3,983,000	4,142,000	439,282	488,753	443,136	448,492	434,858
OTTAWA	4,446,000	4,624,000	483,951	525,742	476,672	487,813	472,983
PAWNEE	6,185,000	6,433,000	740,302	662,675	600,826	614,867	596,176
PHILLIPS	4,949,000	5,147,000	597,500	651,635	590,816	604,624	586,243
POTTAWATOMIE	14,110,000	14,674,000	903,440	962,270	872,458	892,848	865,706
PRATT	8,764,000	9,114,000	1,105,172	1,135,408	1,029,437	1,053,496	1,021,470
RAWLINS	2,962,000	3,081,000	398,482	386,031	350,002	358,181	347,293
RENO	46,589,000	48,453,000	6,572,734	5,705,163	5,172,681	5,293,572	5,132,647
REPUBLIC	5,507,000	5,727,000	676,479	709,345	643,139	658,170	638,162
RICE	8,572,000	8,915,000	948,101	1,022,819	927,356	949,029	920,178
RILEY	28,853,000	30,007,000	4,218,720	3,683,160	3,339,399	3,417,444	3,313,554
ROOKS	5,506,000	5,726,000	635,439	667,165	604,896	619,033	600,215
RUSH	3,286,000	3,417,000	385,296	398,884	361,655	353,354	342,612
RUSSELL	7,694,000	8,002,000	936,332	910,644	825,651	844,947	819,261
SALINE	39,684,000	41,271,000	5,611,703	4,836,762	4,385,331	4,487,821	4,351,391
SCOTT	5,473,000	5,692,000	751,813	615,236	557,814	570,851	553,497
SEDGWICK	331,971,000	345,250,000	46,458,175	40,513,570	36,732,303	37,590,772	36,448,013
SEWARD	15,947,000	16,585,000	2,009,444	1,684,241	1,527,046	1,562,734	1,515,227
SHAWNEE	126,464,000	131,523,000	22,553,815	18,589,005	16,854,031	17,247,926	16,723,589
SHERIDAN	2,802,000	2,914,000	388,178	306,068	277,501	283,987	275,354
SHERMAN	5,896,000	6,132,000	776,161	636,740	577,311	590,803	572,843
SMITH	4,136,000	4,301,000	534,482	517,041	468,784	479,740	465,156
STAFFORD	4,845,000	5,039,000	622,487	546,654	495,633	507,216	491,797
STANTON	3,001,000	3,121,000	243,248	237,720	215,533	220,570	213,865
STEVENS	6,007,000	6,248,000	236,910	229,042	207,665	212,518	206,057
SUMNER	18,182,000	18,910,000	2,872,630	2,362,583	2,142,075	2,192,137	2,125,497
THOMAS	7,006,000	7,286,000	941,060	791,392	717,528	741,306	718,770
TRECO	3,237,000	3,366,000	404,239	383,771	347,953	356,085	345,260
WABAUNSEE	5,309,000	5,521,000	626,702	566,365	513,505	525,506	509,530
WALLACE	1,798,000	1,870,000	170,968	156,621	142,003	145,322	140,904
WASHINGTON	5,050,000	5,252,000	589,885	612,726	555,538	568,522	551,239
WICHITA	2,641,000	2,747,000	312,909	329,673	298,903	305,889	296,590
WILSON	7,278,000	7,569,000	850,782	877,668	795,752	814,350	789,593
WOODSON	3,144,000	3,270,000	360,187	363,503	329,576	337,278	327,025
WYANDOTTE	101,887,000	105,963,000	19,602,907	15,665,586	14,221,598	14,553,970	14,111,529
TOTAL	\$2,033,268,000	\$2,114,603,000	\$301,805,939	\$246,457,466	\$223,454,769	\$228,652,948	\$221,701,899



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John T. Torbert

January 31, 1991

To: Senate Assessment & Taxation
Chairman Dan Thiessen

From: Anne Smith
Director of Legislation

Re: SB 9

The Kansas Association of Counties is in favor of SB 9.

The bill offers a satisfactory solution to the existing problems with the motor vehicle registration system. We feel the proposal by Douglas County Treasurer Nancy Hempen that was incorporated into the bill will make the motor vehicle registration system fair and equitable to all taxpayers.

The bill also retains the staggered system of issuing the licenses and collecting the motor vehicle tax, which we feel is important.

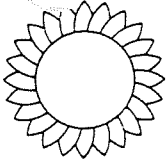
There continues to be no solution, however, to the revenue shortfall to local governments. With the current regulation of the Department of Revenue, dealing with the 16% depreciation, there is a \$23 million loss to local governments. Even if SB 9 becomes law, there will continue to be around an \$18 million loss to local governments.

The regulation was put into effect after our budgets were finalized so there is no way to make up the loss of revenue for calendar year 1991. And with the school districts accounting for over 55% of local government revenue, the legislature is faced with making up a 9 to 11 million dollar loss.

We ask the committee to support the hold harmless factor suggested by Douglas County Administrator Chris McKenzie so that counties do not experience revenue shortfall.

Thank you for the opportunity to address these issues. We can discuss them further with you at your convenience.

1-31-91
ATT. 3-1



Johnson County
Kansas

JANUARY 31 1991

SENATE ASSESSMENT AND TAXATION COMMITTEE

HEARING ON SENATE BILL 9

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

Mr. Chairman, members of the Committee, my name is Gerry Ray, Intergovernmental Officer for the Johnson County Board of Commissioners.

The County is in a difficult position relative to Senate Bill 9, because it is normally not our policy to support a piece of legislation that reduces the county's revenue. Although we do not fully agree with the contention of inequity, we feel it has been ruled on and the resulting ramifications must be addressed.

After the Department of Revenue's temporary order relative to the depreciation was issued, we began working with Douglas and Sedgwick Counties, the Kansas Association of Counties and the League of Municipalities, to work out a plan that would reduce the revenue losses to local governments. The meetings resulted in two recommended actions. One was the implementation of a more current mill levy as set out in Senate Bill 9. The second recommendation was to apply an adjustment factor that would make the process revenue neutral for the local taxing units. This proposal was presented in earlier testimony today.

Johnson County supports both of the above provisions as a way to help local units recoup the revenue losses brought about by this situation. The losses in Johnson County are:

Under the Department of Revenue's order

Johnson County only - \$644,308
All Taxing Units within Johnson County - \$3,869,341

With the Addition of the Douglas County Plan

Johnson County only - \$462,495
All Taxing Units within Johnson County - \$2,777,475

It should be noted that the \$644,308 loss in 1991 came about after the mill levy was certified and we required to absorb it in this years budget.

1-31-91
ATTN-1

With so much concern about providing property tax relief, great care should be exercised when any action is taken that will result in a tax shift. We contend that without the addition of the adjustment factor or some "hold harmless" provision this equity issue will cause another shift to property tax to support local units. The Committee is urged to adopt the provisions of Senate Bill 9 along with the proposed adjustment factor amendment.

Thank you for your consideration of our problems and the proposed solutions.

TESTIMONY TO SENATE ASSESSMENT AND TAXATION COMMITTEE
REGARDING SENATE BILL NO. 9
ART DAVIS, ASSISTANT TO THE CITY ADMINISTRATOR
LENEXA, KANSAS
JANUARY 31, 1991

Mr. Chairman and members of the Committee:

I am Art Davis, Assistant to the City Administrator for the City of Lenexa, a city of approximately 34,000 residents located in Johnson County. I am representing the Lenexa Governing Body in support of your attempt to re-structure the current alphabet system of motor vehicle taxation. However, Lenexa supports the concept of this re-structuring only if the results are revenue neutral for local units of government.

The existing temporary order by the Department of Revenue is projected to result in a decrease of 7.6% in 1991 motor vehicle revenue to local units of government. For the City of Lenexa, the estimated revenue loss is \$98,000, which is part of an estimated \$23,000,000 loss to local governments statewide. Senate Bill No. 9 decreases the amount of lost revenue by 5.44%, which amounts to an estimated loss of \$93,000 for the City of Lenexa, and \$18,000,000 statewide. As everyone is well aware, local units of government incurred a large decrease in motor vehicle tax revenue as a result of the reappraisal and re-classification process.

I would encourage the Committee to continue to review proposed amendments that would further decrease the amount of motor vehicle revenue loss that is projected for local units of government in 1992.

1-31-91
ATT 5-1



CITY OF OLATHE

MEMORANDUM

TO: Members of the Senate Assessment and Taxation Committee

FROM: Donald R. Seifert, Asst. Director, Administrative Services

SUBJECT: **Senate Bill No. 9 - Calculation of Motor Vehicle Tax**

DATE: January 31, 1991

On behalf of the city of Olathe, thank you for the opportunity to appear today on Senate Bill No. 9 concerning the motor vehicle tax. Many of you served on the interim committee, and the city commends your work in studying this issue and drafting a bill aimed at eliminating the "alphabet inequity" in the current system.

Olathe supports the concept of this bill because as a matter of public policy, it is important to retain taxpayer confidence in the vehicle tax system. The motor vehicle tax represents an important revenue source to operate local units of government. In Olathe, the motor vehicle tax represents approximately 13% of the property tax revenue for support of our library, debt service, and general operating funds. Preserving equity in such an important revenue source is essential. Indeed, equity should be a fundamental objective of any system of taxation.

Having said this, our support for Senate Bill No. 9, is tempered by the fact that correcting "alphabet inequity" causes local governments in Kansas to experience an additional motor vehicle tax revenue loss, in addition to the major loss experienced following implementation of state wide reappraisal. For the city of Olathe, we estimate an annual loss of approximately \$100,000 in addition to the \$550,000 reduction experienced in our 1991 budget after reappraisal. It is unrealistic to assume revenue losses of this magnitude can easily be made up by budget cuts and tax increases on real property.

In summary, Olathe supports a system of fair motor vehicle taxation, but believes the solution to inequity in the present system should not come at the expense of local revenue. We would urge the committee to devise a bill that is more "revenue neutral" to local government.

Thank you again for the opportunity to comment on this bill.

DS:jf

1-31-91
ATT. 6-1

TO: SENATE ASSESSMENT AND TAXATION COMMITTEE
FROM: LARRY CLARK, WYANDOTTE COUNTY APPRAISER
DATE: JANUARY 31, 1991
RE: SENATE BILL #9

MR. CHAIRMAN AND HONORABLE MEMBERS OF THIS COMMITTEE,
I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU IN REGARDS TO
SENATE BILL #9.

MY NAME IS LARRY CLARK AND I AM HERE REPRESENTING THE
KANSAS APPRAISERS' ASSOCIATION AS THEIR PRESIDENT-ELECT AND
CHAIRMAN OF THEIR LEGISLATIVE COMMITTEE.

THE CONCERN OUR ASSOCIATION WISHES TO CONVEY TO THE SENATORS
IS THAT ACTIONS HAVE BEEN TAKEN IN HASTE AND WITH INSUFFICIENT STUDY
IN THE AREA OF MOTOR VEHICLE TAXATION. MANY OF MY COLLEAGUES WHO
HAVE STUDIED THE FORMER SYSTEM AND THE ONE CURRENTLY IN PLACE HAVE
COME TO THE CONCLUSIONS THAT, NUMBER ONE, THE INEQUITY IN THE FORMER
SYSTEM, IF IT EXISTED AT ALL, WAS MINIMAL, AND NUMBER TWO, THE SYSTEM
ADOPTED BY THE STATE AND PUT INTO EFFECT JANUARY 1 OF THIS YEAR DOES
NOT DO AWAY WITH THE INEQUITY, BUT SIMPLY TRANSFERS IT TO OTHER
TAXPAYERS.

OUR PRESENT CONCERN OVER SENATE BILL #9, OR ANY OTHER PIECE OF
LEGISLATION IN THIS AREA, IS THAT NOT ENOUGH TIME HAS BEEN SPENT BY
PEOPLE WHO HAVE KNOWLEDGE OF THE SYSTEM IN DEFINING THE EXACT PROBLEM
AND ARRIVING AT A REASONABLE SOLUTION.

IN MY COUNTY OF WYANDOTTE, WE CALCULATE THE LOSS IN REVENUE
FROM MOTOR VEHICLES UNDER THE CURRENT SYSTEM AT \$1,025,000. AS WE
ALL ARE AWARE THAT TRANSLATES INTO A SHIFTING OF THE TAX BURDEN FROM
MOTOR VEHICLES TO COMMERCIAL PERSONAL PROPERTY AND TO REAL ESTATE.

1-31-91
ATT. 7-1

PAGE TWO

THE LEGISLATION BEFORE YOU HAS THE POTENTIAL FOR ADDITIONAL SHIFTING,
DEPENDING UPON THE YEAR-TO-YEAR CHANGES IN THE COUNTY MILL RATE.

THE COUNTY APPRAISERS' ASSOCIATION RESPECTFULLY REQUESTS THAT
ADDITIONAL TIME BE GIVEN TO INVESTIGATING THE ISSUE OF INEQUITY IN
MOTOR VEHICLE TAXATION AND TO THAT END WE OFFER OUR ASSISTANCE.
WE ARE NOT CONVINCED THAT THERE IS A PROBLEM AND THAT IF THERE IS
THAT THE SOLUTION HAS BEEN FOUND.

THANK YOU FOR ALLOWING ME TO TESTIFY.

REPORT: FMVRS004
 DATE: 01/28/91

WYANDOTTE COUNTY DATA CENTER
 ASSESSED VALUE AND TAX DUE ESTIMATION REPORT
 FOR VEHICLES REGISTERED WITH A 91 TAG YEAR

PAGE: 1
 TIME: 08:00:16

EXPIRATION LETTER/DATE	# OF VEHICLES	TOTAL ASSESSED VALUE	OLD CALCULATION TOTAL TAX	NEW CALCULATION TOTAL TAX	TAX DIFFERENCE
A 02/28	6,485	2,248,392	342,564.18	333,985.91	8,578.27
B 03/31	10,003	6,816,938	1,038,773.15	999,991.03	38,782.12
C 04/30	13,027	9,419,409	1,434,644.45	1,362,510.02	72,134.43
E 05/31	11,580	9,559,744	1,453,523.96	1,360,978.15	92,545.81
H 06/30	8,883	6,364,294	968,421.35	895,310.53	73,110.82
J 07/31	11,309	8,672,151	1,318,766.99	1,202,063.87	116,703.12
M 08/31	12,221	9,165,554	1,394,328.88	1,253,718.17	140,610.71
K 09/30	9,392	7,154,580	1,087,910.53	964,446.27	123,464.26
S 10/31	9,679	7,747,649	1,178,226.56	1,029,220.12	149,006.44
V 11/30	10,757	8,721,617	1,325,705.28	1,140,901.79	184,803.49
X 12/31	1,343	1,107,413	168,177.45	142,355.00	25,822.45
	104,679	76,977,741	11,711,042.78	10,685,480.86	1,025,561.92

PRINTED IN U.S.A.

CITY OF WICHITA
TESTIMONY RE: SENATE BILL NO. 9 ON MOTOR VEHICLE TAXES

JANUARY 31, 1991

MEMBERS OF THE SENATE TAXATION COMMITTEE. MY NAME IS RAY TRAIL; I AM ASSISTANT CITY MANAGER AND DIRECTOR OF FINANCE IN WICHITA. ON BEHALF OF THE CITY OF WICHITA, WE APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU AND SPEAK IN ~~SUPPORT~~ ^{OPPOSITION TO} OF SENATE BILL NO. 9.

WICHITA WAS DISTRESSED TO LEARN LAST YEAR THAT ANOTHER ASSAULT ON AN IMPORTANT REVENUE SOURCE WAS TAKING PLACE. FIRST LOCAL GOVERNMENTS EXPERIENCED A MAJOR LOSS OF MOTOR VEHICLE TAX REVENUE DUE TO REAPPRAISAL-ADJUSTED MILL LEVIES. FOR WICHITA THAT LOSS OF REVENUE EXCEEDED \$1.6 MILLION. NOW, THE CHANGE IN MOTOR VEHICLE TAX COLLECTIONS RESULTING FROM THE MORE RECENT ALPHABET DEBATE WILL REDUCE WICHITA'S MOTOR VEHICLE TAX COLLECTIONS BY ANOTHER \$500,000.

WE APPRECIATE THE IMPORTANT TAX ISSUES WITH WHICH THE LEGISLATURE MUST DEAL. WE HOPE THAT THE LEGISLATURE WILL APPRECIATE THAT THESE KINDS OF LOSSES IN REVENUES COME AT A HIGH PRICE IN DIMINISHED FINANCIAL ABILITY TO FUND CRITICAL LOCAL GOVERNMENT SERVICES. IN THE WICHITA CITY BUDGET (WHICH HAS CONSOLIDATED ITS LOCAL TAXING BUDGETS INTO TWO FUNDS - AN OPERATING GENERAL FUND AND A DEBT SERVICE FUND) PUBLIC SAFETY ACCOUNTS FOR HALF OF THE LOCAL (GENERAL FUND) TAX BUDGET, STREETS AND OTHER PUBLIC WORKS ACTIVITIES FOR ONE FOURTH, AND PARKS AND OTHER AMENITIES FOR 15%. THERE IS NO WAY THAT A LOSS OF \$500,000 WILL NOT AFFECT THE ABILITY OF WICHITA CITY GOVERNMENT TO PROVIDE THE VERY BASIC GOVERNMENTAL SERVICES FOR THE PUBLIC.

TO PUT THIS ISSUE INTO A PUBLIC SERVICE PERSPECTIVE, IN WICHITA \$500,000 IN ANNUAL REVENUES WOULD FUND THE WAGES, BENEFITS AND EQUIPMENT OF 14 POLICE OFFICERS OR FIREFIGHTERS. IT COULD MEAN THE CLOSURE OF EIGHT OF THE CITY'S ELEVEN BRANCH LIBRARIES. IT IS MORE MONEY THAN THE CITY HAS AVAILABLE FOR LOCALLY-FUNDED CITY SOCIAL SERVICE PROGRAMS. PUT SIMPLY, WICHITA AND, I AM

1-31-91
ATT. 8-1

CITY OF WICHITA TESTIMONY
SENATE BILL NO. 9 ON MOTOR VEHICLE TAXES
JANUARY 31, 1991
PAGE 2 OF 2

SURE OTHER CITIES AS WELL AS COUNTIES AND SCHOOL SYSTEMS, CANNOT AFFORD TO ABSORB REVENUE LOSSES OF THIS MAGNITUDE MUCH LONGER WITHOUT THE PUBLIC PAYING A HIGH PRICE IN REDUCED SERVICES.

WICHITA IS SUPPORTIVE OF THE LANGUAGE INCLUDED IN SB 9 WHICH ALLOWS FOR AVERAGING OF THE MILL LEVY ADJUSTMENT OVER TWO YEARS, IF THE VEHICLE BEING REGISTERED COVERS TWO CALENDAR YEARS. I WILL DEFER TO OTHERS WHO ARE MORE KNOWLEDGEABLE IN THE INTRICACIES OF HOW THIS WORKS, BUT IT IS MY UNDERSTANDING THAT THIS CHANGE MAY MITIGATE A PORTION OF THE LOSS OF REVENUES TO LOCAL GOVERNMENTS.

THIS IS ONLY THE FIRST OF PROBABLY MANY TAXING ISSUES THAT WILL SURFACE DURING THIS CRITICAL LEGISLATIVE SESSION. CHANGES IN THE TAX STRUCTURE ARE NOT EASY BECAUSE OF THE LINKAGES IN TAX FORMULAS FROM ONE TYPE OF TAX TO THE OTHER. LOCAL GOVERNMENTS, OF NECESSITY, RELY ON THE STATE FOR MUCH OF ITS ABILITY AND AUTHORITY TO GENERATE REVENUES FOR LOCAL SERVICES. WE FULLY UNDERSTAND THAT IT IS NOT POSSIBLE TO TURN BACK THE CLOCK AND RETAIN THE OLD FORMULA FOR MOTOR VEHICLE TAX COLLECTION, AND THAT SB 9 IS AN EFFORT TO RECOGNIZE THE STATE ADMINISTRATIVE CHANGE AND (POSSIBLY) MITIGATE SOME OF THE REVENUE LOSS.

WE HOPE THAT YOU WILL KEEP LOCAL GOVERNMENTS AND THE POTENTIAL ADVERSE IMPACT ON FINANCING BASIC LOCAL SERVICE IN MIND AS YOU DECIDE ON THIS AND FUTURE TAXING ISSUES. THANK YOU FOR THE OPPORTUNITY TO SPEAK ON THIS MATTER.

END



**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: Senate Committee on Assessment and Taxation
FROM: E.A Moshier, Executive Director, League of Kansas Municipalities
RE: SB 9--Special Tax on Motor Vehicles
DATE: January 31, 1991

I appear in opposition to SB 9, 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 are some what confused about the whole "alphabet inequity" issue. We have not yet seen convincing evidence that our system is 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 for the regulation of the Department of Revenue, dealing with the 16% depreciation, is a \$23 million reduction in motor vehicle tax revenues for calendar year 1991.

We call to your attention that a surcharge 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 bill is estimated to increase motor vehicle taxes, statewide, by approximately \$5.2 million on an annualized basis. 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. When countywide tax rates go down--and this does happen--receipts will decline.

The interim study committee did not appear sympathetic to the suggestion that vehicle tax rates be subject to a surcharge, perhaps on a phase-out basis, which would neutralize the revenue loss from changes in the proposed bill. However, we reaffirm our support for surcharges or other changes which would make the effort to reduce purported inequities revenue neutral. In addition, 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

1-31-91
ATT. 9-1

seems logical to increase the older vehicle tax to the same amount as the new indexed minimum for motor vehicles.

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.

<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.



SEDGWICK COUNTY, KANSAS

INTERGOVERNMENTAL COORDINATOR

WILLIE MARTIN

COUNTY COURTHOUSE • 525 N. MAIN • SUITE 315 • WICHITA, KANSAS 67203 • TELEPHONE (316)383-7552

To: Senate Committee on Assessment and Taxation
From: Willie Martin, Sedgwick County
Re: Senate Bill 9 Special Tax on Motor Vehicles
Date: January 31, 1991

Mr. Chairman and members of the Committee I am Willie Martin representing the Board of Sedgwick County Commissioners. Thank you for the opportunity to express our position on Senate Bill 9. Sedgwick County supports an equitable system for the collection of the motor vehicle tax. However, the County is concerned about the loss of revenues.

The current system was changed after the FY 1991 budgets were set. Sedgwick County as well as many other local governments will directly lose monies during this calendar year without any options to recoup these losses.

Overall, Sedgwick County projects that the potential loss in revenue to all municipalities will total \$6,680,649. The County will lose 19.5% or \$549,245. The largest loss will be to USD 259. Although the school district has other means of recouping the loss in taxes, this loss directly impacts the school aid formula.

We strongly support the recommendation of a surcharge or other changes which would make this legislation revenue neutral for local government. It is well known that the reduction of property taxes is a major goal this session. It seems contradictory to enact legislation reducing local government revenue when property tax is our most viable source of replacement. We hope that the wisdom of the Committee will devise an alternative.

1-31-91
ATT. 10-1



KANSAS DEPARTMENT OF REVENUE

Office of the Secretary
Robert B Docking State Office Building
915 SW Harrison St
Topeka Kansas 66612-1588

MEMORANDUM

To: The Honorable Dan Thiessen, Chairman
Senate Committee on Assessment and Taxation

From: Mark A. Burghart, General Counsel
Kansas Department of Revenue

Date: January 31, 1991

Subject: Senate Bill No. 9 -- Taxation of Motor Vehicles

Thank you for the opportunity to appear and comment on S.B. 9. The bill codifies a temporary regulation promulgated by the Department on October 1, 1990 which had the effect of accelerating the recognition of depreciation for motor vehicles. The bill also prorates mill levies when a registration year extends over 2 calendar years. The Department's original regulation was intended to address the perceived inequity in the current system of taxing motor vehicles identified by the Attorney General in Opinion No. 90-100. That opinion held that the current staggered registration system for vehicles was unconstitutional because owners with surnames at the end of the alphabet pay more than those at the beginning of the alphabet. Staggered registration under the this type of system failed to allow the same depreciation deduction for those at the end of the alphabet that is enjoyed by those at the beginning of the alphabet. The regulation was promulgated after the Department received a written opinion from the Attorney General stating that administrative action would be appropriate (Attorney General Op. 90-110) under the circumstances.

The temporary regulation addressed the perceived inequity by accelerating depreciation to January 1 when the period for which an owner is seeking to register a motor vehicle covers a portion of two calendar years. Attached you will find a worksheet which illustrates the effect the regulation has on the precise example cited in the Attorney General's opinion. The new methodology for computing depreciation will affect motor vehicle registrations occurring after January 1, 1991.

The portion of S.B. 9 relating to the proration of mill levies was recommended by several counties. This feature of the bill was designed to further insure equitable treatment among vehicle registrants. This change could not be accomplished by administrative regulation according to the Attorney General. (Attorney General Op. 90-115).

General Information (913) 296-3909
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RELATED LITIGATION

Following the release of the Attorney General's opinion regarding staggered registration, several suits were filed challenging the current registration system. Below is a brief summary of that litigation.

SHAWNEE COUNTY. A class action suit was filed on August 27, 1990 in Shawnee County District Court. (Bernard A. Zarda, Sr. et al. v. State of Kansas et al.) The Department answered on behalf of all named defendants. Plaintiffs subsequently amended their petition to name certain additional defendants including Franklin, Johnson, Leavenworth and Wyandotte Counties. The Department filed a motion to dismiss for failure to exhaust administrative remedies. The Department also responded to plaintiffs' motion for summary judgment on the constitutional issue. The case was recently dismissed by the district court for failure to exhaust administrative remedies.

JOHNSON COUNTY. A class action suit was filed in Johnson County on September 18, 1990. (James L. Ungerer et al. v. State of Kansas et al.) The Department filed a motion to dismiss for failure to exhaust administrative remedies. The case was transferred to Shawnee County and has yet to be dismissed.

QUO WARRANTO. A petition for quo warranto was filed by the Attorney General in the Kansas Supreme Court on September 14. The Attorney General sought to have the current system of taxation for motor vehicles declared unconstitutional as a denial of equal protection. Since the temporary regulation addressed the concerns of the Attorney General, the quo warranto action was dismissed by his office.

I would be happy to respond to any questions you might have regarding the bill or the related litigation.

Example: Model Year 1989 Vehicle Purchased in June 1989; Sold in Dec. 1994

Calendar Year	Depr. Value	Tax Value (X.30)	Tax for 12 mos. @ 120 mls	A's Tax	T's Tax
89	15,000 / 12,600	4,500 / 3,780	540 / 454	270 76 (7/1-12/31 1/1-2/29)	225 45 416 (7/1-11/30 12/1-12/31 1/1-11/30)
90	12,600 / 10,584	3,780 / 3,175	454 / 381	(3/1-12/31 1/1-2/29) 378 64	(11/1-12/31 1/1-11/30) 38 349
91	10,584 / 8,891	3,175 / 2,667	381 / 320	318 53	32 293
92	8,891 / 7,468	2,667 / 2,240	320 / 269	267 45	27 247
93	7,468 / 6,273	2,240 / 1,882	269 / 226	224 38	22 207
94	6,273 / 5,269	1,882 / 1,581	226 / 190	188 32 <hr/> 1645 + 308	19 174 <hr/> 363 + 45 + 1686
				=	=
				1953	2094
Sell in Dec '94 CREDIT/REFUND				-32 (1/1-2/29)	-174 (1/1-11/30)
				1921	1920

* 1 off due to rounding.

92-55-2a. Valuation of motor vehicles; allowance for depreciation. (a)
When the period for which an owner is seeking to register a motor vehicle covers a portion of two calendar years, the value of a motor vehicle to be registered shall be reduced by taking into account depreciation which is equal to the product determined by multiplying 16% by a fraction, the numerator of which is the number of months in the next succeeding calendar year remaining in the owner's registration year and the denominator of which is 12. The depreciation allowed hereunder shall be in addition to the amounts allowed as reductions in the value of a vehicle pursuant to K.S.A. 79-5105(a).

(b) The method of computing depreciation set forth in subsection (a) shall be applied to all motor vehicles which are registered after January 1, 1991. (Authorized by K.S.A. 79-5115; implementing K.S.A. 79-5105; effective _____, _____.)

~~BY~~
APPROVED
ATTORNEY GENERAL

DEPT. OF ADMINISTRATION

SEP 26 1990

APPROVED BY FDL



City of Lawrence KANSAS

CITY COMMISSION
MAYOR
SHIRLEY MARTIN-SMITH
COMMISSIONERS
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DAVID PENNY
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MIKE WILDGEN, CITY MANAGER

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TO: The Honorable Senator Dan Thiessen and
Members of the Senate Assessment and Taxation Committee
FROM: David Corliss, City of Lawrence
RE: Senate Bill 9 - Special Tax on Motor Vehicles
DATE: January 31, 1991

On January 8, 1991, the Lawrence City Commission adopted the following position concerning motor vehicle taxes, as part of their 1991 Legislative Program:

The special motor vehicle tax is an important source of revenue for the City of Lawrence. In 1990, the City budgeted \$1,524,656 and the City projected to receive \$1,150,817 in 1991. The decline in 1991 revenues is due to reappraisal, which decreased the county-wide mill levy which is used to determine motor vehicle taxes for all Douglas County residents. The 1990 Legislature ignored the urgings of City and County officials to adjust the statutory motor vehicle tax formula to avoid the loss of motor vehicle taxes. The decrease in 1991 motor vehicle taxes of \$373,839 placed an additional undesirable strain on ad valorem property tax levies.

In August of 1990, the Kansas Attorney General opined that the current staggered registration system created inequities among motor vehicle taxpayers that made the system unconstitutional. Amid lawsuits and an interim study (Proposal No. 3) on the so called "alphabet equity" issue, the Kansas Department of Revenue adopted an emergency administrative regulation to attempt to remedy the alleged defects. The administrative regulation is estimated to reduce motor vehicle property tax collections by \$23 million state-wide. The interim Special Committee on Assessment and Taxation has recommended enactment of legislation to codify a modified version of the regulation, advanced by Douglas County officials, which reduces the state-wide loss to an estimated \$18 million. However, the Committee rejected proposals to temporarily increase all motor vehicle taxes over a three year period to further mitigate the loss in revenue.

POSITION ADOPTED: Any changes to the state law governing motor vehicle taxes--whether legislative or administrative--should be revenue neutral recognizing the importance of this tax to cities and the need to avoid further shifts to the general ad valorem property tax.



1-31-91
ATT 12-1