

Approved Monday, February 18, 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./~~xxx~~ on Wednesday, February 13, 1991 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

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

Conferees appearing before the committee:

Terry Humphrey, Manufactured Housing

Chairman Dan Thiessen called the meeting to order at 11:07 a.m. and told the members they have minutes dated February 11 and February 12, 1991 in front of them, and he would ask for a motion at the end of the meeting. He said, you also have print-outs from Kevin Robertson in front of them, requested by the committee on Kansas Hotel Property Tax-1988 to 1989 and also another print-out with comparisons of the various constitutional amendment proposals, he said the old one, did not have SCR1606 and this one does. He turned attention to SCR1611 for committee discussion. (ATTACHMENTS 1 and 2)

SCR1611:A PROPOSITION to amend section 1 of article 11 of the constitution of the state of Kansas, relating to the taxation of property.

Senator Janis Lee said she had an amendment she would like to offer dealing with manufactured housing used for residential purposes, using the phrase from SCR1648 of last year.

After committee discussion on manufactured/mobile homes, and the foundation the home sits on, a member asked Terry Humphreys with Manufactured Housing if she would comment.

Terry Humphrey said that P.V.D. ruled in January 1989 that land with manufactured/mobile homes are to be treated as residential property.

Chris Courtwright said not only the foundation under the manufactured/mobile homes it includes the land around the home and the common areas, which are listed as residential property. There is a question as to how that land might be assessed in the future, depending on what the constitutional amendment says. It is unclear as to what would happen to the common areas, such as the clubhouse and swimming pools.

Senator Lee moved to amend SCR1611, page 2, line 12 by adding "and real property, mobile homes used as residential purposes only", 2nd by Senator Fred Kerr The motion carried.

Senator Audrey Langworthy said she would like to propose to make the constitutional amendment more attractive to the voters, by the committee considering lowering residential to 11.5%.

Senator Audrey Langworthy moved to put residential at 11.5%. The motion failed for lack of 2nd.

Senator Martin said we have (2) constitutional amendments before us, and the committee is interested in reducing commercial real property, and he felt we should look at some of the other categories that are in the amendments, between the 2 amendments there may be variations but both are saying that utility property would have to be increased and if we work on the basis that we have in the past, to protect homeowners and farmers from any tax shifts, he thought, that begins to key in the differences. (1) would bring back inventories on public utilities and the other would bring back inventories on everything.

He said, he felt maybe we would be limited in the types of adjustments we would

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

room 519-S, Statehouse, at 11:00 a.m./p.m. on Wednesday, February 13, 1991

like to make and he said he was not opposed to reducing down for homeowner, but where does that impact go back to? He would like to see commercial real estate be given a meaningful reduction, but would not like to see it shifted over to residential property, and he believes it would shift to inventories or business machine equipment. He said he would like to see some numbers on what merchants inventory would be granted and what it would do if we put in, for example \$1.M and for example if they have multi-stores, they would only get the exemption one time, and the rest would be taxable. He said he would work with staff to see if they could obtain some of those numbers, so we can see what our choices are.

Senator Fred Kerr said Senator Langworthy's suggestion of going down to 11.5% on homes, and flipping through the counties, the problem is, there is so much commercial property that when you lower it from 30% down to 25% which the resolution does, thats a lot of tax base, and it diminishes the tax base more than the other things that we have in increases. He thought we would have to look at some other alternatives, how to pick up the tax base or we have to water down what we are trying to do, help commercial property.

He thought, Senator Martin's suggestion on \$1.M threshold on merchants inventories would be a possiblility. If we did that we would have to make very clear that automobile dealers and farm implement dealers were not subject to that inventory tax.

Another concept is being considered in the House and that is a threshold on homes. They are considering \$5,000. threshold on a house and that is a lot of tax base, so we could consider a smaller threshold, i.e. \$1,000. or \$2,000..

On timing, February 26th is the deadline to get a proposal on the April 2 ballot, so we would have to do this by next Monday, and on the floor of the Senate by Wednesday.

Senator Marge Petty said going back to Senator Langworthy's proposal, she appreciates what she is trying to do in terms of reduction of percentage, but her concern is that the homeowner might be mislead if it goes on the ballot, that they might feel an actual reduction, and once you have an increase in appraised value, she is not sure they would feel that small percentage in reduction.

Senator Langworthy said it is not a new idea, nor is her arguments new, as last year SCR1648 which passed the Senate had residential at 11.5%. It was a good idea last year, and she said she is just re-suggesting it might be a good idea again now.

After committee discussion, staff was asked to respond as to how machinery and equipment are being treated.

Tom Severn said the constitutional provision reads: "Commercial and industrial machinery and equipment which, if its economic life is seven years or more, shall be valued at its retail cost when new less seven-year straight-line depreciation, or which, if its economic life is less than seven years, shall be valued at its retail cost when new less straight-line depreciation over its economic life" He said, in a nut shell, you use the lesser of economic life or seven years.

Senator Lana Oleen said she would offer some comments for consideration by the committee. She said, the last couple of years we keep hearing the phrase "classification and reappraisal have to be voted on by the people" because we wanted to most certainly protect homeowners environment. She said she does not feel it is the homes we want to protect, but the people who own the homes and the people who live in the homes. Some people live in homes that they do not own, they rent, and she felt raising their rates 12% to 15% is something we should really look at.

Chairman Thiessen said we will have some additional runs and we will continue discussion on Monday, February 25, 1991.

Senator Oleen moved to adopt the minutes dated February 11 and February 12, 1991, 2nd by Senator Langworthy. The motion carried.

Chairman Thiessen adjourned the meeting at 11:58 a.m.

*Kevin Robertson*

**KANSAS HOTEL PROPERTY TAX - 1988 to 1990**

<b>LOCATION (ROOMS)</b>	<b>1988 TAX</b>	<b>1989 TAX</b>	<b>'88-'89 INCREASE</b>	<b>1990 TAX</b>	<b>'89-'90 INCREASE</b>
Abilene (65)	\$14,500	\$38,045	162%		
Clay Center (40)	7,715	11,528	49%		
El Dorado (73)	15,976	48,504	203%		
Emporia (55)	22,349	25,920	15%	30,842	19%
Emporia (39)	7,487	15,692	109%	15,927	1%
Hutchinson (48)	4,232	12,350	191%	16,173	31%
Lawrence (60)	13,966	23,946	76%	23,741	-1%
Leavenworth (52)	13,903	33,699	142%	32,584	-3%
Lenexa (297)	111,046	214,160	93%		
Marysville (8)	1,066	1,307	23%	1,589	22%
McPherson (90)	36,000	58,500	75%		
Newton (82)	27,878	54,439	95%	56,305	3%
Olathe (85)	18,949	44,504	135%	49,045	10%
Ottawa (60)	14,076	39,891	183%	42,171	6%
Overland Park (183)	42,697	104,425	145%	103,586	-1%
Overland Park (357)	203,458	484,578	138%	506,888	5%

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Sabetha (29)	3,511	5,780	65%	5,197	-10%
Salina (72)	18,136	34,033	88%	34,556	2%
Salina (112)	42,000	66,810	53%		
Topeka (82)	24,536	52,281	113%	36,330	-30%
Wichita (70)	12,911	31,837	147%	33,850	6%
Wichita (20)	4,795	13,034	172%	13,611	4%
Wichita (119)	19,795	55,269	179%	57,774	5%
Wichita (100)	45,000	99,000	120%		

*Kevin Robertson*

LIST OF LINQUIST & CRAIG HOTELS

Hotel/Address	Rooms	Prop. Tax	Cost/Room
Holiday Inn - Anaheim 1850 S. Harbor Anaheim, CA 92802-3591	311	\$ 57,824.63	\$ 185.93
Holiday Inn - Bristol Plaza Hotel 3131 Bristol Costa Mesa, CA 92626-3089	229	73,046.24	318.98
Holiday Inn - Kansas City Lenexa 12601 W. 95th St. Lenexa, KS 66215-3895	297	214,159.96	721.08
Holiday Inn - Modesto 1612 Sisk Rd. Modesto, CA 95350-2589	188	48,691.78	259.00
Holiday Inn - Tuscaloosa 3920 E. McFarland Tuscaloosa, AL 35405	165	13,984.05	84.75
Holiday Inn - Ventura 450 E. Harbor Ventura, CA 93001	259	48,145.54	185.89
Holiday Inn - Westwood Plaza 10740 Wilshire Blvd. Los Angeles, CA 90024	294	94,918.83	322.85
Journey's Inn Hotel 3222 Airways Blvd. Memphis, TN 38116	123	37,334.30	303.53
Econo Lodge 1021 9th Ave. S.W. Bessemer, AL 35020	154	54,299.80	352.60
Journey's End Hotel 3024 E. Independence Blvd. Charlotte, NC 28205	151	37,023.61	245.19
Journey's End Hotel P.O. Box 7678 Marietta, GA 30065	158	39,754.50	251.61

LMC HOTELS

Hotel/Address	Rooms	Prop. Tax	Cost/Room
Howard Johnson Lodge 900 I-70 Drive, Southwest Columbia, MO 65203	126	14,400.00	114.29
Grand River Inn U.S. 36 & 65, P.O. Box 868 Chillicothe, MO 64601	60	-0-	-0-
Howard Johnson North 1600 N.E. Parvin Rd. Kansas City, MO 64601	110	35,468.05	322.44
Howard Johnson Remington R.R. 2, Box 92 Remington, IN	99	Not Available	-0-
Howard Johnson Richmond U.S. 27 North & I-70 Richmond, IN	80	Not Available	-0-

COMPARISON OF CURRENT CLASSIFICATION

With 1990 S.C.R. 1648, 1991 S.C.R. 1606, 1991 S.C.R. 1611, and 1991 House Subcommittee Recommendations

Current Classification		1990 S.C.R. 1648	1991 S.C.R. 1606	1991 S.C.R. 1611	1991 Subcommittee Recommendations	
		Senate Version			H.C.R. 5007	H.C.R. 5006
Residential Real						
Single	12%	11.5%	12%	12%	12% (\$5,000 exempt)	11%
Multi	12%	15%	15%	15%	15%	15%
Ag Land	30% of use-value	Same	Same	Same	Same	Same
Vacant Lots	12%	Same	12%	12%	12%	11%
Commercial and Industrial	30%	First \$50,000 -- 20% Excess over \$50,000 -- 25%	20%	25%	20%	20%
Mobile Home Parks	12%	11.5%	20%	25%	20%	20%
Improvements on land devoted to agric. uses	30%	same as C&I, above	same as C&I, above	same as C&I, above	30%	30%
Fraternal Benefit Societies	30%	12%	12%	15%	15%	15%
Utility Real	30%	33%	40%	33%	35%	35%
Railroad Real	30%	Average of all Comm'l. and Ind.	Average of all Comm'l. and Ind.	Average of all Comm'l. and Ind.	Avg. C&I	Avg. C&I
Other Real	30%	25%	20%	25%	30%	30%
Mobile Homes Used as Residences	12%	11.5%	12%	12%	12% (\$5,000 exempt)	11%
Mineral Leaseholds	30%	Same	Same	Same	Same	Same
Utility Personal	30%	33%	40%	33%	35%	35%
Railroad Personal	30%	Average of all C&I	Average of all C&I	Average of all C&I	Avg. C&I	Avg. C&I
Motor Vehicles	30%	Same	Same	Same	Same	Same

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<u>Current Classification</u>		<u>1990 S.C.R. 1648 Senate Version</u>	<u>1991 S.C.R. 1606</u>	<u>1991 S.C.R. 1611</u>	<u>1991 Subcommittee Recommendations</u>	
					<u>H.C.R. 5007</u>	<u>H.C.R. 5006</u>
Comm'l. and Ind. Mach. & Equip.	20% of retail cost when new, depreciated	30% of retail cost when new, depreciated	30% of market value	30% of retail cost when new, depreciated	30% 7-year deprec.	30% 15-year deprec.
Inventories Merchants'	exempt	exempt	to extent of 60% of value: 30%	exempt	all value in excess of \$150,000: 25% <sup>(a,b)</sup>	exempt
Farm Implement Dealers'	exempt	exempt	to extent of 60% of value: 30%	exempt	exempt	exempt
Manufacturers'	exempt		30%	exempt	all value in excess of \$150,000: 25% <sup>(a)</sup>	exempt
Utility	exempt	?	to extent of 60% of value: 30%	?	35%	35%
Livestock	exempt	same	exempt <sup>(c)</sup>	same	exempt	exempt
Other Personal Property	30%	same	same	same	same	same
Tax Year Effective	1989	1990	1991	1991	1991	1991
Date of Election	Nov. 4, 1986	August 7, 1990 Primary Election	April 2, 1991	April 2, 1991	April 2, 1991	April 2, 1991

- a) Legislature could by 2/3 majority vote change the dollar amount of the \$150,000 exemption.
- b) Legislature could exempt or impose an in-lieu-of tax on motor vehicle dealers' inventories and inventories moving in interstate commerce (freeport).
- c) Legislature could impose in-lieu-of taxes on livestock and farm machinery and equipment.

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