

Approved

March 12, 1992

Minutes of the House Committee on Taxation. The meeting was called to order by Joan Wagnon, Chairperson, at 9:10 a.m. on Wednesday, FEBRUARY 26, 1992 in room 519-S of the Capitol.

All members were present except:

Rep. J. C. Long, excused.

Committee staff present:

Tom Severn & Chris Courtwright, Legislative Research; Bill Edds and Don Hayward, Revisors; Linda Frey, Committee Secretary; Douglas E. Johnston, Committee Assistant.

Conferees appearing before the committee:

Public hearings were opened on HB 2741 and HB 2926.

Steve Stotts, Director of Research for the Department of Revenue, testified in favor of HB 2741 and HB 2926 (Attachments 1 & 2).

Representative Jack Wempe testified in favor of HB 2741 (Attachment 3).

In response to a question, Rep. Wempe said the local option intangibles tax was easily avoided by taxpayers and, therefore, difficult to enforce.

Rep. Lowther said local option intangibles tax revenues lost as a result of the passage of HB 2741 would have to be replaced at the local level. Rep. Wempe said statewide that replacement would require a 2 mill increase in local property taxes, but the aggregate would more than make up the difference by enabling local districts to decrease their levies.

Rep. Wempe said the intangibles tax was designed to help local districts. Rep. George Teagarden said the revenue would go through LAVTR to the local districts so that the districts could decrease their mill levies.

Rep. Smith stated his concern that some Shawnee County townships utilized the local intangibles tax to lower mill levies while others preferred the use of sales taxes. If HB 2741 became law, he said, local districts would no longer be able to choose between the two. They would have the intangibles tax whether they liked it or not.

Dr. Walter Crockett, Chairman of State Legislative Committee for the American Association of Retired People, testified in

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation, room 519-S, State-house, at 9:10 a.m. on Wednesday, February 26, 1992.

favor of HB 2741 (Attachment 4).

Rep. Welshimer stated her concern that the exemption for \$10,000 in interest earned was perhaps not enough. She said for every \$1,000 over the \$10,000 earned would cost \$40 in taxes.

Rep. Grotewiel stated his appreciation that the AARP was willing to accept some revenue generating alternatives.

Mildred Kelly, resident of Effingham, Ks., testified in favor of HB 2741 (Attachment 5).

Howard Tice, representing the Kansas Association of Wheat Growers, testified in favor of HB 2741 (Attachment 6).

Kay Coles, representing Kansas National Education Association, testified in favor of HB 2741 (Attachment 7).

Dorothy Hanger, Topeka resident, testified in favor of HB 2741 (Attachment 8).

Representative Bob Krehbiel testified in favor of HB 2926 (Attachment 9).

Larry Tucker, Reno County Treasurer, testified in favor of HB 2926 (Attachment 10).

Bob Corkins, Director of Taxation for the Kansas Chamber of Commerce and Industry, testified against HB 2741 and HB 2926 (Attachment 11).

The Chair stated that the Department of Revenue did not have the ability to report the amount of intangible property income in the state. Corkins said he did not agree with the Chair's statement.

Corkins said that many shares transferred within a corporation would be subject to the intangibles tax even though they would not technically be earning new income. He said corporations not headquartered in Kansas could simply transfer the tax situs of the stocks out of state to avoid the tax. Private citizens would not have this option, he said.

In response to a question, Corkins said he had spoken with businesspersons from 3 or 4 corporations that confirmed his previous point. They also told him an intangibles tax would cost their corporations millions of dollars.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation, room 519-S, State-house, at 9:10 a.m. on Wednesday, February 26, 1992.

The Chair requested the Department of Revenue provide the committee with a fiscal note on HB 2741 specifically stating the department's approximation of the bills impact on corporations.

In response to a question from Rep. Adam regarding the equity of the intangibles tax verses the property tax, Corkins said imposing the intangibles tax will eliminate a great number of potential jobs in the state.

Jeffrey Sonnich, representing the Kansas-Nebraska League of Savings Institutions, testified against HB 2926 and HB 2741 (Attachment 12).

In response to a question, Sonnich said depositors would pay the intangibles tax, not savings & loans. He said certificates of deposit would not be exempt, but retirement funds would be exempt according to his reading of the bill.

Written testimony from Christina M. Wilson, Director of Public Affairs for the Kansas Grain and Feed Association, was distributed to the committee (Attachment 13) and from Ivan Wyatt, President of the Kansas Farmers Union, McPherson (Attachment 14).

The public hearings on HB 2926 and HB 2741 were closed.

Information from the Olathe Area Chamber of Commerce was distributed to the committee (Attachment 15).

The Chair brought up SB 8 for discussion and action. She discussed the subcommittee report on SB 8.

The Chair stated that it is the consensus of the committee that PVD be able to remove names from the list of mediators.

It was stated that the intent of the subcommittee was not to allow payment under protest when the binding arbitration option was exercised.

The Chair asked if it was the intent of the subcommittee to have the ability to find a compromise value rather than simply making a choice between two oppositional values. Committee consensus was that the arbitrator find the correct value.

The committee discussed the four pilot programs. It was stated that the programs were sunsetted three years from enactment.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation, room 519-S, State-house, at 9:10 a.m. on Wednesday, February 26, 1992.

Rep. Welshimer made a motion that the Property Valuation Department draft a form that advises taxpayers about the process of arbitration. Rep. Adam seconded the motion which carried.

Information previously requested on Wichita's tourism and convention budget was distributed to the committee from Catherine Holdeman, Intergovernmental Relations Director for the City of Wichita (Attachment 16).

The meeting was adjourned at 11:00 a.m. The next meeting will be February 27.

GUEST LIST

COMMITTEE: Separation

DATE: 2/26/92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Alan Steppat	Topeka	Pete McBill & Associates
W H. CROCKETT	LAURENCE	AARP
George Goebel	Topeka	AARP-SLC-CC,TF
Roger Kirkwood	Topeka	AARP-CC,TF-KANSAS
HAROLD PITTS	"	AARP-CC,TF
Dorothy Hanger	"	individual
Mildred Kelly	Edgingham	Individual
Chris Wilson	Topeka	KS Grain & Feed Ass'n
Jay Clark	Kansas City	KS County Appraisers
Jacque Dates	Topeka	SDF
Yaron Sessler	Ellinwood	Individual
Julie Hein	Topeka	Hein, Ebert & Rosen
D. Bowman	Junction City	United Tel.
Roberta Frazzle	Topeka	KS Gov't Consulting
JEFF SONNICH	TOPEKA	KNLS I
KAREN FRANCE	TOPEKA	KAR
Bob Corkins	"	KCCI
Mike Lecht	"	AT&T
Jim Turner	TOPEKA	KNLS I
C. Benson	TOPEKA	Comm. Express
Kay Clark	Topeka	KNEA
HOWARD W TICE	HUTCHINSON	KS. Ass'n. of Wheat Growers
Tom Tunnel	Topeka	KS Grain & Feed Ass'n
Jim Russell	TOPEKA	UNITED Telephone

→ AMFB

MEMORANDUM

TO: Ms. Gloria M. Timmer, Director
Division of Budget

DATE: February 25, 1992

FROM: Kansas Department of Revenue

RE: House Bill 2741
As Introduced

BRIEF OF BILL:

House Bill 2741, as introduced, is new legislation imposing a State-wide intangibles tax at a rate of 4%. The bill provides definitions of terms, declares null and void any previously levied intangibles taxes by counties, sets up the administrative mechanism for administering and collecting the taxes and provides that revenues thus received are to be credited to the Local Ad Valorem Tax Reduction Fund.

The effective date of this bill would be July 1, 1992, for taxable years commencing after December 31, 1991.

FISCAL IMPACT:

Passage of this bill could generate about \$35.5 million for the Local Ad Valorem Tax Reduction Fund in Fiscal Year 1993.

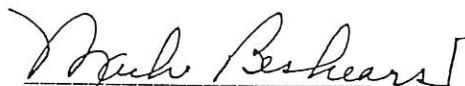
No information is currently available which would allow an accurate estimate of the revenue this bill would generate. In Fiscal year 1991 intangibles taxes collected by counties which impose a .75 percent rate was about \$3.4 million. These counties represent 20.36 percent of the state population. Assuming these counties are representative of the entire state, then a statewide intangibles tax of .75 percent would generate about \$16.7 million (\$3.4 million / .2036). A statewide 4 percent rate would generate about \$89.1 million (\$16.7 million / .0075 X .04). If the \$10,000 exemption amount allows 60% of intangible income to be exempt, then about \$35.5 million would be collected in Fiscal Year 1992.

ADMINISTRATIVE IMPACT:

Passage of House Bill 2741 would have administrative impact upon the Department of Revenue in the Record Services Bureau and the Quality Control Bureau.

A detailed list of additional administrative costs that the Department would expect to incur with the enactment of House bill 2741 is reflected in the attached tables.

APPROVED BY:



Mark Beshears
Secretary of Revenue

House Taxation
Attachment 1
02-26-92

House Bill 2741
As Introduced
Annual Expenses
February 25, 1992

I. Operating Expenses	FY 1993	FY 1994
1. Salaries and Wages		
Records Services Bureau		
(2) Office Assistant II, 6 mos. @ \$18,800	\$ 18,800	\$ 18,800
Quality Control Bureau		
(1) Office Assistant III, @ \$20,500	20,500	20,500
(2) Keyboard Oper (temp),	8,870	8,870
(1) Bookkeeper, @ \$22,400	22,400	- 22,400
 Total Salaries and Wages	 \$ 70,570	 \$ 70,570
II. Other Operating Expenses		
1. Contractual Services		
Telephone, 2 ea @ \$48/mo.	\$ 1,152	\$ 1,152
Postage	2,500	2,500
Total Contractual Services	\$ 3,652	\$ 3,652
 Total Other Operating Expenses	 \$ 3,652	 \$ 3,652
Total Operating Expenses	70,570	70,570
TOTAL ANNUAL EXPENSES	\$ 74,222	\$ 74,222

House Bill 2741
As Introduced
One-Time Expenses
February 25, 1992

I.	Operating Expenses	FY 1993
	1. Salaries and Wages	
	NONE	\$ 0
	Total Salaries and Wages	\$ 0
II.	Other Operating Expenses	
	1. Contractual Services	
	DISC-Compiles and Tests, 2 hr. @ \$2,285 pr/hr	\$ 4,570
	Telephone Set, Single Line, 2 ea. @ \$28	56
	Telephone Installation, 2 ea. @ 168	336
	Hole - Telephone Connection, 2 ea. @ \$78	156
	Electrical Outlet, 2 ea. @ \$78	156
	Total Contractual Services	\$ 5,274
	2. Capital Outlay	
	Desk, 60" x 30", Executive, Double Pedestal, 3 each @ \$450 ea.	1,350
	Swivel Tilt Arm Chair, 3 each @ \$250 ea	750
	Calculator, 12 column, printing calculator, 3 each @ \$88 ea.	264
	Herman Miller Workstations, 1 ea. @ \$1,000	1,000
	Total Capital Outlay	\$ 3,364
	Total Other Operating Expenses	\$ 8,638
	Total Operating Expenses	\$ NONE
	TOTAL ONE-TIME EXPENSES	\$ 8,638

MEMORANDUM

TO: Ms. Gloria M. Timmer, Director
Division of Budget

DATE: February 24, 1992

FROM: Kansas Department of Revenue

RE: House Bill 2926
As Introduced

BRIEF OF BILL:

House Bill 2926, as introduced, is new legislation requiring the reporting of gross earnings derived from money, notes and other evidence of debt upon the state income tax form.

The effective date of this bill would be July 1, 1992.

FISCAL IMPACT:

Passage of this bill would have no impact upon State revenues.

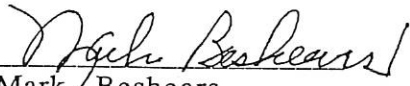
ADMINISTRATIVE IMPACT:

Passage of House Bill 2926 would result in minimal administrative costs and problems for the Department of Revenue.

ADMINISTRATIVE COMMENT:

The bill does not specify for which taxable year returns need to be modified. Suggest that wording be inserted to clarify this omission.

APPROVED BY:


Mark Beshears
Secretary of Revenue

House Taxation
Attachment 2
02-26-92

J. R. (JACK) WEMPE
 REPRESENTATIVE, ONE HUNDRED THIRTEENTH DISTRICT
 BARTON & RICE COUNTIES
 895 MAIN, P O BOX 187
 LITTLE RIVER, KANSAS 67457



TOPEKA

HOUSE OF
 REPRESENTATIVES

TESTIMONY - HOUSE TAXATION COMMITTEE

February 26, 1992

COMMITTEE ASSIGNMENTS
 MEMBER: AGRICULTURE
 ECONOMIC DEVELOPMENT
 LOCAL GOVERNMENT
 JOINT COMMITTEE ON ECONOMIC
 DEVELOPMENT

CHAIRMAN WAGNON AND MEMBERS OF THE COMMITTEE:

Thank you for the opportunity to appear today in support of HB 2741. I will not suggest to you that an intangibles tax is a "good" tax. I doubt that any tax could be so described. But taxation is a matter of choices. Today you are not being asked to assess only the intangibles tax. The existing property tax must also be assessed. This bill, in a very direct way, substitutes one for the other. It is not a question of "neither-nor." It is a question of "either-or."

I would suggest that in evaluating these two sources of revenue, four questions must be asked. First, which tax best reflects ability to pay? With a \$10,000.00 earnings exemption in the intangible proposal the answer is obvious. About \$200,000.00 of investment is protected. None is protected with property tax.

Secondly, which tax is attached most closely to a stream of revenue? Again, the answer is obvious. The existing property tax, perhaps with the partial exception of farmland, is totally unrelated to the generation of income.

The third question, I believe, is does it treat everyone of similar circumstances alike? One could perhaps argue that the current property tax does that within certain parameters.

House Taxation
 Attachment 3
 02-26-92

But the current intangibles tax does not do that. The local option feature of the current intangibles tax produces pronounced unfairness across the state. This proposal would exempt many people, people with little ability to pay, from this tax obligation. It would treat all Kansans of similar means alike.

The fourth consideration is to try to assess the result of the tax in our economic system. The current property tax has dramatically affected real estate value across the state. Particularly in regard to commercial property, the over-reliance on this tax has been devastating. I believe the quickest and broadest way to create wealth in Kansas is to work toward restoring real estate value. Many factors are involved. But certainly tax policy is one of those factors.

Opponents of an intangibles tax will often contend that it will create a shift in investment from bank deposits to exempt investments such as municipal funds or treasury bills. Let's examine that argument. In Kansas, the loan to deposit ratio is 57.47%. Nationally, this rate is substantially higher. Where do you suppose the other 43% of Kansans' savings are invested? The vast majority of that percentage is invested in treasury bills and municipals. I would pose this question. Why is it proper for Kansans' savings to be invested in these types of instruments by banks and not proper for Kansans' to invest their savings in these instruments directly?

The reality is that investment funds flow to the best after-tax return. It is competitive. The intangibles tax would be less than two-tenths of a point on the current CD rate. I would venture that there is a greater variation than that currently among banks in this city. A slight increase in the CD rate would easily cover this proposed tax. I understand

banks need to protect their "spread", but I would also point out that banking, like any other business, is competitive in nature. Those banks which aggressively seek out loan opportunity are able to achieve a higher loan ratio which in turn, contributes to maintaining that "spread." The fact is, this statewide proposal would probably affect the competition for funds aspect less than does the current local option intangibles tax.

The comparison of these two sources of revenue, intangibles tax and property tax, produces an interesting conclusion. In terms of ability to pay, and in terms of attachment to revenue, the intangibles proposal is a clear winner. In the matter of treating people of similar means fairly, the existing property tax does not fail but the existing local-option intangibles tax is a clear failure. As to the effect on our economic system, the existing property tax has clearly affected real estate value. The effect of the intangibles tax on investment choice is problematic at best.

Obviously, no one likes to pay tax. Opponents of any tax will make their argument most convincing. But this committee is being asked to choose. Does this proposal, with the revenue going simply and directly to property tax relief, meet a fairness test as compared to the tax it replaces.

I believe this proposal protects those on fixed incomes, contributes to real estate value, and helps the business community by reducing the existing property tax burden. It permits intangible property to participate in the support of local government. And its collection and distribution features are simple and sure. If the money is earned the tax is paid. When the tax is paid, it is returned by existing formula. There are no games to play.

One last point. Intangibles tax opponents will often describe it as "double" taxation. In a manner of speaking this is true. But let me point out that all taxes other than income tax could be described the same way. Your house or your farm is purchased with after-tax income. And you continue to pay tax each year. The shoes you buy are purchased with after-tax income, and you pay a sales tax. Your car is purchased with after-tax income and you pay a sales tax and then continue to pay property tax each year. This, perhaps, is triple taxation.

If the relation of a gross receipts tax to income tax is the reason for the "double" taxation complaint, I would ask one question. Would an Ad Valorem Tax on full investment value be preferable? This is exactly how real property is taxed. But just like the existing property tax, the fairness of attaching tax to a revenue stream would be lost.

I thank the members of the Committee for your attention and would stand for questions.



Jack Wempe
Representative District No. 113

TESTIMONY BEFORE THE HOUSE OF REPRESENTATIVES TAXATION COMMITTEE
CONCERNING HOUSE BILL 2741

Topeka, Kansas, February 26, 1992

Madam Chairperson and Members of the Committee, I am Walter H. Crockett, Chair of the State Legislative Committee of Kansas AARP.

The State Legislative Committee has voted to support the tax on intangible income that has been proposed by Representatives Wempe and Teagarden. Because the term "intangibles tax" sends shivers down the spines of many of our constituents and yours, I want to explain in some detail why we support this bill.

The AARP Public Policy Agenda holds that a state's revenue policy must be guided by sound ethical and economic principles. These include reliance on taxes that are progressive (taxing those with higher incomes proportionally more than those with lower incomes), that are efficient to administer, and that achieve essential social objectives. In line with this policy, for the last three years, Kansas AARP has adopted as one of our legislative priorities the promotion of "a fair and equitable tax system adequate to support essential services." We believe that House Bill 2741 helps establish such a fair and equitable system.

First, we emphasize that this tax falls on income from intangibles, not on the intangible assets, themselves. Thus, Kansans will not be taxed on such assets as their stocks, bonds, or certificates of deposit, but only on the income they earn from those assets. This is a basic deviation from previous intangibles taxes, and one we support. We note, also, that this tax will replace the taxes on intangible assets that are now imposed in about a third of our counties. That is, the tax will be applied uniformly across the state.

Second, in this bill the first \$10,000 of income from intangibles is excluded from taxation. For example, the income on an elderly person's certificates of deposit, invested at 6% interest, will not be taxed unless the total investment exceeds \$166,667. This provision makes the tax a progressive one. In essence, the bill is equivalent to a surtax on the income of wealthy individuals and corporations who, we believe, should be prepared to shoulder a larger share of the tax burden than they have borne heretofore.

Third, proceeds from the proposed tax on intangibles income will be returned directly to city and county governments to reduce property taxes. For many elderly residents with relatively low incomes, whose houses are among their major assets, our over-reliance on property taxes has produced a highly regressive form of taxation. This bill will help rectify that inequity.

Fourth, the tax will be collected simultaneously with the income tax, ensuring efficient administration.

In summary, this is a progressive tax, efficiently administered, and directed at important social objectives. It meets the AARP criteria for state revenue policy. We support its passage.

House Taxation
Attachment 4
02-26-92

Testimony

presented to

House Taxation Committee

by

Mrs. (Paul) Mildred Kelly
R. #2 Box 269, Effingham, Ks.

February 26, 1992

Members of the House Taxation Committee: Thank you for the opportunity for me to comment on House Bill 2741 -- the Intangibles Tax bill. It is my understanding HB2741 is intended to give property tax relief with the revenue created by an intangibles tax. If this correct, I support this bill for the following reasons.

Regardless of what value is placed on 263 acres of land (no buildings) that we own in Atchison county, the property tax for this year is \$1,276.00. The current market price for land in our area is \$600. per acre. If we sold the 263 acres at that price, we would have \$157,800. to invest in C.D.'s, stocks, etc.

$$\begin{array}{r} 263 \text{ acres} \\ \times \$600. \text{ per acre} \\ \hline \$157,800.00 \text{ to invest} \end{array}$$

Figuring interest on this investment at 6%, the interest subject to Intangibles tax would be \$9,608.00

$$\begin{array}{r} \$157,800.00 \text{ (Investment)} \\ \times .06 \text{ (Interest)} \\ \hline \$9,608.00 \text{ (Interest subject to Tax)} \end{array}$$

HB 2741 allows an exemption of \$10,000.00 Interest, so there would be no Intangibles tax to pay. If there were no exemption, the intangibles tax would be \$384.32.

$$\begin{array}{r} \$9,608.00 \text{ (Interest)} \\ \times .04 \text{ (Intangibles Tax)} \\ \hline \$384.32 \text{ (Tax due)} \end{array}$$

\$1,276.20 (Property Tax) versus \$0. (\$10,000. Exempted Intangibles Tax) or \$1,276.20 (Property Tax) versus \$384.32 (Intangibles Tax with no exemption) on the same dollar investment. Is that fair and equal taxation?

We earned and saved our money to buy this land just as the investor earned and saved the money invested in C.D., stocks, etc. We pay income tax on the profit from the crops raised on this land like the investor pays income tax on the Interest on his investment.

Why is there a property tax on land and buildings, and there should be no tax on other investments?

House Taxation
Attachment 5
02-26-92



Kansas Association of Wheat Growers

P.O. Box 2349

Hutchinson, KS 67504-2349

(316) 662-2367

ONE STRONG VOICE FOR WHEAT

TESTIMONY

House Committee on Taxation
Chairperson, Representative Joan Wagnon

HB-2741

Madam Chairperson, and members of the committee, my name is Howard W. Tice, and I serve as Executive Director of the Kansas Association of Wheat Growers. On their behalf, I appreciate the opportunity to testify today in support of House Bill 2741.

Our resolution on this issue is brief and gets right to the point. It simply states:

The KAWG SUPPORTS application of the intangibles tax on a statewide basis.

Many of our resolutions take up much more space, and may look more impressive as a result, but this one went through the same process of development as all the others. Resolutions are proposed either by a committee or an individual, and presented to the membership at county annual meetings. (On this issue, several counties passed similar resolutions.) At the convention, each resolution must be approved twice before it becomes a part of official policy.

This year, our Board of Directors took this process one step further. They asked the Legislative Action Committee to choose the most important resolutions in each major category. Under the heading of State Affairs, that committee determined that passage of a statewide intangibles tax rated #4.

The discussion on this issue centered on two primary themes. First, if the state is going to truly move away from dependence on property taxes, it must have a broader source of revenue. Secondly, if farmers and other businesses must pay property taxes on their income producing investments in land and buildings, it is only be fair for people who earn money through interest and dividends, etc. to pay taxes on those investments as well. HB-2741, as we understand it, would satisfy both of those concerns.

One of the arguments against a statewide intangibles tax has been that it would be a hardship on small investors, including many retired citizens. The exemption contained in HB-2741 should solve that problem. We have also heard that such a tax would chase investments out of state, and that such a tax would be difficult to enforce. However, we believe HB-2741 contains language that deals with those arguments as well.

In short, we feel a statewide intangibles tax is needed and is fair. We believe that HB-2741 is good public policy and we urge this committee to recommend it favorably for passage.

House Taxation
Attachment 6
02-26-92



KANSAS NATIONAL EDUCATION ASSOCIATION / 715 W. 10TH STREET / TOPEKA, KANSAS 66612-1686

Testimony before the
House Taxation Committee
Kay Coles, Kansas NEA
HB 2741
February 26, 1992

Thank you, Madame Chair. Members of the committee, I am Kay Coles, here today representing the 24,000 members of Kansas NEA. I appreciate the opportunity to speak with you about HB 2741.

KNEA supports the concepts in HB 2741. An intangibles tax structured as in this bill meets the desire of our members that taxes should be progressive. The \$10,000 exemption is, we believe, a means to provide progressivity.

We would urge, however, that the revenue generated by imposition of an intangibles tax be part of a mix of revenue enhancements you consider to fully fund a new school finance system in Kansas. As HB 2741 currently stands, the revenue is placed in the ad valorem tax reduction fund and used to offset property taxes in cities and counties. We would suggest, instead, that this revenue be placed in the state general fund.

We thank you for considering our support for the concepts in HB 2741. I would be glad to try and answer questions.

To: HOUSE COMMITTEE ON TAXATION
Re: House Bill No. 2741 - Taxing of Intangibles

The theory of taxing ownership of property is based on the notion that those who own property are generally more able to contribute to local funding needs such as schools, libraries, government administration and so forth.

If you believe that as a premise, then it follows that the only fair course is to tax all property ownership. Under the present situation in which only owners of tangible properties are being taxed there is a great segment of property not being taxed - intangible property. There are many people who have the bulk of their assets in intangibles. I'm thinking of some retired people who do not even own a car, who may live in tax-free retirement communities, and who, therefore do not contribute a dime to the ad valorem burden. Yet, many of these same people have paper property, intangibles, bringing into them a healthy income. This statute being proposed certainly overcomes the general complaint usually heard that poor people's meager savings should not be taxed, since it provides for a generous \$10,000.00 of exempt earnings before the tax would be levied.

From my perspective of being a tax accountant for thirty years I know of the great distaste the public has for this tax. I suggest that the problem stems largely from the way the tax has been assessed. Years ago the assessor used to come around and ask about household goods, jewelry, and savings accounts, so it was more understood that this was a comprehensive listing of all property owned. Of recent years the form was sent to the state along with the income tax return, and, in fact, this bill

House Taxation
Attachment 8
02-26-92

is taking the extra step of requesting payment also be sent in at that time.

Now days we would consider it an invasion of privacy for an assessor to come to our home and ask about one's investments, but you need to find a way to assess an intangibles tax so that it will be understood that it is not another 'income' tax.

Why not consider having the taxpayer fill out the form at the same time as he does his income tax, but mail it in to his county of residence rather than to the state. The county could then apply a formula and bill the taxpayer on the same statement on which are listed any personal property such as boats, etc.

If a citizen had \$5,000.00 of intangibles income, over and above the \$10,000.00 exemption the assessor could list that as a \$12,000.00 asset. The asset could then be taxed at 1.67% for a tax of \$200.40. This would equal the 4.0% of income proposed here. The \$12,000.00 would be arrived at by assuming a 5.0% return on principal of \$100,000.00. Then the real estate reduction of 12.0% would be applied. The taxpayer would see that his \$100,000.00 asset was listed at a mere \$12,000.00 for taxation purposes and could compare it to his \$100,000.00 home which also was listed at \$12,000.00 and would then understand the rationale for the tax.

One of the big issues of this session is property tax relief. I know you are looking for ways to relieve homeowners of their heavy tax burden. One way to ease the burden might be to give each taxpayer a blanket exemption which could apply to the total combination of his ad valorem taxes, home, vehicles, and intangibles. That would give tax relief to the people who need it most, and yet

by including all property, tangible and intangible would give a broad enough base to raise the necessary revenue.

Here is a rough estimate of present rates of taxation of property at actual fair market value:

Residential real estate	1.0 to 2.0%
Automobiles	3.0 to 4.0%
Intangibles (as proposed on a 5.0% earnings rate	0.02%

I'm constantly amazed at the people who do not object to paying a tax year after year on an asset in which they live - which brings them no income - yet object to being taxed on those assets generally acquired after the necessary ones of home and vehicles. Everyone needs a place to live, and most need a car to get to work. It is also considered good public policy to encourage savings. The specific exemption provided in this bill, or a general exemption applied to all ad valorem tax overcomes the objection to taxing the poor. I am in favor of some form of intangibles tax as I think it could give tax relief to those who need it most and fairly tax those who are most able to pay.

To recap my main points: The objection to this tax could be largely overcome if the assessment and collection was done by the county, if it were stressed that those with the least assets would be exempt, and if it were shown that intangibles property was to be assessed at a rate lower than other property.

Dorothy Hanger
3575 SE Shoreline Dr.
Topeka, Kansas 66605

February 26, 1992

STATE OF KANSAS

ROBERT E. KREHBIEL
REPRESENTATIVE, 101ST DISTRICT
PARTS OF KINGMAN, RENO
AND RICE COUNTIES

P.O. BOX 7
PRETTY PRAIRIE, KANSAS 67570



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
VICE-CHAIRMAN: FEDERAL AND STATE AFFAIRS
MEMBER: ENERGY AND NATURAL RESOURCES
TAXATION

February 26, 1992

Testimony Before the House Committee
on Assessment and Taxation on H.B. 2926

Under current law any taxpayer living within a city, county or township imposing the intangibles tax must file FORM 200 setting out his intangible income and file that Form with his Kansas Income Tax Return FORM K40. The instructions on the back of FORM 200 state that "If you live in an area that has no intangibles tax, or your tax would be less than \$5.00, you do not have to file an intangibles tax return." H.B. 2926 would eliminate this instruction and require all taxpayers receiving earnings from intangible property to report it. H.B. 2926 would also require the amount of taxable intangible income to be reflected on FORM K40 itself.

I would also like to amend this bill to allow a political subdivision which might levy the local option intangibles tax to request this information of the director of taxation. This proposed amendment is attached.

This bill will give the Department of Revenue, as well

House Taxation
Attachment 9
02-26-92

as local taxing districts, the capacity to determine the amount of wealth which is invested in intangible property. This will give Tom Severn the figures necessary to provide an accurate estimate of the amount of revenue which might be raised by an intangibles tax and will permit reasonable tax policy planning. This bill will also assist county treasurers in determining compliance with the local options intangibles tax. The Reno County Treasurer is present today and will discuss the need for that.

If either H.B. 2926 or H.B. 2546 is passed this bill will not be necessary. But if they are not passed this bill is very important to the future integrity of the intangibles tax.

Thank you very much for your consideration of this subject.

Proposed Amendment to HB 2926

In line 17, after the period by inserting the following:
"Annually, the director of taxation shall compile a statistical report enumerating by city, county, township and school district the total amount of such earnings having a situs in such city, county, township and school district. Upon completion of such report, it shall be furnished to the governing body of each such political subdivision requesting the same."

TO: HOUSE TAXATION COMMITTEE
FROM: LARRY R. TUCKER - PROPONENT
RE: H.B. 2926 - REPORTING OF GROSS EARNINGS FROM INTANGIBLES
UPON THE STATE INCOME TAX FORM

I COME BEFORE YOU TODAY TO SPEAK AS A PROPONENT OF HOUSE BILL 2926 - REPORTING GROSS EARNINGS FROM INTANGIBLES UPON THE STATE INCOME TAX FORM. CURRENTLY I SERVE AS THE TREASURER FOR RENO COUNTY, WHICH INCLUDES THE CITY OF HUTCHINSON.

FOUR YEARS AGO, IT CAME TO MY ATTENTION, THAT LITTLE OR NO AUDIT PROCEDURES WERE BEING PERFORMED BY THE DEPARTMENT OF REVENUE TO DETERMINE IF LOCAL INTANGIBLE TAX RETURNS WERE BEING PROPERLY FILED ALONG WITH STATE INCOME TAX FORMS. IT WAS EXPLAINED TO ME THAT UPON RECEIPT AT THE STATE LEVEL, LOCAL INTANGIBLE RETURNS WERE SEPARATED FROM THE STATE INCOME TAX FORMS AND GIVEN TO A CLERK FOR LOGGING AND CLERICAL REVIEW. HOWEVER, NO CROSS CHECK OR AUDIT WAS MADE ON THE LOCAL INTANGIBLES FORM TO VERIFY ANY INFORMATION REPORTED ON THE STATE INCOME TAX FORM.

LATER, I CORRESPONDED WITH THEN DIRECTOR OF REVENUE, HARLEY DUNCAN AND AGAIN WITH NEW DIRECTOR ED ROLES TO INQUIRE WHAT COULD BE DONE TO IMPROVE ENFORCEMENT PROCEDURES. BOTH RESPONDED THAT THE STATE WAS NOT IN A POSITION TO PERFORM ANY EXTENDED AUDIT PROCEDURES TO VERIFY COMPLIANCE. (SEE ATTACHED CORRESPONDENCE).

House Taxation
Attachment 10
02-26-92

DURING 1989, THE CITY OF HUTCHINSON VOTED OUT THE LOCAL INTANGIBLES TAX, WHICH WENT INTO EFFECT IN 1990. PRIOR TO THE QUESTION BEING VOTED ON, MUCH DISCUSSION CENTERED ON THE FACT THAT THERE WAS LITTLE OR NO COMPLIANCE PROCEDURES IN PLACE TO CHECK TO SEE IF INTANGIBLES TAX FORMS WERE BEING FILED. IN ADDITION, MANY HONEST TAXPAYERS WHO CONTINUED TO FILE THEIR LOCAL INTANGIBLE FORMS, COMPLAINED THAT THEY KNEW OTHERS WHO WERE NOT FILING OR PAYING THE TAX !!!

SUBSEQUENTLY, AFTER THE 1989 TAX STATEMENTS WERE MAILED OUT, WE CONDUCTED A LOCAL AUDIT TO DETERMINE WHY THOSE WHO REPORTED AND PAID INTANGIBLE TAX IN 1988, DID NOT DO SO IN 1989. A TOTAL OF 445 LETTERS WERE MAILED OUT, RESULTING IN ADDITIONAL INTANGIBLE TAX COLLECTED IN THE AMOUNT OF OVER \$ 154,000. MOST OF THE REASONS GIVEN FOR NOT FILING WERE IGNORANCE, BELIEF THAT THE INTANGIBLE TAX HAD BEEN ELIMINATED OR THE STATE MUST HAVE LOST THEIR RETURNS.

TO DATE WE HAVE CONDUCTED ONE MORE AUDIT WHICH HAS RESULTED IN ADDITIONAL TAX COLLECTED OF OVER \$ 167,000. WE ARE NOW MAILING OUT LETTERS OF COMPLIANCE FOR 1991 AND ALREADY ARE FINDING SIMILAR RESULTS.

THE FACT IS, MANY TAXPAYERS ARE CHOOSING NOT TO FILE THEIR LOCAL INTANGIBLES TAX RETURNS BECAUSE THERE IS NO ENFORCEMENT AT THE STATE LEVEL.

THROUGH DISCUSSION WITH THEN DIRECTOR OF TAXATION JOHN LUTTJOHN AND HIS OFFICE, THEY DISCLOSED THAT BECAUSE OF CONFIDENTIALITY RULES, INFORMATION REPORTED ON THE STATE INCOME TAX FORMS WAS NOT AVAILABLE FOR LOCAL GOVERNMENT USE. IT WAS ALSO DISCLOSED THAT THIRD PARTY INFORMATION, SUCH AS 1099 FORMS ARE REPORTED TO THE IRS AND ARE ALSO NOT AVAILABLE FOR LOCAL GOVERNMENT USE.

IN MARCH OF 1989, I WROTE THE CITY MANAGER OF HUTCHINSON AND SUGGESTED A PROPOSAL TO IMPROVE THE ENFORCEMENT PROCEDURES FOR LOCAL COUNTIES TO ASSESS AND COLLECT INTANGIBLES TAX. THIS PROPOSAL CONSISTS OF A THREE STEP PROCESS.

1. DISCLOSURE OF INTANGIBLES INCOME ON THE STATE INCOME TAX FORM.
2. COMPARISON OF DATA FROM STATE INCOME TAX FORM WITH LOCAL INTANGIBLE RETURNS FILED WITH THE STATE.
3. AUDIT RESULTS PROVIDED TO LOCAL COUNTIES FOR AUDIT AND FOLLOW UP.

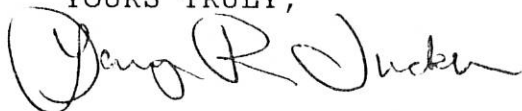
THIS PROCESS WOULD INVOLVE COMPUTER SOFTWARE TO BE WRITTEN TO PERFORM CROSS CHECK PROCEDURES BETWEEN THE REPORTING ON THE STATE INCOME TAX FORM AND LOCAL INTANGIBLE RETURNS FILED. SUCH SOFTWARE COULD BE WRITTEN WITHOUT GREAT COST OR TIME. THE RESULTING BENEFIT TO LOCAL GOVERNMENTAL UNITS COULD BE SIGNIFICANT. IN RENO COUNTY ALONE THIS COULD REDUCE LOCAL PROPERTY TAXES OVER 1 MILLION DOLLARS DURING THE NEXT TEN YEARS.

WHATEVER, ENFORCEMENT PROCEDURES ARE USED, THE FIRST STEP BEGINS WITH REPORTING INTANGIBLE INFORMATION ON THE STATE INCOME TAX FORM. SUCH A REQUIREMENT COULD BE EXPLAINED BY ADDING A PARAGRAPH TO THE STATE INCOME TAX FORM INSTRUCTIONS. DETAILED INSTRUCTIONS AND LOCAL INTANGIBLE TAX FORMS ARE ALREADY PROVIDED IN THE STATE INCOME TAX BOOKLET. THIS SHOULD NOT BE CONFUSING TO TAXPAYERS WHO IN MANY CASES, USE THIRD PARTIES TO ASSIST THEM.

IN CONCLUSION, LOCAL GOVERNMENTS NEED THE TOOLS TO ENFORCE THE ASSESSMENT AND COLLECTION OF LOCAL OPTION TAXES. TAXPAYERS NEED THE ASSURANCE THAT LOCAL TAXES ARE BEING ASSESSED FAIRLY. I ASK THIS COMMITTEE TO VOTE IN FAVOR OF HOUSE BILL 2926.

I WOULD BE HAPPY TO ANSWER ANY QUESTIONS REGARDING MY TESTIMONY.

YOURS TRULY,

A handwritten signature in cursive script that reads "Larry R. Tucker". The signature is written in dark ink and is positioned to the left of the typed name.

LARRY R. TUCKER

RENO COUNTY TREASURER

HUTCHINSON, KANSAS

1992 INTANGIBLES TAX RATES FOR COUNTY OF RENO

COUNTY RATE 3/4 %

<u>CITY</u>	<u>RATE</u>	<u>NO INTANGIBLES</u>
PARTRIDGE	2 1/4 %	ABBYVILLE
PLEVNA	2 1/4 %	ARLINGTON
PRETTY PRAIRIE	2 1/4 %	BUHLER
SYLVIA	2 1/4 %	LANGDON
WILLOWBROOK	2 1/4 %	HAVEN
		HUTCHINSON
		NICKERSON
		SOUTH HUTCHINSON
		TURON

<u>TOWNSHIPS</u>	<u>RATE</u>	<u>NO INTANGIBLES</u>
ALBION	2 1/4 %	CENTER
ARLINGTON	2 1/4 %	CLAY
BELL	2 1/4 %	GRANT
CASTLETON	2 1/4 %	HAVEN
ENTERPRISE	2 1/4 %	LANGDON
GROVE	2 1/4 %	SALT CREEK
HAYES	2 1/4 %	SYLVIA
HUNTSVILLE	2 1/4 %	YODER
LINCOLN	2 1/4 %	
LITTLE RIVER	2 1/4 %	
LODA	2 1/4 %	
MEDFORD	2 1/4 %	
MEDORA	2 1/4 %	
MIAMI	2 1/4 %	
NINNESCAH	2 1/4 %	
PLEVNA	2 1/4 %	
RENO	2 1/4 %	
ROSCOE	2 1/4 %	
SUMNER	2 1/4 %	
TROY	2 1/4 %	
VALLEY	2 1/4 %	
WALNUT	2 1/4 %	
WESTMINSTER	2 1/4 %	

JULY 1, 1991

JERRY M. FRANKLIN
RENO COUNTY CLERK

10-5



KANSAS DEPARTMENT OF REVENUE
Division of Taxation
Robert B. Docking State Office Building
Topeka, Kansas 66625-0001

February 10, 1988

Mr. Larry R. Tucker
Reno County Treasurer
206 West 1st Street
Hutchinson, Kansas 67501

Dear Mr. Tucker:

In response to your letter dated February 2, 1988, I certainly understand the Commission's concern with measuring and controlling taxpayer compliance with the local Intangibles Tax law. Unfortunately, the Department of Revenue simply does not have the equipment or personnel resources to perform the monitoring function you described.

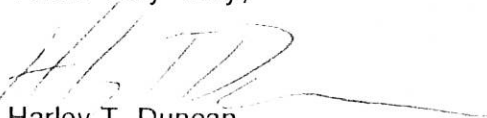
One of the major benefits of the current tax reform proposal being considered by the legislature is that 500,000 to 600,000 taxpayers would be able to utilize a "short form". The inclusion of detailed intangibles tax data on the income tax return would complicate such a filing option.

I do think, however, that we could provide a significant service to the local government units which levy an intangibles tax through a revision of the form and instructions. We would be willing to emphasize the importance of filing the form in the state instructions. Also, we could change the signature legend to emphasize that the return is signed under penalty of perjury, and perhaps add that by signing the return the taxpayer certifies that it is filed on a basis consistent with his income tax return.

I would suggest also that the county may wish to consider mailing a notice to its residents to advise them of their filing responsibilities and the applicable rate of tax. We would be willing to notify you of the mailing schedule for the Kansas income tax booklets so that your mailing could be coordinated therewith.

I trust the above adequately responds to your inquiry. Should you wish to discuss the above suggestions further, John Luttjohann, our Director of Taxation is familiar with the situation, and would be glad to visit with you. Any printing changes which we may make will need to be finalized by early summer.

Yours very truly,


Harley T. Duncan
Secretary of Revenue

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

Larry R. Tucker
Reno County Treasurer
206 W. 1st Street
Hutchinson, KS 67501

July 31, 1988

Dear Larry,

Thank you for your letter of July 26, 1988 regarding Intangibles Tax. I apologize for not responding sooner, however, I have been tied up in budget hearings all week.

Since I have only been here 30 days, I am not totally familiar with the workings of this agency. I have, however, discussed this issue with John Luttjohann, Director of Taxation, several weeks ago. It has never made any sense to me to have taxpayers file a return with us, which is received, sorted manually by county and mailed back to the county from whence it came.

I have thought about trying to build Intangibles into the Kansas CAMA system as the tax is in essence a property tax on certain investment income. This would require changes in reporting requirements where counties would receive the intangibles return directly and could perform audits as they saw fit.

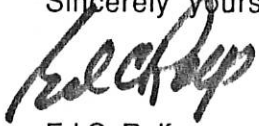
My understanding at the current time is that we are not allowed by federal law to share any information with anyone that is derived from the federal return. Whether, as a matter of state law, the legislature could require the taxpayer to file copies of the federal return with the counties I simply do not know.

I would think we could disclose any information on the state return the legislature choose to authorize. As you know, we currently do not collect dividend and interest income on the state return as we begin with Federal Adjusted Gross Income. The 1989 tax return has already been prepared so a change for 1989 is not feasible. I will put a copy of this letter in my 1990 tax return file for consideration.

For the next 12 months, we will be focusing our efforts on reappraisal and a revision of our sales tax system. Hopefully, the sales tax revisions will allow cities and counties with local option sales taxes to share in the increase revenues which will accrue from major modifications made to this system.

I am certainly open to ideas on intangibles but have not yet focused on a clear solution. Possibly, we would work with your association and Bev Bradley with the Counties to come up with something concrete.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Ed Rolfs", written in a cursive style.

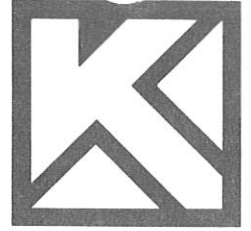
Ed C. Rolfs

cc: Donna Whiteman

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

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



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

HB 2741 & HB 2926

February 26, 1992

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Committee on Taxation

by

Bob Corkins
Director of Taxation

Madam Chairman and members of the Committee:

Thank you for the opportunity to appear today. I am Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry, and I will briefly explain our organization's opposition to any expansion of this state's local option intangibles tax.

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

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

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

We believe a statewide intangibles tax would do great damage to the prospects for economic growth in Kansas. Its inherent effect would be to discourage savings and

House Taxation
Attachment 11
02-26-92

investment in an economic time when job security and future job creation should be of utmost importance.

This legislature has taken positive steps in recent years to make Kansas an attractive place for locating corporate headquarters. HB 2741 would directly thwart those efforts and jeopardize the jobs which such business represents. The estimated revenue of \$40 million from this tax indicates that it would be applied to intra-business shares transactions -- those between corporate subsidiaries. A tax of this scope would be a clear disincentive to headquartering in Kansas and would apply to transactions having little or no bearing on the accumulation of net wealth.

Of course, the most obvious drawback to an intangibles tax is its effect of "double taxation." Kansans already pay income tax on income derived from intangible property. While there may be a more clear distinction between ad valorem taxes on tangible property and taxes on income derived from it, the same distinction regarding intangible property and its income is less justifiable.

Tangible property has inherent value by virtue of its own existence. Land can be cultivated or even enjoyed simply for its esthetic value. Intangible property such as "money, notes, and other evidence of debt" has no value other than its use in acquiring other capital. Once it is "used" for capital formation, it is subject to income tax on the basis and product of that utility...but not an ad valorem tax on a nonexistent inherent value.

One motive for proposing this intangibles tax, i.e. property tax relief, is certainly a good cause. However, new revenue for property tax relief can be raised from sources which would not have the negative economic consequences of this proposal. KCCI has already suggested such revenue alternatives with regard to other proposals before this legislature.

Consequently, we urge you to reject HB 2741.

A related, but separate, matter is addressed in HB 2926. Our concern with this proposal is that it is unnecessary. Most of the intangibles income information it seeks

from taxpayers can already be accessed by the Kansas Department of Revenue for statistical purposes. KCCI opposes any additional disclosure requirements and any threat to the confidentiality of such information.

Again, thank you for your consideration of our views.



Jeffrey D. Sonnich, Vice-President

Suite 512
700 Kansas Avenue
Topeka, Kansas 66603
(913) 232-8215

February 26, 1992

TO: HOUSE COMMITTEE ON TAXATION
FROM: JEFFREY SONNICH
RE: H.B. 2741; INTANGIBLES TAXATION

Madam Chairman. Members of the Committee. The Kansas-Nebraska League of Savings Institutions appreciates the opportunity to appear before the Committee on Taxation to express our opposition to H.B. 2741 which would impose a form of intangibles tax in the amount of 4% of earnings above ten thousand dollars per year derived from money, notes and other debt instruments.

The Kansas-Nebraska League of Savings Institutions is opposed to any statewide intangibles tax assessment. Such a plan imposes "double taxation" on intangibles earnings which are already subject to Federal and State Income Taxes.

The imposition of an intangibles tax has the potential of driving deposits across state lines...irrespective of the penalty provisions in the bill. Additionally investors may find the tax easily avoidable by switching their investment to tax-exempt instruments. This may ultimately lead to an outflow of deposits from Kansas financial institutions.

House Taxation
Attachment 12
02-26-92



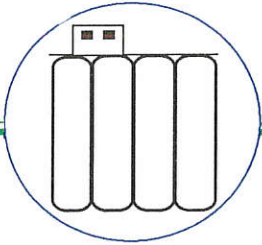
Page 2

Equally important, many retired Kansans and others of fixed income are dependent upon interest payments to meet their living needs. Their earnings from Kansas financial institutions will be penalized which will result in their consideration to either restructure their investments or invest in tax-exempt government instruments. We feel that a specific exemption for retired Kansans sixty five years and older or disabled individuals should be included in the bill.

In closing we would add that the intangibles tax is currently a local option. With the passage of S.B. 196 in the 1979 session the Kansas Legislature gave cities, counties and townships the authority to eliminate the intangibles tax via election. Most have done so. For those that still impose the tax, the rate is substantially lower than 4%. We feel that given the current low interest rate market now is not the time to impose an intangibles tax which would hit Kansas depositors especially hard. We respectfully request that the House Committee on Taxation report H.B. 2741 unfavorably.

Jeffrey Sonnich
Vice President

12-2.



KANSAS GRAIN AND FEED ASSOCIATION

February 26, 1992

TO: MEMBERS OF THE HOUSE TAXATION COMMITTEE

Kansas Grain and Feed Association supports H.B. 2741 which would establish a statewide intangibles tax on investment earnings in excess of \$10,000, at a 4% rate. We support this legislation because it would guarantee that the revenue generated be used for property tax relief through replacement of the revenue in the Local Ad Valorem Tax Reduction Fund.

KGFA, the trade and professional association of the grain and feed industry in Kansas, with approximately 1500 member firms, has traditionally supported legislation which would reduce the reliance on property taxes. The intangibles tax, a progressive tax on wealth, is one of the fairer ways of generating revenue.

Property taxes are high in Kansas, as you know, and our members' commercial properties have been hard-hit. The dramatic increase in property taxes has come at a time when there has been an equally dramatic decrease in grain handled and stored at elevators, and therefore in income. Property taxes are paid by the property owner regardless of income (loss) generated by the property. The intangibles tax on those types of investments (as opposed to property investments) would apply only to the earnings generated by the investments. Thus, we feel it is only fair that investment property be taxed in some way as real estate property is.

We respectfully ask that you report H.B. 2741 favorable for passage. Thank you for your consideration.

Sincerely,

Chris Wilson

Christina M. Wilson
Director of Public Affairs

House Taxation
Attachment 13
02-26-92

STATEMENT
OF
IVAN W. WYATT, PRESIDENT KANSAS FARMERS UNION
MCPHERSON, KANSAS
ON
HB- 2741 (TAX ON THE GROSS EARNINGS OF INTANGIBLE PROPERTY)
BEFORE
THE HOUSE COMMITTEE ON TAXES
ON
FEBRUARY 26, 1992

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE,

I AM IVAN WYATT. THE POLICY STATEMENT OF THE KANSAS FARMERS UNION STATES: WE SUPPORT A STATE-WIDE INTANGIBLE EARNINGS TAX TO BE USED FOR PROPERTY TAX RELIEF AND FUNDING EDUCATION.

MOST TAXPAYERS, HAVE LONG CALLED FOR A BROADER TAX BASE FOR THE FUNDING OF SERVICES PROVIDED BY LOCAL UNITS OF GOVERNMENT AND SCHOOLS.

SOME WILL ARGUE THAT THERE SHOULD NOT BE A TAX ON THE INCOME GENERATED FROM INTANGIBLE PROPERTY BECAUSE IT WAS PURCHASED FROM SAVINGS THAT AN INCOME TAX HAD ALREADY BEEN PAID ON. I WOULD POINT OUT THAT ALL PROPERTY, WHETHER IT IS REAL OR PERSONAL, HAS LIKEWISE BEEN PURCHASED. IN MANY CASES TITLE HOLDERS OF PROPERTY MAY HOLD ONLY A MINOR TITLE TO THAT PROPERTY BEING PURCHASED WITH A LOAN OF INTANGIBLE PROPERTY.

SOME WOULD ARGUE THAT INTANGIBLE PROPERTY DOES NOT RECEIVE BENEFITS FROM SERVICES OF LOCAL UNITS OF GOVERNMENT. HOWEVER, IN RECENT YEARS, ALL TAXPAYERS IN SOME MANNER HAVE AND WILL CONTINUE FOR YEARS TO PROVIDE MANY TAX DOLLARS TO PAY FOR THE COSTS OF PROTECTING MUCH OF THE INTANGIBLE PROPERTY HELD BY PEOPLE WHO HAD PLACED INVESTMENTS IN FAILED SAVINGS AND LOANS, AND BANKS. PROPERTY OWNERS HAVE NOT RECEIVED SUCH PROTECTION IN THE RESULTING DEVALUATION OF THEIR REAL PROPERTY.

THOSE INDIVIDUALS, WHOSE INVESTMENTS WERE PROTECTED BY PUBLIC FUNDS, HAD THESE INTANGIBLES GUARANTEED AND THEY WALTZED OFF WITH SOME VERY HIGH GUARANTEED RETURNS FROM THOSE INTANGIBLE ASSETS.

USUALLY, THE MEASURE OF INTANGIBLE HOLDINGS IS IN SOME DEGREE RELATED TO EDUCATION AND EDUCATIONAL OPPORTUNITIES PROVIDED BY A TAX ON REAL PROPERTY. THEREFORE, IT IS NOT UNREALISTIC TO EXPECT A DEGREE OF REPAYMENT BY A TAX ON INTANGIBLE INCOME TO HELP PROVIDE TAX RELIEF FOR THE HOLDERS OF PROPERTY BEING TAXED TO CONTINUE TO PROVIDE THESE SERVICES AND EDUCATION. THIS INTANGIBLE TAX IS AN EARNINGS TAX, WHEREAS A TAX ON PROPERTY IS A PAYABLE, WHETHER OR NOT IT GENERATES AN INCOME.

THERE SHOULD BE A BASIC EXEMPTION PROVIDED ON THE TAX ON THE GROSS EARNINGS OF AN INTANGIBLE PROPERTY. BUT THAT TAX SHOULD ALSO INCLUDE OTHER SOURCES OF INCOME PROVIDED BY RETIREMENT PLANS FUNDED BY INVESTMENTS IN INTANGIBLE PROPERTY. INDIVIDUALS, SELF-EMPLOYED AND OTHERS, SHOULD NOT BE SINGLED OUT FOR AN INTANGIBLE EARNINGS TAX OR THOSE WHO MAY HAVE SAVED ADDITIONALLY FOR THEIR RETIREMENT OVER AND ABOVE AN EMPLOYER-EMPLOYEE FINANCED RETIREMENT FUND.

IF ALL TYPES OF INTANGIBLE GENERATED EARNINGS ARE INCLUDED, WE BELIEVE A \$10,000 EXEMPTION FROM TAXATION WOULD BE ADEQUATE. THIS WOULD, AT TODAY'S INTEREST RATES, BE EXEMPTING THE INCOME FROM APPROXIMATELY A \$200,000 INVESTMENT.

THE DAY OF THE FORGOTTEN SENIOR IS NOT NEARLY THE PROBLEM IT WAS 20 OR 30 YEARS AGO. TODAY, WE HAVE LOW INCOME HOUSING, MEALS FOR SENIORS, MEDICAL ASSISTANCE AND IN THE PUBLIC MARKET WE SEE ALL SORTS OF SENIOR DISCOUNTS FROM PIZZA TO MOTEL ROOMS.

TODAY, YOU CAN SEE SENIORS DRIVE UP TO A NICE RESTAURANT IN A GOOD AUTOMOBILE AND GET A SIGNIFICANT DISCOUNT ON THEIR MEAL. WHILE A YOUNG FAMILY WITH 2 OR 3 SMALL CHILDREN, WHO MAY NOT BE ABLE TO AFFORD HEALTH INSURANCE, DRIVING AN OLDER CAR ARE PAYING THE FULL TAB FOR THEIR MEALS. FEW PEOPLE REMEMBER THAT LESS THAN A YEAR AGO, MANY OF THESE YOUNG FAMILIES HAD THEIR LIVES DISRUPTED TO SERVE THEIR COUNTRY IN THE WAR TO PROTECT SAUDI ARABIA.

EVEN THOUGH KANSAS FARMERS, AS FARMERS AROUND THE WORLD, ARE AN AGING CLASS, THE MEMBERS OF THE KANSAS FARMERS UNION SUPPORTS AN INTANGIBLE TAX AS A MEANS TO LESSON THE TAX BURDEN ON REAL AND PERSONAL PROPERTY. IN MOST CASES AT LEAST IN KANSAS, A TITLE TO PROPERTY IS NO LONGER A MEASURE OF WEALTH OR ABILITY TO PAY.

FOR THESE REASONS WE SUPPORT A TAX ON THE EARNINGS GENERATED FROM INTANGIBLE PROPERTY TO BROADEN THE TAX BASE THAT PROVIDES SERVICES AND PROTECT TO TYPES OF PROPERTY.

THE ONLY EXEMPTIONS WE SUPPORT IN HB-2741, IS IDENTIFIED IN SECTION 8, PARAGRAPHS "C" AND THOSE RELATED TO NON-PROFIT ORGANIZATIONS IN PARAGRAPHS "G, H, I, J, AND L".

OLATHE AREA CHAMBER OF COMMERCE
ECONOMIC DEVELOPMENT FUNCTIONS
FOR MONTH AND TWELFTH MONTH ENDED DECEMBER 31, 1991

	DEC 1991 ACTUAL	DEC 1991 BUDGET	1991 PERIOD VARIANCE	YTD 1991 ACTUAL	YTD 1991 BUDGET	1991 YTD VARIANCE
REVENUE						
OLATHE TOMORROW	2,000.00	2,500.00	(500.00)	17,450.00	25,000.00	(7,550.00)
CITY OF OLATHE	(117.00)	14,125.00	(14,242.00)	56,500.00	56,500.00	0.00
CHAMBER OF COMMERCE	4,166.66	2,083.37	2,083.29	24,999.96	25,000.00	(0.04)
ACTIVITIES	0.00	229.13	(229.13)	1,068.00	2,750.00	(1,682.00)
INTEREST INCOME	99.16	208.37	(109.21)	1,557.82	2,500.00	(942.18)
TOTAL REVENUE	6,148.82	19,145.87	(12,997.05)	101,575.78	111,750.00	(10,174.22)
ADMINISTRATIVE EXPENSE						
SALARIES	4,802.32	4,619.38	182.94	54,698.64	55,433.00	(734.36)
PAYROLL TAXES	187.74	353.44	(165.70)	4,614.24	5,188.08	(573.84)
EMPLOYEE INSURANCE	547.97	370.83	177.14	5,046.54	4,450.00	596.54
ACCOUNTING/MANAGEMENT	1,083.33	1,083.37	(0.04)	12,997.65	13,000.00	(2.35)
TOTAL ADMIN. EXPENSE	6,621.36	6,427.02	194.34	77,357.07	78,071.08	(714.01)
OPERATIONS						
OFFICE SPACE	416.67	416.67	0.00	5,002.35	5,000.00	2.35
OFFICE EQUIP/FURNITURE	125.00	125.00	0.00	1,500.00	1,500.00	0.00
TELEPHONE/L.D.	38.03	83.37	(45.34)	408.46	1,000.00	(591.54)
PRINTING	216.46	292.50	(76.04)	827.91	3,510.00	(2,682.09)
POSTAGE	196.44	333.37	(136.93)	1,373.78	4,000.00	(2,626.22)
BOOKS/SUBSCRIPTIONS	0.00	83.37	(83.37)	18.95	1,000.00	(981.05)
DUES/CONF/PROF DEV	0.00	583.33	(583.33)	7,694.76	7,000.00	694.76
ACKNOWL/RECOGNITION	120.83	125.00	(4.17)	1,154.57	1,500.00	(345.43)
ADVERTISING MARKETING	0.00	791.00	(791.00)	9,444.35	9,492.00	(47.65)
STAFF EXPENSE	269.95	375.00	(105.05)	3,909.49	4,500.00	(590.51)
MISCELLANEOUS	16.83	0.00	(159.75)	593.50	0.00	593.50
RESERVES SPECIAL PROJECT	0.00	116.67	(116.67)	0.00	1,400.00	(1,400.00)
TOTAL OPERATION EXPENSES	1,400.21	3,325.28	(1,925.07)	31,928.12	39,902.00	(7,973.88)
TOTAL EXPENSES	8,021.57	9,752.30	(1,730.73)	109,285.19	117,973.08	(8,687.89)
REVENUE OVER(UNDER)EXP	(1,672.75)			(7,709.41)		
ACCT'S REC. E/D	0.00			0.00		

House Taxation
Attachment 15
02-26-92

OLATHE AREA CHAMBER OF COMMERCE
 CONVENTION & VISITORS BUREAU FUNCTIONS
 FOR THE MONTH AND TWELFTH MONTH ENDED DECEMBER 31, 1991

	DEC 1991 ACTUAL	DEC 1991 BUDGET	1991 PERIOD VARIANCE	YTD 1991 ACTUAL	YTD 1991 BUDGET	1991 YTD VARIANCE
REVENUE						
CITY OF OLATHE 2% TAX	0.00	0.00	0.00	58,749.31	60,000.00	(1,250.69)
INTEREST INCOME	86.89	133.37	(46.48)	1,274.07	1,600.00	(325.93)
OTHER	143.92	666.63	(522.71)	1,697.76	8,000.00	(6,302.24)
TOTAL REVENUE	230.81	800.00	(569.19)	61,721.14	69,600.00	(7,878.86)
ADMINISTRATIVE EXPENSE						
SALARIES	1,970.79	2,716.00	(745.21)	27,619.18	32,592.00	(4,972.82)
PAYROLL TAXES	194.43	168.41	26.02	2,697.52	3,073.48	(375.96)
EMPLOYEE INSURANCE	117.03	174.00	(56.97)	1,759.07	2,088.00	(328.93)
ACCOUNTING/MANAGEMENT	726.00	726.00	0.00	8,712.00	8,712.00	0.00
PROFESSIONAL DEVELOPMENT	30.00	125.00	(95.00)	281.28	1,500.00	(1,218.72)
TOTAL ADMINISTRATIVE EXP	3,038.25	3,909.41	(871.16)	41,069.05	47,965.48	(6,896.43)
OPERATIONS						
OFFICE SPACE	258.00	257.87	0.13	3,096.00	3,094.00	2.00
OFFICE EQUIP/FURNITURE	103.00	103.13	(0.13)	1,236.00	1,238.00	(2.00)
TELEPHONE/LONG DISTANCE	23.05	41.63	(18.58)	251.63	500.00	(248.37)
OPERATIONS/PRINTING	0.00	0.00	0.00	123.27	0.00	123.27
OFFICE SUPPLIES	(0.54)	0.00	(0.54)	8.28	0.00	8.28
POSTAGE	7.70	50.00	(42.30)	636.38	600.00	36.38
DUES/BOOKS/SUBSCRIPTIONS	550.00	200.00	350.00	1,242.72	2,400.00	(1,157.28)
STAFF EXPENSE	163.83	83.37	80.46	2,044.61	1,000.00	1,044.61
MISCELLANEOUS	0.00	0.00	0.00	21.95	0.00	21.95
RESEARCH	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATIONS EXPENSE	1,105.04	736.00	369.04	8,660.84	8,832.00	(171.16)
MARKETING						
PROJECTS	0.00	0.00	0.00	0.00	0.00	0.00
MARKETING PRINTING	0.00	0.00	0.00	5,286.47	0.00	5,286.47
BULK MAIL POSTAGE	0.00	0.00	0.00	37.82	0.00	37.82
EVENT SPONSORSHIP	0.00	0.00	0.00	83.95	0.00	83.95
ADVERTISING	0.00	0.00	0.00	261.99	0.00	261.99
BID PROMOTIONS	0.00	0.00	0.00	315.00	0.00	315.00
MARKETING/TRAVEL	0.00	0.00	0.00	0.48	0.00	0.48
MISCELLANEOUS/MARKETING	10.80	1,093.50	(1,082.70)	363.85	13,122.00	(12,758.15)
BUREAU SERVICES						
SERVICES/MATERIALS	0.00	0.00	0.00	47.19	0.00	47.19
HOSPITALITY RECOGNITION	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL MKTG/BUREAU EXPENSE	10.80	1,093.50	(1,082.70)	6,890.76	13,122.00	(6,725.25)
TOTAL EXPENSES	4,154.09	5,738.91	(1,584.82)	56,620.65	69,919.48	(13,792.84)
REVENUE OVER(UNDER)EXP	(3,923.28)			5,100.49		

TO: HOUSE TAXATION COMMITTEE

FROM: CATHERINE HOLDEMAN, INTERGOVERNMENTAL RELATIONS DIRECTOR
CITY OF WICHITA

SUBJECT: HOUSE BILL 2850

DATE: FEBRUARY 24, 1992

ATTACHED IS INFORMATION ON THE CITY OF WICHITA'S TOURISM AND CONVENTION BUDGET. REVENUES FOR THIS BUDGET ARE GENERATED BY THE TRANSIENT GUEST TAX WHICH IS CURRENTLY AT SIX PERCENT. ALSO ATTACHED IS A SUMMARY OF CHARTER ORDINANCE NO.83 WHICH SETS FORTH HOW REVENUES FROM THIS TAX CAN BE EXPENDED. AS YOU CAN SEE, IT IS THE CITY OF WICHITA'S INTENT TO USE THESE DOLLARS TO PROMOTE THE TOURISM AND CONVENTION INDUSTRY WITHIN OUR COMMUNITY.

House Taxation
Attachment 16
02-26-92

CITY OF WICHITA 1992/93 ANNUAL BUDGET

MULTI-YEAR FUND OVERVIEW - TOURISM AND CONVENTION

FUND NO: 215

	1990 ACTUAL	1991 ADOPTED	1991 REVISED	1992 ADOPTED	1993 ESTIMATED
Revenues and other sources					
Transient guest tax - 5%	\$2,096,605	\$2,283,110	\$2,180,470	\$2,267,690	\$2,358,400
Transient guest tax - 1%	19,314	456,640	436,090	453,540	471,680
Interest earnings - fund balance	0	3,140	1,760	9,580	47,050
Interest earnings - other	62,819	39,630	63,120	61,590	70,850
Other (Miss USA private contributions)	0	375,000	293,400	0	300,000
Contingency revenue	0	0	0	62,100	0
Total revenues and other sources	2,178,738	3,157,520	2,974,840	2,854,500	3,247,980
Expenditures and other uses					
Existing programs/contracts					
Black Historical Society	0	2,500	5,000	2,350	2,500
Mid-America All-Indian Center	40,852	40,000	40,000	37,600	40,000
Historic Wichita (Cowntown)	85,000	85,000	85,000	79,900	85,000
Sister Cities	10,766	10,700	10,700	10,060	10,700
Wichita Childrens' Museum	7,000	7,000	7,000	6,580	7,000
Convention Visitor's Bureau	812,524	867,060	827,060	850,020	896,190
Advance adjustment	0	0	66,650	0	0
Convention promotion contingency	0	24,000	0	0	24,000
Wichita/Sedgwick Co. Arts Council	7,000	7,000	7,000	6,580	7,000
Miss USA					
Event expenses	105,000	125,000	45,230	125,000	0
Location fees	125,000	125,000	125,000	150,000	150,000
Transfer to the General Fund					
Administrative fees	29,570	34,160	34,160	34,160	34,160
Community marketing	21,000	21,000	21,000	21,000	21,000
Expo Hall operations	0	5,700	0	0	0
Transfer to General Debt & Interest					
Expo Hall debt service	1,083,980	1,159,860	1,159,860	1,181,050	1,410,290
Lawrence Dumont	19,324	300,000	300,000	300,000	300,000
Cultural attractions	0	170,000	112,090	129,540	147,680
Contingency expenditure	0	0	0	62,100	0
Appropriated reserve	0	80,000	0	0	0
Total expenditures and other uses	2,347,016	3,063,980	2,845,750	2,995,940	3,135,520
Revenues and other sources over (under) expenditures and other uses	(168,278)	93,540	129,090	(141,440)	112,460
Unencumbered cash/fund balance					
January 1 (includes restricted assets)	198,935	30,657	30,657	159,747	18,307
Unencumbered cash/fund balance December 31	\$30,657	\$124,197	\$159,747	\$18,307	\$130,757

Assumptions:

Growth in transient guest tax revenue: 4%
 Annual interest earnings rate: 5.75% in 1991; 6.00% in 1992 and 1993
 Growth in delegate agency expenditures: 0.0%
 Growth in administrative fees: 0.0%

The 1% transient guest tax is used exclusively for convention promotion contingency, cultural attractions, and debt service for Lawrence Dumont Stadium. If the 1% tax does not cover these three expenses, other revenues are not used to guarantee the minimum allocations of \$24,000, 170,000 and \$300,000 respectively. Any 1% tax revenue over this \$494,000 minimum is allocated to Lawrence Dumont.

Delegate agency budgets, including CVB and Community Marketing, are reduced by 6% in 1992.

In 1992, debt service has been reduced by \$60,000 to compensate for the advance adjustment. The funds are replaced in 1993.

The convention promotion contingency is used to support Miss USA in 1991 and 1992.

16-2

TOURISM AND CONVENTION FUND SUMMARY

The Tourism and Convention Fund is established by Charter Ordinance (No. 83) to receive distributions of monies collected from the Transient Guest Tax. Effective July 1, 1990, the tax was increased from five to six percent. The additional one percent is earmarked for capital improvements to local tourist attractions (on a matching basis), improvements to Lawrence-Dumont Stadium, and extraordinary convention promotion expenses. The one percent increase has a sunset provision effective in ten years. Revenue from the remaining five percent are expended under priorities established in the charter ordinance.

Budget Highlights

- ° A total of \$400,230 in guest tax funds was expended for the Miss USA pageant in 1991. Private contributions covered \$293,400 (73%) of the expense. In 1992, \$275,000 is budgeted for pageant event expenses and location fees, and in 1993, \$150,000 is budgeted in location fees.
- ° All delegate agency budgets in 1992, including Convention and Visitors Bureau and Community Marketing, have been reduced by 6%, based on projected revenues and to balance the budget. An expenditure contingency of \$62,100 was adopted for 1992 and may be used to increase allocations if revenues are received above the estimated amounts.
- ° Expo Hall debt service continues to represent the largest expense within the fund (41%) and is projected to continue claiming an increasing portion of the fund's expenditures through 1993. After 1993, the debt service payment will level and decline as a percentage of the fund's expenditures.
- ° The 1991 revised budget and 1992 adopted budget eliminate the earlier amounts identified to support operating deficits for Expo Hall, because Expo Hall revenue projections are favorable.

16-3

Budget Summary

	1990 <u>Actual</u>	1991 <u>Adopted</u>	1991 <u>Revised</u>	1992 <u>Adopted</u>
Administrative Charges	\$ 29,570	\$ 34,160	\$ 34,160	\$ 34,160
Black Historical Society	0	2,500	5,000	2,350
Community Marketing	21,000	21,000	21,000	21,000
Convention Promotion				
Contingency	0	24,000	0	0
Cultural Attractions - Capital				
Improvements	0	170,000	112,090	129,540
Expo Hall Operation	0	5,700	0	0
General Debt & Int. Fund	1,083,980	1,159,860	1,159,860	1,181,050
Historic-Wichita (Cowntown)	85,000	85,000	85,000	79,900
Lawrence-Dumont	19,324	300,000	300,000	300,000
Mid-America All-Indian Center	40,852	40,000	40,000	37,600
Miss USA Pageant	230,000	250,000	170,230	275,000
Sister Cities	10,766	10,700	10,700	10,060
Wichita Arts Council	7,000	7,000	7,000	6,580
Wichita Convention & Visitors	812,524	867,060	827,060	850,020
Wichita Children's Museum	7,000	7,000	7,000	6,580
Advance Adjustment	0	0	66,650	0
Contingency Expenditure	0	0	0	62,100
Appropriated Reserve	0	80,000	0	0
Total	<u>\$2,347,016</u>	<u>\$3,063,980</u>	<u>\$2,845,750</u>	<u>\$2,995,940</u>

Administrative Charges - Administrative charges are transferred to the General Fund, compensating for the central service functions. The services provided for the committee include contract development and monitoring, proposal review, purchasing, investment of funds, check writing and staff support.

Black Historical Society - The 1992 budget provides \$2,350 for the promotion of activities sponsored by the Black Historical Society.

Community Marketing - A transfer of \$21,000 is made to the General Fund, offsetting the cost of the City Council's budget for travel related to the Sister Cities program and other projects deemed appropriate by the Council.

Convention Promotion Contingency - Many conventions have extraordinary requirements for logistic support, e.g., bussing, seating, registration, etc. This account is established to provide funding for those needs.

Cultural Attractions Capital Improvements - This item represents a transfer to the debt service fund to retire bonds to be issued on behalf of local tourist attractions, which have successfully generated matching donations, to make capital improvements to their facilities. This item was one of the three projects earmarked for funding from the additional 1% increase in the guest tax, effective July 1, 1990.

16-4

Expo Hall Operation - In accordance with the second expenditure priority in Charter Ordinance No. 83, the Tourism and Convention Fund budget contains an amount equal to the difference between Expo Hall projected revenues and projected operating expenses. The difference is transferred to the General Fund.

General Debt and Interest Fund - In accordance with the first expenditure priority in Charter Ordinance No. 83, this fund is budgeted to pay debt service on Expo Hall.

Historic-Wichita (Cowtown) - The 1992 budget provides \$79,900 for promotional expenses, including artwork, brochure printing, advertising, photography, membership development, seminars and special events.

Lawrence-Dumont - Financing for the second phase of improvements to Lawrence-Dumont Stadium, required by lease agreement, was accomplished through the issuance of long-term debt. This debt is to be retired from the proceeds of the additional 1% guest tax increase, effective July 1, 1990.

Mid-America All-Indian Center - The 1992 budget provides \$36,669 of the Center's utility costs, in addition to \$940 for promotional expenses.

Miss USA Pageant - The City has entered into a long-term contract with promoters of the Miss USA pageant to ensure Wichita as a regular site for the pageant. Costs of the agreement in 1993 include location fees (\$300,000) and event expenses (\$125,000). Costs are to be offset by contributions from private donors.

Sister Cities - The 1992 budget provides \$10,060 for Sister Cities. This program exists to support, coordinate, develop and sponsor Sister City exchange programs of a cultural, educational, social, business, or governmental nature. The budget includes funding for official visits to the sister cities, an official visit to Wichita from each of the four sister cities, and other cultural exchange programs.

Wichita Arts Council - The Council promotes art and cultural institutions in Wichita. The 1992 budget allocates \$6,580 to help offset the administrative costs of providing a recognition awards reception, Wichita Arts Festival, and an Artist-in-Residence tour.

Wichita Convention and Visitors Bureau - The purpose of the Visitors Bureau is to promote conventions and tourism and attract visitors to Wichita. The 1992 budget allocates \$850,020 for this purpose.

Wichita Children's Museum - The 1992 budget provides \$6,580 to offset a portion of exhibit development costs.

Appropriated Reserve - This account is for emergency expenses associated with new conventions and major events or to absorb unanticipated shortfalls in revenue collections.

CHARTER ORDINANCE NO. 83 PROVISIONS

Revenues from this tax are expended in accordance with the provisions of Charter Ordinance No. 83 in the following priority order:

1st To pay any obligation including but not limited to bonds, leases or contracts resulting from or directly attributable to the construction or use of new facilities for convention or exhibition purposes.

2nd To pay any deficit incurred in the operation or maintenance of new facilities for convention or exhibition purposes.

3rd To pay for convention and tourism activities which result from the annual consideration of requests for such funds by the Tourism and Convention Committee established by Section 12 Charter Ordinance No. 83 as amended June 24, 1988, and which, upon recommendation by said committee, receives final approval by the City Council.

4th Any funds remaining shall be held in reserve to pay any deficit incurred in the operation or maintenance of Century II; to establish a building fund for future facilities; to pay for extraordinary facility repairs or replacement; and to fund attractions deemed to have advantage or interest to the City of Wichita.

5th None of the revenue from said tax shall be expended for promotion of convention and tourism facilities or activities for Sedgwick County outside the city limits of Wichita unless and until an equal transient guest tax is levied by the board of County Commissioners of Sedgwick County, Kansas, and the City Council authorize by resolution such expenditures.

116-6