

Approved MDV. 3-2-92
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 Thursday, February 27, 1992 in room 519-s of the Capitol.

All members were present except:

Committee staff present:

Bill Edds, Revisor's Office
Don Hayward, Revisor's Office
Chris Courtwright, Research Department
Tom Severn, Research Department
Marion Anzek, Committee Secretary

Conferees appearing before the committee:

Mark Burghart-KS Department of Revenue
Senator Don Sallee
Representative Jesse Harder
Rob Gaskell, Horton, KS
George Dugger, KS Department on Aging.
George Gabel, representing A.A.R.P.
Ernie Mosher, League of Municipalities

Chairman Dan Thiessen called the meeting to order at 11:07 and turned attention to **SB602** recognizing Mark Burghart, Legal Counsel, Department of Revenue.

SB602:Electronic filing of individual income tax return.

Mark Burghart said **SB602** was sponsored by the Department and he said, it allows the Department to provide an opportunity to the taxpayers to file their tax returns by electronic filing. He said, the Department has a pilot project underway using Department volunteers to be accessible, next year to extend to the taxpayers across the State who are filing for refunds. (ATTACHMENT 1)

Chairman Dan Thiessen recognized a group of students visiting the committee from Chase County.

The Chairman turned attention to **SB635** and recognized Senator Don Sallee, Sponsor of the bill.

SB635:Relief for retailer selling vehicle fuels in competition with retailers selling untaxed fuels.

Senator Don Sallee said he came to the conclusion that perhaps one needs to look at the issue concerning the failure or inability to collect taxes on sales to Non-Indians from a different approach other than mandating that taxes be collected.

He said, he would appreciate the committee amending whatever areas could be transacted into the bill. He said, he felt we need to consider relief for the disadvantaged merchant rather than attempting to collect taxes from the Indian merchants on sales to Non-Indians. He said, he is trying to establish what the state's status or role will be in the matter of equality for all residents. (ATTACHMENT 2)

After committee discussion Chairman Thiessen turned attention to **HB2621** recognizing Representative Jesse Harder.

HB2621:KS inheritance tax payment of interest on delinquent payment of taxes.

Representative Jesse Harder said the provisions of **HB2621** was brought to his attention by a letter he received from Mr. William Chalfant, an Attorney in his Legislative district. (letter attached to Representative Harder's testimony)

Representative Harder said the concern is "fairness in the application of the inheritance tax law." He called attention to lines 30 through 36, page 3 of **HB2621** "due to reasonable causes" and "the secretary or the secretary's designee may waive or reduce

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m. ~~pm~~ on Thursday, February 27, 1992
any interest."

He asked the committee's favorable support of HB2621. (ATTACHMENT 3)

After committee discussion on waiving interest on inheritance tax. Chairman Thiessen asked Mark Burghart to respond.

Mark Burghart said the Department generally has no to authority waive tax, except on motor fuel and he said, they have some authority there. He said the only discretion they do have is the area of penalties. He said this is strictly interest, and in the Inheritance Act Law, there are no penalties.

Chairman Thiessen concluded the hearing on HB2621 and turned attention back to SB635 recognizing Rob Gaskell, Horton, KS

Rob Gaskell said he is in **support of SB635** and in part is representing a business owner in Horton, KS. He said, the man operating as Stan's Texaco is in near economic collapse. He is located at the major intersection of US73 and K-20 highways on the north side of Horton about 6 miles east of Kickapoo Reservation Trading Post, which sells gasoline just like Stan, with one difference, the Trading Post Outlet doesn't charge any tax, or pay any tax and enjoys an immediate 17¢ differential advantage over Stan and other stations located in town.

He asked the committee to remove this unfair monopoly on low prices by the reservation based outlet. (ATTACHMENT 4)

Chairman Dan Thiessen concluded the hearing on SB635 and turned attention to SB646 recognizing George Dugger, representing KS Department on Aging.

SB646:Property tax deferral program for elderly.

George Dugger said they support the concept of property tax deferral for older Kansans in **SB646** as a low cost way to reduce the property tax burden for some persons. He said accessing the equity to help older persons pay for their property taxes is not a new idea. He said Oregon implemented the first such program in 1963, and today about 16 states have either statewide or local PTD programs.

He said they have (3) specific concerns with **SB646** as written. (1) deals with the disclosure of information to potential participants in a PTD program. (2) Participation rates in a PTD program. (3) The interest rate to be charged. He said his handout explains their concerns. He said **SB646** with appropriate modifications can be a vehicle for providing meaningful additional property tax relief, and he said they recommend its favorable consideration. (ATTACHMENT 5)

George Gabel representing A.A.R.P. said they want people to be able to stay in their homes after retirement. He said Colorado has had this program for about 12 years and it has worked. He said they do support the bill and thanked the committee for their attention to the bill. (NO WRITTEN TESTIMONY)

Chairman Dan Thiessen concluded the hearing on **SB646** and turned attention to **SB683** recognizing Ernie Mosher, League of Municipalities.

SB683:Rates of local retailers sales taxes; increments of $\frac{1}{4}\%$ authorized.

Ernie Mosher said he is appearing in support of **SB683**. He said, they propose to the committee some substantive changes, as amendments or a substitute bill. He said prior to submitting their amendments, there are (7) bills relating to local sales taxes now pending before the Legislature that should be reviewed. He said they are **HB2549, HB2585, HS2776, HB2779, HB2901, SB683 and SB723**.

He said, the amendments they propose, are consistent with their convention policy and proposed by the Finance and Taxation Committee and State Legislative Committee of the League would be (1) Rate Increments (2) Increased Tax Rates (3) Purposes (4) Term of Tax and (5) Cap. (See Handout) (ATTACHMENT 6)

Chairman Dan Thiessen concluded the hearing on **SB683**.

Senator Audrey Langworthy moved to adopt the minutes of February 25, 1992. 2nd by Senator Gerald Karr. The motion carried.

Chairman Dan Thiessen adjourned the meeting at 12:07 p.m.

PHMC 12

MEMORANDUM

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

DATE: February 21, 1992

FROM: Kansas Department of Revenue

RE: Senate Bill 602
As Introduced

BRIEF OF BILL:

Senate Bill 602, as introduced, amends K.S.A. 79-3220 by authorizing the electronic filing of individual income tax returns in a manner to be approved by the Secretary of Revenue.

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

FISCAL IMPACT:


Passage of this bill would not affect State General Fund revenues.

ADMINISTRATIVE IMPACT:

For Fiscal Year 1993, the cost to implement electronic filing is estimated at approximately \$70,000. Included would be the costs for the purchase of personal computers; copying and mailing costs; travel expenses; and some mainframe processing costs in conjunction with altering the tax processing system to accept electronically filed returns.

Unknown at this time is the impact electronic filing will have within the Department of Revenue in terms of personnel savings, manual storage, computer storage, etc. During FY 93 it is not anticipated that electronic filing will have any substantial impact upon agency personnel or computer storage and processing costs. The Department is unable to provide cost impact for the following reasons: 1) It is not known how many electronic returns Kansas will receive, 2) internal processing changes have not been finalized, and 3) issues between the IRS and the States are yet to be resolved.

APPROVED BY:


Mark Beshears
Secretary of Revenue

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**Kansas Department of Revenue
Joint Electronic Filing
January 1992**

• **TAX YEAR 1990 FACTS**

1,200,000 returns filed, evenly split between refunds/balance dues
Average Kansas refund was \$184.00
71,000 Kansans filed with IRS in tax year '90, expect 100,000 in '91

• **HOW ELECTRONIC FILING WORKS**

Day 1 Enter Federal & Kansas returns into IRS/KDOR accepted software
Transmit returns to IRS (Austin Tx), IRS confirms receipt
Day 2 Retrieve IRS acknowledgement on return acceptance/rejection
Complete IRS signature form, mail to IRS with W-2 statements
Day 3 Retrieve Kansas return data from IRS
Day 4 Initiate internal processing of return; requires couple days
Day 7 Refund ready for mailing to taxpayer

• **TAX YEAR 1991 - PILOT PROJECT**

Controlled processing environment
Employee volunteers from Department of Revenue; eighty (80) to date
Refund only, full year Kansas resident restriction

• **TAX YEAR 1992 OBJECTIVES**

Statewide processing of Kansas refund returns; some limitations
Offer Direct Deposit option
Implement tax preparer application, tracking and certification process
Modify KDOR manual and computer processing systems

• **FUTURE OF ELECTRONIC FILING**

1993 Expand refund processing
Add acceptance of balance due returns (File now-Pay later)
Consider RAL's option (Refund Anticipation Loans)
1994+ Continue increasing capabilities

• **COSTS**

FY 92 Costs estimated at \$19,000. Expenses to date \$12,000
Software, travel, duplicating, postage, etc.
FY 93 Costs estimated at \$70,000 for PC's, duplicating,
computer costs (CPU, Disk, etc) and travel expenses.
Personnel costs for altering internal systems not included.
FY 94 Potential IRS handling and storage fee charge
Computer associated, travel and related project costs

• **BENEFITS**

Reduction of Data Entry workload
Reduction in correspondence with taxpayers (less return errors)
Reduction in paper handling and processing
Improved service by tax preparers to clients
Improved image of KDOR to taxpayers



DON SALLEE
SENATOR, FIRST DISTRICT
ATCHISON, BROWN, DONIPHAN, JACKSON
AND JEFFERSON COUNTIES
R.R. 2
TROY, KANSAS 66087

COMMITTEE ASSIGNMENTS
CHAIRMAN: ELECTIONS
VICE-CHAIRMAN: ENERGY AND NATURAL RESOURCES
MEMBERS: AGRICULTURE
LABOR, INDUSTRY AND SMALL BUSINESS
TRANSPORTATION AND UTILITIES
JOINT SPECIAL CLAIMS AGAINST
THE STATE

TOPEKA

SENATE CHAMBER

FEBRUARY 26, 1992

TESTIMONY ON SB-635 BY SENATOR DON SALLEE

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

RECENTLY, I HAVE COME TO THE CONCLUSION THAT PERHAPS ONE NEEDS TO LOOK AT THE ISSUE CONCERNING THE FAILURE OR INABILITY TO COLLECT TAXES ON SALES TO NON-INDIANS FROM A DIFFERENT APPROACH OTHER THAN MANDATING THAT TAXES BE COLLECTED.

EARLIER THIS SESSION, I INTRODUCED TWO BILLS, SB-559 AND SB-560, IN THIS COMMITTEE. THESE BILLS WOULD MANDATE TAXES ON THE INDIAN SALES TO NON-INDIANS ON INDIAN RESERVATIONS AND WOULD CHANGE THE STATUS OF MOTOR FUELS TO ALLOW THIS TO HAPPEN.

BECAUSE OF THE SEEMINGLY IMPOSSIBLE POSITION THIS ISSUE APPEARS TO HAVE WITHIN THE PRESENT ADMINISTRATION AND OTHER PEOPLE INVOLVED IN GOVERNMENT, AS WELL AS THE CONSTANT CHARGE OF RACISM, IT WOULD SEEM WE NEED TO CONSIDER RELIEF FOR THE DISADVANTAGED MERCHANT RATHER THAN ATTEMPTING TO COLLECT TAXES FROM THE INDIAN MERCHANTS ON SALES TO NON-INDIANS. BY INTRODUCING THIS LEGISLATION, I AM TRYING TO ESTABLISH WHAT THE STATE'S STATUS OR ROLE WILL BE IN THE MATTER OF EQUALITY FOR ALL RESIDENTS. IF THE POLICY IS TO

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Testimony of Senator Don Sallee
February 25, 1992
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BE THAT LEAVING THE RESERVATIONS ALONE IS AN ABSOLUTE, WE SHOULD NOT, IN TURN, TOTALLY IGNORE THOSE THAT ARE EVENTUALLY GOING OUT OF BUSINESS BECAUSE OF THIS PRICE DIFFERENTIAL.

THE UNFAIRNESS OF THE SITUATION AS IT RELATES TO WHITE MERCHANTS NEEDS TO BE ADDRESSED. I BELIEVE THAT SB-635 COULD BE THE METHOD BY WHICH YOU ADDRESS THIS ISSUE.

JESSE J. HARDER
REPRESENTATIVE, ONE HUNDRED AND THIRD DISTRICT
BOX 208
BUHLER, KANSAS 67522



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: EDUCATION
LOCAL GOVERNMENT
TAXATION
LEGISLATIVE EDUCATIONAL
PLANNING COMMISSION

HB 2621

February 27, 1992

Testimony on HB 2621
before the
House Committee on Taxation
by
Rep. Jesse Harder

Mr. Chairman, members of the committee:

Thank you for scheduling a hearing on HB 2621.

A need for its provisions was brought to my attention by a letter from Mr. William Chalfant, an attorney who lives in my legislative district. A copy of the letter is attached and is offered as the primary evidence in support of HB 2621.

You will note from a careful reading of Mr. Chalfant's letter that his only concern is fairness in the application of the inheritance tax law. As he says in his letter, enactment of HB 2621 will not bring relief to his client but would be of benefit to subsequent, similar cases.

I call your attention to lines 30 through 36 on page 3, and especially to the phrase "due to reasonable causes" and the phrase "the secretary or the secretary's designee MAY waive or reduce any interest."

In the interest of fairness in similar cases in the future I'm asking for your favorable consideration of HB 2621.

Thank you.

SENATE ASSES. & TAX

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SB 188

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BRANINE, CHALFANT & HILL
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P.O. BOX 2027
HUTCHINSON, KANSAS 67504-2027

TELEPHONE 316 663-5021

WILLIAM Y. CHALFANT
J. STANLEY HILL
DELL MARIE SHANAHAN SWEARER
GREGORY G. MEREDITH

CLAUDE E. CHALFANT (1903-1967)
MICHAEL E. CHALFANT (1933-1983)
HAROLD R. BRANINE (1892-1988)

TELECOPIER 316 662-2160

February 27, 1991

Rep. Jesse Harder
State Capitol
Room 284 West
Topeka, KS 66612

Dear Jesse:

I have recently had occasion to deal with an inheritance tax problem that I think needs attention by amendment of the statute. Briefly the facts are these.

Approximately twenty years ago a Kansas landowner died, owning two quarter-sections of land in the state of Kansas, both of which were owned in joint tenancy with his wife. The couple had two children, both of whom resided in the state of Arkansas. The mother was aged, and shortly after her husband's death she deeded the land to her two children, reserving a life estate. She did this so that she would no estate in Kansas. She removed from the state of Kansas to the state of Arkansas, and remains living to the present time. About eight years ago her son, who had never been married and had no children, became afflicted with what apparently was a terminal illness. He deeded his interest in the land to his sister and brother-in-law along with himself, as joint tenants. He died within a year of the conveyance, and had no other estate of any kind either in Arkansas or elsewhere. He had retired from work in a laundry some time before his death, and was cared for in his home by his mother. He had never received any income from the land, and had no possessory interest. The state of Arkansas does not have an inheritance tax, and its estate tax applies only to estates of persons who have a sufficient amount to owe a federal estate tax. They did not understand at any time that the son's interest was subject to any kind of Kansas inheritance tax. It was not until a number of years later, namely in 1991, when it became necessary to sell land to raise money to care for the mother, who is in her upper nineties and living in a care facility, that the fact there was a Kansas inheritance tax became known to them. It was filed, and a tax of some \$700 was assessed. In addition, the state assessed interest on the tax in the amount of \$819.18, far more than the original tax.

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Rep. Jesse Harder
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On behalf of the taxpayer, we requested that the interest be abated. It was pointed out that when examination of the title revealed the problem, the family filed the tax return in good faith as promptly as was possible, though the need to do so worked a financial hardship on them. It was pointed out that the children, including the deceased son, had no possessory interest as yet. It was also pointed out that K.S.A. 79-1567 would have given a representative of the decedent's estate or a "deemed executor," the right to elect to defer payment until right of possession or to enjoy the estate occurs, if a bond is given. In this instance the tax was paid, though the right of possession has not occurred. Unfortunately, although no specific reference was made to the right to give a bond, it was presumably the position of the tax authorities that no bond had been given and that the statute had not literally been complied with. At any rate, the request that the tax be abated was denied, and it was stated that K.S.A. 79-1564(e) did not provide sufficient grounds to do so under these circumstances.

I think that it is important that fairness govern all of our laws, and that is especially true with tax laws. It seems a terrible miscarriage of justice to impose a penalty on people who live in another state, and who have no way of understanding that a tax might be owing. It is quite common for people even within our own jurisdiction to assume that when there is no right of possession, and that such will not occur until the death of another party in the future, that they have nothing upon which a tax would apply. Many are heavily influenced by the circumstances within their own state boundaries. Certainly in this case the family was astounded that there was something owed in the first instance, and could hardly believe that they owed more interest that they did tax. That seems something short of equitable, and I call it to your attention with the hope that you can address a remedy to this problem, so that other persons in the future will not have to face it.

Thank you for your attention.

Very truly yours,



W. Y. CHALFANT

WYC:pm

TESTIMONY TO: SENATE ASSESSMENT AND TAXATION COMMITTEE

By: Rob Gaskell, Horton, KS 913-872-3280 (hm.)

Date: Feb. 26, 1992

Mr. Chairman, distinguished members of this committee:

I come before you today in wholehearted support of SB-635.

I represent in part, a man and his business there in Horton which I'd like to tell you a little bit about.

Mr. Stan Koelliker, who operates Stan's Texaco, is in best terms near economic collapse. Located at the major intersection of US 73 and K-20 highways on the north side of town, Stan's Texaco lies some 6 miles straight east of the Kickapoo Reservation Trading Post, which sells gasoline just like Stan. But with one difference - the Trading Post outlet doesn't charge any tax, or pay any tax, and enjoys an immediate 17¢ differential advantage over Stan, and other stations located in town.

If you will refer to the map provided, this will illustrate just why, in the minds of these local station owners, they have been affected so heavily, and to their detriment. They are only 6 miles away.

Stan informed me, that he could take his tankwagon out to the Trading Post, fill up and still be paying less than what he can presently buy fuel for. The legality of that, would of course be questionable.

He would be here today, if he had anyone who could take his place. But the fact is that he has, due solely to lack of sales, had to cut his work force down to himself only.

A few years ago when the non-taxing tribal pumps began operating, within literally weeks, Mr. Koelliker saw sales plummet. One year ago, Stan did not believe he would be open another week. This, from

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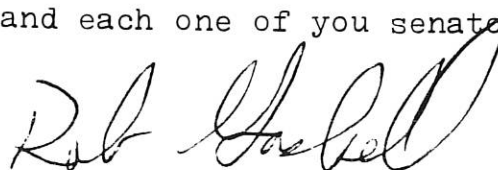
one of the longest running stations ever to be in town. In fairness, Stan's Texaco is sort of the quintessential service station. He sells gas, fixes tires, washes cars, does minor repairs, lube, and all with a smile. He is not a mini-mart in any sense of the word.

The only thing you can eat in there is candy bars out of the machine. What he sells is service and fuel. Unfortunately, it is the fuel that is the larger money maker.

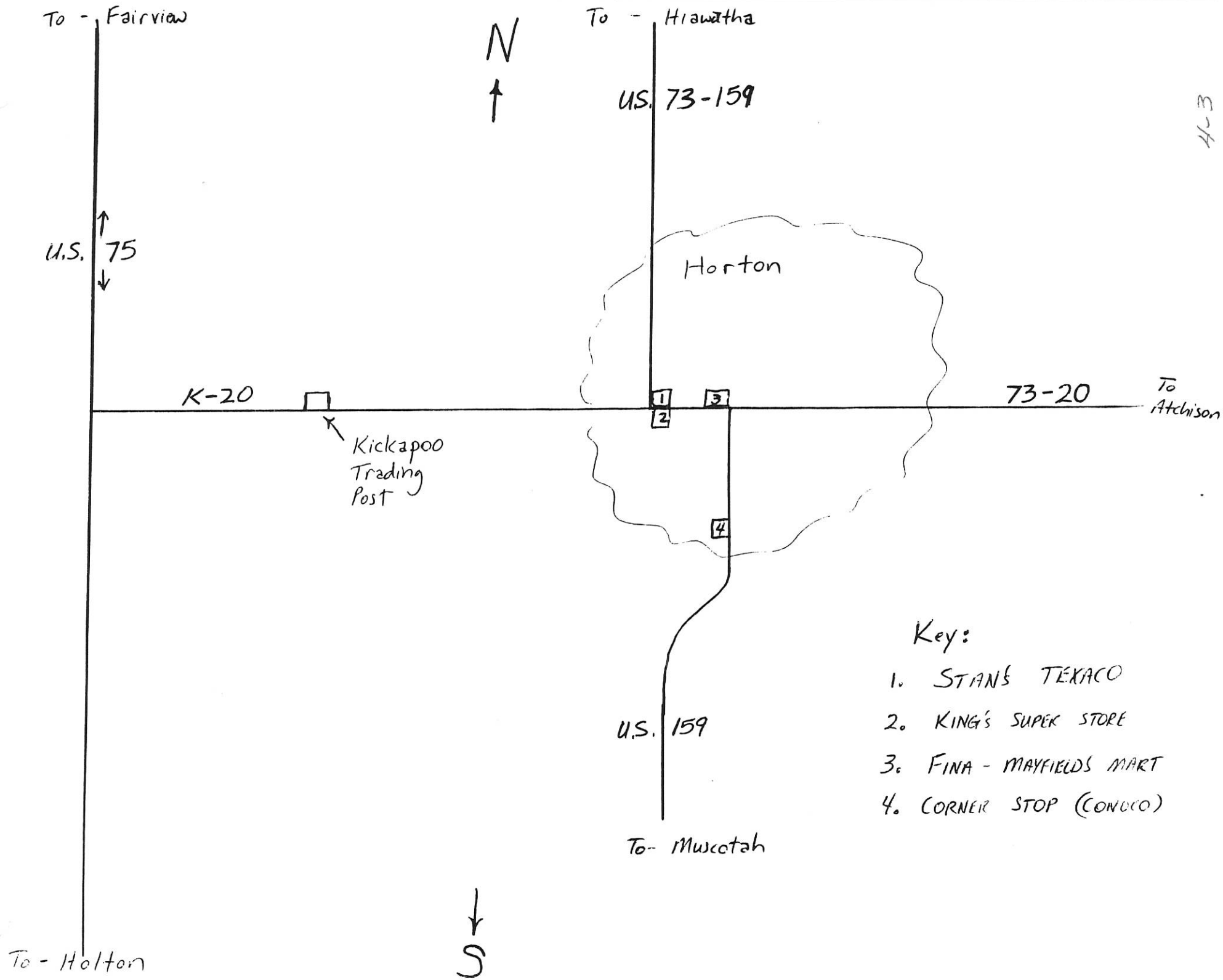
Stan has expressed his kind appreciation for the work Senator Sallee and some of you others are doing to bring equitable pricing back to this market area. We respectfully request that this measure be enacted.

If it is not, or something like it, to remove this unfair monopoly on low prices by the reservation based outlet, he says this will surely mean the end to his livelihood, the station.

I thank you, Mr. Chairman, and each one of you senators for your time today.



Robert L. Gaskell
Horton, KS



Key:

- 1. STAN'S TEXACO
- 2. KING'S SUPER STORE
- 3. FINA - MAYFIELDS MART
- 4. CORNER STOP (CONOCO)

KANSAS DEPARTMENT ON AGING
TESTIMONY ON SB 646
BEFORE THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION
FEBRUARY 27, 1992

The Kansas Department on Aging supports the concept of property tax deferral for older Kansans in SB 646 as a low cost way to reduce the property tax burden for some persons.

The property tax has been called the single most difficult regularly recurring expense for many older persons. A 1989 national survey of persons age 55+ found that 38% of respondents believed they were paying too much for property taxes. Among minorities and those with significant health problems, the percentage rose to 52%.

When survey respondents were asked about future housing related expenses, 61% said they were somewhat or very concerned about property taxes. Clearly, meeting property tax obligations was a problem for many older persons even before reappraisal.

Property tax deferral (PTD) is perhaps the simplest form of home equity conversion which is the generic term for a variety of ways of turning home equity into income. Home equity has been identified as the single largest untapped financial resource in this country.

Accessing this equity to help older persons pay for their property taxes is not a new idea. Oregon implemented the first such program in 1963. Today about 16 states have either statewide or local PTD programs.

There are three specific concerns we have with SB 646 as written. The first deals with the disclosure of information to potential participants in a PTD program. We support a disclosure requirement such that applicants would be informed that: possible alternatives to PTD exist (e.g. home equity loans, home equity conversion, and homestead property tax exemption); deferring property taxes may negatively affect qualifying for home equity conversion at a later date; extended deferral of property taxes could result in substantial interest charges due to compounding; and PTD could impact income taxes or public benefits.

Our second concern is about participation rates in a PTD program. The experience of other states is that participation rates will be very low unless a strong public information campaign accompanies the program. Many older persons have a great reluctance to have liens placed on their homes. KDOA supports requiring a public information program as a part of any PTD program.

Our last concern is about the interest rate to be charged. While we support indexing of the rate, we are not sure if the CPI is the most appropriate index to use. We would support a slightly

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subsidized rate that will increase the attractiveness of this program. Most states with PTD programs use interest rates in the range of 6 to 8%.

PTD programs have the potential to be of great assistance to some older property taxpayers. The cost to the state will be relatively low as eventually the deferred taxes will be repaid with interest. Potential program participants must be informed of the advantages and disadvantages of PTD so they can make informed choices. Unless the program is adequately publicized and interest rates are attractive, participation will be minimal and only symbolic property tax relief would have been provided. SB 646, with appropriate modifications, can be a vehicle for providing meaningful additional property tax relief. We recommend its favorable consideration.

GAD:proptx1.tst



THE LEAGUE
OF KANSAS
MUNICIPALITIES

Municipal
Legislative
Testimony

AN INSTRUMENTALITY OF KANSAS CITIES 112 W. 7TH TOPEKA, KS 66603 (913) 354-9565 FAX (913) 354-4186

TO: Senate Committee on Assessment and Taxation
FROM: E.A. Mosher, Research Counsel, League of Kansas Municipalities
RE: SB 683--Local Sales Tax Rate Increments
DATE: February 27, 1992

On behalf of the League and its member cities, I appear in support of SB 683. This proposal, to permit city and countywide sales tax rates to be set at .25% increments, rather than only at .5% or 1.0%, is supported by our convention-adopted Statement of Municipal Policy. However, we want to propose to you some substantive changes, as amendments or a substitute bill.

Prior to submitting these amendments, the seven bills relating to local sales taxes now pending before the Legislature should be reviewed. These are:

HB 2549. City Sales Tax for Crime Prevention. By H,FSA. Allows any city, subject to an election, to levy an additional .25% sales tax for "special crime prevention efforts." To H,Tax.

HB 2585. City Sales Tax; Manhattan and K.S.U. Amends K.S.A. 12-187 to allow Manhattan to submit to election the question of levying an additional .5% local sales tax for projects mutually benefiting the city and Kansas State University. To H,Tax.

HB 2776. Countywide Sales Tax; Pottawatomie County. By Rep. Rezac. Amends K.S.A. 12-187 to allow Pottawatomie County to call an election to impose an additional 1.0% sales tax, with revenue pledged to the county's rural highway fund. To H,Tax.

HB 2779. Local Sales Tax; Health Care Services. By Reps. Chronister and 37 others. Amends K.S.A. 12-187 and 12-189 to allow any city or county to submit to a vote an additional sales tax of .25%, .5%, .75% or 1.0%, with revenue pledged to finance "health care services". To H,COW.

HB 2901. Local Sales Tax; Rate Increments. By Rep. Heinemann. Amends K.S.A. 12-189 relating to the general local sales tax rates that may be levied by cities or countywide, to permit .25% increments: .25%, .5%, .75% or 1.0% (now .5% or 1.0%). To H,Tax.

SB 683. Local Sales Tax; Rate Increments. By S,AT. Amends K.S.A. 12-187 and 12-189 to permit all city or countywide rates to be at .25%, .5%, .75% or 1.0% (now .5% or 1.0%). Class B cities (Rossville) may levy a tax at .25% increments up to present 2.0% limit. To S,AT.

SB 723. City Sales Tax; Independence--Economic Development. By S,AT. Amends K.S.A. 12-187, 12-188 and 12-189 to authorize a newly created Class D city (Independence) to levy an additional .5% sales tax, for 5 years, for "economic development initiatives." To S,AT.

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The amendments we propose, consistent with our convention policy and proposed by the Finance and Taxation Committee and State Legislative Committee of the League, would do the following:

(1) Rate Increments. The amount of city or countywide local sales tax rates would be authorized at .25% increments, similar to the provisions of SB 683 and HB 2901. The actual rate, of course, would be determined by the voters according to ballot propositions submitted by local governing bodies.

(2) Increased Tax Rates. All cities and counties would be authorized to hold referendums on the question of levying an additional .25% or .5% sales tax, above the present general limit of 1.0%.

(3) Purposes. Revenue from the additional tax authority (from any .25% or .5% tax above the present general maximum of 1.0%) could only be used for a purpose or purposes specified in the ballot proposition, as discussed below.

(4) Term of Tax. There should be specific authority to specify the term of any proposed additional tax, to be included in the ballot proposition.

(5) Cap. There are several provisions of the local sales tax law which provide for special local rates for special purposes. The Committee may want to consider an over-all cap, such as a 2% maximum for cities and a 2% maximum for countywide taxes. Under this amendment, the city of Rossville (a class B city), for example would not be able to use the additional tax authority proposed in these amendments if it had exercised its present special authority to levy a sales tax of up to 2%.

Purposes Of Additional Tax

The additional .25% or .5% would be authorized only for certain statutorily defined purposes, in contrast to the existing general sales tax authority which may be used for any general government purpose (with some special provisions for specified purposes). The purposes we propose be included in the bill are as follows:

- (a) property tax reduction;
- (b) public safety and crime prevention;
- (c) health care services;
- (d) public infrastructure improvements including the financing of state or federal environmental mandates; and
- (e) economic development.

Frankly, we think the purposes for which local sales tax money should be spent should be a local decision. However, we doubt that a bill authorizing additional local sales tax authority will receive a majority in both houses of the Legislature unless the possible additional tax is limited to certain public purposes that seem to have a high priority with state legislators, local officials and the general public.

Conclusion

Finally, we observe that local sales taxes are clearly not an adequate and practical solution to local government financing and property tax problems in many areas of Kansas--it is simply not very productive in areas where there are few retail establishments. However, it will help in many areas. We think cities and counties, and their voters, should be given the options proposed in these amendments.