Approved WFO. 5-6-92
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./~~p.m.~~ on Wednesday, April 1, 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:
Senator Bud Burke, President of the Senate
Senator Eric Yost
Paul Fleener, Director, Public Affairs Division, KS Farm Bureau
Don Schnacke, Executive Vice President, KS Independent Oil & Gas Ass'n.
Cedric Moege, Retired District Representative, Aid Ass'n. for Lutherans
Gordon Garrett, - Commercial Property Ass'n. of KS
Jim Garvey, President of Builders Commercials, Inc., Wichita, KS
Christy Wood, Programs Coordinator KTN, KS Taxpayers Network, Inc.
Mary Ellen Conlee, KS Association for Small Business
Jack Glaves, Panhandle Eastern Corporation
William Skaer, Veterinarian from Wichita, KS

Chairman Dan Thiessen called the meeting to order at 11:08 and said the agenda today is a hearing for Proponents and Opponents on **SCR1640, SCR1635, SCR1636 and HCR5007** and he recognized Senator Bud Burke, President of the Senate, Chief sponsor of **SCR1635 and SCR1636**

The Chairman asked that the conferees be as brief as possible and asked that the committee members keep questions at a minimum so the committee could hear as many conferees as possible.

SCR1640: Constitutional amendment classifying property for taxation purposes, aggregate limitations.

SCR1635: Constitutional amendment classifying property for taxation purposes.

SCR1636: Proposition to amend Section 1, Article 11 of the constitution, relating to taxation of property.

HCR5007: As amended by the committee of the whole, Constitutional amendment classifying property for taxation purposes.

The following conferees are Proponents of the above bills.

Senator Bud Burke, President of the Senate said the committee has a challenge to deal with a lot of issues and he just wanted to make a plea to the committee to at get least one of the CR's out of committee. He said, **HCR5007** is the one that makes sense to him, and as long as 10 years ago he has said that local option did make sense, as long we don't have a uniform mill levy.

He urged the committee to amend if necessary but to do what they possible could to pass an SCR or amend the HCR and send it out. (**NO WRITTEN TESTIMONY**)

Senator Eric Yost said he would speak on behalf of the concept of caps, and he said, if anyone has questions regarding **SCR1640** more specifically, he said he would be available.

He said, the problem and the reason we need the caps is, right now there are no limits on property tax, and there are limits on sales tax and income tax and he said, he feels its human nature for local officials to lean on property tax when it is so easy to do, and he said, he thought a cap would deal with the problem, and SCR1640 places a 1% cap on homes, and a 2% cap on commercial property, and a 2% gives partial relief and applies to cities, counties and schools.

He said, he has a hand-out regarding a suggested compomrise on caps. He suggested to adopt the concept of a minimum mill levy of 25 mills, and have it applied to schools only and allow school districts to place on the ballot, questions raising the mill levy up to an additional 25 mills if the voters approve it, so we can have a cap. He said, when we raise these other revenues, the property tax will stay down. He said, if you do not cap property taxes and the revenue package is passed, proposed by the House or even by the Senate Education Committee without having a cap in the Constitution, the property taxes will just go back up. (**ATTACHMENT 1**)

Paul Fleener, Director, Public Affairs Division, KS Farm Bureau said on page 2 of his hand-out, they would like to indicate to the committee their support for modest change in the KS Constitition. He said, their specific interest of their members concerning change in the KS Constitution is contained the the following language:"We support the general intent of the limited classification amendment which is now part of the KS Constitution, though we also recognize the need for minor adjustments in assessment rates for commercial real and fraternal organization real properties". (**ATTACHMENT 2**)

Don Schnacke, Executive Vice President, KS Independent Oil and Gas Association, said he is appearing before this committee when the Gas and Oil Industry is suffering bad economic times, and with his hand-out is an attachment from Time Magazine indicating this. He said, their association is opposed to the passage of another State Constitutional amendment relating to the classification of property for tax purposes, that leaves the oil and gas properties at 30% and drops commercial and industrial properties to 25%, as provided in 3 of the 4 bills in front of this committee today. He said, they are intrigued with **SCR1640** which would cap taxes on homes and industrial properties and place oil and gas at 20%. He said, this is the concept they could support. (**ATTACHMENT 3**)

Cedric Moege, Retired District Representative, Aid Association for Lutherans said a recent KS Board of Realtors poll showed 60% of repondents favor a property tax cap. He said a cap of 1% to 2% as proposed in **SCR1640** and **HCR5058** could eliminate the need for mill levies and reclassification and **SCR1635, SCR1636 and HCR5007** would be moot. (**ATTACHMENT 4**))

Gordon Garrett, representing the Commercial Property Association of KS said their Association pays almost $40,000,000 a year in property taxes, and they rise in support of **SCR1640** but have a few points they would like the committee to consider. He said, local government in KS derives too high of a percentage of its revenue from the property tax, and one of the attractive things about a cap on property tax is that it provides some stability in the market place. He said property tax is the only source of revenue that is open ended.

He said the great merit of the property tax cap is that it addresses both major issues (1) the heavy burden currently placed on property tax (2) cost control relating to the mill levy creep.

He said they also speak in support of **SCR1635 and HCR5007**. (**ATTACHMENT 5**)

Jim Garvey, President of Builders Commercials, Inc., Wichita, KS said they are concerned about the survival of their business, because 4 years ago their property taxes were $322,524. and today, they total $673,510. for the same properties. He said they pay more to the government in property taxes than they make on the properties themselves, and they have millions of dollars at risk, while the government has none.

He said they are in support of **SCR1640** because they need a property tax cap. He said developers and business people need to know what their taxes will be and not that they escalate out of control every year.

He said, they feel the future of KS is at stake, and if property tax relief is not given to the small business owner, they feel the future as a state does not appear good. (**ATTACHMENT 6**)

Christy Wood, Programs Coordinator KTN, KS Taxpayers Network, Inc. said they recently placed an ad in the Wichita Eagle to determine Sedgwick County's attitude toward **SCR1640**, and the response in one weeks time from this single effort was impressive. She said, the response they received confirms the KS Association of Realtors survey that stated that 62% of Kansans favor a cap on property taxes and a majority of Kansans feel it's the most important issue facing KS today.

She said, the people are unhappy with school financing reform. It added $100.M to the budget in the guise of readjusting school financing. (**ATTACHMENT 7**)

The Chairman asked the rest of the proponents to turn their written testimony into the committee secretary for the record because he said, he would like to give the opponents a chance to be heard, and he recognized Mary Ellen Conlee, KS Association for Small Business.

THE FOLLOWING CONFEREES ARE OPPONENTS

Mary Ellen Conlee, said the Association consists of 120 small manufacturers and companies which directly serve manufacturers, and she said they are opposed to any action toward constitutional reclassification of property at this time.

She said, they specifically oppose the shift of property taxes to commercial and industrial machinery and equipment. She said, each of the proposals before the committee today singles out machinery and equipment for the largest increases, 25%, if assessment levels are increased from 20% to 25% and 50% if assessment levels are increased from 20% to 30%. She said, these increases would be even larger if depreciation schedules are changed from 7 to 11 years.

She urged the members to maintain the 20%, 7 year depreciation appraisal level for machinery and equipment used in manufacturing production. (**ATTACHMENT 8**)

Jack Glaves, representing Panhandle Eastern Corporation, said each of the Resolutions propose to discrimination against public utility owned personal property inventory by assessing it at a 33% ration (30% in SCR1636), notwithstanding the exempting of all other merchants and manufacturers inventories. He said, they feel this discrimation is unwarranted, and he asked the members for equal treatment for storage gas and that utility customers receive the benefit of storage gas and continue to be exempt as merchants invertory. (**ATTACHMENT 9**)

William Skaer, a Veterinarian from Wichita said he bought a modest building in Wichita in 1988 and moved his practice to that building. He said, in a service profession such as his, you have a small inventory, and in less than four years his net property tax bill increased by almost 500%. He said, this kind of unplanned escalation is hard to absorb.

He said he has several colleagues who have been severely affected by escalating taxes, some have had to borrow against their savings to pay property taxes, while others have closed their office, and one told him that, he had to close his office that he had just opened last May, and said the property taxes were a major factor in his decision to close.

He said, he thinks, they need leadership from the State, and he said, he felt there should be a lid put on the flooding well of property taxes and for properties to be reclassified more equitably.

He said, he would like to see **SCR1640** passed and become law. (**ATTACHMENT 10**)

The following conferees turned in written testimony only.

Mark Tallman, Coordinator of Governmental Relations KASB (**ATTACHMENT 11**)
George Puckett, Executive Vice President, KS Restaurant & Hospitality Ass'n. (**ATTACHMENT 12**)
Terry Humphrey, Executive Director, KS Manufactured Housing Association (**ATTACHMENT 13**)
Bill Hawley, Owner, Hawley Brothers R.V., Topeka, KS (**ATTACHMENT 14**)
Karen France, Director, Governmental Affairs, KS Ass'n. of Realtors (**ATTACHMENT 15**)
Bev Bradley, Deputy Director, KS Ass'n. of Counties (**ATTACHMENT 16**)
Larry Fischer, Veterinarian, Topeka, KS (**ATTACHMENT 17**)
Bob Corkins, Director of Taxation, KS Chamber of Commerce & Industry (**ATTACHMENT 18**)
Jacque Oakes, representing KS Independent Automobile Dealers Ass'n. (**ATTACHMENT 19**)
Jim Irish, Legislative Coordinator, Greater KS Chapter of the Appraisal Insitute (**ATTACHMENT 20**)
Gerry Ray, Intergovernmental Officer, Johnson County Board of Commissioners (**ATTACHMENT 21**)

Chairman Dan Thiessen recessed the meeting at 12:00 noon and reconvened the meeting at 12:32 p.m. and told the members, the committee will continue discussing School Finance, HB2892. He said, the committee requested additional information in last evenings meeting, and he said, we now have that information and he recognized Senator Martin.

Senator Martin said he had asked for a print-out yesterday evening with adjusted rates. He said, he had talked with Steve Stotts on what the impact would be on adjusting those and raising the same amount of money. He said, basically the simulation showed there would be about a $30.M shift to various taxpayers, if the committee were to square up the rates and raise the same amount of money, that the committee looked at previously in the House Bill.

Senator Martin said there would be an additional $30.M impact to various taxpayers. He said, he did not have a proposal to do that, but he did want to see what the effects would be in the classes of married, and it showed a shift of the $30.M. Senator Martin said that Steve Stotts has not done a run on revenue neutral. He said, he could get the print-outs if the committee members desired, on the differential between single and married taxpayers.

Chairman Dan Thiessen said the run in front of the members on Selected School Finance Estimates, is an update from the runs received at the meeting last evening. He said, the dollar amounts didn't change but there is a difference in the heading of some of the catagories.

Senator Fred Kerr said in terms of the responsibility of the committee regarding the bill, he said 1st of all he understands, in order to keep the bill on one topic, the committe's responsibility is to fund what was anticipated for the general fund, which is $300.M. He said, he felt the committee should treat the bill as the House did, dealing with the general fund, and to come up with a package that is $300.M and get it through the appropriations process this year, and if there is some higher figure on special ed that the Senate and the House vote for, then that will have to be covered someway in appropriations, and he said the same is true of the capital expenditure bill **HB2835**. He said, if that does pass both chambers and signed by the Governor, that will have to be funded at some level, and he said, there are many different kinds of things and he said, he thought, that is outside the purview of this bill. He said, he felt the committee should just cover the general fund obligation, like the House did, and the other things will have to be addressed through the regular process.

Chairman Thiessen said he agreed with Senator Fred Kerr that in order to compare the committee needed to be doing the same thing.

Senator Lee said, it is her understanding that the House did include transportation, which is another $13.M, and the difference between $1,048.9.M and $728.7M is $320. She said, you are talking about more like $340.M and looking at this plan which is 40.0 mills compared to 29.0 mills your talking about 11 mills difference in property tax, and she said, when compared to $340.M to whatever the House plan difference is, you have to include that to whatever the amount of money is we are erasing.

Chris Courtwright said, his impression of the House Run is that a portion of that is going to the general fund, and certain districts would be using the LAB and the LOB budget authority. He said, what the actual statewide mill levy was, based on those assumptions, he said, he did not know.

Senator Don Montgomery said he had a print-out passed to the members showing the House Plan, Option 1 and Option 11. He said, the House Plan showing how they raised $452.2M, Option 1 showing the special sales tax, income tax and corporate tax, which raised $302.4M and Option 11, would be ½% sales tax, $116.3M, Individual Income Tax $120.5M, Corporate Income Tax $5.0M, Utilities and Production at 2.5% raising $16.7M, Original construction, 2.5% $39.9M, residential intrast telephone 2.5% raising $3.1M, film rentals 2.5% raising $0.9M, trade fixtures 2.5% raising $0.5M, hotel/motel 2.5% raising $0.6M, used mobile homes 2.5% raising $1.3M and new mobile homes 2.5% raising $0.3M, a total of $305.0. (ATTACHMENT 22)

After committee discussion

Senator Fred Kerr said in a follow-up to Senator Montgomery about the options in his hand-out, and looking at Option 11, he said he feels, it points out what they are trying to do to lower some of the options in the House Bill. He said, Option 11 would work the sales tax increase to ½¢ and it lowers the individual income tax from $138.M down to $120.M and the Corporate Income Tax from $8.M down to $5.M, and he said, this would be a $7.25M top rate instead of the $7.4 that the House had, and then it also has several sales tax exemptions in there at 2.5% instead of 5%, which the House had, some are the same as the House and some are different.

Senator Kerr said in working on this, they were trying to address the concerns that the Governor has publicly stated on the tax package for school finance, that she would veto the House Bill. He said, lowering the sales tax and lowering the individual income tax and easing some of the burdens of middle income, and adding a number of sales tax exemptions, he said, he thought all of these things are what the Governor has publicly stated are concerns that would cause her to veto the bill. He said, he and the Chairman visited with the Governor this morning regarding this and she is considering looking at it, but he said, they do not have an answer back yet, but he said, he felt this is a good faith effort to try to bring the Governor and the Legislature together on this most important issue.

Senator Lee said she is curious why used mobile homes are included and used fixtual homes are not included. She said, she understands the inclusion of new mobile homes, when they are going to include original construction.

Senator Janis Lee moved to strike used mobile homes, 2nd by Senator Jack Steineger.

Senator Fred Kerr reminded the members that Senator Montgomery's package had not been adopted yet.

Senator Montgomery made a substitute motion to adopt Option 2, in (ATTACHMENT 22), 2nd by Senator Fred Kerr. On a division call, the motion carried 6 to 5.

Senator Fred Kerr made a technical motion that the bill needs specific clarification, that these funds are earmarked for school finance, 2nd by Senator Audrey Langworthy. The motion carried.

Senator Fred Kerr moved to boiler-plate the language, 2nd by Senator Sheila Frahm. The motion carried.

Don Hayward said one other technical thing is you need to adjust the demand transfer amounts or the other demand transfers to hold them harmless.

Senator Fred Kerr moved to adjust the demand transfer amounts to hold them harmless, 2nd by Senator Audrey Langworthy. The motion carried.

Senator Lana Oleen moved to strike used mobile homes from Option 11, 2nd by Senator Janis Lee. The motion carried.

Senator Lana Oleen moved to include lottery tickets at the sales tax rate in Option 2, 2nd by Senator Janis Lee. On a division call the motion failed 5 to 4.

Senator Gerald Karr asked if the bill in its current form adddresses the change in rate and local tax base. He said, as the committee removes exemptions and do partial taxes, he asked staff to clarify how that could fit into the local tax situation.

Chris Courtwright said that would be a policy decision or otherwise specify things at a 2½% rate unless you want them exempt from local sales tax.

Senator Fred Kerr said he felt, the committee should clarify these items at the ½ rate are not subject to sales tax.

Senator Fred Kerr moved to clarify that these exempt items are not subject to local review, 2nd by Senator Martin.

After committee discussion The Chairman called for a vote on the above motion.

On a division call, the above motion by Senator Fred Kerr, 2nd by Senator Phil Martin. Carried 6 to 4.

Senator Fred Kerr moved to pass HB2892 as amended with no recommendation, 2nd by Senator Don Montgomery.

After committee discussion, The Chairman asked the members for a show of hands vote on the above motion by Senator Fred Kerr, 2nd by Senator Phil Martin.

The above motion by Senator Fred Kerr to pass **HB2892** as amended without recommendation, 2nd by Senator Phil Martin. Carried 6-5.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Wednesday, April 1, 1992

The following members requested to have their **votes recorded as voting NO:** Senator Marge Petty, Senator Janis Lee, Senator Gerald Karr and Senator Phil Martin.

Chairman Dan Thiessen adjourned the meeting at 1:13 p.m.

SESSION OF 1991

SUPPLEMENTAL NOTE ON HOUSE CONCURRENT RESOLUTION NO. 5007

As Amended by House Committee of the Whole

Brief*

H.C.R. 5007 is a resolution amending Article 11, Section 1 of the *Kansas Constitution*, which would present a new property tax classification schedule with seven subclasses of real property and six subclasses of personal property for the approval of the voters at a special election scheduled for November 12, 1991. The new schedule would be effective for tax year 1992.

Real Property

Residential. The assessment level of residential real property (including multi-family residential real property comprised of not more than four residential units, one of which is owner-occupied) would be reduced from 12 to 11 percent.

Agricultural Land. Land devoted to agricultural use would continue to be appraised at its use-value and assessed at 30 percent.

Vacant Lots. Vacant lots zoned for commercial use would be increased to 20 percent, but all other vacant lots would continue to be assessed at 12 percent.

Not-for-Profit Organizations. Real property owned and operated by those not-for-profit organizations under Section 501(c) of the Internal Revenue Code which are specifically included in this subclass by law would be assessed at 12 percent rather than 30 percent.

Commercial and Industrial. The assessment level for real property used for commercial and industrial purposes and for buildings and other

---

* Supplemental Notes are prepared by the Legislative Research Department and do not express legislative intent.

SENATE ASSES & TAX
4-1-92
ATT. 1-1

improvements located on land devoted to agricultural use would be reduced from 30 to 25 percent.

Utilities. Public utility real property, except railroad property, would be assessed at 33 percent rather than 30 percent. Railroad real property would be assessed at the average rate for all other commercial and industrial property.

All Other. All other real property not specifically subclassified would continue to be assessed at 30 percent.

Personal Property

Mobile Homes. Mobile homes used for residential purposes would be assessed at 11 percent rather than 12 percent.

Mineral Leaseholds. Mineral leasehold interests would continue to be assessed at 30 percent.

Public Utilities. Personal property of utilities, including inventories, would be assessed at 33 percent instead of 30 percent, except railroad personal property which would be assessed at the average rate for all other commercial and industrial property.

Motor Vehicles. No change would be made in the taxation of motor vehicles.

Commercial and Industrial Machinery and Equipment. Commercial and industrial machinery and equipment would continue to be valued based on its retail cost when new, depreciated, over the lesser of 7 years or its economic life, with a 20 percent minimum value, and would be assessed at 30 percent rather than 20 percent.

Other Personal. All other personal property not otherwise specifically classified would continue to be assessed at 30 percent.

Background

Article 11, Section 1 of the *Kansas Constitution*, providing for the current property tax classification schedule, passed the Legislature in 1985, concurrently with the reappraisal bill, as 1985 H.C.R. 5018, and was approved by the voters on November 4, 1986.

House Taxation Committee amendments included changing the proposed assessment level on the proposed new subclass for certain multifamily residential real property from 15 percent to 12 percent on a permanent basis (and to 11.5 percent with a $5,000 exemption for 1991 only); lowering the assessment level for single-family residential from 12 to 11.5 percent and adding the $5,000 exemption; raising the assessment level for vacant lots zoned as commercial to 23 percent; changing the eligibility for the proposed assessment level for certain not-for-profits from only those organized under 501(c)(8) and 501(c)(10) to only those defined by statute which are organized under any provision of 501(c) and reducing the proposed assessment level from 15 to 12 percent; lowering the assessment level for agricultural improvements; clarifying that the common areas of mobile home parks, as well as the mobile or manufactured homes used for residential purposes and the land upon which they are located, would be assessed at the single-family residential rate; decelerating the maximum time for depreciation of business machinery and equipment from seven to 11 years; changing the proposed increase for utilities from 35 percent to 33 percent (compared to 30 percent under current classification); and moving the date of the election from April 2, 1991 to June 4, 1991.

Another House Taxation Committee amendment added language to the proposed explanatory statement indicating that adoption by the voters also would make effective certain enactments which are "linked" to adoption of this resolution.

House Committee of the Whole amendments struck provisions allowing a $5,000 exemption for residential property; struck all provisions taking effect in 1991; struck a provision decelerating the maximum time for business machinery and equipment depreciation to 11 years; struck the language regarding certain enactments "linked" to this resolution; changed the assessment level for residential property to 11 percent and for commercial and industrial real to 25 percent; and changed the date of the election to November 12, 1991.

5007 as am by House COW

	88 ASSESSED ACTUAL	% OF TOTAL		91 ASSESSED ACTUAL	% OF TOTAL	PROP RATIO	91 ASSESSED PROPOSED		% OF TOTAL
URBAN REAL ESTATE			URBAN REAL ESTATE						
			RESID MULTI-FAM	223,571,475	1.53%	11.00%	204,940,519		1.43%
ALL OTHER	2,491,767,058	21.94%	RESID "SINGLE-FAM"	3,921,763,576	26.81%	11.00%	3,594,949,945		25.08%
			MOBILE HOME PARKS	14,069,225	0.10%	11.00%	12,896,790		0.09%
VACANT LOTS	55,585,441	0.49%	VACANT LOTS	116,217,558	0.79%	12.00%	116,256,895	b	0.81%
			FRATERNAL BENEFIT	8,192,335	0.06%	12.00%	3,276,934		0.02%
COMMERCIAL AND INDUSTRIAL	1,123,448,429	9.89%	COMM'L & INDUS	2,750,805,237	18.80%	25.00%	2,292,337,698		16.00%
			AG IMPROVEMENTS	3,039,472	0.02%	25.00%	2,532,893		0.02%
			AGRICULTURAL	6,007,726	0.04%	30.00%	6,007,726		0.04%
TOTAL URBAN REAL ESTATE	3,670,800,928	32.32%	TOTAL URBAN REAL ESTATE	7,043,666,604	48.14%		6,233,199,399		43.49%
RURAL REAL ESTATE			RURAL REAL ESTATE						
HOME SITES/PLANNED SUB DIV	338,344,275	2.98%	RESID MULTI-FAM	675,475	0.00%	11.00%	619,185		0.00%
			RESID "SINGLE-FAM"	814,615,835	5.57%	11.00%	746,731,182		5.21%
			MOBILE HOME PARKS	1,648,099	0.01%	11.00%	1,510,757		0.01%
			VACANT LOTS	21,745,035	0.15%	12.00%	21,807,006	b	0.15%
			FRATERNAL BENEFIT	767,801	0.01%	12.00%	307,120		0.00%
SPOT COMMERCIAL	156,387,083	1.38%	COMM'L & INDUS	358,296,547	2.45%	25.00%	298,580,456		2.08%
AG IMPROVEMENTS	285,964,795	2.52%	AG IMPROVEMENTS	138,627,747	0.95%	25.00%	115,523,123		0.81%
AG LAND	1,373,221,632	12.09%	AGRICULTURAL	1,397,334,594	9.55%	30.00%	1,397,334,594		9.75%
TOTAL RURAL REAL ESTATE	2,153,917,785	18.97%	TOTAL RURAL REAL ESTATE	2,733,711,133	18.68%		2,582,413,424		18.02%
TANGIBLE PERSONAL PROPERTY			URBAN TANGIBLE PERSONAL						
GAS AND OIL	1,132,435,207	9.97%	GAS AND OIL	3,387,781	0.02%	30.00%	3,387,781		0.02%
BUSINESS MACHINERY & EQUIP	873,729,421	7.69%	BUS MACH & EQ	579,504,715	3.96%	30.00%	869,257,073		6.07%
ALL OTHER PERSONAL	322,915,490	2.84%	ALL OTHER PERSONAL	61,549,600	0.42%	30.00%	61,549,600		0.43%
			MOBILE HOMES	26,584,731	0.18%	11.00%	24,369,337		0.17%
			MOTOR VEHICLES	50,277,846	0.34%	30.00%	50,277,846		0.35%
			TOTAL URBAN PERSONAL	721,304,673	4.93%		1,008,841,636		7.04%
			RURAL TANGIBLE PERSONAL						
			GAS AND OIL	1,401,171,910	9.58%	30.00%	1,401,171,910		9.78%
			BUS MACH & EQ	211,318,240	1.44%	30.00%	316,977,360		2.21%
			ALL OTHER PERSONAL	47,040,187	0.32%	30.00%	47,040,187		0.33%
			MOBILE HOMES	15,098,539	0.10%	11.00%	13,840,327		0.10%
			MOTOR VEHICLES	70,608,144	0.48%	30.00%	70,608,144		0.49%
			TOTAL RURAL PERSONAL	1,745,237,020	11.93%		1,849,637,928		12.91%
			EXEMPT PROPERTY						
MERCHANTS' INVENTORY	371,149,155	3.27%	MERCHANTS INVENTORY	0	0.00%	0.00%	0		0.00%
MANUFACTURERS' INVENTORY	382,172,899	3.37%	MANUFACTURERS INV	0	0.00%	0.00%	0		0.00%
LIVESTOCK	115,669,322	1.02%	LIVESTOCK	0	0.00%	0.00%	0		0.00%
			MOTOR VEH DEALERS INV	0	0.00%	0.00%	0		0.00%
			FARM MACHINERY	0	0.00%	0.00%	0		0.00%
			TOTAL EXEMPT PERSONAL	0	0.00%	0.00%	0		0.00%
TOTAL PERSONAL	3,198,071,494	28.16%	TOTAL PERSONAL	2,466,541,693	16.86%		2,858,479,565		19.95%
			PUBLIC SERVICE CORP	2,274,207,824	15.54%	33.00%	2,501,628,606		17.46%
			UTILITY INVENTORY	0	0.00%	33.00%	43,327,429	a	0.30%
			RAILROADS	112,451,769	0.77%	25.00%	112,451,769		0.78%
TOTAL STATE ASSESSED	2,333,823,827	20.55%	TOTAL STATE-ASSESSED	2,386,659,593	16.31%		2,657,407,805		18.54%
TOTAL ASSESSED VALUATION	11,356,614,034	100.00%	TOTAL ASSESSED VALUATION	14,630,579,023	100.00%		14,331,500,192		100.00%

a) Uses 1990 assessed valuation for utility inventory. b) Commercial lots at 20 percent.

PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT AND TAXATION

RE: S.C.R. 1640, S.C.R. 1635, S.C.R. 1636 and H.C.R. 5007
Proposals to amend the Constitution concerning classification of property

April 1, 1992
Topeka, Kansas

Presented by:
Paul E. Fleener, Director
Public Affairs Division
Kansas Farm Bureau

Mr. Chairman and Members of the Committee:

We appreciate the opportunity to make some comments on the proposals before your Committee today concerning classification of property. You have a wide range of options in the Concurrent Resolutions under consideration. Our testimony will speak briefly to all of the proposals.

For the record ... my name is Paul E. Fleener. I am the Director of Public Affairs for Kansas Farm Bureau. We represent farmers and ranchers in each of the 105 counties in Kansas. Their views are expressed through voting delegates who are farmers and ranchers, and who come to the Annual Meeting of Kansas Farm Bureau to bring the message of concern on public policy issues from their fellow farmers and ranchers.

We have a long history of interest in property taxation. We have a great deal of interest in the limited classification proposal which

SENATE ASSES. & TAX
4-1-92
ATT. 2-1

is now in the Kansas Constitution. We were party to the hearings on classification and reappraisal in 1985. We were proponents of a "YES" vote on the constitutional amendment in 1986.

We continue to reexamine this issue each year because there have been some problems associated with the appraisal process. Our farmers and ranchers have reached the conclusion that there were probably some unintended effects because of classification "rates" that have been, in some instances, inappropriate for a class or two of property. With those thoughts in mind, Mr. Chairman, we would like to indicate to you our support for **modest change** in the Kansas Constitution.

The specific interest of our members concerning change in the Kansas Constitution is contained in the following language:

> **We support the general intent of the limited classification amendment which is now part of the Kansas Constitution, though we also recognize the need for minor adjustments in assessment rates for commercial real and fraternal organization real properties.**

That language is taken directly from the policy position adopted by voting delegates at our most recent (Nov. 21-23, 1991) Annual Meeting. The full text of our resolution on Property Classification and Reappraisal is attached. So, too, is our policy position on State and Local Governmental Budgeting, Spending and Taxation. And we have also attached for your consideration our resolution on replacement of the present Sales-Assessment Ratio Report.

There are meritorious aspects of each of the proposals before you today. In our understanding of the time frame for the work of this Committee and the full Legislature, we would suggest the appropriate vehicle for your consideration is H.C.R. 5007. That measure has passed the House. That measure could reflect the things we have addressed by being amended to provide a modest reduction in the assessment rate for commercial real property. It could be amended to provide for fraternal organization properties to be assessed at the 12% rate now in the Constitution for residential properties. In our view, Mr. Chairman and Members of the Committee, those are the only changes needed.

The bulk of the property tax problem lies in misapplication of K.S.A. 79-503(a). And as more and more focus is given to the income producing capability of commercial property, the location, the rental value and other factors in 79-503(a), this whole situation will begin to clear. By agreeing with the House on commercial real and fraternal organization property, by keeping residential at 12 and not making other adjustments, we could begin to have the kind of stability for a tax structure in Kansas that almost everyone agrees must come to pass.

Thank you for the opportunity to share these views with you. We would be pleased to respond to questions if there are any.

Property Classification and Reappraisal AT-1

In 1986 voters in Kansas approved, by an overwhelming majority, a proposal to amend the Finance and Taxation Article (Art. 11) of the Kansas Constitution to provide limited classification of real and personal property for assessment and taxation purposes. We support the general intent of the limited classification amendment which is now part of the Kansas Constitution, though we also recognize the need for minor adjustments in assessment rates for commercial real and fraternal organization real properties. We will examine closely any "county option" classification proposal which contains constitutionally prescribed "ranges" of assessment rates AND which safeguards state school aid and the other local revenue sharing measures by utilizing statewide assessment rates for such purposes.

The appraisal process should be the focus of legislation and directives to the PVD, county appraisers, and firms contracted to conduct appraisals. Appropriate factors in K.S.A. 79-503a absolutely must be used to bring about equity in the appraisal process. County appraisers in all counties should work with citizens to arrive at and maintain fairness and equity of appraisals within the county and between counties.

Severed mineral interests should be assessed and taxed separate and apart from surface interests.

County Boards of Equalization should be given the right to protest to the Board of Tax Appeals, on behalf of their counties, any valuation of state assessed property.

Reappraisal legislation and the classification amendment to the Kansas Constitution have provided for appraisal of agricultural land on the basis of its income producing capability. The legislation set forth an equitable procedure for determination of net income and an appropropriate capitalization rate for agricultural land. These factors and procedures must be retained to assure equity and stability in valuation of agricultural land.

State and Local Governmental Budgeting, Spending and Taxation — AT-4

It is time in Kansas to write a basic tax policy of taxing people for services to people, and taxing property for services to property. We strongly support reducing the reliance on the property tax, and we likewise support increasing reliance on sales and income taxes for the support of state and local governmental units.

Expenditures by the State of Kansas and by local units of government in Kansas in any fiscal year should never exceed projected revenue receipts for that fiscal year.

Zero-based budgeting is essential to fiscal planning and should be required for all state agencies as well as all local units of government.

We support property tax replacement revenues for our elementary and secondary schools through a school district income tax and additional state aid.

We support adequate funding for agricultural programs in Kansas which have been underfunded in the past.

The State General Fund should have adequate balances or reserves.

Value-Assessment Ratio — AT-5

The Sales-Assessment Ratio Report should be discontinued and should be replaced by a "Value-Assessment Ratio." A "Sales-Assessment Ratio" does not give a valid indication of value, has no relationship to the ability of a property to produce income and has no relationship to the rental value or location of the property.

KIOGA
KANSAS INDEPENDENT OIL & GAS ASSOCIATION
105 SOUTH BROADWAY • SUITE 500 • WICHITA, KANSAS 67202
(316) 263-7297 • FAX (316) 263-3021
1400 MERCHANTS NATIONAL BANK BLDG. • TOPEKA, KANSAS 66612
(913) 232-7772 • FAX (913) 232-0917

**TESTIMONY OF DONALD P. SCHNACKE, EXECUTIVE VICE PRESIDENT
KANSAS INDEPENDENT OIL AND GAS ASSOCIATION**

**BEFORE THE KANSAS SENATE ASSESSMENT AND TAXATION COMMITTEE
RE: CONSTITUTIONAL AMENDMENTS RELATING TO CLASSIFICATION OF PROPERTY FOR TAX PURPOSES - SCR 1635; SCR 1636; SCR 1640 & HCR 5007**

APRIL 1, 1992

Unfortunately, I appear before you at a time when the Kansas oil and gas industry is suffering bad economic times. Please refer to the attached recent articles that have been written reflecting what's going on.

KIOGA is opposed to the passage of another state constitutional amendment relating to classification of property for tax purposes that leaves oil and gas properties at 30% and drops commercial and industrial properties to 25% as is provided in three of the four bills before you.

We are intrigued with SCR 1640 which would cap taxes on homes and industrial property and place oil and gas at 20%. Of the four plans before you, and if you proceed with a classification amendment, we would support SCR 1640.

KIOGA has always advocated that the legislature abandon the concept of classification as a bad idea and return to the time-tested uniform and equal concept with all properties assessed at 30% of fair market value. Oil and gas properties have been appraised in that manner for years, following an appraisal tax guide issued annually by the Property Valuation Division. When the classification scheme was developed, the legislature simply left our industry at 30% while adjusting most all other properties downward.

The uniform and equal clause of the Kansas Constitution represented protection for minority tax-payers, of which oil and gas properties, utilities and similar properties unfortunately share together. To arbitrarily raise the percentage on utilities for the benefit of the majority is unfair tax policy. To simply leave oil and gas at 30% is again unfair tax policy, and particularly so when this class cannot pass its taxes on to a rate base like utilities. We see in each of the schemes before you as contained in these four concurrent resolutions, elements of unfairness of taxation. We opposed the passage of HCR 5007 in the House, but as a minority taxpaying class, our pleas did not influence the outcome.

In order to understand the dilemma oil and gas property taxpayers face you have to review not only the ad valorem tax base and the behavior of the counties; the shifts to oil and gas in rural counties where farm land and many classes of properties have been drastically lowered or made entirely exempt from taxation. The shift to oil and gas properties has been significant. Then, in addition, the 1983 legislature imposed a severance tax on oil and gas production doubling taxes on this industry.

SENATE ASSES. & TAX
4-1-92
ATT. 3-1

We just testified a few days ago in the House Taxation Committee that the school finance proposal would increase the tax on natural gas in the Hugoton field to 21% where just a few miles to the south in the same field, but in Oklahoma, the same natural gas is taxed at 7%. This is a result of combining the ad valorem tax and the severance tax and projecting the increase under HB 2892 with a uniform 29 mill school levy.

Two major studies that shed new light on taxes related to oil and gas properties have been conducted by Kansas, Inc. since the enactment of the constitutional classification amendment. Oil and gas industry taxation was examined by a 1990 summer Special Interim Committee on Assessment and Taxation. The question was raised as to fairness in taxation applicable to the oil and gas industry. The comments arose from debate on a proposal that came out of a Kansas, Inc. study. It was noted that the effective tax rate applicable to oil and gas properties for FY 1989 was 9.7%. This was compared to information from another Kansas, Inc. study that established that all other commercial and industrial property had an effective tax rate of 3.3%. One member stated correctly that this comparison of commercial and industrial property taxes confirms that oil and gas properties in Kansas are taxed at a very high rate and again raised the issue of fairness in taxation as applied to our industry.

We believe it is a very serious issue and that the rationale and justification for taxing an industrial property producing oil and gas at a rate three times higher than other industrial properties should be examined and corrections made.

We believe if the assessment rate on commercial and industrial properties is decreased to a rate below the current 30%, as is proposed in all these proposals, oil and gas properties should be reduced accordingly in the name of tax fairness.

We are an industry attempting to be good citizens of our state. Our goal, and the reason Kansas, Inc. conducted its study relating to oil and gas industry taxation, is to specifically identify tax inequities and to make recommendations to correct those inequities. The State of Kansas has, through high taxation, discouraged many in our industry from further investment in Kansas and they have taken their investments to other producing states whose tax policies encourage their activity.

Donald P. Schnacke

DPS:pp
Attchs

The Wichita Eagle
BUSINESS & FARM
SUNDAY March 29, 1992

Adjusta
looking
Rising ir
home-bu

A NEW OIL CRISIS

Industry veterans, rookies hanging tough to survive

By Guy Boulton
The Wichita Eagle

John Smith, an independent geologist, earns his living looking for oil. Last year, he made less than $12,000.

Smith, whose livelihood depends on his reputation, asked that his real name not be used. In his line of work, no one wants to announce that business is bad.

He gets by on savings and income from small interests in oil wells that he has found.

"We are all just living off the past," he said. "We are just waiting for the road to turn in a different direction."

The oil industry in Kansas and throughout the country is withering, starved by a lack of capital. Investors have been deserting the industry.

This downturn has none of the drama of the price collapse in 1986 — the death knell for the reckless boom that began in 1974. Instead, the oil patch faces a prolonged decline.

"I'm afraid we are going to be like this for quite a while," says Kevin Howard, an independent geologist in Wichita.

Gloom pervades this important Kansas industry. Each year, companies produce more than $2 billion worth of oil and gas in the state and pay more than $200 million in state and local taxes.

In January, an average of 27 drilling rigs were operating in Kansas. A year earlier, that number was 57.

Nationally, the figures are just as bleak. Earlier this month, the number of rigs operating in the United States fell to 649 — a record low.

"It's not in a recession; it's in a depression," says Daniel Yergin, author of "The Prize," a history of the oil industry.

He has never seen the industry more demoralized.

"The rest of the country, really, hardly has any sense of what's happened in the oil patch," says Yergin, president of Cambridge Energy Research Associates, a consulting firm.

The Independent Petroleum Association of America contends the industry "is in crisis." And its president has called for Texas and other oil-producing regions to be declared disaster areas.

The IPAA's dire declarations come at a time when the trade organization is pressing for changes in the tax code that would remove certain disincentives for oil and gas investments.

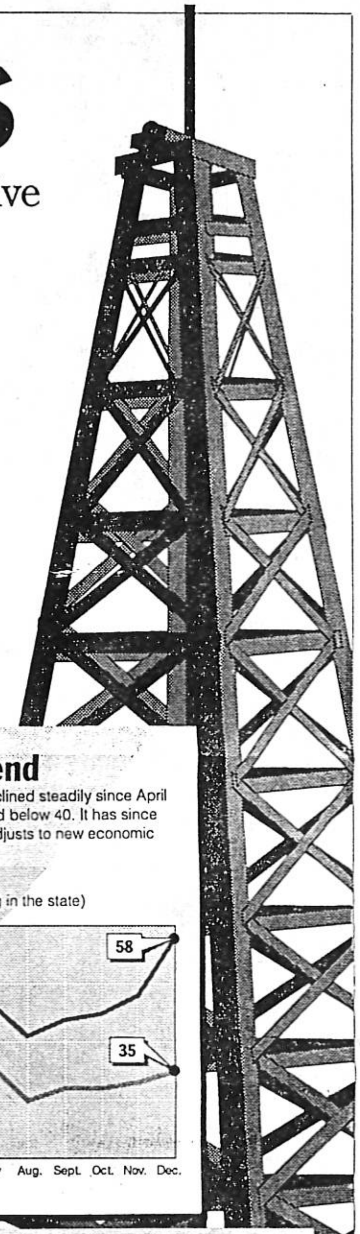
Its news releases regularly note that the industry has lost 317,000 jobs in the past decade. That figure is somewhat misleading. The early 1980s were an aberration — a time when oil prices, when adjusted for inflation, stood at $60 a barrel. It was a true boom. And, like all booms, it was followed by a brutal bust.

That was six years ago. This new downturn, driven by a collapse in natural gas prices, is proving just as severe.

"There's certainly been cyclical downturns in the industry before. ... But when you look at the activity, this downturn appears much worse," Yergin says.

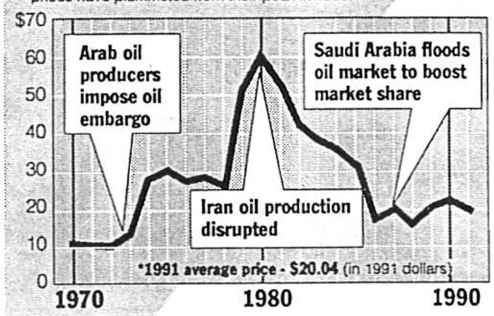
In 1949, when Dick Hoover graduated from college with degrees in geology and petroleum engineering, the only job he could find was as a roughneck on a drilling rig in Wyoming.

See OIL, Page 2C



A volatile two decades

Here's the average price of Kansas crude in 1990 dollars*. Prices are per 42-gallon barrel for highest-quality crude. When adjused for inflation, oil prices are higher now than in the early 1970s. But prices have plummeted from their peak in 1980.

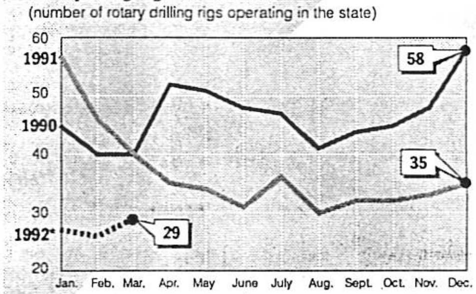


The Wichita Eagle

A discouraging trend

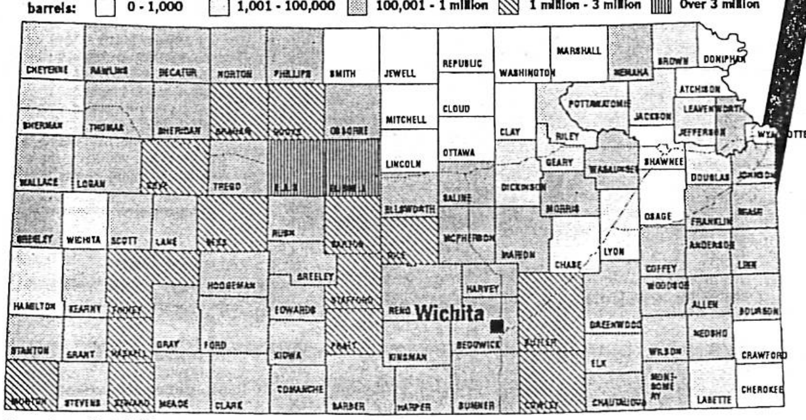
Activity in the Kansas oil patch has declined steadily since April 1991, when the number of rigs dropped below 40. It has since dropped to below 30 as the industry adjusts to new economic realities.

Monthly average rig count in Kansas
(number of rotary drilling rigs operating in the state)



*Rigs operating as of March 20

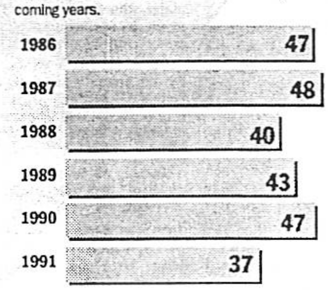
Kansas 1990 oil production by county



Source: Kansas Geological Survey

Hitting a new plateau?

The Kansas rig count has remained fairly stable since oil prices collapsed in 1986 – marking the end of the oil boom. The rig count fell 21 percent last year, however, and has continued to decline. As of March 20, only 29 drilling rigs were operating in the state, foreshadowing a lower level of activity in coming years.



Source: Baker-Hughes Inc.

Rod Pocowatchit/The Wichita Eagle

3-3

OIL

From Page 1C

Eight years later, at 31, Hoover founded Chief Drilling with two partners — using his car as collateral to finance his share of the initial investment. Within a year, the industry entered another downturn.

"I suppose I ran for five to six years not really knowing if I was going to make it quarter-to-quarter," he says.

But the company found more oil each year. Its reserves increased. "Little by little, the worth of the company was rising," says Hoover, 65, sitting in his office in downtown Wichita.

Indian art and awards fill the walls. Pictures of a plane he once owned hang in a hallway. Dressed comfortably in brown corduroy pants, loafers, a white shirt and a sweater, Hoover fits the image of a prosperous oil man. And next week, he will be inducted into the Kansas Oil & Gas Hall of Fame in Great Bend.

Yet if he were 31 today, Hoover would not go into the oil business.

His son, a geologist, left the business in 1986. Hoover did not discourage him.

"Since 1986, I've been damned glad I've had some other investments," says Hoover, who has interests in restaurant franchises and hotels.

Scarcity of investors

Yet Hoover and other prominent oil men in Kansas built successful companies during the downturn of the 1960s.

"What's different now is there is no money outside the oil business for exploration," says Fred James, who formed his own oil company in the 1960s.

The oil business, a capital-intensive industry, was once a haven for wealthy investors. That changed overnight, after the Tax Reform Act of 1986 slashed the maximum tax rate.

When Hoover and others were young men, investors were plentiful because of the tax advantages of oil deals. With a maximum tax rate of 70 percent, investors saved 70 cents in lower taxes for every dollar they lost on a dry hole.

"They, in a sense, were playing with 30-cent dollars," Hoover says.

Companies such as Chief Drilling could drill 40 to 50 wells a year. The more wells a company drills, the more oil it finds. "It has and will always be a numbers game," a geologist says.

The numbers now work against the industry.

Much of the money for new wells now comes from within the industry. Income from existing wells is spent on new wells.

But oil is a finite asset.

A well that initially produced 160 barrels of oil a day in July 1987, for instance, now produces eight barrels a day.

"The general public doesn't understand that once you find a pool, it doesn't do anything but decline," one geologist said.

To stay even, a company must find new wells. When a company drills fewer wells, it finds less oil. When a company finds less oil, it has less money to invest in new wells — setting off a spiral that continues year after year.

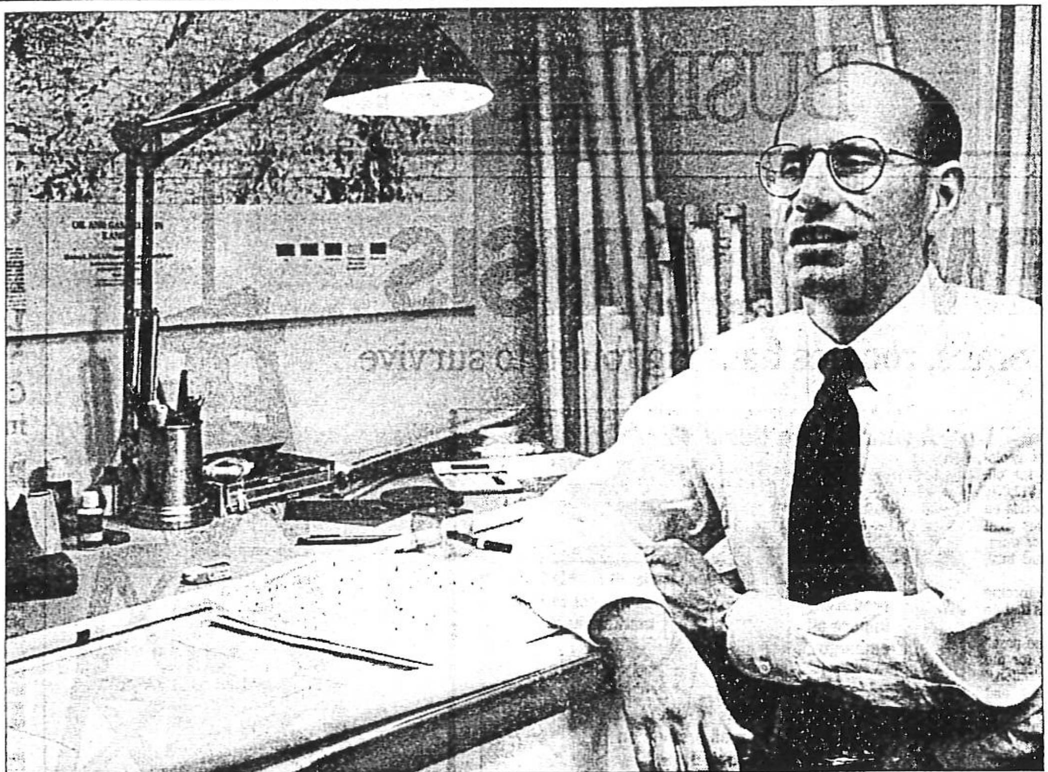
James drilled 10 wells from 1988 to 1990. Only one was successful. "Obviously, we were not replacing reserves."

Unsold deals

Among the hardest hit are the 200 to 300 independent geologists who find and sell prospects.

"From younger geologists, I'm hearing about all kinds of unsold deals," James says. "And that's disaster to a young geologist."

Independent geologists earn their living mainly by selling prospects in exchange for a fee and a small interest in the well — generally from 2.7 percent to 5.5 percent.



Anthony Reed/The Wichita Eagle

At age 33, Raul Brito has already gone through a boom and a bust in the Kansas oil industry.

Anthony Reed/The Wichita Eagle

Kevin Howard, an independent geologist, says he expects the decline in the oil industry to linger.

KANSAS OIL PATCH AT A GLANCE

- Number of oil wells (1990): 44,979
- Number of gas wells (1990): 14,003
- Number of oil wells producing 5 barrels or fewer a day (1990): 36,654
- Oil production (1990): 55.3 million barrels
- Gas production (1990): 559.3 billion cubic feet
- Number of wells drilled (1991): 2,123 wells
- Number of jobs (1990): 8,447
- Estimated value of oil production (1990): $1.285 billion
- Estimated value of gas production (1990): $864.8 million
- Oil severance taxes paid in fiscal 1991: $36.9 million *
- Gas severance taxes paid in fiscal 1991: $59.4 million *
- Property taxes paid (1991): $113.3 million

Sources: Kansas Department of Revenue, Kansas Geological Survey, Independent Oil & Gas Service, Kansas Independent Oil & Gas Association, Independent Petroleum Association of America.

* Collections for fiscal 1991 from May through April.

Their small offices, usually cluttered with maps and dominated by drafting tables, fill such downtown buildings as Landmark Square, the Farmers and Bankers Building and the Bitting Building. They are the small businessmen of the world's largest industry.

Many have left the business in recent years. But those that remain are experienced geologists who survived the bust in 1986 — only to face what looks like a bleak future.

"It's worse now than it ever was," one geologist says.

A geologist, who asked not to be identified, sold four prospects last year. Not one of them has been drilled. His income from those prospects and consulting last year was less than $25,000.

He plans to close his two-room office and begin working out of his home. His 1983 truck has 130,000 miles on it. He, too, depends on the income from his small interests in the wells he has discovered.

"You just hope to pay your bills," he says.

The downturn has hit independent oil companies just as hard.

These are the small companies that dominate U.S. exploration. They bear scant resemblance to the large oil companies — the Exxons and the Mobils that the public associates with the industry. Two-thirds of the independent companies have fewer than 20 employees.

Yet these small companies drill 85 percent of all the wells in the United States. They produce 41 percent of the oil and 60 percent of the natural gas in the continental United States.

The big oil companies now spend most of their exploration dollars overseas.

The oil that remains to be found in the United States will, by and large, be found by independents. And, despite the realities of the '90s, young geologists are trying to build companies just as Hoover did in the '60s.

Some of them are succeeding.

Thriving in tough times

"You've got to learn to make it during the downturns," says Raul Brito, whose company, Brito Oil Co., drilled its first well in 1986.

Brito, 33, earns a comfortable, upper-middle-class living from the oil business. "We had some good years," he says. In any given year, though, his income could be cut in half.

"It's scary. But my fate is in my own hands. If I can't perform, I won't do well," says Brito, dressed in khaki pants, a white, button-down shirt and a tie.

His company has hit five wells in a row and has drilled eight dry holes in a row.

"When I hit a well, my wife says, 'Why don't you get excited?' I say, 'Because the next five could be dry — and then I'd have to be down.'"

His small company operates from a two-room office in the Farmers and Bankers Building. His only employee is a part-time secretary. The company drills 10 wells a year, but most of its investors are other oil companies.

Brito graduated from the University of Kansas in 1980 at the peak of the oil boom. At 33, he has already seen a boom and a bust.

"I quit looking at the price of oil. ... Whether the price is $12 or $20, the way I'm going to build a company is find oil."

Finding oil in Kansas, though, is harder now than when Hoover started out.

"There's still some good reserves (in the state) — appreciable amounts," Hoover says. "But they are harder and harder to find. The easy stuff has been found."

Even Hoover missed the great discoveries of the 1930s, 1940s and 1950s. The state's oil production peaked at 124 million barrels in 1956 — the year before Hoover and his partners founded Chief Drilling. Last year, Kansas produced 55.3 million barrels.

"Your plain old odds just aren't as good," Hoover says.

Geologists now hope to find fields that will produce 100,000 barrels of oil — and dream about fields that produce 500,000 to 1 million barrels. These would once have been considered small fields. In Kansas, 81 fields have each produced more than 10 million barrels.

"As time goes on, you have to be a sharpshooter," says a local geologist.

High taxes, new laws

The business is now more difficult in other ways.

State and local taxes are higher. And seemingly everyone in the industry worries about more stringent environmental regulations.

A few trends, though, are encouraging.

The price of oil, when measured in constant dollars, is higher now than in the 1960s. Drilling costs have fallen with prices. Technology is increasing the amount of oil recovered.

In addition, independent oil companies face less competition for prospects as the major oil companies concentrate their exploration overseas.

But, that said, no one expects another boom — at least in the near future. The best that can be hoped for is stable prices in the $18 to $20 range.

"What the (Persian Gulf) war showed us was there was more than enough oil," Brito says.

And the industry has little hope that Washington will offer any help.

"They're running an energy bill on the Senate floor right now, and there isn't a dime in it for Kansas," says Don Schnacke, executive director of the Kansas Independent Oil & Gas Association.

Since 1986, domestic crude oil production declined by more than 1.7 million barrels a day — the equivalent of taking Kuwait's production out of the world market. But to most policy-makers, warnings about the dangers of depending on foreign oil sound as outdated as warnings about communism.

"The public isn't going to demand any kind of energy policy as long as there's cheap gasoline," James says.

A hardy breed

Yet, at $18 a barrel, money can be made in the oil business.

Independent companies spent an average of $10.53 to find and produce each new barrel of oil or its equivalent in 1990, according to a survey of public oil companies by Arthur Andersen & Co.

The problem is convincing — or even finding — investors.

"I think the quality of deals being drilled now are as good as they've ever been," says Mike Dixon, president of Morrison-Dixon, a small company that drills six to eight wells a year.

"When things are good, they're good. When things are bad, they're bad," Dixon says. "But that's the way all businesses are."

Dixon doesn't think of himself in a dying industry, and he has no desire to find a new career.

"This is what I know," he says "This is what I want to do."

He's representative. The oil business inspires passion. And geologists often talk about their love of the business and the excitement of finding oil.

"I pretty much knew what I wanted to do since I was in junior high school," says Howard, who, at 31, is one of the youngest independent geologists still in the business.

He earns a middle-class income, is slowly building his oil production and is taking a long-term view. "Perseverance wins out every time," he says.

Nonetheless, he says, "I can tell you right now that if my wife wasn't working, I'd be looking for something else."

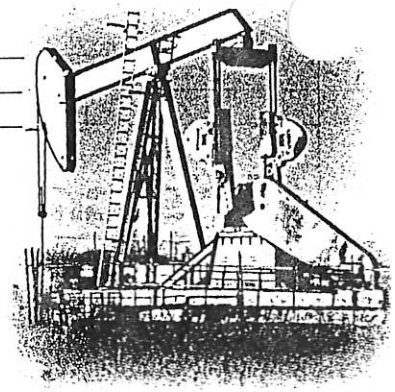
But, even in hard times, optimism remains.

"One nice field changes a lot of things — even at $20 a barrel," Howard says.

The coming years, though, are unlikely to be easy. An important industry to the state is facing a prolonged downturn. There have been others. But a risky business, one tough in the best of times, has become much tougher.

"It takes a certain type of cat to be in this business," Hoover says. "It's kind of like riding a roller coaster. But you know there are going to be more downs than ups."

3-4

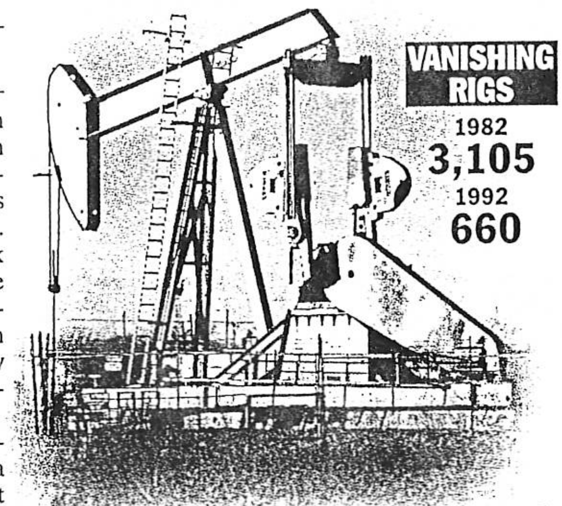


HARD TIMES

The Great Energy Bust

More than any previous recession in the U.S. oil and gas industry, this one smells dangerously permanent

By RICHARD WOODBURY
MIDLAND



Along Highway 80 in West Texas between Midland and Odessa, giant drilling rigs sit rusting in the winter sun. Gas wells that dot the bleak mesquite-covered prairie lie shut down. Downtown Midland has the stark look of an evacuated city, with empty storefronts and vacant building lobbies.

The scene across America's oil patch these days bears a chilling likeness to the bust that befell the region in the mid-1980s, when energy-production jobs plunged more than one-third. But in fact the situation today is worse. While many parts of the U.S. economy are struggling through the recession, few are as hard hit as energy. By every measure, these are among the toughest times since that first gusher at Spindletop in 1901—more akin to the Great Depression than the cyclical booms-and-busts since.

Across the South and West, drilling activity for crude oil is at its lowest point in 52 years. The rig count, the best gauge of life in the oil patch, hovered last week near an all-time low of 660. Production from existing fields has shrunk to its lowest since 1962. Scores of drillers, producers and support firms are laying off, folding up or going bankrupt. Warns Denise Bode, president of the International Petroleum Association of America: "The industry is nearing a state of economic collapse."

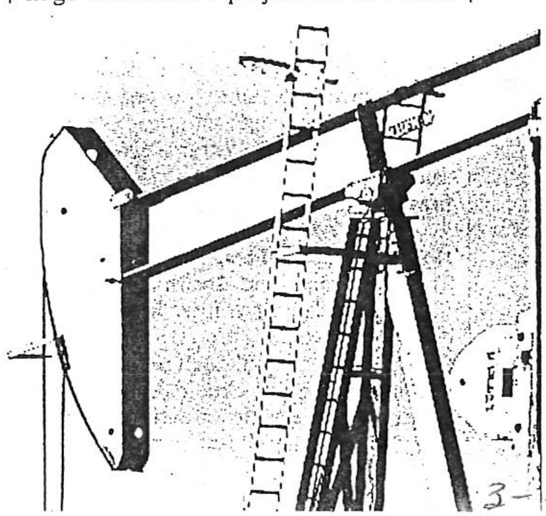
More distressing, this latest downturn gives every indication of being permanent. Faced with languishing prices, lower profit margins and tight environmental hurdles to new exploration, the major oil companies are selling off their properties, packing up their drilling gear and heading overseas. Ten billion dollars in assets are on the block as exploration and production head for Africa, South America and the Far East, where drilling costs can be cheaper by half and government sweeteners make new ventures enticing. As the majors lay off workers and leave, those independent companies that can are following. Others are closing up shop or retrenching. Asserts energy scholar Daniel Yergin: "We're seeing a fundamental contraction on the domestic side along with one of the greatest migrations in the history of the oil industry."

Unlike the bust of the mid-'80s, which was marked by nose-diving crude-oil prices, the immediate problem this time is natural gas. Often extracted from the same formations as oil, gas accounts for 24% of the nation's energy consumption, mainly in heavy industry. Producer prices at the wellhead have been in a free fall for months, plummeting last month to $1 per 1,000 cu. ft., down 23% from a year ago. At that price, producers say they can barely turn a profit, and many who can still afford to operate are shutting their supplies in the ground in hopes of an eventual upturn.

Campaigning in the oil patch last week, President Bush responded to the plight—and political anger—of natural-gas producers by taking steps to bolster demand. He removed regulatory barriers that have hampered utilities from converting power plants fueled by coal and oil to natural gas. At the same time, Bush lessened restrictions on the sale of compressed natural gas for cars and other vehicles. In Washington, Energy Secretary James Watkins declared, "The worst thing we could do is allow our oil and gas industries to decline the way we have."

The gas price slide has been a roundhouse punch to the big energy states of Texas, Louisiana, Oklahoma and New Mexico, still struggling to climb back from the earlier debacle. Scores of wildcatters, who find most of the domestic crude and who went after gas when the market fell apart, have folded in the past 18 months.

The impact has been just as severe in Canada, where oil and gas are a bedrock of the economy, contributing nearly 12% of the $588 billion gross domestic product. Since 1989, nearly 15% of the Canadian work force has been laid off, and major producers are shuttering refineries and closing thousands of service stations. Last year Imperial Oil, owned largely by Exxon, posted the first loss in its 111-year history. Another giant, Gulf Canada Resources Ltd., stunned the industry last month by walking away from its stake in a huge undersea oil project on the Grand



3-5

CHEAPER GAS
at the pump, per gal.
1982
$1.30
1992
$1.03

Banks of Newfoundland.

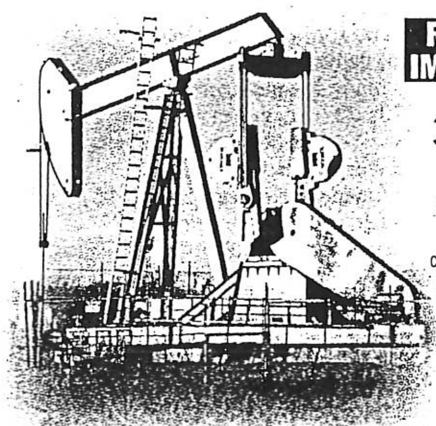
Outside the oil patch, few notice and many benefit from the price slump. Supplies of oil and gas for home heating and industry, abetted by a string of six warm winters, have remained abundant. And the price of gasoline, an average $1.03 per gal. nationwide for regular, is the lowest in months, thanks largely to OPEC and other foreign producers; they have made up the drop in domestic production by supplying 43% of U.S. oil consumption. On the other hand, the public has not benefited from the drop in natural-gas prices, as pipeline companies and distributors have gobbled up the savings before the fuel reaches households. Though prices at the wellhead have tumbled from $2.66 to $1.16 since 1984, household users in Charlotte, N.C., still pay a rate of $6.14, only 51¢ less than they did 8 years ago.

The steady rise in oil imports has alarmed many planners and industry strategists, who fear that the nation may be setting itself up for another crisis if war flares again in the Middle East. Domestic production, dropping at the rate of 300,000 bbl. a day, has declined to its lowest level in 40 years. The Congressional Office of Technology Assessment projects that by 2010 the nation could depend on imports for nearly 70% of total supply, an amount that Houston energy consultant Louis Powers estimates will take 36 supertankers a day to deliver. Warns Powers: "The mind-set is to let the Saudis give us all we need. It's a policy we will all live to regret."

In many respects, the current slump is an extension of the mid-'80s energy bust that saw prices plummet to $9 per bbl. Just as the region was attempting to diversify out of its energy dependence, the gulf crisis suddenly forced prices to $40 in 1990, spurring some drillers to crank up rigs again. But when the war ended, hopes were dashed just as quickly; prices slid back down, and the small trickle of investment money dried up.

The big concern now is the depressed market for gas, which is still the target of most drilling because its plentiful reserves are largely untapped and exploration carries tax breaks for investors. "It's a bloodbath," says gas entrepreneur and former corporate raider T. Boone Pickens. "How many more hits can the industry take?"

Faced with declining profits from U.S. oil and gas operations, such major firms as Chevron, ARCO and Phillips are putting more money into overseas exploration than they are investing at home. "You have to go where you can find the reserves and make a profit," explains Wayne Allen, president of Phillips, which has hiked foreign spending 15% since 1989 to bankroll drilling in such places as Gabon, New Guinea and Italy. All told, according to a Salomon Brothers survey, U.S. oil companies are increasing foreign investment nearly 10%. At the same time, the 21 largest firms are cutting exploration spending in this country by 13%.

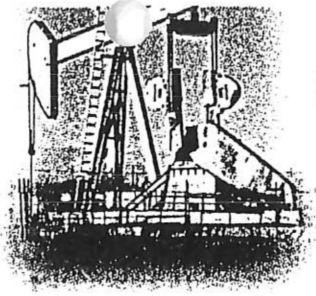


RISING IMPORTS
1982
30%
1992
43%
2010
could reach
69%

Far more troubling than price fluctuations and investment patterns is the fact that the U.S. is running out of economically recoverable oil. Known reserves that can be extracted at current market prices have been declining almost steadily for 22 years, and the current supply of 26 billion bbl. would last the nation barely four years at present usage rates. And while vast formations remain untapped, they are in environmentally sensitive areas—the Alaskan wildlife refuge and offshore California—that Congress has put off limits.

Oilmen argue that the failure to open such reserves will only speed the move overseas and increase U.S. dependence on imports. Marathon Oil Co. is pouring nearly three-fourths of its $750 million current production budget into foreign ventures. "Other countries covet our technology and the jobs we bring, and they're luring us with sweet deals," says Marathon president Victor Beghini, "while our government is turning its back."

Oil firms also complain bitterly about an array of regulations that require refineries to meet costly standards for reformulated gasoline and other clean-burning fuels. As a result, Shell, Amoco and Unocal are among big producers that plan to close or downsize facilities. Oilmen say domestic production is further threatened by proposed EPA regulations that would impose tight controls on drilling wastes and other by-products. Such rules, they warn, will force the closing of hundreds of small "stripper" wells that make up 75% of the nation's total.



FEWER JOBS
1982
708,000
1992
391,000

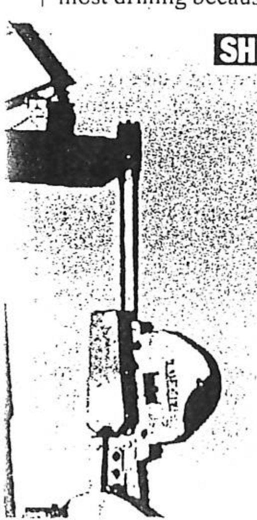
A more basic worry is that unless drilling rebounds to the 1,100-rig level and stays there, the industry's infrastructure will be so impaired that it won't be able to come back—ever—and U.S. production will slip further. Oilmen decry the lack of attention and support that they feel the industry gets—from the White House on down. "We should have a domestic energy policy, but we still don't have," asserts Pickens. Baker Hughes economist Ike Kerridge agrees: "There's a real danger in driving too many people out of business. The government ought to be concerned."

The trouble is that the oil and gas industry is one that many Americans have learned to love to hate. With the memory of Big Oil's vast profits in the 1970s and early '80s still fresh in their minds, consumers and lawmakers outside the oil patch have little sympathy for the industry's woes. But that could prove shortsighted at a time when U.S. reliance on foreign oil is rapidly on the rise.

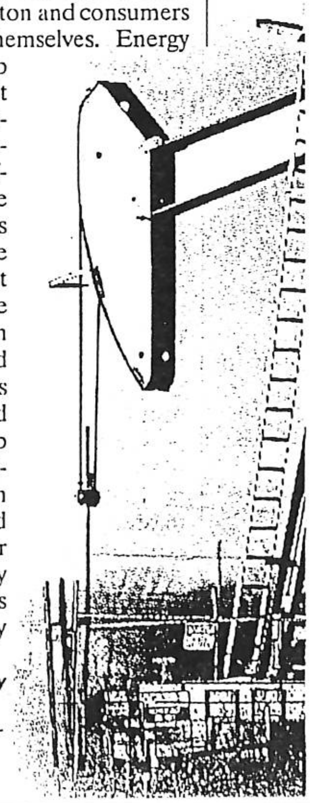
Reversing that trend will take a combined effort by Washington and consumers and the companies themselves. Energy firms should develop new technologies that will let them extract domestic oil and gas cheaply enough to make a profit even when prices are low. And motorists should be able to tolerate an oil-import fee that would raise gasoline prices a few cents a gallon at the pump; that would provide fresh incentives for domestic drilling and produce revenues to help reduce the federal deficit. Without some such policy, the U.S. could find itself paying for cheap oil and gas today with skyrocketing prices when the next energy shock hits tomorrow.

—With reporting by Courtney Tower/Ottawa

W. CODY—WESTLIGHT



SHRINKING PRICES
CRUDE OIL
per bbl.
1982
$32.75
1992
$18.55
NATURAL GAS
per thousand cubic feet
1982
$2.46
1992
$1.16



3-6

4-1-92

Cedric "Ced" [redacted] ge

District Representative — Retired
Aid Association for Lutherans

3045 Kentucky — Ph. 913-266-8922
Topeka, KS 66605

FREE ADVICE given on TAXES, GOVT., GOLF, HUNTING, FISHING, GARDENING, ETC. ETC.

Senate Assm. & Tax Committee
Testimony on SCR 1640

When will the Executive and Legislative branches of Kansas Government give the people of this state the laws which a majority of Kansans desire like the following proposals. The majority of Kansans want (1) a death penalty (2) Initiative and Referendum (3) No presidential primary and above all (4) Property Tax relief.

A recent KS. Bd. of Realtors poll showed 60% of respondents favor a Property Tax Cap.

If the Tax Cap received the publicity the media has given to casino gambling, abortion and school finance, I believe 80% to 90% of Kansans would favor a Tax Cap.

A tax cap of 1% to 2% as proposed in SCR 1640 and HCR 5058 could eliminate the need for Mill Levies and Re Classification and SCR 1635-1636 and HCR 5007 would be moot.

It is time to limit the reliance on the property tax as a revenue source for schools and government.

A fair application of taxes to provide revenue should be approx. 1/3 Prop. Tax - 1/3 Sales Tax and 1/3 Income Tax.

The 1st question asked when proposing a Prop. Tax Cap is "How do you propose to make up the lost revenue for a Tax Cap"?

To Replace Lost Revenues, Estimated at [redacted] (500 to 600) Million, We Propose:

HOUSE RAISED 452 MILLION

1) Remove ALL present Sales Tax Exemptions possible.
2) Apply Sales Tax to Services not now taxed, if necessary.
3) Adjust Individual and/or Corporate Income Tax Rates, if necessary.
4) Permit County – City Earnings Tax up to 1%, if necessary subject to voter referendum.

(5) REIMPOSE AN INVENTORY TAX!

(6) 5% CUT IN SPENDING SAVES 125 MILLION

SENATE ASSES. & TAX
4-1-92
ATT. 4-1

A PROPERTY TAX CAP WOULD ELIMINATE MILL LEVIES AND RECLASSIFICATION

14 States have a property tax cap ! [redacted]

If the House can pass 452 Million for School Tax relief, they could surely make a similiar amount available to provide for revenue lost due to a property tax cap.

Approx. 50% of Prop. Taxes goes to schools, so if a Tax Cap were in place, for example, send ½ of property taxes collected to the School District and let State money make up the difference to the projected $3,625^{00} per pupil statewide cost.

I have talked to Retiree, Landlord and N.I.A. groups in Topeka (over 250+ people and 500+ Flyers) and find great interest and support for a property Tax cap.

Local tax groups Citizens for Responsible Govt. and K.F.F.T. assure me they also support a property Tax Cap but they appear to be so busy being informed citizens and firing the Co. appraiser that they have done little to promote a Tax Cap.

Larry Frocker of K.F.F.T. at a Senate Comm. Mtg on Initative and Referendum made a good statement when he said "Why not let the people decide those issues which seem to paralize government"? of which I named 4 Issues.

SCR 1640 provides Property Tax Relief to ALL areas of Real and Personal Taxes and NOT just one area of taxes as the School Finance Bill proposes.

I urge you to let we Kansans vote on a Property Tax Cap come next November. Thank You.

Gordon T. Garrett
Vice President

CPAK
Commercial Property
Association of Kansas

LEGISLATIVE TESTIMONY

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS GORDON GARRETT. I AM REPRESENTING THE COMMERCIAL PROPERTY ASSOCIATION OF KANSAS. THE MEMBERS OF THIS ASSOCIATION PAY ALMOST $40,000,000 A YEAR IN PROPERTY TAXES.

We rise in support of SCR #1640 and made the following points for you to consider in your deliberations.

1. It appears from actions and discourse that the citizens of Kansas are rapidly coming to the conclusion that property has a finite ability to fund government.

2. Local government in Kansas derives too high of a percentage of its revenue from the property tax. It is the 14th highest in the U. S. in its reliance on property tax. Kansas is higher than all of its neighboring states and much higher than Missouri and Oklahoma. Commercial property tax rates in Kansas are among the highest if not <u>the</u> highest in the United States.

3. One of the attractive things about a cap on property tax is that it provides some stability in the market place. One of the most important things to businesses of all types is stability. This applies whether it is an existing business considering expansion or a business considering Kansas as a location. Our present system has no stability in regard to commercial property taxes.

4. Property tax is the only source of revenue that is open ended. There is no limit on the rate that property is taxed at. Sales tax is set at a certain percentage. Income tax rates are set at a certain percentage. <u>Property tax has an unrestricted ability to go up.</u> It's only limitation is government spending and we all know how that has been restricted.

5. The great merit of the property tax cap is that it addresses both major issues (1) the heavy burden currently placed on property tax (2) cost control relating to the mill levy creep.

Jayhawk Tower - 700 S.W. Jackson, Suite 802 - Topeka, KS 66603 - 913-232-0486 - FAX 232-0708

SENATE ASSES. & TAX
4-1-92
Att. 5-1

We also want to speak in support of SCR #1635 and HCR #5007.

(1) We are in favor of the concept of both bills. However, in our view, to change the commercial rate to 25% doesn't go far enough.

(2) Virtually everyone agrees that the most egregious consequence of reappraisal and classification was to dump too much of the tax burden on commercial property. The Governors Task Force concluded unanimously that "commercial real property was taxed at a higher effective rate than is considered equitable."

(3) There will be only one visit to re-structure the classification rates in the foreseeable future. Therefore the unequal burden on commercial should be set at 20% or lower. If necessary to get there you should at least consider a phase-in. 30% - 25% will not solve the problem of the relative burden. The problem is not going to go away with that solution. This inequitable burden will continue to be a sore spot in the Kansas economy and an issue that will continue to be a dominant issue in the Legislature for years to come.

Both resolutions have a provision to raise the assessment rate on vacant lots which are commercial. We of course oppose this, and find that it makes no sense. Vacant lots are developers inventory. All other inventory in Kansas is off from the tax rolls.

(4) The current burden of taxation on commercial real estate must be reduced to become more in line with surrounding states and the nation. Economic development and economic growth in Kansas cannot proceed properly over the next months and years until this inequitable burden of taxation on commercial real property is reduced significantly.

(5) In conclusion, let us make the point that lowering the assessment rates for commercial property is not a developers issue, a realtors issue, or a property owners issue. <u>It is a Kansas economy issue.</u>

BUILDERS
COMMERCIALS, INC.
800 Epic Center / 301 N. Main / Wichita, Kansas 67202 / (316) 291-8300

Address to Senate Assessment and Taxation Committee

Good morning. I'm Jim Garvey, President of Builders Commercials, Inc. in Wichita, Kansas. I'm here today because I am very concerned about the survival of our business. Four years ago our property taxes were $322,524. Today, they total $673,510 for the same properties. This is an increase of $350,986 or 108.8%. We pay more to the government in property taxes than we make on the properties themselves, and we have millions of dollars at risk, while the government has none. If the trend of ever escalating property taxes continues, I figure we will be out of business in a few more years. The attached article from the Wichita Business Journal tells of Garfield's closing its doors in Wichita. Garfield's was part of a restaurant chain headquartered in Oklahoma City. In referring to the closing of the Wichita store, the president of the company stated, "The high cost of real estate (taxes) drove us out. We're moving on to a friendlier state." I know of another longtime restaurant owner in Wichita who closed his business due to the high taxes.

Another article also from the Wichita Business Journal (which is attached) shows how Wichita's commercial tax rate is about twice that of Kansas City, Missouri and Denver, and about four times that of Albuquerque, Tulsa, and Oklahoma City. The same article refers to Colby Sandlian, a Wichita developer who has now stopped any further development projects in Kansas because of the high tax rate. He's now investing his money and construction efforts exclusively in other states.

Where would Kansas be if we had had these high property taxes in earlier years? If Frank and Dan Carney had had to pay the high taxes we now have, would they have been able to pay their way through college with a small one-store business they had called Pizza Hut? Would other businesses that were once small been able to survive like Coleman, Beech, Cessna, Learjet, Rent A Center? The high taxes threaten the survival of our small businesses, and they are the future of Kansas, for most new jobs are created by small business.

We need a property tax cap, and I very much support Senate Concurrent Resolution Number 1640. Developers and business people need to know what their taxes will be and not that they escalate out of control every year. Every $100 tax increase to the homeowner is a $250 tax increase to the commercial property owner. I feel sorry for commercial property owners because I know how high their taxes are, 2 1/2 times a comparable residential structure. We have a Quik Trip building, which paid a little over $3,000/year in property taxes four years ago and now pays well over $10,000/year. How can anyone open a new business when they have a $10,000 bill just to open their doors? Property taxes in Kansas account for 41% of the combined state and local taxes while in Missouri they account for 24% and Oklahoma 22%. Over 17% of our company's revenues go toward property taxes. I would much rather pay the state sales tax of 5 1/4% of revenues. Property taxes account for over 27% of our company's operating expenses.

I feel the future of Kansas is at stake. If we do not give property tax relief to the small business owner, our future as a state does not appear good. I strongly recommend your support for the 1% - 2% property tax cap as proposed in Senate Concurrent Resolution Number 1640.

SENATE ASSES & TAX
4-1-92
ATT. 6-1

Thank You.

5-year-old Garfield's restaurant closes doors at Carriage Park

By DAVID DINELL

Citing Kansas' property taxes, the management of Garfield's Restaurant and Pub in Carriage Park Shopping Center closed the business last Friday.

Vince Orza, president of Oklahoma City-based Eateries Inc., the parent company of Garfield's, a 31-unit chain of casual dining and bars, said traffic at the 5-year-old restaurant was stable, but taxes made business unprofitable.

"The high cost of real estate (taxes) drove us out," Orza said. "We're moving on to a friendlier state."

Orza could not state the exact cost of his company's taxes, but said Eateries Inc. appealed its assessment without success.

Garfield's is currently in the process of opening a store in Mobile, Ala., one of 11 states where it has outlets. Although Garfield's has a lot of competition in its field, especially in Wichita, Orza said that's simply the nature of the business and was not a problem for the 150-seat diner. "Wichita is really a good restaurant town," he said.

Eateries Inc. at one time had plans for a second location in Wichita, but Orza said those plans were scrapped when management examined the tax structure here. The Wichita store had been Garfield's only branch in Kansas.

About 40 employees lost their jobs here in the move, although some, including the management team, are transferring to other Garfield's.

Along with workers' compensation, the property tax issue is the most serious problem the restaurant industry in the state is facing, said George Puckett, executive vice president of the 900-member Wichita-based Kansas Restaurant and Hospitality Association.

"We must have tax relief," Puckett said from his Topeka office. "Restaurants operate on a slim margin and taxes are blowing them out of the water."

Especially affected are small chains and restaurants under individual ownership, Puckett said. Puckett added that he would not be surprised to see additional restaurants close and leave the state, citing property taxes as the reason.

The former Garfield's site, in the west side of the entrance to the Carriage Park Shopping Center near the corner of Central and Edgemoor, has housed several unsuccessful restaurant ventures and has also stood vacant for periods of time.

The 5,800-square-foot building contained a Pancake House Restaurant and then another short-lived restaurant before Garfield's signed a lease in 1987.

Although there was no public advance notice of the closure, several employees of nearby Pennypower believed something was in the works when they went to the restaurant last Friday and were told many of items on the menu were not available, said Tom Cronk, former publisher of the shopper newspaper.

J.P. Weigand & Sons Inc., which handles leasing for Carriage Park, has begun the process of seeking another tenant for the site, according to Grant Tidemann, Weigand's agent for the complex. Weigand, which had received a 30-day notice from Garfield's, is looking for a family-style restaurant to occupy the space and is currently talking with several businesses, but so far no commitments have been made, Tidemann said.

Glen Porter, vice president of TMB Service Corp., the Kansas City-based owner of Carriage Park, said Garfield's management had discussed its dissatisfaction about property taxes with him, but he expressed confidence in the property's value.

6-2

Real estate firm cites taxes for bankruptcy

By KEVIN BUMGARNER

The owners of Pechin Investments, a real estate investment company at 230 N. Cleveland, have filed for protection from creditors under Chapter 11 of U.S bankruptcy law.

The husband-and-wife team of Howard and Paula Pechin, sole owners of the business, filed for bankruptcy individually and

Inside Report
on Commercial Real Estate

WBJ 12/6/91

Local property tax rate higher than other midwestern cities

By KEVIN BUMGARNER

Colby Sandlian pioneered the strip center in Wichita. He built many of them here, along with storage units and apartment complexes.

But after 40 years of developing commercial real estate locally, the efforts of Wichita-based Sandlian Realty are now focused on what the company views as more promising environments: Oklahoma, Texas, Louisiana, Florida, Tennessee and Indiana.

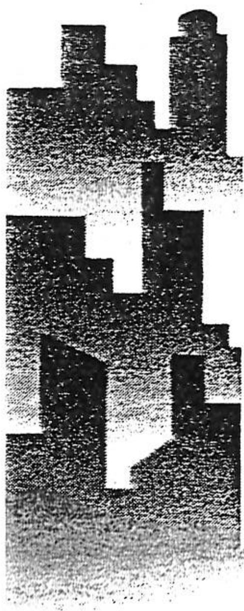
Unbearable property taxes was the main factor in concentrating future construction outside of Wichita and the state of Kansas, said Charles E. Sutherland, director of acquisitions for the Midstates Division of Sandlian Realty.

"We stopped developing new stuff in Kansas because it became so risky and unprofitable to develop," Sutherland said. "We chose the states we did for a variety of reasons, one of which was that the tax structure in relationship to rents was decent. On average, we're paying half the taxes as a percentage of rent as you would pay in Kansas."

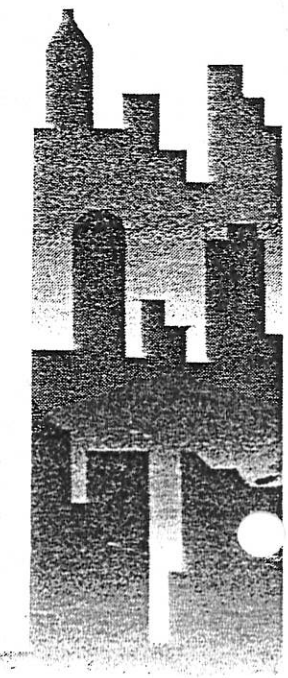
In fact, the 1991 effective tax rate — a property's annual tax cost as a percentage of its market value — for commercial properties in Wichita is higher than 10 cities in neighboring states, according to a survey conducted earlier this year by Sandlian Realty. The cities surveyed were Dallas; Lincoln, Neb.; Omaha, Neb.; Austin, Texas; Kansas City, Mo.; Denver; Baton Rouge, La.; Albuquerque, N.M.; Tulsa, Okla.; and Oklahoma City.

How Wichita Compares

Property tax rates



City	Commercial Assessment Percentage	1990/91 Mill Levy[1]	Effective Tax Rate (Percent)
Wichita	30	13.03	3.9
Dallas	100	3.90	3.9
Lincoln	100	2.74	2.7
Omaha	90	2.65	2.4
Austin	100	2.34	2.3
Kansas City, Mo.	32	6.27	2.0
Denver	29	6.76	1.9
Baton Rouge	15	10.00	1.5
Albuquerque	33	3.40	1.1
Tulsa	11	9.57	1.0
Oklahoma City	11	8.42	.93



[1] Tax rates for individual properties within a city will vary due to levy rates of individual taxing districts; fiscal years differ so some mill levies are for 1990 and some for 1991.

Source: May survey by Sandlian Realty

Exactly what Wichita's unfavorable tax status means to economic development efforts is not clear.

Most in the real estate community would agree with Sutherland's assessment that Wichita is "at a severe disadvantage" when it tries to compete with other midwestern cities for the commercial real estate investor's dollar.

"People who invest their money in real estate — people who buy shopping centers, apartments, etc. — look for a home for that money with an above-average return," explained Tom Johnson, vice president and general manager of the commercial division of J.P. Weigand & Sons Inc.

"The properties that are available here compete around the country for those dollars. If an investor looks at Wichita and then those other cities, where is he going to choose to put those dollars?"

Lamented Marlin Penner, president of John T. Arnold Associates Inc.: "Developers who in the past have provided us a product now go out of the market."

The impact of property taxes o

Please turn to page 17

Today and

Real estate firm cites taxes for bankruptcy

By KEVIN BUMGARNER

The owners of Pechin Investments, a real estate investment company at 230 N. Cleveland, have filed for protection from creditors under Chapter 11 of U.S. bankruptcy law.

The husband-and-wife team of Howard and Paula Pechin, sole owners of the business, filed for bankruptcy individually and as owners of Pechin Investments on Feb. 21. They listed assets of $1.05 million against liabilities of $1.15 million, according to U.S. Federal District Court documents.

According to the filing, the Pechins seek to exempt $152,150, including a $127,500 house in Derby, thus leaving more than $900,000 in assets for distribution to creditors.

Attorney Christopher Redmond said the Pechins plan a "structured liquidation" of their property holdings to pay creditors.

The Pechins own properties with an estimated market value of $1.03 million, according to court documents. Aside from their house, the Pechins own the following properties: 522 and 532 N. St. Francis, 240 and 242 Cleveland, 1401 S. Washington, 215 Pattie, 315 and 317 Ohio, 228 and 238 Cleveland, 330 and 332 Cleveland, 313 and 319 Mathewson, 828 and 830 Murdock and 515 Plum in Wellington.

Most of those buildings are office/warehouse spaces that cater to smaller companies. Redmond cited declining property values and high taxes as reasons for the filing.

"The value of the investment real property (has) decreased substantially over the past few years for many reasons and the overall debt on the real property was no longer able to be managed," Redmond said.

In the bankruptcy filing, the Pechins listed losses of nearly $50,000 over the past two years from the operation of their business.

The filing will not impact Pechin Construction Co., a residential and commercial construction company owned by Wes Pechin, Howard and Paula's son.

6-4

REVIEWS: SUBURBAN DETROIT, WICHITA/TOPEKA

Midwest Real Estate News®

VOLUME 8, NO. 2

FEBRUARY 1992

Illinois • Indiana • Iowa • Kansas • Michigan • Minnesota • Missouri • Nebraska • Ohio • Wisconsin

Kansas feels tax bite

Higher assessments hurt growth

By Cynthia Mines and Kevin Bumgarner

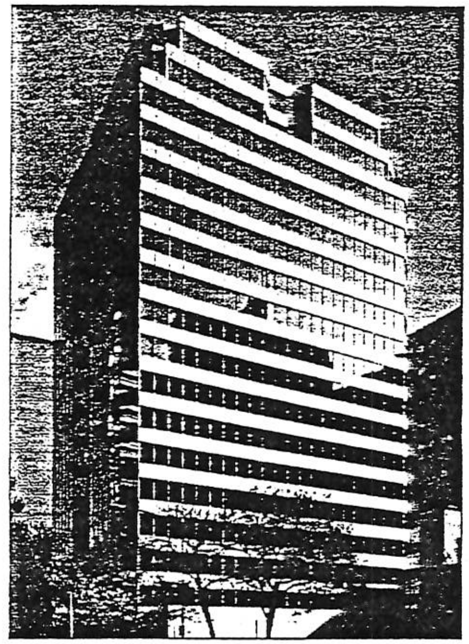
Kansas' tax reappraisal and classification hit the commercial real estate market like the dreadful tornado in 1989. After three rounds of property tax bills, the market is feeling the full force of the state's first property-tax reassessment in 20 years.

Although somewhat isolated from the recessionary setbacks on the coasts, developers and building owners are reeling from spiraling property-tax increases that, in many cases, are being passed on to tenants, and are keeping the market as flat as the state's terrain.

The reassessment classified residential property at 12% of appraised value and commercial property at 30%, which presented some businesses with tax bill increases of several hundred percent. The local mill levy gave Wichita, the state's largest city, an effective tax rate of 3.9%, much higher than other major cities nearby such as Denver, Oklahoma City and Tulsa.

"We have scrapped four projects simply because of the real estate tax implications to our tenants," says Tom Petersen of Topeka's Associated Commercial Brokers Inc., which is developing Corporate Hills Office Park. "We are absorbing a signifi-

(See Wichita, page 12)



FCS gets 211 E. Ontario contract.

Fifield Cos., FCS merge

By Al Girardi, Managing Editor

With the economy depressed and development recessed, everybody's talking property management. And Frain Camins & Swartchild's recent merger with Fifield Cos. Ltd. is giving them more to talk about.

Retaining the FCS name, the ne[w] company will combine Fifield's man[]agement and leasing assets of 3.3 million sq. ft. in 19 office properties with FCS's original base of 3.7 million sq. ft. in 20 properties. And according to FCS, the addition of retail and industrial properties gives the firm a total property management portfolio of about 9.2 million sq. ft.

(See Merger, page 11)

Property Management

Competition for contracts is intensifying

By David C. Wagman

Property managers must feel a kinship at times with ...

maining growth segments. And not surprisingly, with supply essentially ...

own account.

But then the firm's partners de...

of Fifield Cos., will retain own-..ip interests in a variety of properties and will do some consulting for FCS. "Steve is an entrepreneur, a deal-maker, the service side of his business grew up around this," says Robert Smietana, executive vice president in charge of Fifield Cos.' property management division. Smietana will retain a similar position with FCS.

Smietana says that while Fifield "didn't have a gun to his head," market conditions forced him to make the move. "The business was at the pinnacle of its value. And he wanted to maximize the value of his contracts, which might have been lost because of bad press over some of the hits he had taken on the development side. We hadn't lost any business, but we weren't seeing new management contracts."

Both Frain and Camins say the property management field will see more consolidations. "I don't think there will be a rush of mergers," Frain says, "but just as there are too many developers out there, there might soon be too many management companies." And Camins adds that the right match improves efficiency and cuts costs.

But not everybody believes that more mergers are fated. Jacque Ducharme, senior vice president and manager of Julien J. Studley Inc.'s Chicago office, says Fifield Co.'s decision was more an individual choice by Steve Fifield, rather than the reflection of a trend. "It's a good ..h, but I don't think it will have any impact on the market," says Ducharme.

Like Ducharme, Craig Bayless, managing director of Tishman Speyer Properties' Chicago office, says he doesn't foresee the FCS deal as having much effect on the market. "It's highly unlikely we'll see any mega-mergers, because they often create massive organizational problems," he says. "It's difficult for two large companies, with different work styles and corporate cultures, to mesh effectively."

But Bill Norwell, COO and director of property management for Des Plaines, Ill.-based Corporate Realty Advisors Inc., does expect mergers to continue. "Merging and consolidation have been going on, and I see other firms doing it in the future — as opposed to going out of business. I do think there will be casualties. But there are a lot of buildings out there, and so there are opportunities for quality, proven managers who can adapt."

Whatever the propects for new mergers, says Louis Masotti, a professor of management and real estate at Northwestern University's J.L. Kellogg School of Management, property management will continue to be hot. "If the '80s was the decade of the developers, the '90s will be the decade of property managers and leasing agents," says Masotti. "If the '80s were the decade of getting tenants, the '90s will be the decade of keeping them." □

Wichita

(Continued from page 1)

cant portion of real estate tax increases out of cashflow to keep our tenants."

Property-tax increases of 300-600% are forcing ABC to look out of state for development opportunities, he says.

Some developers, such as Wichita's George Ablah, president of American Diversified Real Estate and Woodlawn Development Co., have seen their properties revert to lenders. Ablah lost the 18,100 sq. ft. Comotara Retail Center and the 105,000 sq. ft. Centre City Plaza office building to the Travelers Corp. Through foreclosure, the Hartford, Conn.-based insurance company owns more than 500,000 sq. ft. of Wichita-area commercial real estate, with an appraised value of more than $25 million. Properties in the process of foreclosure in late 1991 could double that amount.

Developers contend the market is further strained by lenders tightening standards on real estate loans, but banks deny the charge. "We have the money. We're just not getting the requests," says Jeff Berkley, vice president/commercial real estate lending at Bank IV Topeka, part of the state's largest bank holding company.

Berkley says that taxes, which several years ago ranged from $1 to $1.50 a sq. ft., are now running from $2.50 to as high as $5 a sq. ft.

An unlikely boon to building came in the form of a deadly twister that ripped across the edge of Wichita in April 1991. It spurred not only new construction, but increased occupancy rates at apartment complexes as families waited for their homes to be rebuilt.

At McConnell Air Force Base, one of the most heavily damaged areas, a total of 51 buildings on the base were either damaged or destroyed, along with 255 buildings in nearby base housing.

Bids went out in late fall and winter on many of the major projects, including an estimated $19.9 million hospital and a $16.3 million community center. In addition to damage repair, the base also plans a 69,000 sq. ft. commissary to be built at an estimated cost of $10 million.

Wichita

The city still is grappling with a downtown revitalization plan, announced in 1990 by local developer and Residence Inn founder Jack DeBoer. At issue is how to spend $310 million, including $100 million in tax dollars, to draw people back to the core of the city, which has a metro population of 485,000.

Three of the city's four hospitals have expansions under way. The largest is a $35 million project at St. Francis Regional Medical Center. And two new rehabilitation hospitals are under construction: Rehabilitation Hospital of Wichita, a 60-bed, 62,800 sq. ft. project, is being built on the east side at a cost of $6 million, and HCA Wesley Medical Center is building a 91,700 sq. ft., $8.8 million rehab facility o... vest side. Both will open in 199...

The corporate headquarters of Pizza Hut not only ended rumors it might leave Wichita, but embarked on a 54,800 sq. ft. expansion. Eby Construction Co. of Wichita has the contract for the $3.8 million project, which was designed by Gossen Livingston Associates.

Koch Industries is continuing work on what will be the state's largest office building, a 550,000 sq. ft. structure on the northeast edge of the city. Eby is also building Koch's $32 million, eight-story office building, which should be completed in early 1992.

Office

The city's overall office vacancy rate of 21% showed little improvement during 1991, according to J.P. Weigand & Sons Inc., the city's largest commercial real estate brokerage firm.

However, Class A in the downtown area had a vacancy rate of only 14%, down 2% during the year. Quoted rents average $14.36 a sq. ft.

While vacancy rates may have been static, many other changes occurred in the office market. For one, the four-year-old Epic Center, the largest downtown office building, with 298,000 sq. ft., is for sale again. The owners are the Alaska Permanent Fund Corporation and a Boeing company employee investment fund. The U.S. Attorney's Wichita office recently has relocated to the building, taking 21,170 sq. ft. and becoming its largest tenant. But even with the new people, the 22-story building is only 66% occupied. When it went up for sale, the asking price was $12 million, less than half what it cost to build.

A major downtown casualty in 1991 was the 10-story, 105,000 sq. ft. Century Plaza office near the city's Century II convention center. A lack of tenants closed the property in June.

Downtown revitalization could be boosted by the state's decision to consolidate and relocate its Wichita offices into one of two office complexes, including the vacant 294,450 sq. ft. Dillard's department store building in the midst of bankruptcy proceedings.

Suburban Office

Suburban office park developments — including Reflection Ridge on the west, and Corporate Lakes and Polo Club to the east — continued to progress in 1991. Most new projects are mixes of owner occupied and leased buildings that still have several years before being fully developed.

Reggie Boothe, who is developing the 12-acre Reflection Ridge, also built the surrounding 426-acre Reflection Ridge Country Club golf course and housing development. Two buildings totaling more than 12,000 sq. ft. are up, and another 6,500 sq. ft. building is under construction.

Steve Clark and Johnny Stevens opened another office building in Polo Club on Rock Road, the city's fastest-growing east side thoroughfare. The 5-acre park has six office buildings and room for four more.

6-6

Kansas Taxpayers Network, inc.

Christy Wood
Programs Coordinator
KTN

March 30, 1992

My name is Christy Wood and I am here as a proponent of SCR 1640 on behalf of Kansas Taxpayers Network. We recently placed an ad in the Wichita Eagle to determine Sedgwick County's attitude toward SCR 1640.

The response Kansas Taxpayers Network has received in one weeks time from this single effort is impressive. We've accumulated approximately 9 thousand signatures from a sampling of the Wichita area. Several volunteers requested extra petitions or made their own, collecting up to 50 or more signatures. We've received approximately 100 calls a day asking for more information or simply calling to thank and congratulate Kansas Taxpayers Network on its efforts. Many of these callers viewed themselves as victims of a tax-happy, predatory government.

The response we've received confirms the Kansas Association of Realtors survey that stated that 62% of Kansans favor a cap on property taxes and a majority of Kansans feel it's the most important issue facing Kansas today.

People today are becoming less apathetic to government, they are angry and desperate. The economic inability to withstand the old tax and spend method of government has forced the people of Kansas to become politically aware.

People are unhappy with school financing reform. It added 100 million dollars to the budget in the guise of readjusting school financing.

The biggest obstacle to property tax relief in the past has been reaching a consensus on how to replace the lost revenue. By deciding to replace the lost revenue plus add additional revenue, in the current school refinancing reform bill, this obstacle has been eliminated.

The property tax cap will be the one positive issue that is the standard by which the incumbents effectiveness will be measured.

It is my opinion that to ignore the new emerging voter consensus this re-election year is simply committing political suicide. The people of Kansas want relief and they want politicians that will lead the way in these difficult economic times.

301 N. Main, 800 Epic Center, Wichita, KS 67202
Phone: 316-291-8364 Fax: 316-291-8318

SENATE ASSES. & TAX
4-1-92
ATT. 7-1

PROPERTY TAXES ARE TOO HIGH

HIGH
TAXES

LOOK AT THE FACTS...

- ✔ *Government spending in Kansas has doubled in 10 years! Has your paycheck?*
- ✔ *Each new $1 in taxes costs you over $2 in lost future personal income.*
- ✔ *Kansas property tax is up to 4 times as high as Oklahoma, 2 times Missouri, Colorado, and Nebraska.*
- ✔ *You pay more taxes in Kansas than in any surrounding state & income growth is lower than any other state.*
- ✔ *Total Kansas state and local government spending is over $3200 per person (man, woman, child) per year.*

DO YOU AGREE?

Honest, hard working, common sense **PEOPLE LIKE YOU & ME** need to get government under control. Our employees (elected representatives) have not been doing their job of representing us.

Paid Political Announcement

If you will kindly put a 29¢ stamp on this envelope, you will help save your organization the return postage costs. Thank you.

NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

BUSINESS REPLY MAIL
FIRST CLASS PERMIT NO. 4506 WICHITA, KANSAS

POSTAGE WILL BE PAID BY ADDRESSEE

Kansas Taxpayers Network, inc.
Suite 800
301 N. Main Street
Wichita, KS 67202-9952

7-2

A CAP WILL CUT PROPERTY TAXES BY UP TO 50%!

Cutting taxes keeps money in your hands, where it does the most good. Homeowners, renters, small & large businesses; this is a tax cut that will truly benefit everyone.

IT'S NOT ASKING TOO MUCH

For the government to live like the rest of us

IF YOU ARE TIRED OF FEELING HELPLESS, DO THIS NOW!

- ✔ *SIGN YOUR NAME, ADDRESS, & PHONE #*
- ✔ *ASK 3 FRIENDS AND CO-WORKERS TO SIGN*
- ✔ *CUT OFF REPLY CARD AND DROP IN MAIL*
- ✔ *CALL OR WRITE YOUR LEGISLATORS SUPPORTING SCR 1640**

*Key wording: Constitutionally cap property tax at 1% of residential & 2% of commercial property fair market value.

To find out who your legislators are, call 383-7101

Write any Legislator at:	Call your Legislators at:
State Capital	Senators (913)-296-7300
Topeka, KS 66612	Representatives (913)-296-7500

For more info.: John Schuermann, Pres., Kansas Taxpayers Network, 301 N. Main Street, Suite 800, Wichita, KS 67202 (316)291-8364

DON'T JUST TALK - ACT NOW!

CITIZEN PETITION

CAP PROPERTY TAXES

We, the undersigned citizens of the State of Kansas, being of legal voting age, do hereby assert that the current levels of property taxes are an unbearable burden on the economy and the people of the state. Therefore we hereby petition for meaningful relief as follows.

✂ -

*** CONSTITUTIONALLY CAP REAL PROPERTY TAXES AT 1% OF RESIDENTIAL AND 2% OF COMMERCIAL PROPERTY FAIR MARKET VALUE**

NAME	ADDRESS - STREET, CITY, ZIPCODE	PHONE #

■ IMPORTANT DEADLINE ■

MUST BE RETURNED NO LATER THAN WEDNESDAY MARCH 25th

*Key wording of Senate Concurrent Resolution (SCR) 1640 on property tax relief.

THANK YOU FOR YOUR SUPPORT

7-3

CONLEE
CONSULTING
GROUP

TESTIMONY PRESENTED TO SENATE ASSESSMENT & TAXATION COMMITTEE

April 1, 1992

Re: SCR 1635, SCR 1636, SCR 1640 and HCR 5007

Chairman Thiessen, members of the committee, I am Mary Ellen Conlee representing the Kansas Association for Small Business, an organization of 120 small manufacturers and companies which directly serve manufacturers. With significant property tax relief on the horizon as a result of the redirection in school finance, we oppose any action toward constitutional reclassification of property at this time.

If the legislature does move forward with a classification amendment, we specifically oppose the shift of property taxes to commercial and industrial machinery and equipment. Each of these proposals before you today singles out machinery and equipment for the largest increases--25% if assessment levels are increased from 20%-25%, 50% if assessment levels are increased from 20%-30%. These increases would be even larger if depreciation schedules are changed from 7 to 11 years.

The Kansas manufacturing community competes nationally and internationally for work contracts. Failures to retool have been identified as major causes of America's inability to maintain market share in the automobile and steel industries. National policy in Japan, America's major industrial competitor, directs replacement of manufacturing machinery and equipment every 5 years. Japan's commitment to technological advancement results in more efficient, lower cost production.

The commercial property tax problem in Kansas should not be solved by making it more expensive for the Kansas manufacturer to retool. While a 20%, 7-year straight-line depreciation appraisal level may look excessively favorable listed on paper, it is a significant economic development statement encouraging Kansas manufacturers toward the cutting edge of technology.

The Kansas Association for Small Business asks you to maintain the 20%, 7-year depreciation appraisal level for machinery and equipment used in manufacturing production.

SENATE ASSES.&TAX
ATT, 8
4-1-92

Governmental Relations and Public Affairs Consulting
532 North Broadway • Wichita, KS 67214 • Tel 316 267-9992 • Fax 316 267-1448

SENATE ASSESSMENT AND TAXATION COMMITTEE

April 1, 1992

RE: SCR 1640, 1635, 1636 & HCR 5007

Comments by Jack Glaves
On Behalf of Panhandle Eastern Corporation

Each of these Resolutions propose to discrimination against public utility owned personal property inventory by assessing it at a 33% ratio (30% in SCR 1636), notwithstanding the exempting of all other merchants' and manufacturers' inventories. The discrimination even exists in the same subclass, which distinguish between railroad personal property inventories and all other utility inventories. This blatant discrimination is, we believe, unwarranted, being not based on any reasonable, practical, governmental or legal basis, and as a result is violative of the Fourteenth Amendment of the U.S. Constitution. This is not a novel argument and, in fact, has been repeated many times in the last two legislative sessions.

The Nebraska Supreme Court held, in a case decided last year (<u>Natural Gas Pipeline Company of America v. State Board of Equalization and Assessment</u> a/k/a The Trail Blazer Pipeline Company Case), that the natural gas transmission pipelines in Nebraska cannot be valued disproportionately with railroad rolling stock, there being no real distinction between railroads and other common carriers, stating:

> "A legislative classification must operate uniformly on all within a class which is reasonable."

SENATE ASSES. & TAX
4-1-92
ATT. 9-1

The general proposition was again enunciated that:

> "the classification must rest upon some difference in situation or circumstance which, in reason, calls for distinctive treatment."

This case was subsequent to the previous case of Northern Natural Gas Company v. State Board of Equalization, 232 Neb. 806, 443 NW2d 249 (1989), in which cert. was denied by the U.S. S.Ct., 110 Supreme Ct. 1130, 107 L. Ed2d 1036 (1990).

We believe the principles enunciated in these cases are the law of the land and are controlling on the proposals in these proposed constitutional amendments, which would result in a different valuation ratio and different tax treatment of utility inventory versus all other merchants' or manufacturers' inventory, and as between railroad personal property and all other utility personal property.

The Kansas Supreme Court, in the Meade County case, clearly held that storage gas is merchants' inventory and is entitled to the same treatment as all other merchants' inventory for tax purposes, i.e., it is exempt.

Assuming the overriding desire of the public and the legislature to address the classification issue, we submit that it is shortsighted to burden the classification subject with the specter of ligation that will surely ensue if the utility inventory discrimination is not eliminated.

The tax dollar impact of this issue is relatively insignificant in the overall scheme of things. I am attaching a county list of state assessed valuation and exempt valuation for

1990 and 1991. You will note that the total 1991 state assessed valuation is approximately $2.4 billion. The exempt valuation is under $40 million, or about .017% of the total state assessed valuation. Although the $39.8 million exempt valuation is spread over 54 counties, it is of significance in only about 9 or 10 counties, there being 9 with valuation in excess of a million dollars. My client is impacted by this issue because of its gas storage field in Meade County, which has exempt valuation of $10,716,000, which is over one-fourth of the total exempt valuation in Kansas. In the specific taxing unit in which the storage field is located, Panhandle's subsidiary, Kansas Pan Gas Storage, pays approximately 38% of the taxes because of the storage field unexempt valuation. Panhandle's 1991 tax bill in taxing unit 025 was approximately $1,152,000. The school operating levy for 1991 in that taxing unit was .047720. The unexempt valuation in that district and the tax dollars flowing therefrom as a result of the gas field's construction outweigh the valuation and potential tax dollars involved in the storage gas. In other words, the taxing unit is benefited by the existence of the storage field facilities by $1.129 million at the 30% ratio even if storage gas remains treated the same as all other merchants' inventory.

We respectfully suggest that from an economic development, good corporate citizenship, or just plain fairness standpoint, gas that is produced in Kansas, placed in storage in Kansas, and part of which is sold and consumed in Kansas, should be viewed at least on a par with high volume merchandise that is shipped in from out of state and held for sale to Kansas consumers in competition with the main street stores. We fail to see the logic or the tax fairness for distinguishing between the two types of property which are held for sale. From a tax fairness standpoint, I would remind the Committee that this gas is taxed in the ground to the producer on an ad valorem basis, which benefits the local taxing units. It is taxed at the wellhead when it is produced, under the severance tax law, which benefits both state and local government. Elimination of the exemption would tax it once again as it is put back in the ground awaiting transport to the ultimate consumer, which again benefits the local units of government. If the House proposal passes, it would be taxed a fourth time as a sales tax if it is consumed by Kansas industry.

Panhandle's Kansas operations paid $5.744 million in Kansas ad valorem taxes in 1991, which was an increase of some $800,000 over 1990. If the ratio on utility property is increased to the 33% level, Panhandle companies would pay over half million dollars additionally, based on 1991 valuation.

Panhandle's storage gas is exempt in Illinois and Michigan.

Competitive market conditions prevailing in the gas industry today proscribe the pass-through of the unequal tax burden that would exist as to the Kansas stored gas if the proposed amendment is adopted and, sustained in court.

We humbly suggest that economic benefit to Kansas in general, and Meade County, in particular, by the Panhandle presence is at least as beneficial as would the location of a large merchandiser. Panhandle has over 550 employees in Kansas with an annual payroll in excess of $20 million. The market value of its 1991 Kansas investment is some $182 million. The assessed property valuation for 1991 is approximately $55 million, the great bulk of which consists of gas pipelines.

It is difficult to predict the precise effect of the FERC adopting its proposed Mega NOPR rules relating to storage gas, but presumably, much of the storage gas in the future will be owned by non-utility customers, which will result in one further layer of discriminatory treatment, given the fact that non-utility owned gas would be exempt but that owned by my client would be taxed solely by reason of its utility status.

The legislature must determine whether the benefit of retaining the utility inventory exemption in the proposed classification amendment outweighs the disruption in a stable tax policy that would result from a court challenge based upon the contended discrimination resulting from taxing utility inventory at whatever ratio is determined while all other merchants' inventory remains totally exempt and railroad personal property is taxed at a lesser rate.

We ask that you seriously consider whether there is a rational, fair reason for discriminating against storage gas, which the Court has concluded is, in fact, merchants' inventory. Even if you should conclude, for whatever reason, the exemption should be eliminated, is it fair and just to tax it at 33% (i.e., at a rate 10% higher than other property owned by Kansas industry in general)? Finally, I would remind you that similar property, such as other fuels or products that are in storage held for sale that are not owned by "public utilities" and that are locally assessed, will remain exempt. These are competing fuels and will enjoy the merchants' inventory exemption totally. This results simply from the fact that Panhandle and the other pipelines are deemed "public utilities," which has become a word of art in the proposed amendment. We urge equal treatment for storage gas and ask that utility customers receive the benefit of storage gas' continued exemption as merchants' inventory.

State Assessed Public Utilities
Assessed Valuation Comparison
1990/1991

County	County Name	Total Assessed Value 1990	Exempt Valuation 1990	Total Assessed Valuation 1991	Exempt Valuation 1991	Change From 1990 IN $	% CHANGE
001	ALLEN	10941178	29897	10601777	45145	-339401	-3.20
002	ANDERSON	10234244	243964	9746954	368399	-487290	-5.00
003	ATCHISON	7868747	0	8375652	0	506905	6.05
004	BARBER	10365628	0	9991062	0	-374566	-3.75
005	BARTON	23611376	177913	24120519	383842	509143	2.11
006	BOURBON	8036909	0	8421009	0	384100	4.56
007	BROWN	9811323	0	10048077	0	236754	2.36
008	BUTLER	36263215	46323	38046181	77215	1782966	4.69
009	CHASE	6602629	0	6679252	0	76623	1.15
010	CHAUTAUQUA	4837127	1376	5020898	2078	183771	3.66
011	CHEROKEE	19167083	312753	19524818	123723	357735	1.83
012	CHEYENNE	4115603	1228	4030801	1006	-84802	-2.10
013	CLARK	8391511	550	8579144	266	187633	2.19
014	CLAY	6272649	0	6381078	0	108429	1.70
015	CLOUD	10946302	0	11470830	0	524528	4.57
016	COFFEY	498102552	3257328	514177834	735607	16075282	3.13
017	COMANCHE	5086619	0	5152570	0	65951	1.28
018	COWLEY	15387971	592741	15932034	470850	544063	3.41
019	CRAWFORD	15331769	13746	15316486	0	-15283	-0.10
020	DECATUR	4047827	4370	4039933	1275	-7894	-0.20
021	DICKINSON	15358823	53400	17043274	79717	1684451	9.88
022	DONIPHAN	3368973	0	3252288	0	-116685	-3.59
023	DOUGLAS	40688650	460469	43952561	1508455	3263911	7.43
024	EDWARDS	6181426	0	6387602	0	206176	3.23
025	ELK	3606259	27770	3482955	41934	-123304	-3.54
026	ELLIS	16915852	53960	17369690	94520	453838	2.61
027	ELLSWORTH	8675124	150745	9056280	525051	381156	4.21
028	FINNEY	63985466	192525	64841324	148202	855858	1.32
029	FORD	24594631	134305	24898659	133750	304028	1.22
030	FRANKLIN	16842072	0	17953808	0	1111736	6.19
031	GEARY	10798703	0	11373612	0	574909	5.05
032	GOVE	3822253	0	3981488	0	159235	4.00
033	GRAHAM	5794526	43463	5694975	50331	-99551	-1.75
034	GRANT	21881598	0	22335025	0	453427	2.03
035	GRAY	5857249	0	6166495	0	309246	5.01
036	GREELEY	3231838	0	3029874	0	-201964	-6.67
037	GREENWOOD	11708571	0	12584093	0	875522	6.96
038	HAMILTON	4980586	0	4940984	0	-39602	-0.80
039	HARPER	8259170	0	8282312	0	23142	0.28
040	HARVEY	14687318	2702	15233494	3473	546176	3.59
041	HASKELL	8174321	224	8146881	413	-27440	-0.34
042	HODGEMAN	2724189	0	2781735	0	57546	2.07
043	JACKSON	6352391	0	7323672	0	971281	13.26
044	JEFFERSON	8865871	150697	9302863	577802	436992	4.70
045	JEWELL	3372212	0	3573359	0	201147	5.63
046	JOHNSON	121744338	202291	125128607	308814	3384269	2.70

9-7

Sta[illegible] Assessed Public Utilities
Assessed Valuation Comparison
1990/1991

County	County Name	Total Assessed Value 1990	Exempt Valuation 1990	Total Assessed Valuation 1991	Exempt Valuation 1991	Change From 1990 IN $	% CHANGE
047	KEARNY	13584083	0	13981478	0	397395	2.84
048	KINGMAN	12322586	2615909	12446566	1986918	123980	1.00
049	KIOWA	14367231	9808	15275185	1452	907954	5.94
050	LABETTE	17043753	517	17223459	542	179706	1.04
051	LANE	2526231	0	2575871	0	49640	1.93
052	LEAVENWORTH	21749924	135949	22614203	205287	864279	3.82
053	LINCOLN	4622842	0	4825540	0	202698	4.20
054	LINN	93905479	2774574	99388933	2257744	5483454	5.52
055	LOGAN	3618507	0	3676550	0	58043	1.58
056	LYON	17718001	0	18153344	0	435343	2.40
057	MARION	8697164	2884	8768898	2161	71734	0.82
058	MARSHALL	8887548	0	9096893	0	209345	2.30
059	MCPHERSON	23875324	0	25795479	0	1920155	7.44
060	MEADE	25452241	10382459	22047249	10716457	-3404992	-15.44
061	MIAMI	26366412	0	27288719	0	922307	3.38
062	MITCHELL	4415739	0	4342067	0	-73672	-1.70
063	MONTGOMERY	23650485	1218672	24661776	1503388	1011291	4.10
064	MORRIS	7202344	0	7433286	0	230942	3.11
065	MORTON	14516010	1812476	14436871	1297829	-79139	-0.55
066	NEMAHA	6015296	0	6444081		428785	6.65
067	NEOSHO	6998524	0	6880012	0	-118512	-1.72
068	NESS	5577949	19925	5871684	26014	293735	5.00
069	NORTON	4861816	4101	4931217	6980	69401	1.41
070	OSAGE	10184571	0	10799658	0	615087	5.70
071	OSBORNE	4267071	4249	4233948	687	-33123	-0.78
072	OTTAWA	8379379	0	8409756	0	30377	0.36
073	PAWNEE	8190349	0	8167246	0	-23103	-0.28
074	PHILLIPS	5624110	0	5473372	0	-150738	-2.75
075	POTTAWATOMIE	199623811	6561816	208861583	8350764	9237772	4.42
076	PRATT	15457932	3962339	14979540	3223245	-478392	-3.19
077	RAWLINS	5405832	35	5181481	16	-224351	-4.33
078	RENO	43496137	210736	44740682	288705	1244545	2.78
079	REPUBLIC	4986346	0	5176990	0	190644	3.68
080	RICE	20971192	2258081	22351151	2104523	1379959	6.17
081	RILEY	12249595	0	12749790	0	500195	3.92
082	ROOKS	6547812	21689	6726698	7337	178886	2.66
083	RUSH	6068368	0	5728336	0	-340032	-5.94
084	RUSSELL	7401867	4021	7805016	1171	403149	5.17
085	SALINE	22123326	0	22824671	0	701345	3.07
086	SCOTT	8704189	0	9887110	0	1182921	11.96
087	SEDGWICK	148321033	846436	154073150	961217	5752117	3.73
088	SEWARD	19818790	7298	19924923	7260	106133	0.53
089	SHAWNEE	75604149	486697	78008733	869462	2404584	3.08
090	SHERIDAN	4549021	5690	4582681	229	33660	0.73
091	SHERMAN	5003565	0	5252304	0	248739	4.74
092	SMITH	3249617	0	3453666	0	204049	5.91

9-8

State Assessed Public Utilities
Assessed Valuation Comparison
1990/1991

County	County Name	Total Assessed Value 1990	Exempt Valuation 1990	Total Assessed Valuation 1991	Exempt Valuation 1991	Change From 1990 IN $	% CHANGE
093	STAFFORD	9631487	2673	9804616	1173	173129	1.77
094	STANTON	3643247	0	3768313	0	125066	3.32
095	STEVENS	16999066	0	22655074	0	5656008	24.97
096	SUMNER	14197498	301	15117548	7788	920050	6.09
097	THOMAS	9745798	19421	10032515	17438	286717	2.86
098	TREGO	4978699	8101	5037537	8175	58838	1.17
099	WABAUNSEE	6714160	0	6835680	0	121520	1.78
100	WALLACE	2757976	0	2771688	0	13712	0.49
101	WASHINGTON	10078967	18038	10393118	20173	314151	3.02
102	WICHITA	2858908	0	2972823	0	113915	3.83
103	WILSON	7713650	224052	7763807	174784	50157	0.65
104	WOODSON	4683543	25018	4970266	37778	286723	5.77
105	WYANDOTTE	36957115	0	38577185	0	1620070	4.20
*** Total ***		2303058337	39798705	2382026835	39768566	78968498	

9-9

SKAER VETERINARY CLINIC P.A.
603 N. Edgemoor • Wichita, Kansas 67208 • (316) 683-4641

Ladies and Gentlemen:

My name is William Skaer. I am a veterinarian, and I own and operate a veterinary clinic in Wichita which has been established since 1971. I was born and raised in the Wichita area and attended the College of Veterinary Medicine at Kansas State University before starting my practice in Wichita.

I bought a modest building at 603 N. Edgemoor in Wichita in 1988 and moved my practice to that location. When I planned and budgeted for that move, I thought I knew about all of the projected expenses. I am in a service profession with a fairly small inventory. In less than four years my net property tax bill has increased by almost 500 percent. That kind of unplanned escalation is hard to absorb.

Let me stop for just a minute and tell you a little more about my background. I am a fifth-generation Kansan, and I have a deep commitment to this state. In a book entitled "The History of Butler County," written in 1927 by a Mister Mooney, I found a reference to my great grandfather, who was also named William Skaer, that is appropriate to our discussion today. "William Skaer, one of the successful and well-known farmers and stockmen of Spring township, is a native of Illinois. He was born in 1861 and came to Butler County in 1876. Mr. Skaer now owns 680 acres of land, which is one of the valuable farms of Butler County. In whatever Mr. Skaer has specialized, whether it has been wheat or cattle, his efforts have always been marked by success."

Ladies and gentlemen, I'm here to testify today that the regressive property tax structure in this state makes it very difficult for fourth and fifth-generation Kansans to follow in their forefathers' footsteps and to succeed. That land that I just mentioned is still in the family today but is farmed by a tenant, and it will hardly pay for the property taxes now. I'm sure that's a story you have all heard before. Ownership of real property is no longer a good indication of a person's wealth or his or her ability to pay an assessment.

I am not alone in my concern. I know of a number of my colleagues who have been severely affected by escalating taxes. I had one veterinarian tell me he had to borrow against his savings to pay his property taxes and to keep from going under. Another I know closed an office that he had just opened last May, and he told me that property taxes were a major factor in his decision to close. These people are also fourth and fifth-generation Kansans.

SENATE ASSES. & TAX
4-1-92 10-1

I know of other businesses adversely affected, some to the point of also being forced out of business. Angelo's was a popular restaurant in West Wichita that closed last year because of exorbitant property taxes. Another example is the closing of Garfield's Restaurant at Central and Edgemoor in Wichita because of property taxes. The fate of that restaurant was just headlined in the March 6, 1992, edition of The Wichita Eagle. That property, ladies and gentlemen, is just around the corner from my office and is getting a little close to home. That affects the value of my property. Not only have the taxes grown out of control, but the tax rates make these properties worth less.

I see homeowners who come into our business who are strapped by exorbitant property taxes. I had a client in my office the day before this article in the paper came out who, when I asked her how she was, said she was in shock because they had just gotten their new payment booklet from the mortgage company and their home property taxes had gone up 68%. Many of these people are retired and living on fixed incomes and can't afford the increases. I know my wife's 91-year old mentor and painting teacher, who still lives in her own home on social security, cannot afford these taxes.

Knowing that 99 percent of property taxes are spent at the local level, I have personally talked with numerous City and County leaders and even appeared before a public meeting of the local school board to express my concerns. I more recently have retained the services of a tax appeal service on a contingency basis to appeal my case. All of this has been to no avail. Local governments see property taxes as their main source of revenue and are concerned with their own agenda.

This is why we are here before you today. We need leadership from the State. We need a lid to be put on this flooding well of property taxes and for properties to be reclassified more equitably. We need Senate concurrent resolution number 1640 to be passed and become law. It is not enough to rely on a school finance formula to solve the property tax fiasco. Other units of government could still overdraw the well. In fact, the school finance bill increases overall taxes by $23 million dollars, while still allowing school districts to raise their budgets by 10% a year or more. A limit needs to be put on funding, and perhaps that will control the runaway spending as well.

I think my great grandfather, and many of your great grandfathers, would be alarmed by the escalation of government tax-and-spend policies at all levels of government. When government spending now consumes 43% of our gross domestic product you know there is something seriously wrong. Help us rectify these injustices.

Thank you for your time.

Sincerely,

William C Skaer

William C. Skaer, DVM

WCS:sk

10-2

KANSAS ASSOCIATION OF SCHOOL BOARDS
5401 S. W. 7th Avenue Topeka, Kansas 66606
913-273-3600

Testimony on Property Classification Amendments
before the
Senate Committee on Assessment and Taxation

by

Mark Tallman, Coordinator of Governmental Relations
Kansas Association of School Boards

April 1, 1992

Mr. Chairman, Members of the Committee:

KASB appreciates the opportunity to present testimony on various classification amendments. We would ask that you consider the following points:

1. While it may be desirable to adjust the various assessment rates in the current article, we believe that significant property tax relief can and should be provided through an overhaul of the school finance system, to achieve both educational and taxpayer equity across Kansas.

2. KASB opposes county option classification rates as long as school district wealth is used to determine state aid. Different assessment rates will make it extremely difficult to make an equitable determination.

3. KASB opposes property tax lids for school districts. Particularly in the absence of a more equitable school finance plan, such limits on taxes will also limit the ability of districts to provide adequate and equitable educational programs for all children. We believe that school spending should be addressed through a school finance plan that provides equitable budgets and tax levies.

SENATE ASSES. & TAX
4-1-92
Att. 11

KANSAS RESTAURANT AND HOSPITALITY KRHA ASSOCIATION

KANSAS RESTAURANT AND HOSPITALITY ASSOCIATION
SELF INSURANCE FUND

359 SOUTH HYDRAULIC • P.O. BOX 905 • WICHITA, KANSAS 67201 • (316) 267-8387
1-800-369-6787 FAX (316) 267-8400
KRHA LEGISLATIVE OFFICE: HARRISON PLACE #609•635 SW HARRISON•TOPEKA, KS 66603
1(913)354-1551 TALK OR FAX

RE: PROPONENT OF:
SCR 1640
SCR 1635
SCR 1636

My name is George Puckett, and I am the Executive Vice President of the Kansas Restaurant and Hospitality Association, a private trade association of approximately 800 restaurants and hospitality industry businesses in Kansas. The Association supports SCR 1640, SCR 1635, and SCR 1636. We believe SCR 1640 (the "Caps" bill is particularly important, for without a measure such as this, any proposed reduction in the mill levy would be short lived without a cap to protect such a reduction.

The KRHA maintains the same position it has held for the past several years regarding the critical need for commercial property tax relief... "KRHA supports any worthwhile measure that will provide commercial property tax relief for its members that will not increase residential property taxes." Our trade association membership has experienced an approximate 12% decline as many Kansas restaurants continue to close their doors statewide, forced out of business as predicted for the past three sessions by representatives such as myself for small or no inventory businesses. I have attached an article from the March 5, 1992, Wichita Eagle, which is unfortunately becoming all too familiar and has a direct impact on many new hospitality industry businesses that might have at one time considered Kansas as a place to locate. The handwritten comment on the article is from the individual who sent me the copy of this article. You can see he has little of anything good thing to say about what has been done to help him with his property tax dilemma. Unfortunately, this is the sentiment of most of our members, who were among those small businesses hardest hit, by reappraisal and classification.

Once again, on behalf of the members of the Kansas Restaurant and Hospitality Association, an urgent plea for the above mentioned measures and for commercial property tax relief is requested so this trend for restaurants to close and/or leave Kansas, and just as bad,... not consider Kansas as a good place to locate, will cease.

SENATE ASSES. & TAX
4-1-92
ATT. 12-1

12-2

The Wichita Eagle

BUSINESS & FARM

THURSDAY March 5, 1992

ANOTHER BUSINESS CLOSES BECAUSE OF HIGH PROPERTY TAX. – Who CARE:

DOW JONES	Morning Line		
Down 21.69	Gold N.Y. Close	$350.40	-.05
CLOSE 3268.56	Wheat Wichita	$3.85	-.02
	Oil Kan. posting	$16.75	unch
	Milo Andale	$4.30	unch
	Steers Dodge C.	$77.50	+.50
	Hogs Clearwater	$37.50	unch

BUSINESS IN BRIEF

NRC will investigate cause of noise at Wolf Creek plant

The Nuclear Regulatory Commission will send an

Citing tax burden, Garfield's closes

By Andy Trincia
The Wichita Eagle

The owner of Garfield's Restaurant & Pub, near Central and Edgemoor, closed the eatery Friday. He blamed the closure on Kansas' property taxes.

Vince Orza, chairman and president of Eateries Inc., the Oklahoma City-based company that owns the Garfield's chain, said Wednesday that Kansas' property taxes were five times more than taxes in other states where the chain operates.

Garfield's, a casual-theme restaurant and bar with seating for about 200, opened in December 1987 at the entrance of Carriage Park, a retail and business complex.

"It's no reflection of Wichita. It's a great restaurant town. But we decided it was no longer feasible for us to operate in Kansas."

Vince Orza, president, Eateries Inc.

At that time, Orza announced plans to open another Garfield's on Wichita's west side and one in Topeka. But after the state's 1989 property reappraisal and classification, those plans were scrapped.

The Wichita unit, one of 32 company-owned, company-franchised locations from Missouri to Florida, cost Eateries about $24,000 a year in taxes, Orza said. In other states, he said, the company spent about $5,000 in taxes at each r taurant.

"It was a decent store for us — not c best, but it was good — but we made business decision to take those assets a move them to other stores," Orza sa "It's no reflection of Wichita. It's a gr restaurant town. But we decided it w no longer feasible for us to operate Kansas."

About 30 part-time employees lost th jobs. A half-dozen managers will trans to company jobs in Missouri. Eateries h a Garfield's in Joplin and restaura under construction in Columbia and J ferson City.

KANSAS MANUFACTURED HOUSING ASSOCIATION

TESTIMONY BEFORE THE

SENATE

ASSESSMENT AND TAXATION COMMITTEE

TO: Senator Dan Thiessen, Chairman
and Members of the Committee

FROM: Terry Humphrey, Executive Director

DATE: April 1, 1992

RE: SCR 1636

Mr. Chairman and members of the committee I am Terry Humphrey Executive Director of the Kansas Manufactured Housing Association and R.V. Council.

Concerning SCR 1636 I would like to recommend that under Class 1 (#1) which deals with the assessment of real property used for residential purposes that you add the following language:

> "and real property necessary to accommodate a residential community of mobile or manufactured homes including the real property upon which such homes are located"

By adding this language you will insure that manufactured home communities will continue to be assessed as residential property. SCR 1640, SCR 1635 and HCR 5007 have the above language. Thank you for your attention to this issue.

SENATE ASSES, & TAX
4-1-92
ATT. 13

112 S.W. 6TH • SUITE 204 • TOPEKA, KS 66603 • 913/357-5256

Recreational Vehicle Council

Member of Kansas Manufactured Housing Association

112 SW 6th Street • Suite 204 • Topeka • Kansas • 66603 • 913-357-5256

TESTIMONY BEFORE THE

SENATE

COMMITTEE ON ASSESSMENT AND TAXATION

TO: Senator Dan Thiessen, Chairman
And Members of the Committee

FROM: Bill Hawley, Owner
Hawley Brothers R.V.

DATE: April 1, 1992

Mr. Chairman and members of the Committee, I am Bill Hawley representing the Kansas R.V. Council. I own and operate Hawley Brothers in Dodge City. We are a family owned Recreational Vehicle dealership and have been in the full-line R.V. business for 26 years.

I am here today requesting your support of an amendment to the prevailing Classification Proposal that deals with the excessive property tax paid on R.V.'s.

Over the past couple of months this Committee and the House Taxation Committee have considered legislation that would reduce motor vehicle taxes under the tax and tag law.

The Kansas R.V. Council represented by Terry Humphrey and Don Christman have testified in support of these measures because they would reduce the excessive property tax paid on motor homes. However, none of the vehicle tax reduction proposals to date would reduce the property taxes paid on towable R.V.'s (travel trailer or fifth wheel). This is because towable R.V.'s are not assessed under the tax and tag law. Owners of towable R.V.'s do not even get the advantage of an averaged county mill levy that is applied to motor vehicles to calculate property tax.

It is the Kansas R.V. Councils sincere hope that this body will address vehicle taxes by creating a uniform, statewide taxing plan similar to HB 2866 now pending in the House Taxation Committee. In addition we are asking this Committee to amend the prevailing classification amendment with the attached amendment. The proposed amendment allows the Legislature to

SENATE ASSES. & TAX
4-1-92
ATT. 14-1

statutorily create a taxing system for R.V.'s. The advantage of giving this authority to the Legislature is that you can tax towable R.V.'s in the same manor as motor vehicles or create a different taxing scheme altogether. Currently there is a great disparity between the taxes paid by the R.V. owners on their second home (R.V.) and the taxes paid by the owner of a cabin at the lake or a condo used for the same purpose. It is worth noting that the Federal Government treats R.V.'s for taxing purposes as a second home.

Furthermore, I would like to stress to you that the amendment we are asking you to adopt has no fiscal note and it changes nothing until such time that the Legislature chooses to address this issue. None-the-less, this amendment is critical if the Legislature wants to deal with this problem in the future.

In closing, I have attached a fact sheet and position statement for your review. Please adopt the R.V. amendment onto the prevailing classification amendment. For the future health and prosperity of the Kansas Recreational Vehicle Industry, it is critical that you address this issue. Thank you.

KANSAS RECREATIONAL VEHICLE COUNCIL URGES TAX RELIEF ON MOTORIZED AND TOWABLE R.V.'S

Vehicle taxes in Kansas are approximately the highest in the nation and the Kansas R.V. industry believes this is negatively effecting their businesses. Kansas R.V. Sales are declining.

Kansas retail sales provided by Statistical Survey:

Year	RV Trailers
1985	1,259
1986	1,355
1987	1,166
1988	940
1989	876
1990	870

Kansas has four R.V. plants and more then fifty suppliers and retail businesses which employ more than one thousand people. Many of these firms report declining sales do to excessive personal property tax on R.V.'s. In addition, retailers report that many R.V. purchasers register their R.V. out of state to avoid Kansas property taxes altogether.

How high is the personal property tax on a motorhome in Kansas? A medium price Class A motorhome would sell for around $50,000 using a base price of $41,000 times 30%, times the 1991 mill levy of 152.807 for Topeka, Shawnee County, yields a tax of $1,879 or over $156 per month. By comparison a conventional home would have to have an appraised value of $86,078 to produce $1,879 in real estate taxes.

Now lets look at the property tax on a towable recreational vehicle and you will see an even more exorbitant tax. Take a 1991 NuWa Champagne with a taxable value of $31,800 times 30%, times the Topeka USD 501 mill levy of 181.91 and it yields a tax bill of $1,736. By comparison a conventional home would have to have an appraised value of $79,520 to provide a $1,736 real estate tax.

Furthermore, the tax figure we just calculated does not take into account that there is a $15,000 to $20,000 truck that is used to pull the unit where as the motorhome is self contained. A $15,000 truck would yield a tax of approximately $687 for a total tax on this families vehicle of $2,423. Is it any wonder our citizens refuse to register in Kansas?

Currently there are several bills pending in the Legislature to reduce motor vehicle taxes and HB 2866 provides the most tax relief. However none of the tax reduction bills deal with towable R.V.'s. Therefore the Legislature needs to address towable R.V. taxation. The best way to address towables is to pass a classification amendment that allows the Legislature to statutorily create a taxing system for R.V.'s.

PROPOSED AMENDMENT TO SENATE CONCURRENT RESOLUTION NO. 1635

On page 1, in line 43, by inserting after the period the following:

"The legislature may provide for the classification and the taxation uniformly as to class of recreational vehicles, as defined by the legislature, or may exempt such class from property taxation and impose taxes upon another basis in lieu thereof."

14-4

PROPOSED AMENDMENT TO SENATE CONCURRENT RESOLUTION NO. 1636

On page 1, in line 43, by inserting after the period the following:

"The legislature may provide for the classification and the taxation uniformly as to class of recreational vehicles, as defined by the legislature, or may exempt such class from property taxation and impose taxes upon another basis in lieu thereof."

PROPOSED AMENDMENT TO SENATE CONCURRENT RESOLUTION NO. 1640

On page 1, in line 41, by inserting after the period the following:

"The legislature may provide for the classification and the taxation uniformly as to class of recreational vehicles, as defined by the legislature, or may exempt such class from property taxation and impose taxes upon another basis in lieu thereof."

PROPOSED AMENDMENT TO HOUSE CONCURRENT RESOLUTION NO. 5007
(As Amended by House Committee of the Whole)

On page 2, in line 3, by inserting after the period the following:

"The legislature may provide for the classification and the taxation uniformly as to class of recreational vehicles, as defined by the legislature, or may exempt such class from property taxation and impose taxes upon another basis in lieu thereof."

KANSAS ASSOCIATION OF REALTORS

REALTOR®

Executive Offices:
3644 S. W. Burlingame Road
Topeka, Kansas 66611
Telephone 913/267-3610

TO: THE SENATE TAXATION COMMITTEE

FROM: KAREN FRANCE, DIRECTOR, GOVERNMENTAL AFFAIRS

DATE: APRIL 1, 1992

SUBJECT: SCR 1640 PROPERTY TAX CAPS

Thank you for this opportunity to testify. On behalf of the Kansas Association of **REALTORS®**, I appear today to support SCR 1640.

Of the hundreds of people we have talked to across the state, one common theme which we have heard was, that property taxes are too high because they are used to pay for too many things and the people feel as if they have no control over the increases.

The Kansas Association of REALTORS® recommends that the answer to the property tax crisis which we face is not just reworking the assessment rates in the classification amendment; the answer lies in putting caps on the amount of property taxes which can be assessed against real estate. In conjunction with the changes in the assessment rates, SCR 1640 offers that combination.

We are well aware that the school finance reform process is far from complete. However, we believe that school finance reform is a separate issue from property tax relief. If the two issues are addressed together, then we need to be honest with the people. Any rollback of property tax levies for schools should be done with an indication to the people of what will happen in the future. Property taxpayers need relief which will last longer than just one year or two at the best. With a property tax cap they will know that there is a limit to how much their property tax bill will be from year to year.

SENATE ASSES. & TAX
4-1-92
ATT. 15-1

As both versions of the school finance proposals stand now, school mill levies will be reduced for a year or so. Questions remain as to where the ongoing revenues will come from in the second and third years. It has become apparent that an increase in sales and income tax this year will make it very difficult to increase those taxes in future years. This leaves the property tax as the target source for paying for increases in educational spending in future years. Presuming 4% increases in education expenditures over the years, it would not take long before property taxes for schools would return us to the levels which we are suffering under today. When this happens, the people will feel they have been lied to once again, just as they felt about the 1986 classification amendment.

We also have a concern about how the cities and counties will utilize the reduction in school mill levies. Without some sort of restraint provided by the state, it will be very tempting to "absorb" some of the mill levies saved from the school mill levy reduction into their budgets. There has been no discussion of the tax lid this year and what needs to be done to adjust it. The current tax lids are statutory, subject to change year after year. Tax caps like the ones proposed in SCR 1640 would provide ongoing insurance for property taxpayers that there is a limit on the amount of property taxes which could be levied against their property.

In addition, there has been only a small amount of discussion of the $22 million windfall which cities and counties will enjoy if the sales tax base is broadened. While it has generally been said that it would have to be used for property tax relief, history will reflect that the common occurrence is for the new sales tax revenue to be taken to prevent an increase in property tax for the initial year. This does not mean there is any real reduction in property tax, and in fact, the new sales tax is apt to be collected in later years while property taxes are also increased.

It has been suggested that the caps of 1% and 2% proposed in this bill may need to be adjusted upward, in order to make the cap concept more agreeable. We would recommend that the residential mill levy be retained at 1%, in order to retain the simplicity for taxpayers to determine what the maximum tax bill on their property would be. There is some room for increases in the commercial mill levy to increase to 2½%-3%. This would still provide substantial relief to commercial property which has a current statewide effective rate of nearly 4%.

It is also possible to tie this property tax cap concept to the uniform mill levy concept and only cap the property taxes collected by schools, leaving the property tax to the other taxing units for their funding sources. This type of process would need to be done constitutionally, but would force the state once and for all to reduce its reliance on property taxes for school funding. We recommend that, regardless of whether the cap is put on all property taxes, or only on those levied by schools, the cities and counties should have more options for funding their budgets than they are now given by the state--this means sales tax, earnings tax, or whatever form of taxation the local units deem is appropriate and which is approved by a vote of the people. By opening up these other options we give the local units more flexibility to their tax structure, if they choose to use it and the people approve it.

I have attached a copy of a survey which we commissioned from the Central Research Corporation in January. While it may be dated, we believe the results reflect the sentiment of most citizens. Sixty-five percent of the 500 persons polled want funding of schools and local government shifted from real property taxes, 62% say they would vote for a constitutional limit on real property taxes, 57% said they were willing to pay increased sales taxes to replace the revenue lost from lowering property taxes.

We believe SCR 1640 is a start in the right direction toward giving the people of the state of Kansas a chance to vote for a new property tax system, which is needed in order to stop the crises with which we are now faced. We believe that some sort of constitutional property tax cap is needed in order to provide the ongoing property tax relief being asked for by the people of Kansas, regardless of the outcome of the school finance reform process.

We believe that the next constitutional amendment which goes on the ballot will need to be as simple and straightforward as possible. Taxpayers are going to need to look at the amendment, understand it and reasonably know how much their property tax will be or they will not vote for it. Taxpayers will not vote for another constitutional amendment if they cannot determine that it has real benefit for them.

A property tax cap is a concept which taxpayers can understand and embrace. We ask that you give them the opportunity to vote on a constitutional cap amendment when they go to the polls in November.

CENTRAL RESEARCH CORPORATION
RESEARCH AND CONSULTING

January 24, 1992

Karen France
Kansas Association of Realtors
3644 SW Burlingame Road
Topeka, Kansas 66611

Dear Karen,

The attached tables display results of the statewide survey of voting-age Kansans commissioned by the Kansas Association of Realtors.

The survey was designed and conducted by Central Research Corporation.

A scientifically sound, representative sample of 500 voting-age residents of Kansas were interviewed by telephone between the 12th and 20th of January, 1992.

Results based on the total statewide sample group of 500 respondents are subject to a potential error-of-the-estimate not exceeding (+/-) five percentage points.

Phil Lange

Phil Lange, Director
Survey & Market Research Div.

900 BANK IV TOWER . TOPEKA, KANSAS 66603 . PHONE (913) 233-8948 . FAX (913) 233-8956

CENTRAL RESEARCH CORPORATION
RESEARCH AND CONSULTING

SURVEY OF VOTING-AGE KANSANS

For the Kansas Association of Realtors

January 1992

900 BANK IV TOWER . TOPEKA, KANSAS 66603 . PHONE (913) 233-8948 . FAX (913) 233-8956

What it the most important problem or issue that needs to be addressed while the Kansas Legislature is in session this year?

	StateWide	By Party REGISTRATION				Consider Themselves...			Home...	
	ALL	REP	DEMO	UNAFIL	NonReg	REP	DEMO	IND	OWN	RENT
-[multiple responses permitted]	(n=500)	(228)	(141)	(66)	(56)	(193)	(122)	(176)	(403)	(85)
Property Taxes	43%	50%	42%	30%	27%	50%	38%	38%	44%	36%
School Funding/Education Costs	34%	40%	32%	36%	11%	41%	32%	28%	35%	28%
Taxes (non-specific)	17%	14%	18%	18%	21%	15%	20%	16%	18%	8%
The Economy	14%	14%	11%	17%	14%	15%	11%	15%	13%	16%
Medical & Health Insurance Costs	11%	7%	15%	17%	14%	6%	17%	13%	11%	13%
Jobs/Employment/Wages	11%	7%	13%	11%	18%	8%	14%	10%	9%	15%
Abortion	3%	4%	3%	3%	0%	5%	2%	2%	3%	4%
Homeless/Aged People	2%	2%	4%	0%	4%	2%	4%	2%	2%	1%
Income Taxes	1%	1%	1%	0%	2%	2%	1%	1%	1%	0%
Agriculture/Farmers	1%	1%	3%	0%	0%	1%	2%	1%	1%	0%

Others responses included: Crime; Highways; Child care; Environment; Sales Tax Gambling; KPERS; Utilities; Liquor; Tort Reform; plus more than a dozen other problems mentioned only one time each.

13-7

What it the most important problem or issue that needs to be addressed while the Kansas Legislature is in session this year?

-[multiple responses permitted]	StateWide ALL (n=500)	By Congressional District CD 1 (98)	CD 2 (99)	CD 3 (102)	CD 4 (100)	CD 5 (101)	By AGE 18-29 (45)	30-44 (164)	45-64 (158)	65 + (130)	By GENDER Male (245)	Female (255)
Property Taxes	43%	45%	45%	35%	43%	46%	40%	42%	39%	48%	47%	39%
School Funding/Education Costs	34%	36%	30%	39%	24%	40%	29%	34%	37%	32%	33%	35%
Taxes (non-specific)	17%	21%	4%	11%	19%	28%	13%	11%	19%	22%	16%	17%
The Economy	14%	13%	12%	17%	15%	11%	4%	18%	12%	13%	12%	15%
Medical & Health Insurance Costs	11%	14%	10%	8%	14%	9%	9%	12%	9%	14%	10%	12%
Jobs/Employment/Wages	11%	10%	7%	19%	8%	9%	13%	11%	13%	7%	14%	7%
Abortion	3%	1%	2%	7%	6%	0%	9%	5%	2%	1%	2%	4%
Homeless/Aged People	2%	3%	1%	2%	3%	3%	4%	2%	1%	4%	1%	4%
Income Taxes	1%	3%	1%	0%	1%	1%	2%	0%	2%	2%	2%	1%
Agriculture/Farmers	1%	2%	1%	2%	1%	0%	0%	1%	1%	2%	1%	1%

Others responses included: Crime; Highways; Child care; Environment; Sales Tax Gambling; KPERS; Utilities; Liquor; Tort Reform; plus more than a dozen other problems mentioned only one time each.

Table 1-A January 1991

CENTRAL RESEARCH CORPORATION - Topeka, Kansas

15-8

	StateWide	By Party REGISTRATION				Consider Themselves...			Home...	
	ALL	REP	DEMO	UNAFIL	NonReg	REP	DEMO	IND	OWN	RENT
	(n=500)	(228)	(141)	(66)	(56)	(193)	(122)	(176)	(403)	(85)

Do you think public schools and local governments should continue to be funded mostly by property taxes...or...should funding be shifted to other types of taxes...like sales tax or state income tax?

	ALL	REP	DEMO	UNAFIL	NonReg	REP	DEMO	IND	OWN	RENT
Continue with Property Tax	17%	20%	11%	20%	18%	21%	13%	15%	15%	24%
Shift to Other Taxes	65%	64%	69%	58%	66%	62%	67%	66%	66%	58%
Don't Know	18%	16%	20%	23%	16%	17%	20%	18%	18%	19%

Would you describe PROPERTY TAXES in Kansas as...?

	ALL	REP	DEMO	UNAFIL	NonReg	REP	DEMO	IND	OWN	RENT
Reasonable	18%	18%	19%	18%	20%	21%	17%	15%	17%	21%
A Little Too High	29%	29%	28%	36%	29%	29%	29%	30%	30%	26%
Far Too High	50%	49%	51%	45%	48%	46%	50%	53%	51%	45%
[Don't Know]	3%	5%	2%	0%	4%	4%	4%	2%	2%	8%

Would you describe SALES TAXES in Kansas as...?

	ALL	REP	DEMO	UNAFIL	NonReg	REP	DEMO	IND	OWN	RENT
Reasonable	77%	77%	79%	73%	77%	79%	74%	76%	77%	78%
A Little Too High	16%	16%	16%	23%	14%	15%	19%	17%	16%	14%
Far Too High	6%	6%	4%	5%	7%	5%	7%	6%	5%	7%
[Don't Know]	1%	2%	1%	0%	2%	1%	1%	1%	1%	1%

Would you describe State INCOME TAXES in Kansas as...?

	ALL	REP	DEMO	UNAFIL	NonReg	REP	DEMO	IND	OWN	RENT
Reasonable	53%	54%	54%	56%	43%	54%	48%	53%	54%	46%
A Little Too High	27%	29%	23%	24%	30%	27%	28%	27%	26%	31%
Far Too High	13%	11%	14%	14%	14%	11%	14%	14%	13%	13%
[Don't Know]	8%	7%	9%	6%	13%	8%	10%	6%	7%	11%

15-8

Table 2-B January 1991

	StateWide ALL	By Congressional District					By AGE				By GENDER	
		CD 1	CD 2	CD 3	CD 4	CD 5	18-29	30-44	45-64	65 +	Male	Female
	(n=500)	(98)	(99)	(102)	(100)	(101)	(45)	(164)	(158)	(130)	(245)	(255)
Do you think public schools and local governments should continue to be funded mostly by property taxes...or...should funding be shifted to other types of taxes...like sales tax or state income tax?												
Continue with Property Tax	17%	18%	14%	22%	13%	17%	20%	22%	17%	9%	19%	15%
Shift to Other Taxes	65%	60%	68%	52%	78%	67%	60%	66%	59%	72%	64%	65%
Don't Know	18%	21%	18%	26%	9%	16%	20%	12%	23%	19%	17%	20%
Would you describe PROPERTY TAXES in Kansas as...?												
Reasonable	18%	21%	17%	27%	12%	12%	16%	18%	21%	15%	16%	20%
A Little Too High	29%	39%	21%	33%	28%	25%	47%	24%	34%	23%	32%	27%
Far Too High	50%	34%	59%	37%	57%	61%	31%	55%	42%	58%	50%	49%
[Don't Know]	3%	6%	3%	2%	3%	2%	7%	2%	3%	4%	2%	4%
Would you describe SALES TAXES in Kansas as...?												
Reasonable	77%	72%	86%	68%	72%	85%	80%	78%	75%	77%	77%	76%
A Little Too High	16%	20%	8%	25%	19%	10%	18%	14%	18%	15%	15%	18%
Far Too High	6%	7%	5%	7%	6%	4%	2%	8%	4%	6%	7%	4%
[Don't Know]	1%	0%	1%	1%	3%	1%	0%	0%	3%	2%	1%	2%
Would you describe State INCOME TAXES in Kansas as...?												
Reasonable	53%	48%	64%	56%	49%	47%	53%	52%	54%	50%	57%	49%
A Little Too High	27%	33%	22%	25%	26%	27%	29%	29%	25%	24%	24%	29%
Far Too High	13%	14%	10%	14%	15%	12%	13%	12%	16%	11%	12%	14%
[Don't Know]	8%	5%	4%	5%	10%	15%	4%	7%	4%	15%	7%	8%

15-10

Table 2-A January 1991
CENTRAL RESEARCH CORPORATION - Topeka, Kansas

	StateWide ALL	By Party REGISTRATION REP	DEMO	UNAFIL	NonReg	Consider Themselves... REP	DEMO	IND	Home... OWN	RENT
	(n=500)	(228)	(141)	(66)	(56)	(193)	(122)	(176)	(403)	(85)

It is likely that property taxes could be lowered only if other taxes were increased to replace the lost revenue. In such a case, would you prefer that the REPLACEMENT REVENUE come from increased SALES taxes or from increased state INCOME taxes?

	ALL	REP	DEMO	UNAFIL	NonReg	REP	DEMO	IND	OWN	RENT
Increased Sales Taxes	57%	60%	54%	55%	55%	60%	54%	55%	58%	56%
Increased State Income Taxes	22%	21%	23%	27%	23%	22%	23%	23%	22%	21%
Other	9%	11%	8%	9%	2%	9%	7%	9%	9%	5%
Don't Know	12%	9%	15%	9%	20%	9%	16%	13%	11%	18%

There is a proposal to ask KS voters to constitutionally LIMIT the annual tax on property to no more than 1% of its appraised value (if it's residential property) and to no more than 1.5% of its appraised value (if it's commercial property). If such an approach was put before the voters, would you be in FAVOR or OPPOSED?

	ALL	REP	DEMO	UNAFIL	NonReg	REP	DEMO	IND	OWN	RENT
Favor such Limits	62%	59%	66%	61%	64%	60%	60%	65%	62%	62%
Oppose such Limits	17%	18%	16%	23%	9%	20%	16%	14%	18%	13%
Don't Know	21%	23%	18%	17%	27%	20%	24%	21%	21%	25%

Should local governments and school districts be permitted to levy OTHER KINDS OF TAXES (if local voters approve), in order to replace the revenue lost by limiting property taxes?

	ALL	REP	DEMO	UNAFIL	NonReg	REP	DEMO	IND	OWN	RENT
Yes	60%	62%	60%	62%	55%	58%	61%	62%	58%	68%
No	26%	25%	28%	30%	21%	27%	26%	24%	29%	16%
Don't Know	14%	14%	12%	8%	23%	15%	13%	14%	13%	15%

1-5-11

	StateWide ALL	By Congressional District CD 1	CD 2	CD 3	CD 4	CD 5	By AGE 18-29	30-44	45-64	65 +	By GENDER Male	Female
	(n=500)	(98)	(99)	(102)	(100)	(101)	(45)	(164)	(158)	(130)	(245)	(255)

It is likely that property taxes could be lowered only if other taxes were increased to replace the lost revenue. In such a case, would you prefer that the **REPLACEMENT REVENUE** come from increased SALES taxes or from increased state INCOME taxes?

	ALL	CD 1	CD 2	CD 3	CD 4	CD 5	18-29	30-44	45-64	65 +	Male	Female
Increased Sales Taxes	57%	51%	51%	61%	56%	65%	51%	62%	58%	51%	53%	60%
Increased State Income Taxes	22%	29%	23%	22%	21%	18%	31%	20%	22%	23%	25%	20%
Other	9%	7%	15%	7%	8%	6%	7%	7%	11%	8%	12%	5%
Don't Know	12%	13%	11%	11%	15%	11%	11%	10%	9%	18%	10%	14%

There is a proposal to ask KS voters to constitutionally LIMIT the annual tax on property to no more than 1% of its appraised value (if it's residential property) and to no more than 1.5% of its appraised value (if it's commercial property). If such an approach was put before the voters, would you be in FAVOR or OPPOSED?

	ALL	CD 1	CD 2	CD 3	CD 4	CD 5	18-29	30-44	45-64	65 +	Male	Female
Favor such Limits	62%	49%	64%	64%	67%	66%	73%	62%	61%	59%	63%	61%
Oppose such Limits	17%	22%	12%	17%	13%	19%	7%	20%	15%	18%	16%	17%
Don't Know	21%	29%	24%	20%	20%	15%	20%	18%	24%	22%	21%	22%

Should local governments and school districts be permitted to levy OTHER KINDS OF TAXES (if local voters approve), in order to replace the revenue lost by limiting property taxes?

	ALL	CD 1	CD 2	CD 3	CD 4	CD 5	18-29	30-44	45-64	65 +	Male	Female
Yes	60%	59%	59%	76%	54%	52%	64%	66%	63%	48%	61%	59%
No	26%	22%	28%	14%	31%	36%	24%	24%	25%	31%	29%	24%
Don't Know	14%	18%	13%	10%	15%	12%	11%	10%	11%	22%	10%	17%

15-12

Table 3-A January 1991

SAMPLE CHARACTERISTICS	StateWide ALL	By Party REGISTRATION REP	DEMO	UNAFIL	NonReg	Consider Themselves... REP	DEMO	IND	Home... OWN	RENT
	(n=500)	(228)	(141)	(66)	(56)	(193)	(122)	(176)	(403)	(85)
AGE of respondents:										
18-29	9%	10%	2%	9%	25%	11%	2%	11%	5%	21%
30-44	33%	33%	27%	50%	25%	34%	29%	34%	33%	35%
45-64	32%	28%	40%	30%	30%	26%	37%	35%	34%	25%
65 +	26%	29%	31%	9%	18%	28%	33%	19%	27%	18%
[Ref]	1%	0%	0%	2%	2%	1%	0%	1%	0%	1%
Party Identification: (Do you consider yourself...?)										
Republican	39%	78%	1%	12%	11%	100%	0%	0%	39%	36%
Democrat	24%	2%	74%	9%	13%	0%	100%	0%	25%	21%
Independent	35%	20%	25%	77%	70%	0%	0%	100%	35%	39%
Don't Know/Refused	2%	1%	0%	2%	7%	0%	0%	0%	1%	4%
Party Registration:										
Registered Republican	46%	100%	0%	0%	0%	92%	3%	26%	47%	39%
Registered Democrat	28%	0%	100%	0%	0%	1%	85%	20%	28%	27%
Registered Unaffiliated	13%	0%	0%	100%	0%	4%	5%	29%	13%	14%
NOT Registered	11%	0%	0%	0%	100%	3%	6%	22%	10%	18%
Don't Know/Refused	2%	0%	0%	0%	0%	0%	1%	3%	2%	2%
GENDER:										
Males	49%	46%	48%	58%	52%	44%	48%	55%	49%	48%
Females	51%	54%	52%	42%	48%	56%	52%	45%	51%	52%
Home Ownership:										
Own	81%	84%	81%	79%	70%	81%	82%	80%	100%	0%
Rent	17%	14%	16%	18%	27%	16%	15%	19%	0%	100%
Other	2%	2%	3%	3%	4%	3%	3%	2%	0%	0%

15-13

SAMPLE CHARACTERISTICS	StateWide ALL	By Congressional District					By AGE				By GENDER	
		CD 1	CD 2	CD 3	CD 4	CD 5	18-29	30-44	45-64	65 +	Male	Female
	(n=500)	(98)	(99)	(102)	(100)	(101)	(45)	(164)	(158)	(130)	(245)	(255)
AGE of respondents:												
18-29	9%	10%	7%	11%	10%	7%	100%	0%	0%	0%	7%	11%
30-44	33%	27%	39%	36%	32%	30%	0%	100%	0%	0%	34%	32%
45-64	32%	29%	34%	39%	31%	25%	0%	0%	100%	0%	36%	28%
65 +	26%	34%	19%	14%	26%	38%	0%	0%	0%	100%	23%	29%
[Ref]	1%	1%	0%	0%	1%	1%	0%	0%	0%	0%	0%	1%
Party Identification: (Do you consider yourself...?)												
Republican	39%	43%	38%	34%	34%	44%	47%	40%	32%	42%	35%	42%
Democrat	24%	30%	23%	26%	20%	23%	4%	21%	28%	31%	24%	25%
Independent	35%	28%	37%	33%	45%	33%	44%	36%	39%	26%	39%	31%
Don't Know/Refused	2%	0%	1%	6%	1%	1%	4%	2%	1%	1%	2%	1%
Party Registration:												
Registered Republican	46%	51%	43%	37%	45%	51%	49%	46%	40%	52%	43%	48%
Registered Democrat	28%	29%	27%	31%	31%	23%	7%	23%	35%	34%	28%	29%
Registered Unaffiliated	13%	13%	18%	20%	9%	6%	13%	20%	13%	5%	16%	11%
NOT Registered	11%	6%	8%	10%	14%	18%	31%	9%	11%	8%	12%	11%
Don't Know/Refused	2%	1%	3%	2%	1%	2%	0%	2%	1%	2%	2%	2%
GENDER:												
Males	49%	46%	48%	49%	50%	51%	40%	51%	55%	43%	100%	0%
Females	51%	54%	52%	51%	50%	49%	60%	49%	45%	57%	0%	100%
Home Ownership:												
Own	81%	78%	82%	74%	86%	84%	49%	80%	87%	85%	80%	81%
Rent	17%	18%	16%	22%	13%	16%	40%	18%	13%	12%	17%	17%
Other	2%	4%	2%	5%	1%	0%	11%	1%	0%	4%	3%	2%

15-14

KANSAS ASSOCIATION OF COUNTIES

"Service to County Government"

1275 S.W. Topeka Blvd.
Topeka, Kansas 66612
(913) 233-2271
FAX (913) 233-4830

To: Senator Dan Thiessen, Chairman
Members Senate Assessment and Taxation Committee

From: Bev Bradley, Deputy Director
Kansas Association of Counties

Re: SCR 1635, SCR 1636, SCR 1640, HCR 5007

The Kansas Association of Counties opposes the opening of the Classification Amendment. The convention adopted statement says, "The Kansas Association of Counties opposes reopening the classification amendment. However, if the legislature reopens the classification amendment and elects to reconsider the exemptions that have been granted, all property which became exempt because of the amendment should be placed back on the tax rolls. Further, ALL exemptions should be reviewed for consideration of being returned to the tax rolls."

We are particularly concerned about SCR 1640. Our position on tax lids is, "Kansas Association of Counties is opposed to tax lids. If the legislature enacts a new tax lid, it should be no more restrictive than the tax lid currently in place. Retention of home rule authority with respect to the tax lid is extremely important". We are not aware of the fiscal note on this resolution, but believe it would be devastating. We are concerned from where the replacement funds would come.

The association did not adopt a position on the particular percentages of assessment of any particular class and our position is "no position" on county option classification as described in SCR 1636.

TSBSCR

SENATE ASSES. & TAX
4-1-92
Att. 16

PROPERTY TAXATION

"A FALSE NOTION WHICH IS CLEAR AND PRECISE WILL ALWAYS HAVE MORE POWER IN THE WORLD THAN A TRUE PRINCIPLE WHICH IS OBSCURE OR INVOLVED"

Property taxation is a complex subject involving natural rights, property rights, eminent domain, administrative law, redistribution of wealth, education and government.

The position paper of Kansans For Fair Taxation, Inc. is long and detailed. We hope that means it is laden with truth!

Copies available with membership in KFFT, Inc.--Highlights below..

---CLEAR AND PRECISE AND TRUE---

Private property is the real human right, and the foundation of all freedom.

Government at all levels has grown too large; downsizing is necessary.

Property tax is the only major tax NOT based on the ability to pay.

Socialism, however, moderate in intention, produces tyranny in practice.

Education is failing and more money is NOT the answer.

To fund education with a tax not based on the ability to pay is a fundamental flaw that must be corrected.

The new Russian constitution protects more property rights than does our constitution.

The heaviest burdens borne by low income households are those that result from property taxes.

Not even God taxes the land.

Our forefathers stated that the protection of private property was the first object of government.

Appraisal of property is subjective and inaccurate.

Classification was adopted in the name of homeowner tax relief but has done more harm than good.

Our forefathers, as well as modern economists, fear direct taxation.

A flat rate income tax or consumptive tax is preferred.

Economic development will NOT occur in Kansas with high property taxation.

Property tax abatements are NOT cost effective.

The wealth that was once concentrated in property and goods has shifted in recent history to services.

Administrative law, wherein lies the appeals process, violates a strict reading of Article III of the U.S. Constitution.

State and local public-employee compensation rose more than four times faster than that for private workers during the 1980's.

Welfare policies do more than injure those from whom something is taken; they also injure those to whom something is given.

Confiscation of wealth in order to meet the needs of the poor is outside the authority of civil governments.

There is no accountability for leaders in a democracy.

Frequent recurrence to fundamental principles is necessary to combat the effects of political action committees and lobbyists.

Liberty and equality are separate concepts; as one increases, the other decreases; the word liberty is in the Pledge of Allegiance and the Declaration of Independence and Preamble to the U.S. Constitution.

The ablest people are rarely placed at the head of affairs.

The jury is the most energetic means of making the people rule, and is also the most efficient means of teaching how to rule well.

The government of the United States is a Republic which means several things; one is "limited government under rule of law."

SENATE
ASSES. & TAX
4-1-92
ATT. 17-1

MASTER

"[W]hen neither their property nor their honor is touched, the majority of men live content."

Machiavelli
(The Prince)

MASTER

Real Estate Tax Shifts Due to Reclassification		
Property Class	Before Reappraisal	After Reappraisal
Commercial Real Estate	21%	49%
Residential	40 %	31%
State Assessed Utilities	14%	10%
Business Personal Property	14%	7%
Agricultural Value	3%	3%
Inventory	8%	——

Source: Property Valuation Division, Kansas Dept. of Revenue

"That statistic (an effective tax rate on commercial property of 5.4 percent, a figure double or triple that of neighboring states, and indeed, the nation) may be a mindblower, but what is really a mindblower is that we haven't had a revolution."

Sen. Phil Martin,
D-Pittsburg

"Kansas commercial property taxes are about 70 percent higher than our neighboring states. It is a major factor in making our tax structure non-competitive."

Charles Warren,
President of Kansas, Inc.

Contents

****

THE BASIC PROBLEM IS TOO MUCH GOVERNMENT SPENDING. THE IMMEDIATE PROBLEM IS UNFAIR AND HIGH PROPERTY TAXATION.
PLEASE TAKE AN EVENING AND READ THIS MATERIAL.

****

Individuals have rights, and there are things no person or group may do to them without violating their rights. So strong and far-reaching are these rights that they raise the question of what, if anything, the state and its officials may do...Our main conclusions about the state are that a **minimal state**, limited to the

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

SCR 1635, 1636, 1640 & HCR 5007

April 1, 1992

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Committee on Assessment and Taxation

by

Bob Corkins
Director of Taxation

Mr. Chairman and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry. I appreciate the chance to present our organization's views today on the subject of property tax classification. Although KCCI could support some classification rate changes to improve business viability and the state's overall business climate, we oppose each of the measures before you today for consideration.

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.

SENATE ASSES & TAX

4-1-92
ATT. 18-1

The formal KCCI policy position relevant to this debate is set forth below:

> KCCI would consider changing the property tax classification provision in the Kansas Constitution to provide property tax relief to commercial property owners. KCCI will oppose any attempt to impose an inventory tax and any proposal which will increase the assessment rate on public utilities.

Furthermore, KCCI has adhered to this directive in advocating a school finance/property tax relief package which we have previously brought to your attention. It contains a recommendation on classification rates as follows:

1. Commercial/industrial realty, 25%
2. Machinery and equipment, 25%
3. Oil and gas leaseholds, 25%
4. Single-family residential realty, 11.5%
5. Fraternal benefit realty, 12%

This chamber recommendation was accompanied by our support for a minimum statewide school levy of 40 mills. Two things motivated KCCI's two-pronged approach: the need for adequate business property tax relief, and the objective of achieving an overall state and local revenue mix comprised equally of sales, property and income taxes. HB 2892 as passed by the House would accomplish these goals without the need for reclassification. The current Senate version of that bill would not, and therefore KCCI re-emphasizes the importance of our original package.

Each of the classification proposals being considered today requires or permits two taxes which our organization finds unacceptable: a tax on public utilities' inventory, and an assessment rate of 30% on business machinery and equipment. While the negative effect on businesses and our business climate from these measures alone justify our opposition, many other problems would be raised.

Can the state of Kansas *afford* to compensate local units of government for their revenue loss due to property tax "caps?" Could it afford to do so *and* raise new revenue for *any* type of school finance reform? Could state revenue be distributed *equitably* to local governments as a replacement for their property taxes? Do the "caps" proponents advocate *any* replacement revenues, and if so, *which taxes*? Would county option classification prove *administratively workable* under either the current school finance formula or a revised formula? Why shouldn't *all* counties be given the option of setting their own classification rates within the proposed limitations?

KCCI would like to see complete proposals which address each of these questions before endorsing them. Meanwhile, the inclusion of inventory taxes and high machinery taxes in all of these proposals will compel KCCI to oppose them.

Thank you again for the chance to express our members' views.

KANSAS INDEPENDENT AUTOMOBILE DEALERS ASSOCIATION
1115 WESTPORT SUITE E • MANHATTAN, KANSAS 66502 • 913-776-0044

April 1, 1992

TO: SENATE COMMITTEE ON ASSESSMENT AND TAXATION

SUBJECT: SCR 1634, SCR 1635, SCR 1640, and HCR 5007--CONSTITUTIONAL AMENDMENTS CLASSIFYING PROPERTY FOR TAXATION PURPOSES.

FROM: KANSAS INDEPENDENT AUTOMOBILE DEALERS ASSOCIATION

Mr. Chairman and Members of the Committee:

I am Jacque Oakes representing Kansas Independent Automobile Dealers Association, an organization of over 200 used car dealers.

We are submitting written testimony addressing all four bills, SCR 1634, SCR 1635, SCR 1640, and HCR 5007.

We are extremely pleased that all four bills give relief to commercial property by lowering the classification from 30% to 25%. This is certainly the right direction to give help to small business.

SCR 1640 would provide, with the 2% cap, a guarantee to a small business that it could continue to be a healthy, viable part of the community of Kansas without a concern of higher taxes.

However, we are concerned with SCR 1636 which would allow a county by resolution to prescribe its own assessment rates within limitations and to impose alternative taxes on inventories of merchants. We believe that after moving forward by receiving much needed help with 25% classification on commercial property we would then be moving backward by a possibility of an inventories tax.

Thank you for your time and your consideration of this subject.

Individually we struggle to be heard—Collectively we cannot be ignored.

SENATE ASSES. & TAX
4-1-92
ATT. 19

GREATER KANSAS CHAPTER of the APPRAISAL INSTITUTE
JAMES H. "JIM" IRISH, SRA, LEGISLATIVE COORDINATOR
2063 Southwest Regency Parkway Drive
Topeka, Kansas 66604-4402

VOICE (913) 272-2647 *FAX* (913) 273-1611

March 20, 1992

Senator Thiessen
4-1-92
Same comments are applicable to
SCR 1640
SCR 1635
SCR 1636
HCR 5007

Senator Dan Thiessen, Chairman
Committee on Assessment and Taxation
Kansas Senate, Senate Capitol, Room 143-N
Topeka, Kansas 66612

Re: Senate Concurrent Resolution No. 1630
Senators Montgomery and Vidricksen, et al

Dear Mr. Chairman:

The Greater Kansas Chapter of the Appraisal Institute urges the legislature to amend Senate Concurrent Resolution No. 1630 to clarify the distinctions between appraised value, and classified or taxable value. Failure to understand this distinction results from use of the outdated term, "assessed value." This may underlie the public's current state of confusion. Specifically, we recommend amending:

1. Sec. 1(a) at Page 1, Line 40 to delete "assessment and";

2. Sec. 1(a) at Page 2, Line 1 to replace "of" with "for the appraised";

3. Sec. 1(a) at Page 2, Lines 6 and 7 to replace "assessment and assessed" with "taxation and taxed";

4. Sec. 1(a) at Page 2, Line 10 to replace "assessed" with "taxed";

5. Sec. 1(a) at Page 2, Line 29 to replace "assessed" with "taxed";

6. Sec. 2 at Page 3, Line 19 to replace "assessed" with "classified";

These amendments to Senate Concurrent Resolution No. 1630 will serve to clarify responsibilities. "Assessed" has become obsolete because of the confusion which it generates. Witness that a county's official responsible for property valuations and the state oversight agency no longer are identified with a derivative of the root word "assess."

The present language in Senate Concurrent Resolution No. 1630 perpetuates the confusion. So does the similar language found in Senate Bill No. 414 and Senate Concurrent Resolution No. 1640, as I noted in previous testimony. All similar bills and resolutions (i.e., such as SCR's No. 1606, 1635 & 1636, and HCR's No. 5007, 5017 & 5025) should be so amended.

Mr. Chairman, the adoption of our recommendations will greatly assist the legislature in dealing effectively with the current public furor concerning property valuations for ad valorem tax purposes. We appreciate your interest in this issue.

Sincerely yours,
Greater Kansas Chapter of the Appraisal Institute

James H. Irish, SRA
Kansas Certified General Real Property Appraiser No. G-48
Legislative Coordinator

SENATE ASSES. & TAX
4-1-92
ATT. 20

Johnson County
Kansas

April 1, 1992

SENATE ASSESSMENT AND TAXATION COMMITTEE

SENATE CONCURRENT RESOLUTION NO. 1636

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

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

The Johnson County Commissioners have supported County option classification from the time the concept was first introduced several years ago. Their support is derived from their belief that there is no one method of classification that will serve the needs of all the communities in Kansas. Just as is the case with many other issues, what addresses problems in one area causes difficulty in another.

The Legislature has, for years, endeavored to remedy the problems brought on by classification. We believe the concept set forth in SCR 1636 provides a solution that will work. The key to the proposal is that it is an option. If the present system functions well in a county, then there is no need for the option to be used. For that matter, if the county commissioners do not wish to become involved in making changes, that is their decision. On the other side, counties such as Johnson are in need of a process that will allow them to adjust the percentages to better conform to the needs of the locale.

We would urge the Committee to give this proposal serious consideration as a means to relieve local problems by allowing local officials to decide what is best for their community.

SENATE ASSES. & TAX
4-1-92
ATT. 21

Office of County Administrator 100 E. Park, Suite 205 Olathe, Kansas 66061 (913) 782-5000 Ext 5251

House Plan

0.75% sales tax	$174.4
ind income tax	138.0
corp inc tax	8.0
utils in prod	33.3
interstate tel	9.0
orig construc	79.8
resd'l intrast tel	6.1
lottery ticks	3.6
Total Revenue (Non-Property Tax)	$452.2

Option I

0.75% sales tax	$174.4
ind income tax	120.0
corp inc tax	8.0
	$302.4

Option II

0.50% sales tax	$116.3
ind inc tax	120.5
corp inc tax	5.0
utils in prod (2.5%)	16.7
orig construc (2.5%)	39.9
resd'l intrast tel (2.5%)	3.1
film rentals (2.5%)	0.9
trade fixtures (2.5%)	0.5
hotel/motel (2.5%)	0.6
used mobile homes (2.5%)	1.3
new mobile homes (2.5%)	0.3
	$305.0

SENATE ASSESS. & TAX
4-1-92
Att. 22