

Approved WED. 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

5:30 ~~xxx~~ p.m. on Sunday, May 3, 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 (Minutes were taped and taken at meeting by Research staff)

Marion Anzek, Committee Secretary (ABSENT) minutes transcribed from tape

Conferees appearing before the committee:

Representative Joan Wagnon

Chairman Dan Thiessen called the meeting to order at 5:35 p.m. and recognized Senator Fred Kerr to explain his analysis of the Senate Committee plan with the Martin amendments on HCR5007.

Senator Fred Kerr said statewide, urban residential taxes would go up \$14.M (w/o 32 mills), Agriculture would go up \$2.2M, Machinery and equipment would go up \$34.M in taxes, State assessed (utilities) would go up \$34.M, Mineral leasehold would go down \$9.2M, commercial (total rural and urban) A. down \$68.M in taxes and B. down \$157.M if there is 32 mill levy.

He said, commercial reductions and mineral reductions in several counties cause large increases in other properties because of narrowing the base.

His proposed suggestions are: 1. put commercial back to 25% and leave it there. 2. Minerals: A. Put back to 30% and address small well exemptions through statutes; or B. Put somewhere between 25% and 30%. 3. Even with the above changes, school finance with a 32 mill levy (approximate) would have to pass to make this work. (ATTACHMENT 1)

Committee discussion on HCR5007 were concerning the following;

Senator Steineger had concerns with small commercial and he said he felt something should be implemented to help them, i.e. small filling stations, small restaurants, pharmacy stores and those types of small commercial.

Senator Phil Martin said the reason he made the changes that he did to HCR5007 was to provide relief to two groups that have been adversely affected by this constitutional amendment, and he said, it may not be totally property taxes but he thinks property taxes contributed significantly to foreclosures and also abandonments in the oil and gas area, and also personal property. He said, it happened with both large and small entities in both areas, not just one but both. He said, he felt what the committee has to look at is policy, and he said the property tax policy we have now for real and commercial property is not very good, as the effective tax rates are significant and one of the highest in the country. He said, increases to homeowners without school finance, (ATTACHMENT 4 from yesterday's meeting) looking at it statewide, the homeowners are around 1% and 1½%, which he said, he felt was not very good.

He said, the committee now has the opportunity to help those industries that are commercial real property and industrial real property, i.e. oil and gas to people that are here, and we don't have to give them millions of dollars to come here, they have already come here and he said, he felt we need to try in insure that they will stay.

Senator Jack Steineger spoke of the importance of permanent policy, severance tax can be used to reduce the burden on the Oil and Gas Industry.

Senator Gerald Karr said he felt the committee is almost looking at the House being able to except what this committee is putting together as a reasonable compromise, and he said he thinks the residential amendment is acceptable. He said SB8 affects strippers, and is most likely to affect the decision to "close in", but he said, he felt Senator Martin's amendments affects all. Senator Karr asked what is the status of the small well exemption in SB8, which is in conference committee?

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

room 519-S, Statehouse, at 5:30 ~~xxxx~~ p.m. on Sunday, May 3, 1992

Chairman Dan Thiessen said they thought they had an agreement on that but then apparently a question came up in regard to oil, so the conference committee report has not been submitted yet. He said, the Committee of the Whole in the House added the provision that there would be state general fund money to be sent to counties to replace those revenues, and the disagreement is on that part of it. The Chairman recognized Representative Joan Wagnon for comments.

Representative Joan Wagnon said on the House Taxation Committee there is one person that wants to reimburse the counties. She said, she agrees with Senator Dan Thiessen that the counties would still get the revenue from equipment, so it is not like you are wiping it all out. She said, the \$5.M would have an impact on the industry, but have a negative impact on the counties.

Senator Marge Petty said we have commercial businesses that some have inventories, that has already received a break, and we are talking about service businesses that have no inventories, but are not machinery and equipment because they are not involved in production, and then we have businesses that have machinery and equipment. She said, if the committee ends up bringing all commercial properties down to 20%, the part that would have to take that up would be machinery and equipment. She said, she felt this is a delicate balancing act between all those commercial properties. She said, she felt taking the inventories off jeopardizes the services, and if the committee brings everything down so far, then she said, they could end up jeopardizing the production businesses, that have been talked about being so important to attract to KS because of the type of services and production that they do. She said, she would be comfortable with a reduction to 25%.

Senator Janis Lee asked what kind of growth are we looking at in the school finance projections. Chris Courtwright responded by saying "a 4% arbitrary growth number was used".

After a call from The Chairman for further questions or discussion and having none, The Chairman said the committee was ready to vote on HCR5007.

Senator Fred Kerr moved to amend HCR5007 to put commercial assessment rates at 25%, 2nd by Senator Audrey Langworthy. The motion carried.

Senator Jack Steineger moved to amend HCR5007 to put small commercial appraised valuation of \$250,000. or less be classified at 20%, and \$250,000 or more at 25%, 2nd by Senator Phil Martin.

Senator Janis Lee said she was uncomfortable with putting valuations in the constitution.

After committee discussion regarding the opposition with regard to threshold, The Chairman called for a vote on the above motion by Senator Jack Steineger. The motion failed.

During committee discussion regarding mineral production at 25%, and some sort of break for low-producing oil and gas, and counties with substantial losses The Chairman called for motions on oil and gas industries and he said he was not adverse to sending the bill to the floor with the idea that it could be amended with a floor amendment, after we find out about school finance.

Senator Fred Kerr moved to amend HCR5007 to raise the mineral leasehold to 30%, 2nd by Senator Janis Lee. The motion carried.

Senator Jack Steineger moved to amend HCR5007 to raise commercial to 30%, 2nd by Senator Phil Martin. The motion failed.

Senator Fred Kerr moved to report HCR5007 favorably as amended, 2nd by Senator Gerald Karr. The motion carried.

Chairman Dan Thiessen adjourned the meeting at 7:03 p.m.

Classification - HCR 5007

5-3-92

Analysis of Senate Comm plan with Martin amendments

- I. Statewide, urban residential taxes would go up \$4 million (w/o 32 ml.)
- II. Agriculture would go up \$2.2 million
- III. Mach. & equip would go up \$34 million in taxes
- IV. State assessed (utilities) would go up \$34 million
- V. Mineral leasehold would go down \$9.2 million
- VI. Commercial (total rural & urban)
 - A. Down \$68 million in taxes
 - B. Down \$157 million if there is 32 mill levy
- VII. Commercial reductions & mineral reductions in several counties cause large increases in other properties because of narrowing the base
(Barber, Barton, Comanche, Ellis, Grant, Johnson, Kiowa, Lyon, Reno, Riley, Saline, Sedgwick, Seward, Shawnee, Stanton, Wyandotte)

SUGGESTIONS
(next page)

SENATE ASSES. & TAX
5-3-92 ATT. 1-1

F Kerr

(2)

Suggestions

1. Put commercial back to 25% & leave it there
2. Minerals:
 - A. Put back to 30% & address small well exemptions thru statute; or
 - B. Put somewhere between 25% & 30%.
3. Even with the above changes, school finance with a 32 mill levy (approximate) would have to pass to make this work.