

Approved: 3-31-95  
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Phill Kline at 9:00 a.m. on February 17, 1995 in Room 519-S of the Capitol.

All members were present except: Rep. Graeber - excused  
Rep. Lawrence - excused

Committee staff present: Chris Courtwright, Legislative Research Department  
Tom Severn, Legislative Research Department  
Don Hayward, Revisor of Statutes  
Ann McMorris, Committee Secretary

Conferees appearing before the committee: Gloria Timmer, Director of Budget, Governor  
Don McNeely, EVP, Kansas Auto Dealers Assn.  
Jerry McCoy, Sedgwick County Treasurer

Others attending: See attached list

Chair opened hearing on:

**SB 150 - Motor Vehicle Tax reduction; assessment and tax rates**

Proponents: Gloria Timmer, Director of Budget, Governor (Attachment 1)  
Don McNeeley, Kansas Auto Dealers Assn (Attachment 2)  
Jerry McCoy, Sedgwick County Treasurer (Attachment 3)

Written testimony -  
Jacque Oakes, Kansas Independent Auto Dealers Assn (Attachment 4)  
Gerry Ray, City of Overland Park (Attachment 5)  
Gerry Ray, Johnson County Board of Commissioners (Attachment 6)

Questions and comments to the conferees from the committee.

Chair closed hearing on **SB 150**.

Chairperson Kline announced continued hearings on car tax bills on Monday, February 20 and possible action on bills previously heard.

Adjournment.

The next meeting is scheduled for February 20, 1995.

# TAXATION COMMITTEE GUEST LIST

DATE: FEBRUARY 17, 1995

NAME	REPRESENTING
Don Memmes	Budget
Trudy Racine	KDOT
Traci Carl	A.P.
Steve Stotts	KDOR
Steve Neske	KDOR
Cindy Crawley	Sedgewick County Treasurer
Jerry McCoy	Sedgewick County Treasurer
Mary Jane Stottman	KS Farm Bureau
Art Brown	mis - for Lumber Assoc. KSN
Helen Hayzlett	
Clark Harris	
Jacqueline Dabbs	Ks. Ind. Auto Dealers Assoc
Tom Scharf	City of Lenexa
Donald Snodgrass	Ks Food Dealers Assoc
Cedric Moege	Kansans for Equal Prof. Penalties
EA Cochran	City of Topeka



DIVISION OF THE BUDGET  
Room 152-E  
State Capitol Building  
Topeka, Kansas 66612-1504  
(913) 296-2436  
FAX (913) 296-0231

Bill Graves  
Governor

Gloria M. Timmer  
Director

M E M O R A N D U M

TO: House Committee on Taxation  
FROM: Gloria M. Timmer, Director of the Budget  
DATE: February 17, 1995  
SUBJECT: Testimony on SB 150

Good morning, I am representing the Governor on SB 150, Governor Graves' plan to cut motor vehicle taxes in half. I appreciate the opportunity to visit with you about this measured and reasoned approach to reduce taxes paid by Kansans on their cars.

As you are well aware, the car taxes paid by citizens of this state are among the highest in the country. Apart from this comment, I will focus today on the details of the Governor's car tax reduction plan and not on the merits of the need for the reduction. In simple terms, the Governor's plan reduces the tax through two specific mechanisms.

First, the state has responsibility for the base mill levy for school finance (35.0 mills) and the levy for the state's building funds (1.5 mills). Governor Graves' bill would reduce this in half over two years. This would be accomplished by just over a nine mill reduction in the base school finance rate in 1996 and a reduction in this rate of 18.25 permanently beginning in the next year. The current assessment rate of 30 percent is maintained to provide the 50 percent reduction in taxes paid. THIS WILL NOT IMPACT OVERALL FUNDING FOR K-12 EDUCATION. These receipts are a portion of "local effort" and the state would increase state aid by the amount of the reduction. This will require an increase in state aid of \$5.9 million in FY 1996 and a total of \$51.2 over four fiscal years. These estimates are based on the Governor's recommended base amount per pupil of \$3,630.

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Second, the assessment rate for motor vehicles for local government is reduced by 1.5 percent each year beginning in 1996 until the rate reaches 15 percent. As you know, this is half of the current level. These taxes on motor vehicles are truly a local concern and are the result of decisions made on taxing and spending by local officials. For this reason, the Governor is not recommending any state resources to offset reductions that occur under this plan compared to the current system. This proposal is similar to the plan presented by the League of Municipalities (SB 50) currently in the Senate Committee on Assessment and Taxation. Likewise, the Governor's timeframe for reducing the tax is structured to maintain the approximate level of receipts that local governments receive now. This occurs as the value of the fleet and estimated local government mill levy increases offset the decrease in the assessment rate.

Attached to this testimony is a sheet with details of the Governor's proposal and the impact on a car owner based on the statewide mill average. Importantly, also attached is a table of the Governor's four-year budget plan incorporating the elements of SB 150. As you can see from this table, the plan will require fiscal restraint in the upcoming years, but can be managed within existing state resources. The final attachment presents the detailed projections based on this plan over the 10 year phase-in period.

Again, thank you for the opportunity to appear on the Governor's behalf and I would be happy to answer any questions you may have on this plan.



## Detailed Impact of the Graves Plan

### State Impact

- Cut the tax in half over two years
- Finance all reductions from within the current budget plan
- Effective levy reduction of 25% in 1996 and 50% thereafter
- No impact on the state building funds

### Local Government Impact

- Cut the tax in half over ten years
- Revenue neutral statewide over the phase-in period
- Assessment rate of 30% reduced by 1.5% per year
- No need for additional state assistance

### Impact on a 1995 Chevrolet Lumina

	Current	Graves	Tax Cut	% Cut
1995	\$511.34	--	--	--
1996	446.23	390.56	(55.67)	-12.5%
1997	382.61	298.00	(84.61)	-22.1%
1998	328.13	244.82	(83.31)	-25.4%
1999	278.06	200.59	(77.47)	-27.9%
		Total Reduction	(\$301.06)	

**Governor's State General Fund Budget Plan**  
(Dollars in Millions)

*Includes the impact of the Governor's proposal to reduce motor vehicle taxes*

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Adjusted Balance:	\$455.1	\$359.3	\$287.7	\$267.5	\$277.5
<b>Revenue:</b>					
Base Revenue Estimates	\$3,288.1	\$3,409.3	\$3,560.5	\$3,743.1	\$3,916.3
Repeal Original Construction Tax	(4.3)	(17.7)	(18.5)	(19.4)	(20.3)
Repeal Utilities in Production Tax	--	(12.4)	(13.0)	(13.6)	(14.3)
Military Retirement Adjustment	(36.9)	17.3	17.3	--	--
Other Adjustments	--	0.5	--	--	--
Subtotal Revenue	\$3,247.0	\$3,397.1	\$3,546.3	\$3,710.1	\$3,881.7
Total Available	\$3,702.0	\$3,756.3	\$3,834.1	\$3,977.6	\$4,159.2
<b>Expenditures:</b>					
Governor's Recommendations	\$3,342.8	\$3,462.5	--	--	--
Governor's Budget Amendments	--	0.2	--	--	--
Expenditures from Prior Year	--	--	3,468.6	3,566.5	3,700.1
School Finance Adjustment	--	5.9	41.2	41.8	18.2
Demand Transfer at Statute	--	--	15.4	7.6	8.1
Subtotal Expenditures	\$3,342.8	\$3,468.6	\$3,525.1	\$3,615.9	\$3,726.4
<b>Additional Allowable Expenditure</b>	--	--	<b>41.4</b>	<b>84.2</b>	<b>142.5</b>
Total Expenditures	\$3,342.8	\$3,468.6	\$3,566.5	\$3,700.1	\$3,868.9
Ending Balance	\$359.3	\$287.7	\$267.5	\$277.5	\$290.3
<b>As % of Expenditures</b>	<b>10.7%</b>	<b>8.3%</b>	<b>7.5%</b>	<b>7.5%</b>	<b>7.5%</b>
<b>Percent Growth in Expenditures</b>	<b>7.4%</b>	<b>3.8%</b>	<b>2.8%</b>	<b>3.7%</b>	<b>4.6%</b>
<b>Revenues minus Expenditures</b>	<b>(\$95.8)</b>	<b>(\$71.5)</b>	<b>(\$20.2)</b>	<b>\$10.0</b>	<b>\$12.8</b>

*Revenue estimates beginning in FY 1997 reflect a 4.75 percent annual base increase.*

*The adjusted balance in FY 1995 includes released encumbrances through November.*

*School finance adjustments beginning in FY 1997 assume \$3,630 per pupil.*

*Demand transfer adjustments beginning in FY 1997 are based on the Governor's revisions to sales taxes.*

## Motor Vehicle Tax Estimates based on SB 150

School Impact of reducing "state" rate by half over two years with reductions all in base school levy

CY	Base	Applicable Mill Levy	School @35 (Fiscal Year)	School @Plan (Fiscal Year)	Reduction in School Receipts (Fiscal Year)	Annual Increase in SGF (Fiscal Year)
1995	2,509.1	0.033000	--	--	--	--
1996	2,596.9	0.025875	84.8	78.9	5.924	5.9
1997	2,687.8	0.016750	91.7	61.7	30.036	24.1
1998	2,781.9	0.016750	94.9	45.4	49.482	19.4
1999	2,879.2	0.016750	98.2	47.0	51.214	1.7

Local Impact of reducing the assessment rate on applicable levies by half over 10 years

CY	Base @30	Rate Proposal	Base @ SB 150	Two Year Prior Appl. Millage	Current Law Receipts	Plan Receipts
1995	2,509.1	30.0	2,509.1	0.07913	202.1	--
1996	2,596.9	28.5	2,467.1	0.08155	208.5	200.5
1997	2,687.8	27.0	2,419.0	0.08400	222.3	202.7
1998	2,781.9	25.5	2,364.6	0.08652	237.0	204.2
1999	2,879.2	24.0	2,303.4	0.08911	252.6	205.1
2000	2,980.0	22.5	2,235.0	0.09179	269.3	205.2
2001	3,084.3	21.0	2,159.0	0.09454	287.1	204.4
2002	3,192.3	19.5	2,075.0	0.09737	306.0	202.6
2003	3,304.0	18.0	1,982.4	0.10030	326.2	199.6
2004	3,419.6	16.5	1,880.8	0.10331	347.8	195.4
2005	3,539.3	15.0	1,769.7	0.10640	370.8	189.8
2006	3,663.2	15.0	1,831.6	0.10960	395.3	197.6
				Rate of growth	6.6%	-0.1%

Notes: Assumes a 3.5 percent annual increase in values of motor vehicles  
 Assumes a 3.0 percent net increase in all other levies  
 Dollars in Millions

# Kansas Automobile Dealers Association

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800 Jackson, Suite 1110 • Topeka, Kansas 66612-1216 • (913) 233-6456 • Fax (913) 233-1462

February 17, 1995

To: The Honorable Phill Kline, Chair  
House Committee on Taxation

From: Don L. McNeely, Executive Vice President

Re: SB 150

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Good morning Chairman and members of the Committee. I am Don McNeely, Executive Vice President of the Kansas Automobile Dealers Association. I am also accompanied this morning by our Director of Governmental Affairs, Pam Somerville. On behalf of the 302 franchised new car and truck dealers in the state, I thank you for the opportunity to appear before you today in support of the reduction and restructuring of the property tax on motor vehicles.

We applaud the Governor's and the Legislature's focus and effort to reform the state's present regressive tax structure on motor vehicles. The committee has already received numerous briefings on the various car tax proposals before you. Therefore, I am not going to belabor the committee by restating the fact that we support significant reasonable reform.

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*"Serving the franchised new car and truck dealers since 1932"*



It is our sincere belief that we have the same goal in mind, which is to correct a tax system on an essential item of property that is presently regressive and encourages our residents to register their vehicles illegally out-of-state or in a county in which they do not live, or drive an older, less safe, less fuel efficient motor vehicle in order to provide for the essential transportation needs of their family and occupation.

I again thank the committee for the opportunity to appear, and I will be happy to address any questions the committee may have.



# SEDGWICK COUNTY, KANSAS

## TREASURER

Jerry McCoy  
SUITE 107

COUNTY COURTHOUSE, WICHITA, KANSAS

MAILING ADDRESS: P.O. BOX 2909, WICHITA, KANSAS 67201-2909

PERSONAL PROPERTY TAXES/VEHICLE REFUNDS  
REAL ESTATE TAXES

383-7651  
383-7414

FAX  
DISTRIBUTION AND BONDS  
CASHIER

316-383-7113  
383-7561  
383-7345

TESTIMONY BEFORE KANSAS HOUSE OF REPRESENTATIVES  
TAXATION COMMITTEE REGARDING MOTOR VEHICLE TAX RELIEF  
9:00 a.m. on Friday, February 17, 1995.

Thank you for the opportunity to testify today. As the Treasurer of Sedgwick County, I have the privilege of discussing motor vehicle taxes on a daily basis with vehicle owners. These taxpayers are angry. They are angry about the high cost of registering their vehicles as residents of Kansas. In Sedgwick County, the taxes paid on a Ford Taurus GL 4-door or equivalent have increased from \$140.89 in 1980 to \$507.95 in 1995, an increase of 267% while the inflation rate has increased only 74% during the same period. In addition, our taxpayers resent those scofflaws who utilize local public services, but repeatedly register their vehicles and pay taxes in another state.

As elected officials, it is our responsibility to create an equitable taxing system, where everyone pays their fair share, since an efficient tax collection system depends upon voluntary compliance.

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Legislation to reduce motor vehicle taxes in Kansas should also correct some of the problems with current motor vehicle statutes:

1. Amend the law that provides 90 days to register an out-of-state vehicle in Kansas without a penalty. This should be reduced to 30 days or less with substantial penalties for noncompliance. This time reduction alone would provide for the collection of two additional months of taxes or a 17% increase.
2. Include the provision contained in H.B. 2121 requiring a 100% fine equal to the tax amount. This would discourage vehicle owners from negligently failing to register their out-of-state registered vehicles within the allotted time. It would also provide all law enforcement officers a direct incentive to ticket Kansas residents driving on out-of-state tags and to place appeals within the existing judicial system.

The penalty provision is important to encourage voluntary compliance in paying vehicle taxes and registration fees, and in funding law enforcement cooperation. The State Motor Vehicle Department is losing almost \$500,000 in escaped registration fees annually. I also estimate that a minimum of \$1.7 million in escaped tax revenues will be generated annually in Sedgwick County alone with the enactment of the 100% fine provision.

In 1994, Sedgwick County's three-man Sheriff's Tag Enforcement Unit collected \$594,092.59 from 4,413 residents whose vehicles were registered out-of-state. This included more than \$147,515.60 collected for registration fees which go

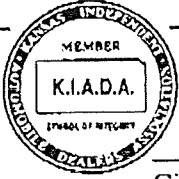
to the Department of Revenue.

3. Implementation of a uniform state-wide mill levy on all motor vehicles as proposed in H.B. 2121 would also discourage out-of-county registrations. Kansans would be more likely to pay taxes in the county where they live and use public services, rather than shopping for a county with the lowest mill levy.
4. Out-of-state vehicle registrations not only cost Kansas counties lost tax revenue, but the State of Kansas loses registration fees and sales tax revenue. In addition, compliance with Kansas Vehicle Insurance requirements is not assured on non-Kansas vehicle registrations.

Finally, let us not make the same mistake made in implementing reappraisal in 1 year. I would encourage you to implement any reduction of motor vehicle taxes over a three to five year period. The increased revenue gained from the collection of currently escaped taxes and registration fees would minimize the revenue loss to local governments.

As elected officials and representatives of the citizens of Kansas we have the responsibility to minimize the tax burden for our tax-paying citizens, and to maximize tax collections from those who are not paying their fair share.

Thank you for your time and effort to provide Kansans with lower motor vehicle taxes.



## KANSAS INDEPENDENT AUTOMOBILE DEALERS ASSOCIATION



Citizens Bank & Trust Building • 6th & Humboldt • Manhattan, Kansas 66502  
Phone: 913-776-0044 FAX: 913-776-7085

Date: February 17, 1995  
To: House Taxation Committee  
Subject: SB 150 -- Motor vehicle tax reduction; assessment  
and tax rates  
From: Kansas Independent Automobile Dealers Association

Mr. Chairman and Members of the Committee:

I am Jacque Oakes representing the Kansas Independent Automobile Dealers Association, an organization of 250 used car dealers.

We are submitting written testimony on SB 150 which is the Governor's recommendation of a plan to lower property tax on vehicles. Our Association is extremely pleased that the Governor took this positive step in the right direction by cutting car taxes.

This plan has several good points that we do think are valuable, but there are several other bills that have been introduced that also have some usable ideas. We believe that it could be possible to combine the better ideas from all of the bills into one successful bill. Therefore, we would not make judgement on this bill at this time, but we will give more general testimony at another time on all of the bills. We would encourage you to work actively for progress on lowering taxes on vehicles.

Thank you for your time and consideration.

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



City Hall • 8500 Santa Fe Drive  
Overland Park, Kansas 66212  
913/381-5252 • FAX 913/381-9387

February 17, 1995

TO: House Taxation Committee

FROM: Gerry Ray, Legislative Liaison  
City of Overland Park

SUBJ: Senate Bill 150 - Motor Vehicle Tax

During the summer of 1994, representatives of cities, counties and the legislature met to try to find a solution to the problem of vehicle taxes in Kansas. The solution that was being sought was one that would not just result in a shift to property tax, but one that would provide a valid reduction. The City of Overland Park feels SB 150 provides the result we were seeking.

It was concluded that the only way to avoid shifting is to spread the reduction out over a period of time that would allow local governments to make up the loss through growth and adjustments in their budgets. The result was the ten year phase down as provided in SB 150.

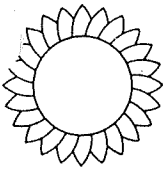
At the State level many believe an immediate impact is necessary, that is to reduce the vehicle taxes significantly in one or two years. On the other hand, local governments believe we should have time to adjust to the reductions over a period of time long enough that it will not affect the real property tax. If we garnered nothing more from reappraisal, we learned the effects that can be suffered when major changes are implemented in a short time span.

Overland Park officials believe they can absorb the losses that will result from SB 150 and are willing to do so, because we believe it will provide a true reduction in motor vehicle tax rather than a shift in the tax burden. We would support the ten year phase in and encourage the Committee to recommend the SB 150 favorably for passage.

Thank you for your time to consider this proposal and for your patience over the years while trying to find a solution to the problem of motor vehicle tax.

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Attachment 5





February 17, 1995

HOUSE TAXATION COMMITTEE

HEARING ON SENATE BILL 150

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

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

Motor vehicle tax continues to be the most controversial tax imposed on the citizens of Kansas. Although our overall tax burden (considering all state and local taxes) is about at the midpoint nationally, the motor vehicle tax is targeted as a significant problem. For many years local governments have opposed reductions in taxes on vehicles that would have a excessively negative effect on local revenues. The reason for the opposition was that we knew these reductions were not a tax reduction but rather a tax shift. A shift to the tax on real property.

In 1994 it became obvious that some action was needed to address the dissatisfaction with vehicle taxes in Kansas. During the summer representatives of several cities and counties worked with members of the Legislature to devise a plan that most could live with. The 10 year phase down was determined to be the method by which local governments could manage to adjust to the lower revenue by using the growth factor that would occur over the ten year period. By taking this approach there should not be any effect on property tax.

Although it is a major policy change for the County to offer support for a revenue reduction, it is obvious it time for a change and a time to seek a way to solve the problem of motor vehicle tax. The County Commission feels this bill represents a good approach to a problem that has plagued all of us for many years. We would ask that the Committee favorably consider SB 150 and recommend it for passage.

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