

Approved: Feb 6, 1995
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:00 a.m. on February 1, 1995 in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Corbin, Senator Martin,
Senator Bond, Senator Clark, Senator Feleciano, Jr.,
Senator Lee, Senator Ranson, Senator Sallee and Senator Wisdom.

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Don Hayward, Revisor of Statutes
Elizabeth Carlson, Secretary to the Committee

Conferees appearing before the committee: Gloria Timmer, Budget Director
Don McNeely, Kansas Auto Dealers Association
Chris McKenzie, League of Kansas Municipalities
Gerry Ray, Overland Park and Johnson County
Don Seifert, City of Olathe
Anne Speiss, Kansas Association of Counties

Others attending: See attached list

APPROVAL OF MINUTES

Senator Martin made a motion to approve the minutes of January 31, 1995. The motion was seconded by Senator Ranson. The motion carried.

REQUESTS FOR INTRODUCTION OF BILLS

Gerry Ray, Johnson County Board of Commissioners, requested the introduction of a bill that would clarify the redemption of real property subject to sale for delinquent taxes.

Senator Bond made a motion to introduce this bill. The motion was seconded by Senator Martin. The motion carried.

SB 150--MOTOR VEHICLE TAX REDUCTION; ASSESSMENT AND TAX RATES

Gloria Timmer, Budget Director, represented the Governor in presenting his plan to cut motor vehicle taxes in half. (Attachment 1) She explained the bill and said this bill 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. The assessment rate for motor vehicles for local government is reduced by 1.5% each year beginning in 1996 until the rate reaches 15% which would be half of the current level.

Ms. Timmer then reviewed the attachments on her testimony. Table 1 explained a detailed impact on state and local government. It also gave figures of the taxes on a 1995 automobile. Table 2 gave the effect of the Governor's motor vehicle tax reduction proposal to the different revenues and expenditures and Table 3 gave estimates of the impact on schools and the local impact of reducing the motor vehicle taxes based on **SB 150**.

There were questions from the committee if this included depreciation on the automobiles and Ms. Timmer said it did. She also said there is a significant decrease in the value during the first two years. The tables also included a 3.5% annual increase in the value of motor vehicles. This bill will reduce the motor vehicle taxes on all cars except those that are now paying the minimum tax.

Jacque Oakes, Kansas Independent Automobile Dealers Association submitted written testimony. (Attachment 2)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on February 1, 1995.

Don L. McNeely, Executive Vice President, Kansas Automobile Dealers Association, appeared in support of **SB 150**. (Attachment 3) He said he feels they have the same goal in mind which is to correct a tax system that is presently regressive and to encourage the residents of Kansas to register their vehicles in the state or county in which they live.

SB 50--MOTOR VEHICLE PROPERTY TAX ASSESSMENT REDUCED

Chris McKenzie, League of Kansas Municipalities, appeared in support of both **SB 50** and **SB 150**. (Attachment 4) The League's position endorses a gradual approach to changing the motor vehicle tax laws if the downsizing is to be borne locally. The car tax revenues are extremely important to the local budget. Radical changes will give radical results. Historically, the position of the League is there is a need for a more diverse revenue base. In **SB 150**, the state aid will help solve the revenue problem so the cities do not suffer a loss. He said he would also urge the committee to look at the minimum tax. It has been about 15 years since it has been revised.

There were questions from the committee if a formula has been developed for counties and cities that are decreasing in growth and those counties and cities that are increasing. Mr. McKenzie said this is not factored in the bill. He has not done an analysis of the Governors bill county by county in regard to the state aid. He said, however, the state aid has been a life line for the smaller counties. Mr. McKenzie also said he would prefer a phasing in over a longer period of time rather than a short term.

Gerry Ray, Overland Park and Johnson County, said she was speaking in support of **SB 50**. (Attachment 5 and 6) She said the only way to avoid shifting the tax to the real property tax is to allow for the decrease in car tax revenues over a period of time. This is a major shift in policy for the cities and counties to support a revenue reduction, and they will experience some reduced revenue however it is done. She also asked that a cap not be put on because that would definitely shift the tax to property. She presented a chart of what the different bills which have been introduced regarding motor vehicle taxes would do to the county. There were questions why **SB 150** went down faster than **SB 50**? Senator Langworthy responded that **SB 150** goes down from 30% to 15% over a 10 year period while **SB 50** is lowered 1% per year over a 10 year period.

A question was asked from the committee if this decrease in motor vehicle tax would get Kansas away from ranking the highest in the nation in this tax? Staff said they really did not know what it would do to the ranking but they thought Kansas would still be a little high in the rankings in the nation. There is no comprehensive study at this time, however, Glenn Fisher of Wichita State University, is working on a report that will compare Kansas with the surrounding states.

Don Seifert, City of Olathe, spoke as a proponent of **SB 50**. (Attachment 7) He said this bill agrees with the policy position taken by the city of Olathe that supports reform of the motor vehicle tax system through a phased in period for revenue losses in order to avoid a shift to the general property tax. **SB 50** offers the nearest to a "revenue neutral" solution. He urged the committee to recommend this bill favorably for passage.

In answer to the committee if this would be just the shifting of tax to the general property tax, Mr. Seifert said he thought the natural growth would offset the loss in revenue.

Anne Speiss, Kansas Association of Counties, presented written testimony, and expressed the Association's appreciation of the work that has been done on these two bills. (Attachment 8)

The meeting adjourned at 12:05 p.m.

The next meeting is scheduled for February 2, 1995.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: Feb 1, 1995

NAME	REPRESENTING
Byron Patton	our grandchildren
Larry Clark	Ks County Commissioners
Janis Myers	Sprint United Tel
Joe Kronwitter	
JANICE MARCUM	KDOR
MARK CIARDULLO	KDOR
Larry Ray	Jackson Co Comm City of Overland Park
Catherine Hollman	City of Wichita
TREVA POTTER	WINDVEST ENERGY
Marc Farrar	City of Overland Park
Don Lupit	City of Olathe
Josue Oakes	Ks. Ind. Auto Dealers Assn.
Frances Kastner	Ks Food Dealers Assn
Don Snodgrass	Ks Food Dealers Assn
Herschel Peck	Ci. A.
Jim Crumproker	GOVERNOR'S OFFICE GOVERNMENTAL AFFAIRS
Jimmy Lusk	Overland Park Chamber of Commerce
Bob Snoot	KCCC
Karl Peterjohn	Kansas Taxpayers Network

STATE OF KANSAS



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: Senate Committee on Assessment and Taxation
FROM: Gloria *MT* Timmer, Director of the Budget
DATE: February 1, 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.

Senate Assess + Tax
Feb 1, 1995
attach 1-1

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 other plan presented by the League of Municipalities that you are also discussing today. 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)

Effect of The Governor's Motor Vehicle Tax Reduction Proposal

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Adjusted Balance:	\$455.1	\$359.3	\$287.7	\$267.6	\$277.5
Revenue:					
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	\$3,977.7	\$4,159.3
Expenditures:					
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	\$3,525.2	\$3,615.8	\$3,726.4
Additional Allowable Expenditure	--	--	41.3	84.3	142.6
Total Expenditures	\$3,342.8	\$3,468.6	\$3,566.5	\$3,700.1	\$3,869.0
Ending Balance	\$359.3	\$287.7	\$267.6	\$277.5	\$290.3
As % of Expenditures	10.7%	8.3%	7.5%	7.5%	7.5%
Percent Growth in Expenditures	7.4%	3.8%	2.8%	3.7%	4.6%
Revenues minus Expenditures	(\$95.8)	(\$71.5)	(\$20.1)	\$9.9	\$12.7

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

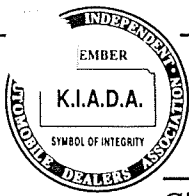
School Impact of reducing "state" rate by half over two years with reductions all in base school levy

CY	Base	Applicable Mill Levy	School @35 (Fiscal Year)	School @SB 150 (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	5.9	5.9
1997	2,687.8	0.016750	91.7	61.7	30.0	24.1
1998	2,781.9	0.016750	94.9	45.4	49.5	19.4
1999	2,879.2	0.016750	98.2	47.0	51.2	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	SB 150 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 INDEPENDENT AUTOMOBILE DEALERS ASSOCIATION



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

February 1, 1995

TO: SENATE ASSESSMENT AND TAXATION COMMITTEE

SUBJECT: SB 150--RELATING TO MOTOR VEHICLE TAX-
ATION; REDUCING APPLICABLE ASSESSMENT
AND TAX RATES

FROM: KANSAS INDEPENDENT AUTOMOBILE DEALERS ASSOCIATION

Madam Chair 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 some 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 would encourage you to work actively for progress on lowering taxes on vehicles.

Thank you for your time and consideration.

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

*Senate Assess + Tax
February 1, 1995
attach 2-1*

Kansas Automobile Dealers Association

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

February 1, 1995

To: The Honorable Audrey Langworthy, Chair
Senate Committee on Assessment & Taxation

From: Don L. McNeely, Executive Vice President

Re: SB 150

Good morning Madam Chair and members of the Committee. I am Don McNeely, Executive Vice President of the Kansas Automobile Dealers Association. On behalf of the 300 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. Already during the past three short weeks, seven or eight proposals have been introduced to address this problem. The proposal before you is an excellent starting point for discussion on this issue that adversely affects the majority of the citizens of this state.

Our Association's legislative committee will meet in Topeka next Monday to review all of

*Senate Assess + Tax
Feb 1, 1995
attach 3-1*

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

the proposals that have been introduced to date. Each proposals will be analyzed to determine which proposal or elements of each we support.

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 this opportunity, and I will be happy to address any question the committee may have.



**League
of Kansas
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 112 S.W. 7TH TOPEKA, KS 66603-3896 (913) 354-9565 FAX (913) 354-4186

LEGISLATIVE TESTIMONY

TO: Senate Assessment and Taxation Committee
FROM: Chris McKenzie, Executive Director
DATE: February 1, 1995
RE: SB 50 and SB 150

Thank you for the opportunity to appear today in general support of both SB 50 and SB 150. The League has had a long term interest in stability in the motor vehicle tax, and this position is reflected in our convention adopted policy statement which reads as follows:

Any changes to the state law levying the special, in lieu tax on motor vehicles should be revenue neutral to avoid further shifts to the general property tax and should allow for reasonable revenue growth in the future. We support reform of the motor vehicle tax through changes in the assessment rate or some other revenue neutral means that preserves reasonable revenue growth in future years. Additional property tax authority should be granted to local units to compensate for the loss of any existing and future motor vehicle revenue growth.

In its simplest form, this position endorses a gradual approach to changing the state motor vehicle tax laws if the whole cost of such downsizing is to be borne locally. The motor vehicle tax is a vital part of every local budget, and we can absorb changes in assessment rates and other aspects of the tax without increasing local property taxes if is done gradually. Radical changes will yield radical results for the property tax payer and for cities. Furthermore, the fundamentally local aspects of this tax (i.e., the countywide average mill rate and local collection) should be retained. If the legislature takes over setting the tax rates on motor vehicles, it will bear a strong resemblance to the statewide levy for schools. In other words, the rate of this fundamentally local tax should be set locally.

Last summer of 1994 the League of Kansas Municipalities, Kansas Association of Counties, and representatives of Douglas, Sedgwick and Johnson counties, and the cities of Overland Park, Wichita, Lenexa, Lawrence and Olathe met to study possible changes to the motor vehicle tax system. Over a series of three meetings, the study group considered a number of policy options, including adjustments to the system for setting tax rates, the development of a statewide tax rate, and a phase-down of the assessment rate.

The study group analyzed the effects of two policy options for lowering the assessment rate on motor vehicles from 30% to 20% over two different periods of time--10 years and 5 years. The effects of these options statewide are shown on the attached tables.

*Senate Assess + Tax
Feb 1, 1995
attach 4-1*

OPTION 1--Accelerated Phase-Down of Assessment Rate Over a Five-Year Period

- ▶ The net result of a five-year phase-down (without any projected increase in the average countywide rate) would be a large majority of the counties (88%) would experience a negative rate of average growth per year. Statewide the average rate of change in assessed values between 1994 and 2000 would be a negative 0.92%. While the negative effect on some of these counties' could be neutralized by higher county average mill levy rates, not all counties will benefit from that trend. **In other words, with this scenario it becomes more likely that counties, cities, schools, state, etc. will actually see less motor vehicle tax revenue in future years--causing a greater shift to the ad valorem tax.** If we factor in a 3 % average rate of growth in rates, however, the average rate of growth is a bare 0.87% for the same time period.

OPTION 2--Gradual Phase-Down of Assessment Rate Over 10 Years (SB 50)

- ▶ The gradual phase-down of the motor vehicle assessment rate over 10 years will have a net positive revenue effect statewide over the ten-year period of 13.01%, or a slim 1.44% growth in assessed values per year, **assuming appraised valuations grow at an average annual rate of 4.92%**--the average rate of growth between 1983 and 1993. This rate of growth assumes stability in average countywide mill levy rates. If the rates increase 3% per year (see Attachment 2), revenues will grow at an average annual rate of 3.7%.

SB 150

Like you, we have just begun to analyze the effects of SB 150. It shares some of the positive effects of SB 50, but it provides substantial tax relief up front by state assumption of the costs of this early savings. We have illustrated the effects of this bill statewide **without the school features** in the final box on Attachment 2 of this testimony. As you can see, the average annual rate of growth over the ten year period is 1.04%. This assumes an annual tax rate growth of 3%.

CONCLUSION

The League respectfully recommends both of these measures for your careful study and consideration. I want to express our appreciation to the Committee, Governor Graves and the entire legislature for the careful thought that is going into study of this issue. We pledge our cooperation in working on a plan which meets the objectives I have outlined above. Thank you.

Thank you. I would be happy to answer any questions you may have.

Motor Vehicle Tax History and Projections *(no growth in rate)*
 State of Kansas, 1983-1993
 Population 2,494,563

Year	Appr. Val.	Ass. Rate	Ass. Value	% Change	Taxes Coll.	% Change
1983	4,499,643,593	30.0%	1,349,893,078		140,451,234	
1984	4,883,368,820	30.0%	1,465,010,646	8.53%	151,984,068	8.21%
1985	5,217,002,600	30.0%	1,565,100,780	6.83%	178,989,750	17.77%
1986	5,444,197,560	30.0%	1,633,259,268	4.35%	199,371,078	11.39%
1987	5,945,452,133	30.0%	1,783,635,640	9.21%	216,653,541	8.67%
1988	6,199,599,880	30.0%	1,859,879,964	4.27%	242,916,000	12.12%
1989	6,516,888,333	30.0%	1,955,066,500	5.12%	275,459,606	13.40%
1990	6,888,000,400	30.0%	2,066,400,120	5.69%	306,450,927	11.25%
1991	6,777,450,163	30.0%	2,033,235,049	-1.60%	241,010,188	-21.35%
1992	6,918,842,393	30.0%	2,075,652,718	2.09%	259,115,626	7.51%
1993	7,241,424,007	30.0%	2,172,427,202	4.66%	291,643,926	12.55%

1983-1993

% change	60.93%	107.65%
Avg. rate	4.92%	8.15%

Projections for a Proposed Five-Year Reduction

1994	7,597,359,900	30.0%	2,279,207,970	4.92%
1995	7,970,791,021	28.0%	2,231,821,486	-2.08%
1996	8,362,577,308	26.0%	2,174,270,100	-2.58%
1997	8,773,620,967	24.0%	2,105,669,032	-3.16%
1998	9,204,868,552	22.0%	2,025,071,082	-3.83%
1999	9,657,313,142	20.0%	1,931,462,628	-4.62%
2000	10,131,996,626	20.0%	2,026,399,325	4.92%

1994-2000

% change	33.36%	-11.09%
Avg. rate	4.92%	-0.92%

Projections for a Proposed Ten-Year Reduction

1994	7,597,359,900	30.0%	2,279,207,970	4.92%
1995	7,970,791,021	29.0%	2,311,529,396	1.42%
1996	8,362,577,308	28.0%	2,341,521,646	1.30%
1997	8,773,620,967	27.0%	2,368,877,661	1.17%
1998	9,204,868,552	26.0%	2,393,265,824	1.03%
1999	9,657,313,142	25.0%	2,414,328,285	0.88%
2000	10,131,996,626	24.0%	2,431,679,190	0.72%
2001	10,630,012,109	23.0%	2,444,902,785	0.54%
2002	11,152,506,421	22.0%	2,453,551,413	0.35%
2003	11,700,682,765	21.0%	2,457,143,381	0.15%
2004	12,275,803,483	20.0%	2,455,160,697	-0.08%
2005	12,879,192,965	20.0%	2,575,838,593	4.92%

1994-2005

% change	69.52%	13.01%
Avg. rate	4.92%	1.44%

Attachment 12
(growth in rate)

Motor Vehicle Tax History and Projections
State of Kansas, 1983-1993
Population 2,494,568

Year	Appr. Val.	Ass. Rate	Ass. Value	% Change	Tax Rate	Taxes Coll.	% Change
1983	\$4,499,643,593	30.0%	\$1,349,893,078			\$140,451,234	
1984	4,883,368,820	30.0%	1,465,010,646	8.53%		151,984,068	8.21%
1985	5,217,002,600	30.0%	1,565,100,780	6.83%		178,989,750	17.77%
1986	5,444,197,560	30.0%	1,633,259,268	4.35%		199,371,078	11.39%
1987	5,945,452,133	30.0%	1,783,635,640	9.21%		216,653,541	8.67%
1988	6,199,599,880	30.0%	1,859,879,964	4.27%		242,916,000	12.12%
1989	6,516,888,333	30.0%	1,955,066,500	5.12%		275,459,606	13.40%
1990	6,888,000,400	30.0%	2,066,400,120	5.69%		306,450,927	11.25%
1991	6,777,450,163	30.0%	2,033,235,049	-1.60%		241,010,188	-21.35%
1992	6,918,842,393	30.0%	2,075,652,718	2.09%		259,115,626	7.51%
1993	7,241,424,007	30.0%	2,172,427,202	4.66%		291,643,926	12.55%
1983-1993							
% increase			60.93%			107.65%	
Avg. rate				4.92%			8.15%

Projections for a Proposed Five-Year Reduction (to 20%)

1994	\$7,597,359,900	30.0%	\$2,279,207,970	4.92%	0.11011	\$250,969,288	-13.95%
1995	7,970,791,021	28.0%	2,231,821,486	-2.08%	0.11563	258,065,518	2.83%
1996	8,362,577,308	26.0%	2,174,270,100	-2.58%	0.11806	256,699,133	-0.53%
1997	8,773,620,967	24.0%	2,105,669,032	-3.16%	0.12106 *	254,916,947	-0.69%
1998	9,204,868,552	22.0%	2,025,071,082	-3.83%	0.12406 *	251,234,794	-1.44%
1999	9,657,313,142	20.0%	1,931,462,628	-4.62%	0.12706 *	245,415,910	-2.32%
2000	10,131,996,626	20.0%	2,026,399,325	4.92%	0.13006 *	263,557,975	7.39%
1995-2000							
% increase	27.11%		-9.20%			2.13%	
Avg. rate	4.92%			-1.89%	0.12266		0.87%

Projections for a Proposed Ten-Year Reduction (to 20%)

1994	\$7,597,359,900	30.0%	\$2,279,207,970	4.92%	0.11011	\$250,969,288	-13.95%
1995	7,970,791,021	29.0%	2,311,529,396	1.42%	0.11563	267,282,144	6.50%
1996	8,362,577,308	28.0%	2,341,521,646	1.30%	0.11806	276,445,220	3.43%
1997	8,773,620,967	27.0%	2,368,877,661	1.17%	0.12106 *	286,781,565	3.74%
1998	9,204,868,552	26.0%	2,393,265,824	1.03%	0.12406 *	296,913,847	3.53%
1999	9,657,313,142	25.0%	2,414,328,285	0.88%	0.12706 *	306,769,888	3.32%
2000	10,131,996,626	24.0%	2,431,679,190	0.72%	0.13006 *	316,269,570	3.10%
2001	10,630,012,109	23.0%	2,444,902,785	0.54%	0.13306 *	325,324,168	2.86%
2002	11,152,506,421	22.0%	2,453,551,413	0.35%	0.13606 *	333,835,628	2.62%
2003	11,700,682,765	21.0%	2,457,143,381	0.15%	0.13906 *	341,695,789	2.35%
2004	12,275,803,483	20.0%	2,455,160,697	-0.08%	0.14206 *	348,785,554	2.07%
2005	12,879,192,965	20.0%	2,575,838,593	4.92%	0.14506 *	373,656,839	7.13%
1995-2005							
% increase	61.58%		11.43%			39.80%	
Avg. rate	4.92%			1.13%	0.1301%		3.70%

Projections for a Proposed Ten-Year Reduction (to 15%)

1994	\$7,597,359,900	30.0%	\$2,279,207,970	-7.17%	0.11011	\$250,969,288	-13.95%
1995	7,970,791,021	28.5%	2,271,675,441	-0.33%	0.11563	262,673,831	4.66%
1996	8,362,577,308	27.0%	2,257,895,873	-0.61%	0.11806	266,572,177	1.48%
1997	8,773,620,967	25.5%	2,237,273,347	-0.91%	0.12106 *	270,849,256	1.60%
1998	9,204,868,552	24.0%	2,209,168,453	-1.26%	0.12406 *	274,074,320	1.19%
1999	9,657,313,142	22.5%	2,172,895,457	-1.64%	0.12706 *	276,092,899	0.74%
2000	10,131,996,626	21.0%	2,127,719,292	-2.08%	0.13006 *	276,735,873	0.23%
2001	10,630,012,109	19.5%	2,072,852,361	-2.58%	0.13306 *	275,818,316	-0.33%
2002	11,152,506,421	18.0%	2,007,451,156	-3.16%	0.13606 *	273,138,241	-0.97%
2003	11,700,682,765	16.5%	1,930,612,656	-3.83%	0.13906 *	268,475,263	-1.71%
2004	12,275,803,483	15.0%	1,841,370,522	-4.62%	0.14206 *	261,589,166	-2.56%
2005	12,879,192,965	15.0%	1,931,878,945	4.92%	0.14506 *	280,242,629	7.13%
1995-2005							
% increase	61.58%		-14.96%			6.69%	
Avg. rate	0.00%			-1.46%	0.13011		1.04%

* - Specified tax rates were projected using a .003 rate of annual growth.



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February 1, 1995

TO: Senate Assessment and Taxation Committee

FROM: Gerry Ray, Legislative Consultant
City of Overland Park

SUBJ: Senate Bill 50 - Motor Vehicle Tax

Senate Bill 50 is the product of many hours of work by many people. 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.

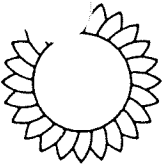
It was concluded that the only way to avoid shifting is to spread the reduction out over a period of time that would allow local governments to make up the loss through growth and adjustments in their budgets. The result was the ten year phase down as provided in SB 50.

Some feel a quick solution is necessary, that is to reduce the vehicle taxes significantly in one or two years. However, we believe we should have learned from reappraisal, 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 50 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 50 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.

Senate Assessment + Tax
Feb 1, 1995
attach 5-1



February 1, 1995

SENATE ASSESSMENT AND TAXATION COMMITTEE

HEARING ON SENATE BILL 50

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 is 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.

The County will experience a loss of 1% per year that will be augmented by the growth factor. In the ten year reduction period there will be approximately \$10 million less collected by the County than under the existing formula.

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 is a good approach to a problem that has plagued all of us for many years. We would ask that the Committee favorably consider SB 50 and recommend it for passage.

*Senate Assess + Tax
Feb 1, 1995
Attach 6-1*

Master Summary

6-2

Revenue Analysis of Motor Vehicle Tax Proposals and Current Formula

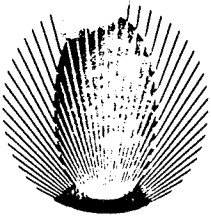
Year	Current Formula	HB 2093 (Bradley & Weber)	HB 2106 (Sawyer)	HB 2210 (Snowbarger)	SB 50 (Langworthy)	Graves' Plan
1996	\$14,141,901	\$14,141,901	\$14,130,801	\$12,937,125	\$13,771,906	\$13,586,908
1997	\$15,399,088	\$13,011,343	\$15,395,705	\$12,385,135	\$14,485,260	\$14,028,346
1998	\$16,669,737	\$12,956,298	\$16,662,745	\$11,038,527	\$15,124,847	\$14,352,402
1999	\$18,045,234	\$13,485,943	\$17,952,876	\$11,024,068	\$15,771,360	\$14,634,423
2000	\$19,534,228	\$14,037,240	\$18,950,816	\$11,478,571	\$16,421,586	\$14,865,265
2001	\$21,146,087	\$14,611,074	\$19,722,566	\$11,933,022	\$17,071,736	\$15,034,561
2002	\$22,890,947	\$15,208,366	\$20,528,812	\$12,384,316	\$17,717,372	\$15,130,584
2003	\$24,779,784	\$15,830,075	\$21,368,018	\$12,828,840	\$18,353,320	\$15,140,089
2004	\$26,824,477	\$16,477,199	\$22,241,530	\$13,262,402	\$18,973,588	\$15,048,143
2005	\$29,037,887	\$17,150,777	\$23,150,750	\$13,680,167	\$19,571,255	\$14,837,940
2006	\$31,433,936	\$17,851,890	\$24,097,138	\$14,648,064	\$20,955,957	\$15,716,968

Lost Revenue as Mill Levy Equivalents

Year	Current Formula	HB 2093 (Bradley & Weber)	HB 2106 (Sawyer)	HB 2210 (Snowbarger)	SB 50 (Langworthy)	Graves' Plan
1996	--	0.000	0.004	0.399	0.122	0.184
1997	--	0.771	0.00	0.973	0.295	0.443
1998	--	1.171	-0.004	1.776	0.487	0.731
1999	--	1.404	0.016	2.163	0.700	1.051
2000	--	1.655	0.182	2.425	0.937	1.406
2001	--	1.924	0.419	2.712	1.200	1.799
2002	--	2.213	0.680	3.027	1.490	2.235
2003	--	2.524	0.962	3.370	1.812	2.718
2004	--	2.857	1.265	3.745	2.168	3.252
2005	--	3.216	1.593	4.155	2.561	3.841
2006	--	3.601	1.945	4.451	2.778	4.167

TOTAL 02

1.02



City of Olathe

MEMORANDUM

TO: Members of the Senate Committee on Assessment & Taxation

FROM: Don Seifert, Management Services Director *DS*

SUBJECT: Senate Bill No. 50 - Motor Vehicle Tax Assessment Rate

DATE: February 1, 1995

On behalf of the city of Olathe, thank you for the opportunity to appear today in support of SB 50. This bill would cut motor vehicle tax assessment rates by 1/3 over a ten year period. This bill agrees with the policy position taken by our governing body that supports reform of the motor vehicle tax system through a phased in period for revenue losses in order to avoid a shift to the general property tax. This bill also preserves the local features of the current motor vehicle tax system.

The motor vehicle tax is a very important revenue source for local government operations, raising some \$300 million statewide. For the city of Olathe, 1995 motor vehicle tax receipts are expected to be approximately \$2.1 million, or 17% of the property tax revenue that supports our library, debt service, and general operating funds. The city supports this bill because it provides some meaningful relief for motor vehicle owners and it allows time for natural growth in the tax base to help offset local revenue losses caused by the lower assessment rate. Unlike other proposals, it does not require the state to make up vast sums of local revenue losses caused by a sudden decrease in the assessment rate.

In summary, the city of Olathe supports the concept of lowering taxes on automobiles. It is important to make some changes to retain taxpayer confidence in the system. Our concern with previous efforts to fix the motor vehicle tax system is that they generally have carried a hefty price in terms of lost revenue for local government. We believe this bill offers the nearest to a "revenue neutral" solution as any measure considered by the Legislature in recent years.

We urge the Committee to recommend this bill favorably for passage.

rc

*Senate Assess + Tax
Feb 1, 1995
attach 7-1*



"Service to County Government"

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Saline County Sheriff
300 W. Ash
Salina, KS 67401
(913) 826-6500

Executive Director
John T. Torben, CAF

**To: Senator Audrey Langworthy, Chairman
Senate Assessment and Taxation Committee**

From: Kansas Association of Counties

Date: February 1, 1995

Re: SB 50 Taxation of Motor Vehicles

The 1995 County Platform states the position of the Kansas Association of Counties on the subject of motor vehicle taxes. It says, "The Kansas Association of Counties recommends that any legislation include the following criteria:

- (a) Retain a staggered system of issuing the licenses and collecting the motor vehicle tax.
- (b) Be fair and equitable to all taxpayers, no matter what month in which their vehicle is registered.
- (c) Result in no revenue loss to local governments and preserve reasonable revenue growth in future years."

At this point, the KAC wants the committee to be aware of our platform position. It appears that there are a number of good motor vehicle proposals. However, we feel it is too early to get on board with any of the them until we have had more time to assess the fiscal impact of the proposals that have been presented thus far.

Thank you for your consideration.

*Senate Assess + Tax
Feb 1, 1995
Attach 8-1*