

Approved: February 7, 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 6, 1995 in Room 519--S of the Capitol.

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

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

Conferees appearing before the committee: Gerry Ray, Johnson County Board of Commissioners
Mary Buhl, Assistant County Counselor for Johnson County
Cathy Holdeman, City of Wichita
Blaise Plummer, Wichita
Chris McKenzie, League of Kansas Municipalities

Others attending: See attached list

APPROVAL OF MINUTES

Senator Bond made a motion to approve the minutes of February 1 and February 2, 1995. The motion was seconded by Senator Clark. The motion carried.

REQUESTS FOR INTRODUCTION OF BILLS

Senator Langworthy requested a bill be introduced with technical amendments to carry forward the tax credits for the community assistance bill.

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

CANCELLATION OF HEARING

Senator Langworthy announced the cancellation of the hearing on SB 149 which has been scheduled for the meeting today.

SB 165--REDEMPTION OF REAL PROPERTY SUBJECT TO SALE FOR DELINQUENT TAXES

Proponents

Gerry Ray, Johnson County Board of Commissioners, said SB 165 was requested by the Johnson County Board of Commissioners and the City of Wichita. (Attachment 1) This bill is similar to the bill requested last year, however, it is simpler and more discernible. The problem of delinquent taxes remains. She explained the differences between the payment of back taxes on various types of properties. Business properties are allowed two years with no partial payments. Abandoned property is given only one year to pay in full. Residential or homestead is allowed partial redemption of back taxes which must be applied to the most delinquent year. Therefore the taxpayer can remain in arrears indefinitely. This amendment would require that the taxes be current at least once every three years. She gave several reasons why this change should be made: The delinquent taxpayers are not being helped by providing them a way to remain in arrears and with the interest and penalties they can never catch up. The taxpayer also cannot find a lender who is willing to grant a loan to pay the back taxes and they are not eligible to receive assistance under the state's Homestead Property Tax Refund Act because their taxes must be current. It also is not fair to the taxpayers who pay their taxes because it is keeping the property tax 2% higher than it could be if the delinquent taxes could be collected.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on February 6, 1995.

The amount of taxes which were delinquent in Johnson County in 1994 was \$1.7 million and they are projecting the amount to be \$3 million in 1995.

A question was asked from the committee what is the percent of delinquent taxes compared to the total taxes and Ms. Ray said it is about 3%. In answer to another question about the applying of taxes to the current year, Ms. Ray said, under the existing law a partial payment may be made and the delinquent taxes are maintained for another 3 years.

Mary Buhl, Assistant County Counselor for Johnson County, appeared to answer some questions from the committee. She said if a taxpayer becomes delinquent for 3 years, under **SB 165** they must pay for all 3 years. It does not shorten the time, they can still wait three years. However, when the taxpayers gets behind 3 years, it is much harder to get caught up. There is also interest of 12%. She said all counties in the state are dealing with a backlog and all counties are still taking partial payments and applying them to the oldest delinquency.

Gerry Ray said this is also a fairness issue. It is not fair to the taxpayer who has to make up for the taxes that are delinquent. Business would never allow their accounts receivable to go uncollected without an end in sight. This does not seem to be fair to government who should be able to limit delinquent taxes owed to a three year period.

Cathy Holdeman, City of Wichita, expressed the city's support of **SB 165**. She said the current law allows a property owner to pay the most delinquent year in order to avoid a sale and then continue to do that year after year and never be current with their tax payments. The delinquent taxes for the city of Wichita run about \$2 million per year. This would be about 5% to 6% of the total budget. She said it is a fairness issue. If the property does go through a tax sale, a new owner can buy the property and develop it for a beneficial use and it could be placed on the tax rolls again. (Attachment 2)

Blaise Plummer, attorney for the City of Wichita, said the bill covers three types of property--commercial, abandoned and the homestead. The taxpayer must pay the taxes that have accrued for the three year period. He said on page 1, lines 38 through 41 where new language has been inserted, it appears it may be ambiguous. He thought it may pay to take out one of the "ands". (Attachment 3)

Chris McKenzie, League of Kansas Municipalities, appeared in support of **SB 165**. He said he has some information which he will present about the delinquency rates. It is more of a problem in the metropolitan areas.

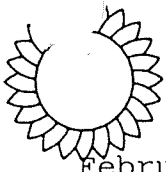
The meeting adjourned at 11:45 a.m.

The next meeting is scheduled for February 7, 1995.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: Feb 10, 1995

NAME	REPRESENTING
Mike Miller	City of Topeka
Wanda Yon	KMHA
Al Brown	Miss. on Unkerman 1881X
Jerry Claul	K CAN
Garie Steamberg	Go County Gov't
Chay Buhl	Johnson County Gov't.
Greg Raef	Johnson County Commissioners
Cathy Holdenman	City of Wichita
Blaine Plummer	City of Wichita
Chris McKersie	League of Ks. Town.
ALAN COBB	City of Wichita
Jerry Glass	Quintal Park Chamber of Commerce
Christy Bailey	Senate Minority leader
Anne Spiess	Ks. Assoc. of Counties



Johnson County
Kansas

February 6, 1995

SENATE ASSESSMENT AND TAXATION COMMITTEE

HEARING ON SENATE BILL 165

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

Madam Chairman, members of the Committee, my name is Gerry Ray, representing the Johnson County Board of Commissioners. I am appearing today as a proponent of SB 165 pertaining to the payment of delinquent taxes. The bill was requested by the City of Wichita and Johnson County. Mary Buhl is also here today, she is an Assistant County Counselor for Johnson County and handles the delinquent tax cases for the county.

In 1994 SB 769 was introduced which was similar to SB 165. Last year the process that was proposed was rather complicated and very difficult to explain in a manner that was understandable. Although we hesitate to bring forth the same issue two years in a row, we feel the bill this year is simplified and discernable. We come once more to you because the problem of delinquent tax remains and we need your help to find a solution.

For some background, we need to compare the time periods allowed for payment of back taxes on various types of properties. Business property is allowed two years without the prerogative to make partial payments. Abandon property is given only one year to pay in full. Residential or homestead, as it is referred to in the statutes, is allowed partial redemption of back taxes under existing law. Partial payments must be applied to the most delinquent year, thus the taxpayer can remain in arrears interminably.

A simple explanation of the amendment proposed in SB 165, is that it stops delinquent taxpayers from taking advantage of the law by extending the three year limit for payment of delinquent tax into perpetuity. SB 165 makes a very simple change that would require any partial payment to be applied to the most recent tax delinquency. Making this change would limit delinquencies to a three year period. The amendment would require, in effect, that the taxes be current at least once every three years.

Some may feel this is a harsh and uncaring proposal that will harm property owners. Before judgments are made on that, we need to look at several factors that are relevant:

... The delinquent taxpayers are not being helped by providing them a way to remain in arrears. With the interest and penalties that accrue they can quickly get into a situation in which they can never catch up.

*Senate Assessment & Tax
Feb 6, 1995*

... When the delinquencies continue to accrue it is extremely difficult or impossible to find a lender who is willing to grant a loan or take a second mortgage to pay the back taxes.

... They are not eligible to receive assistance under the State's Homestead Property Tax Refund Act, because the Act requires that their taxes be current.

... The property owners who pay their taxes must make up for the taxes that are not paid by the delinquent taxpayers.

When you consider the above points, you can see that retaining the current system is not actually benefiting anyone.

Recent legislative changes have recognized the needs of creditors and have shortened the redemption for certain types of foreclosures in the private sector. In 1994 a law was enacted that reduced the minimum period from six to three months to begin proceedings in the event a default occurs on a mortgage. The maximum period is twelve months. When you consider that financial institutions can take action on defaults in three to twelve months, it certainly seems reasonable that the government should be able to limit defaults on taxes owed, to a three year time frame.

Business would never be expected to permit their delinquent accounts receivable to go uncollected without an end in sight. The State does not allow people who owe income tax to continually extend their grace period. In SB 165 all we are asking is that you remove a restrictive feature from the law on local taxes and allow a timely collection of tax that is owed to the counties, cities and school districts.

Citizens are expecting governments at all levels to perform more efficiently, and operate in a more businesslike manner. We are told to do more with less and find other revenue sources to hold down taxes. SB 165 would provide a tool that would help achieve these ends.

It is sincerely hoped that after you give SB 165 serious consideration you will agree with the local officials that it is a proposal that is reasonable and will have a positive effect.

Both Ms Buhl and I will be pleased to stand for questions.



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TESTIMONY RE: SB 165
SENATE TAXATION COMMITTEE
FEBRUARY 7, 1995
11:00 A.M.

CHAIRMAN LANGWORTHY, AND MEMBERS OF THE SENATE TAXATION COMMITTEE, I AM CATHY HOLDEMAN, INTERGOVERNMENTAL RELATIONS DIRECTOR FOR THE CITY OF WICHITA. I AM HERE TODAY TO EXPRESS THE CITY'S SUPPORT FOR SENATE BILL 165, A BILL CONCERNING REDEMPTION OF PROPERTY FROM TAX SALE. THIS BILL WOULD ALLOW MUNICIPALITIES TO MORE EXPEDITIOUSLY COLLECT DELINQUENT TAXES. IN ESSENCE, IT REQUIRES A PROPERTY OWNER TO PAY ALL DELINQUENT TAXES, NOT JUST THE FIRST YEAR OF BACK TAXES, IF THEY ARE TO AVOID A TAX FORECLOSURE SALE.

THE CURRENT LAW ALLOWS A PROPERTY OWNER TO PAY THE MOST DELINQUENT YEAR IN ORDER TO AVOID A SALE. THEY CAN CONTINUE TO DO THAT YEAR, AFTER YEAR, AFTER YEAR, AND NEVER BE CURRENT WITH THEIR TAX PAYMENTS.

THIS BILL HAS A SIGNIFICANT FINANCIAL IMPACT BECAUSE EACH YEAR THE CITY OF WICHITA HAS APPROXIMATELY \$2 MILLION OF DELINQUENT PROPERTY TAXES. IF THIS LEGISLATION WERE ENACTED, THE CITY WOULD BE ABLE REDUCE DELINQUENCIES AND INCREASE PROPERTY TAX REVENUES.

IT IS ANTICIPATED THAT PROPERTY OWNERS WOULD HAVE TO COME TO SOME DECISION WITH REGARD TO THEIR PROPERTY. IF THEY CAN NO LONGER AVOID A TAX FORECLOSURE SALE BY PAYING ONLY ONE YEAR OF BACK TAXES, THEY WILL HAVE TO MAKE A DETERMINATION IF OWNERSHIP OF THIS PROPERTY IS A FINANCIALLY PRUDENT INVESTMENT. IF NOT, A TAX SALE

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



COULD ALLOW ANOTHER OWNER TO ACQUIRE THE PROPERTY AND PUT IT TO USE AND HOPEFULLY, BE CURRENT ON PROPERTY TAXES.

IN ESSENCE, THE ISSUE IS ONE OF FAIRNESS TO ALL TAX PAYERS. IT PROVIDES A MECHANISM TO STOP DELINQUENCIES WHICH MEANS THAT ALL TAX PAYERS ARE PAYING THEIR FAIR SHARE OF TAXES IN A TIMELY MANNER.

THANK YOU FOR CONSIDERING THIS ISSUE. I WOULD LIKE TO INTRODUCE BLAISE PLUMMER, AN ATTORNEY WITH THE CITY OF WICHITA WHO CAN PROVIDE FURTHER INSIGHT ON THIS ISSUE.



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SENATE BILL NO. 165
TESTIMONY OF BLAISE PLUMMER
February 6, 1995

Madame Chariman and Members of the Senate Committee on Assessment and Taxation. I have a few brief comments on this bill to supplement what has already been said. This bill will amend K.S.A. 1994 Supp. 79-2401a. The intent of the amendments at page 1, lines 24 through 26; and lines 38 through 41 is to close a gap in the existing law. Under current law, an individual seeking to redeem commercial or abandoned property may pay in the amount of the sale price within a set period of time after the sale: 2 years for commercial property and one year for abandoned property. The amendment would also require payment of all taxes, assessments and interest that accrue between the sale date and the date of redemption. This amendment will enhance the collection of delinquent taxes and will encourage prompt redemption of property.

Blaise Plummer
Assistant City Attorney

Senate Ass + Inf
2-6-95
Attachment 3
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