

Approved: March 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 16, 1995 in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Martin,
Senator Bond, Senator Clark, Senator Feleciano, Jr.,
Senator Hardenburger, 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: Mike Reeht, AT&T
Greg Millert, AT&T
Whitney Damron, Southwestern Bell mobile systems
Eva Powers, MCI
Bev Bradley, Kansas Association of Counties

Others attending: See attached list

SB 270--PROPERTY TAXATION OF CERTAIN TELECOMMUNICATIONS COMPANIES

Mike Reeht, representing AT&T, appeared before the committee in support of **SB 270** and to address an inconsistency in the language in the bill. (Attachment 1) On page 2, line 15 strike the words "cellular phone" and in addition on page 2, lines 39 and 40, strike section d and insert the information on the balloon. Mr. Reeht also introduced Greg Millert of AT&T.

Greg Millert, AT&T, testified in support of **SB 270**. (Attachment 2) He spoke of the history of the industry and said they are in the communications business. He spoke of the discrimination which exists and why it should be eliminated. He quoted Governor Graves with this statement "tax fairness must be a part of the Kansas tax structure." He said AT&T does not have a monopoly on the telecommunications business. Customers have a choice in deciding who will provide their long distance interexchange services. There is also competition among large industries who have bid against AT&T for telecommunications projects. Yet these companies would not be subject to a higher property tax assessment rate in Kansas because they are not considered "public utilities". AT&T is at a disadvantage. He summarized that technology has made tremendous differences and **SB 270** would amend tax policy to recognize the changes in the telecommunications industry.

The committee asked questions about the competition. The statement was also made that the fiscal note is about \$3 million. Senator Martin asked if we extend this exemption to you, should we also extend it to Southwestern Bell? The response was they did not think they were similarly situated. Senator Feleciano said this should be analyzed fully. He thinks a halt should be placed on the industries coming before the committee and asking for this kind of reduction in the mill levy.

Mr. Millert replied he thought studies are available. What they are talking about is something that has not been changed for 10 years. This bill is actually less than they need.

Mark Beshears, Sprint, added his company's support to **SB 270**. (Attachment 3) He also spoke of the competitiveness of this business. He said Sprint has made a significant investment in Kansas and that is why he was here today to support the change in tax structure presented in this bill. Kansas taxes Sprint as it were monopoly utility instead of a competitive business. **SB 270** recognizes the reality of today's market place conditions and properly reclassifies companies such as Sprint, AT&T and MCI, subject to the same property tax classifications as any other competitive business in Kansas. He hoped the legislature would recommend the bill favorably for passage.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on February 16, 1995.

Whitney Damron, representing Southwestern Bell Mobile Systems, offered a few comments on **SB 270**. (Attachment 4) He said they are cognizant of the competitive disadvantage for AT&T, Sprint, MCI and others when competing against long distance telecommunications providers that are assessed at a commercial rate of 25% when they are assessed at a utility rate of 33%. He pointed out that the primary proponents of **SB 270** seek relief as a matter of equity, the cellular industry continues to seek relief as a matter of law as they perceive it. The telecommunications industry is constantly changing and long distance carriers are getting into cellular and wireless markets through expansion and mergers. What appears to be a utility today may have little if any resemblance to a utility in the years to come. He requested the committee give careful consideration to providing equity to the long distance carriers and also consider providing relief for the cellular industry.

Eva Powers, representing MCI, presented a copy of a letter which had been written to Senator Langworthy. (Attachment 5) She said the long distance telecommunications companies are seeking fair tax treatment. MCI could build a telecommunications network in Kansas in order to offer competitively priced services to all residents in Kansas. However, MCI would be taxed on 33% of the value of the telecommunications property. A retail chain operating throughout Kansas could build the same network for its exclusive use and benefit and would be taxed only 25% of the value of the telecommunications property. The additional tax puts MCI at a competitive disadvantage when trying to obtain business in Kansas.

Opponent

Bev Bradley, Kansas Association of Counties, appeared as an opponent to **SB 270**. (Attachment 6) She said she was concerned about the impact to the counties and the erosion of the tax base either by exemption or rate changes. She said this would result in a decided loss of revenue to local units of government. She had information which indicates the loss to each county from each company.

The hearing was closed on **SB 270**.

The meeting adjourned at 12:00 noon.

The next meeting is scheduled for February 17, 1995.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: Feb 16, 1995

NAME	REPRESENTING
Michael J. JTA	Sprint
Henry O. SIVESS	ATTN
GREG MILLERT	ATTN
Martha Jenkins	Sprint
Rob Hodges	Ks Telecom Assn.
DENNY KOCH	SW Bell TEL
Whiter Damon	Southern Bell Mobile Systems
Jay Scott Ender	Liberty Cellular, Inc.
Mary Reed	Liberty Cellular, Inc.
HELBY SMITH	RKTA
James Ludwig	Western Resources
Floyd Ramsey	Division of Property Valuation
Robert M. Bedenoch	Division of Property Val.
Martha Ann	KMHA
John Petersen	Capitol of Kansas



Mike Reecht
State Director
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TESTIMONY ON BEHALF OF AT&T
BEFORE THE SENATE ASSESSMENT AND TAXATION COMMITTEE
MIKE REECHT
SENATE BILL 270
FEBRUARY 16, 1995

Madam Chair and members of the Committee:

My name is Mike Reecht. I am Director-State Government Affairs for AT&T in Kansas.

I appear before you today to do two things; to introduce Greg Millert who will present AT&T's position in support of the bill and to address an inconsistency in the language in SB270. On Page 2 at lines 15-17, the reference to cellular telephone carriers should be deleted and subsequent numbering be changed accordingly.

In addition, the language on Page 2 at lines 39 and 40 should be modified to reference specific language in Article 11 of the Constitution.

It is the intent of this legislation to reclassify the property of interexchange telecommunications carriers from public utility to general business class. Consequently, the reference in the statutes should be specific to the classification language in the Constitution, not merely 25% as it is currently shown in the bill.

Both of these changes are included in the balloon amendment attached to my testimony.

I have also attached a copy of the Attorney General Opinion No. 93-142, dated November 2, 1993, regarding this issue.

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attach 1-1*

1-2-1

1 31, 1995, any individual, company, corporation, association of persons,
 2 lessee or receiver licensed by the federal communications commission as
 3 a radio common carrier for the purpose of providing paging services by
 4 the transmission of radio signals, or any interexchange telecommunica-
 5 tions carrier. For the purposes of this clause (4), the term "interexchange
 6 telecommunications carrier" means any provider principally engaged as
 7 a common carrier of telecommunication services between two or more
 8 exchanges in interstate or foreign communication, or if performing intra-
 9 state telecommunication services only, would otherwise qualify as a com-
 10 mon carrier but for the fact that it is not engaged in providing interstate
 11 or international telecommunication services.

12 New Sec. 2. (a) As used in this section, the term "centrally assessed
 13 company" shall mean every individual, company, corporation, association
 14 of persons, lessees or receiver licensed by the federal communications
 15 commission as: (1) Resellers; ~~(2) cellular telephone carrier;~~ or (2)
 16 exchange telecommunications carrier as defined by K.S.A. 79-5a01, and (3)
 17 amendments thereto; or ~~(4) any combination of (1), through (3).~~ Such
 18 term shall not include "public utilities" as defined by K.S.A. 79-5a01, and (2)
 19 amendments thereto.

20 (b) Every centrally assessed company with property in this state shall
 21 through its owner, officer or agent having control of its affairs, before
 22 March 20 of each year, make a return in writing to the director of property
 23 valuation on forms prescribed by the director showing all the information
 24 that the director shall require and deem necessary for the appraisal and
 25 apportionment of values of such property. If any centrally assessed com-
 26 pany shall fail to provide the information as required, the director of
 27 property valuation shall proceed against such company to enforce com-
 28 pliance herewith.

29 (c) The director of property valuation annually shall determine the
 30 fair market value of the property of all centrally assessed companies and
 31 shall keep a complete record of how such valuations were determined for
 32 a period of seven years. The director is authorized to make any investi-
 33 gations and findings to arrive properly at the fair market value of the
 34 property of each of the centrally assessed companies to be appraised. Any
 35 centrally assessed company or representative shall upon request of the
 36 director furnish any records or files of the company material to such
 37 investigation. Any centrally assessed company or representative who shall
 38 furnish false information shall be guilty of perjury.

39 ~~(d) The assessment rate for all property of a centrally assessed com-
 40 pany shall be 25%.~~

41 (e) The director of property valuation shall annually determine the
 42 fair market value of centrally assessed company property, both real and
 43 personal, tangible and intangible, excluding money and receivables.

For the purposes of this section, the assessment rate for real and personal
 property shall be controlled: for real by, Article 11, §1: Class 1 (6), for personal by,
 Article 11, §1; Class 2 (5) and for intangible by, Article 11, §1: Class 2 (5) of the Kansas
 Constitution (1992).



STATE OF KANSAS

OFFICE OF THE ATTORNEY GENERAL

2ND FLOOR, KANSAS JUDICIAL CENTER, TOPEKA 66612-1597

ROBERT T. STEPHAN
ATTORNEY GENERAL

November 2, 1993

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ATTORNEY GENERAL OPINION NO. 93-142

The Honorable Keith Roe
Chairman, House Committee on Taxation
225 W. Webster
P.O. Box 364
Mankato, Kansas 66956-0364

Re: Constitution of the State of Kansas--Finance and
Taxation--System of Taxation; Classification;
Definition of Public Utility; Exclusion of Certain
Telephone Companies

Taxation--Public Utilities--Definition;
Constitutionality of Excluding Certain Telephone
Companies

Synopsis: The legislature may, under article 11, section 1 of
the Kansas constitution, define and redefine the
term "public utility" as necessary and reasonable
to effectuate the makers' and adopters' intent in
treating such property differently for purposes of
taxation; any legislative definition must remain
consistent with the commonly understood meaning of
the term. Cited herein: K.S.A. 66-104; 79-5a01;
Kan. Const., art. 11, § 1; L. 1983, ch. 314, § 1;
L. 1978, ch. 263, § 2.

* * *

Dear Representative Roe:

You request our opinion regarding the constitutionality of
redefining the term "public utility," as used in article 11,
section 1 of the Kansas constitution, to exclude certain long

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distance telephone companies so that they may be taxed at a lower rate. Essentially, your question is whether it would violate article 11, section 1 to alter the definition of "public utility" from what it was at the time the voters adopted that section of the constitution.

Article 11, section 1 provides in part:

"(a) . . . Except as otherwise hereinafter specifically provided, the legislature shall provide for a uniform and equal basis of valuation and rate of taxation of all property subject to taxation. . . .

"Class 1 shall consist of real property. Real property shall be further classified into seven subclasses. Such property shall be defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of value:

. . . .

"(5) Public utility real property, except railroad real property which shall be assessed at the average rate that all other commercial and industrial property is assessed 33%

"(6) Real property used for commercial and industrial purposes and buildings and other improvements located upon land devoted to agricultural use 25%

. . . .

"Class 2 shall consist of tangible personal property. Such tangible personal property shall be further classified into six subclasses, shall be defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of value:

. . . .

"(3) Public utility tangible personal property including inventories thereof, except railroad personal property including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed 30%

.....
"(5) Commercial and industrial machinery and equipment which, if its economic life is seven years or more, shall be valued at its retail cost when new less seven-year straight-line depreciation, or which, if its economic life is less than seven years, shall be valued at its retail cost when new less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property 25%"
(Emphasis added).

The term "public utility" is not defined in the constitution. The underscored language of the above-quoted provisions appears to contemplate legislative definition of the types of property to fall within each subclass for purposes of taxation. Courts in other jurisdictions have construed the language "as defined by law" in their respective state constitutions as making "reference to existing common and statutory law and such future definitive law as is necessary" to effectuate the purposes of the constitution to conditions existing at any point in time. American Youth Foundation v. Township of Benona, 154 N.W.2d 554, 558 (Mich. 1967) (emphasis added). The intent is to retain in the hands of the legislature the power to change definitions and to correct future injustices due to changes in circumstances. Id., at 559. See also State v. Cedar Grove Refining Co., 152 So. 531, 533 (La. 1934) (phrase "as defined by law" in constitution permits legislature to change definition within reasonable bounds); Minutes, Senate Committee on Assessment and Taxation, April 8, 1985 (in response to questioning by Senator Fry, staff stated the constitutional provision allows legislation to develop definitions of various subclasses). However, any legislative definition of a term used in the constitution must

be within reason and must conform to the commonly understood meaning of the term, as intended by the framers of the constitutional provision and the people adopting it. See Board of County Commissioners or Wyandotte County v. Kansas Ave. Properties, 246 Kan. 161 (1990) (in ascertaining meaning of constitutional provision, primary duty of courts is to look to intention of makers and adopters of that provision); Wall v. Harrison, 201 Kan. 600 (1968) (intention of makers and adopters of constitution is polestar in construction of constitution). The legislature may not grant partial exemptions under the guise of improper definitions. See State ex rel. Stephan v. Martin, 227 Kan. 456, 468 (1980); Colorado Interstate Gas Co. v. Board of Morton County Comm'rs, 247 Kan. 654, 659 (1990); 16 Am.Jur.2d Constitutional Law § 110 (1979) (the legislature has no power to assign to a term used in the constitution a meaning it does not have).

The term "public utility" first appeared in article 11, section 1 when the 1985 amendment to that provision was adopted in November of 1986. L. 1985, ch. 364. In 1985 the term was commonly defined as "[a] private business organization, subject to government regulation, that provides an essential service or commodity, such as water, electricity, transportation, or communication, to the public." The American Heritage Dictionary 1001 (2d College Ed. 1985). Blacks Law Dictionary defined the term generally as "[a] privately owned and operated business whose services are so essential to the general public as to justify the grant of special franchises for the use of public property or of the right of eminent domain, in consideration of which the owners must serve all persons who apply, without discrimination. It is always a virtual monopoly." Blacks Law Dictionary 1108 (5th Ed. 1979). Two statutory definitions for the term "public utility" existed at the time the amendment was adopted. K.S.A. 79-5a01, dealing with state valuation of certain property for tax purposes, provided in part:

"(a) As used in this act, the terms 'public utility' and 'public utilities' shall mean every individual, company, corporation, association of persons, lessees or receivers that now or hereafter are in control, manage or operate a business of:

. . .

"(3) transmitting to, from, through or in this state telephonic messages;

. . . .
"(b) The terms 'public utility' or 'public utilities' shall not include:
. . . (2) any individual, company, corporation, association of persons, lessee or receiver which is engaged in the business of selling or leasing telephonic equipment, products or services and (A) which is not regulated by either the state corporation commission or the federal communications commission as to the price of such equipment, products or services or (B) which does not offer telephone service to the public under tariffs approved by the state corporation commission or the federal communications commission, even if such individual, company, corporation, association of persons, lessee or receiver is a subsidiary of or affiliated with a public utility providing telephone service to the public; or (3) the nonregulated portion of a public utility's telephone service operation where that activity is conducted separately from its public utility telephone service operation or separate books and records or accounts are maintained for such nonregulated operation;" L. 1983, ch. 314, § 1.

K.S.A. 66-104, dealing with the jurisdiction of the Kansas corporation commission (KCC), defined "public utility" to include entities that "own, control, operate or manage, except for private use, any equipment, plant or generating machinery, or any part thereof, for the transmission of telephone messages . . . in or through any part of the state . . ." with certain exceptions. L. 1978, ch. 263, § 2.

Neither K.S.A. 79-5a01 nor 66-104 reference article 11, section 1 of the constitution or attempt to make the definitions contained in those statutes applicable for purposes of the constitutional provision. [We note that amending either or both of these sections may not impact on the provisions in the constitution if the legislation does not attempt to make the amendments applicable for purposes of the

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constitutional classifications.] The Kansas Supreme Court has held that the definitions in K.S.A. 66-104, establishing the KCC's scope of authority, should not be read into K.S.A. 79-5a01, as the two statutes serve totally separate purposes. First Page, Inc. v. Cunningham, 252 Kan. 593, 600 (1992). It would therefore appear that the definitions in K.S.A. 66-104, as amended by L. 1978, ch. 263, § 2, should also not be read into or used to determine the makers' or adopters' understanding of a term used in a taxing provision of the constitution. As for K.S.A. 79-5a01, as amended by L. 1983, ch. 314, § 1, that provision did not actually define the term "public utility," it simply set forth a laundry list of entities to be considered as public utilities for purposes of valuation by the state. There are, however, some clues as to how the list was arrived at. Whether the entity was regulated appeared to be important, as well as whether the entity operated in more than one county. The Kansas Supreme Court also has listed characteristics that typically denote a public utility: Its service is an essential one; it is monopolistic; it makes use of public property or rights-of-way; it requires a franchise or authority to operate; it is guaranteed a rate of return on investments and can offset a tax increase by requesting a rate increase. First Page, supra at 605. While this case was decided after the constitutional amendment in question was adopted, we believe the legislature may find it useful in determining what types of entities it may include within the definition of "public utilities" for purposes of tax classification.

Whether an "interexchange telecommunications carrier" that does not provide basic local exchange telephone services (1993 House Bill No. 2535) meets the commonly understood definition of the term "public utility" is a question of fact. We have been provided arguments by two long distance carriers, AT&T and MCI, that these two carriers, as they exist today, do not meet that definition. We decline to determine this issue of fact, but opine only that the legislature may, under article 11, section 1 of the Kansas constitution, define and redefine the term "public utility" as necessary and reasonable to effectuate the makers' and adopters' intent in treating such property differently for purposes of taxation, as long as the

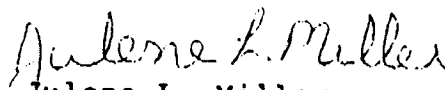
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legislative definition remains consistent with the commonly understood meaning of the term.

Very truly yours,



ROBERT T. STEPHAN
Attorney General of Kansas



Julene L. Miller
Deputy Attorney General

RTS:JLM:jm



Greg Millert
Vice-President
External Tax Policy

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Testimony of Greg Millert on Behalf of AT&T
Before Senate Assessment and Tax Committee
Senate Bill 270
February 16, 1995

Madame Chairman, members of the Committee, good morning. My name is Greg Millert. I am the Vice President for AT&T's External Tax Policy organization with responsibility for tax legislative affairs. I appreciate the opportunity to appear before you today to testify in support of Senate Bill 270 which proposes to change the classification of competitive telecommunications carriers from "public utility" to "commercial business" for property tax purposes. The result would be to assess the property of interexchange telecommunication carriers at twenty-five percent (25%) of fair market value -- the same basis as commercial business property.

Over the course of the last two decades, the telecommunications industry has seen rapid changes in technology as well as tremendous growth of competition in the long distance interexchange market. In recognition of these changes and in line with basic fairness in taxation, there should be a modification of the current ad valorem taxation system that discriminates between competitive carriers and other types of business. I appreciate the opportunity to share with you AT&T's view of how current tax policy should be adjusted to recognize these fundamental market changes.

Industry History

Throughout my testimony, when I make references to interexchange telecommunications carriers, I am referring to providers of long distance telecommunication services such as AT&T, MCI and Sprint, as well as resellers of interexchange telecommunication services. The interexchange telecommunication marketplace as it currently exists was principally shaped by the 1984 court ordered divestiture by AT&T of its 22 Bell Operating Companies. As part of the AT&T divestiture decree, the United States was divided into geographic areas known as Local Access and Transport Areas, or "LATAs". Kansas is divided into three such LATAs. The Local Exchange Carriers, often referred to as "LECs", include the former Bell Operating Companies such as Southwestern Bell, provide basic local telephone services and long distance toll services within a LATA. Under the Divestiture Decree, the LECs retained their monopoly franchise rights to provide local service. The interexchange carriers primarily provide long distance services between the LATAs. Currently in Kansas, the former Bell Operating Company, Southwestern Bell, is

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prohibited from entering the interlata long distance marketplace and AT&T is prohibited from providing basic local telephone service.

Current Trend

Senate Bill 270 accomplishes what has become a national trend regarding the taxation of interexchange telecommunications companies, that being the recognition of the existing competitiveness within the industry and the entry of companies not included within the definition of a public utility which provide their own long distance telecommunication services. With this realization, there no longer exists any rational basis from a tax perspective to treat interexchange telecommunications companies in a manner that differentiates us from the general business community.

There are currently only thirteen states, including Kansas, whose statutes continue to provide for the disparate property tax treatment of the interexchange telecommunications industry. That is, the property of interexchange carriers is, by statute, assessed at rates either in excess of those imposed upon the general business community, or portions of our property are subject to taxation while that of the general business community is not. In each of these thirteen states, the tax is imposed as part of the overall treatment of utilities doing business.

The state of New Jersey, Arizona and Tennessee have already eliminated the discriminatory property tax treatment that once was in effect in those states. Other states, among the thirteen remaining, are taking the first steps to remove the discriminatory treatment. Governor Voinovich's proposed budget bill (HB117) in Ohio eliminates the disparate treatment afforded our industry in that state and bills are currently pending before Iowa, Mississippi (HB510), North Dakota (SB2464) and Oklahoma (HJR1035) addressing this very issue. It is not inconceivable that by year end 1995, the number of states taxing interexchange companies in a manner differing from general business concerns will be in the single digits.

Why The Discrimination Exists

The historic rationale for this type of tax levy was that it constituted a quid pro quo for the special rights and privileges that the state granted to utilities, such as monopoly status within a defined franchise service area. In other words, protection from market competition. The utility franchise also ensures that the utility has the opportunity to recover its costs and earn a reasonable rate of return on its investment. Utilities are protected from competition to keep them in business and for this protection they pay a premium, for example, higher property taxes.

Why The Discrimination Should Be Eliminated

AT&T ceased to enjoy utility protection over ten years ago. Today, competition is the hallmark of the interexchange telecommunications industry. As a result, AT&T has become by necessity, an enterprise no different in virtually all respects from other service or product providers. Under such circumstances, it is not reasonable to subject us to dif-

ferentiated taxing schemes based essentially on factors that are incompatible with competition. Interexchange carriers are no longer protected from competition by the state, so the arguments that they should be subjected to discriminatory taxation in exchange for monopoly franchise no longer exists.

A principle that is often used in evaluating a state's tax structure is that of equity. In fact, Governor Graves stated in his State of the State Address that "tax fairness must be a part of [the Kansas] tax structure." The tax burden for taxpayers with similar resources should be related to the value of the public services that are received. States such as Kansas that continue to tax interexchange telecommunications companies in a manner similar to monopoly utilities clearly violates this principle since we have no monopoly franchise in any service area and yet, are burdened with the same property tax treatment that is levied upon public utilities that continue to enjoy a monopoly franchise.

The extent of competition that currently exists within the interexchange industry is readily concluded from the barrage of advertisement in newspaper, magazines or television commercials. AT&T's market share has fallen dramatically, from over ninety percent (90%) in 1984 to approximately sixty percent (60%) today. Consumers are inundated with advertising regarding MCI's Friends and Family Program, AT&T's True Voice and True Savings Programs, and Sprint's Voice Activated Calling Cards. Interexchange carriers offer numerous incentives to consumers in attempts to get them to switch their long distance providers such as cash, free minutes of usage, airline mileage, and points that can be redeemed for merchandise. In order to reinforce the extent of competition within our industry, I would like for you to consider that in Kansas there are over 80 such carriers offering interexchange long distance service.

Customers have a genuine choice in deciding who will provide their long distance interexchange services, and they do exercise that choice. In 1992 for example, an estimated 16 million residential customers switched long distance carriers. This roughly equates to a turnover rate of approximately seventeen percent (17%) of all households. Even after choosing a long distance provider, customers can use an alternative carrier for any given call simply by dialing an access code. For example, an MCI customer can place a call over AT&T's network simply by dialing 10+ATT, the area code and the number that is being called.

Further, given the degree of competition that currently exists within the industry, this discriminatory treatment takes on even greater significance when it is recognized that the interexchange industry competes not only among itself, but also against businesses in other industries. For example, Martin Marietta, IBM and DEC have all bid against AT&T for telecommunications projects. Yet these companies would not be subject to a higher property tax assessment rate in Kansas because they are not considered "public utilities". AT&T would operate at a competitive disadvantage.

Another attribute of any fair tax system is that it does not cause business to change investment decisions based upon tax criteria alone. AT&T is not espousing that the long distance interexchange industry will collapse if we are not treated as a general business concern for property tax purposes. As long as consumers need telecommunication

services, that need will be satisfied. The question is, in what manner and at what cost? Existing facilities in states such as Kansas that continue to impose onerous taxing schemes will be maintained and maybe even enhanced. Special property tax burdens increase the cost of telecommunication services to the users and reduce demand. The artificial suppression of the market demand for telecommunication services makes investments to meet that demand less attractive, thereby resulting in lower investment in telecommunications.

Additionally, taxes are one of several factors that are considered when making location decisions. Technology has made the design of telecommunication systems more modular. Additional distance adds little additional cost. Therefore, location decisions are becoming much less sensitive to distance and much more discretionary. This is particularly true of high-investment components like switching equipment. To the extent that customers in a state imposing a discriminatory property tax scheme can be serviced by equipment placed in a state with a more favorable property tax climate, the sound business decision becomes obvious. This matter takes on even greater significance as carriers contemplate location decisions relative to what is commonly referred to as the information super highway. The states bordering Kansas have effective property tax rates which are thirty to fifty percent (30%-50%) lower for interexchange telecommunication carriers.

The very issue of "what is a public utility for purposes of property taxation" was taken before the Kansas Supreme Court by a Kansas paging company, First Page of Kansas. In this case, First Page argued that, although technically covered by the Public Utility statutes, they did not possess the traditional public utility characteristics. In its March 5, 1993, decision, the Kansas Supreme Court ruled that First Page provides a competitive non-franchised, non-monopoly service. Their service is different from the telephone company who provides basic telecommunication services, and therefore should not be assessed as a public utility as defined by KSA 79-5a01.

The same logic used by the Kansas Supreme Court in the First Page case is expressed in Senate Bill 270. It conforms tax policy to recognize the emergence of a telecommunications marketplace that is as competitive as any other industry in our state, and provides for the equitable valuation of property used by competitive carriers in their telecommunications operations.

Summary

In summary, technological innovations have changed the telecommunications industry. The emergence of a highly competitive industry and the development of sophisticated private networks was not contemplated when the public utility definitions found in the property tax statutes were drafted for telephone companies. Senate Bill 270 would amend tax policy to recognize the changes in the telecommunications marketplace consistent with the Kansas Supreme Court Ruling.

Again, I appreciate the opportunity to express AT&T's support of this initiative and urge you to support this bill. Thank you.



2330 Shawnee Mission Parkway
Shawnee Mission, KS 66205

**REMARKS OF SPRINT COMMUNICATIONS COMPANY
IN SUPPORT OF SENATE BILL NO. 270
TOPEKA, KANSAS
16 FEBRUARY 1995**

Madame Chair, Member of the Committee, I am Mark Beshears, Assistant Vice President of State and Local Tax for Sprint located in Westwood, Kansas. I am here today to add Sprint's support to Senate Bill No. 270, which recognizes the changing nature of telecommunications as we know it.

Although you may know Sprint by our "pin drop" ads that appear on television, in newspapers and in magazines, Sprint is much, much more in the field of telecommunications. Sprint has a long distance division, as well as local and cellular divisions. Recently, Sprint formed significant international partnerships with the French and Germans. We have signed agreements with three leading cable television operators -- TCI, Comcast and Cox Communications -- to offer competitive local telephone service across the United States utilizing the cable providers infrastructure. The major market segments of local, long distance, wireless, data and international communications are converging rapidly, and Sprint believes it is defining the way communications services and products will be delivered in the future.

In Kansas, Sprint has made significant investment, and it is because of this multi-million dollar investment that I am here today supporting the change in tax structure presented in Senate Bill No. 270.

Kansas property tax law taxes Sprint, and our long distance competitors, AT&T and MCI, as if we were monopoly utilities, instead of a competitive business. Whether its MCI's Friends and Family, AT&T's True USA Savings, or Sprint's own recently-announced flat rate calling plan, Sprint Sense, Kansas long distance telephone consumers know they have a choice when it comes to selecting the long distance company that best fits their needs, and their budgets.

It is this choice that highlights the disparity in Kansas' property tax treatment of long distance providers. Today, the property of Long distance carriers like Sprint is assessed for both personal and real property as a utility company and not as a competitive business.

Historically, in the pre-divestiture era when AT&T was "the phone company", this type of tax treatment made sense. The local telephone company, as a monopoly

*Senate Assess + Tax
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franchise, was granted special rights and privileges and asked to assume certain obligations. The utility franchise insulates a company from competition and permits it to recover its costs and earn a return on its investment.

While this is still largely the case in the local exchange industry, this is no longer the case in the long distance industry. In fact, for Sprint and other new entrants, it never was the case. Yet we are still required to pay property tax on both real and personal property as if we were a franchised, monopoly utility.

Senate Bill 270 recognizes the reality of today's marketplace conditions and properly reclassifies companies such as Sprint, AT&T and MCI -- as competitive businesses, subject to the same property tax classifications as any other competitive business in Kansas.

Your support of Senate Bill No. 270 allows you to address a significant change that has taken place in telecommunications; bring equity to the taxes imposed on competitive long distance providers and not unfairly burden high tech industries with a disproportionate share of taxes.

I ask your support for Senate Bill No. 270 and ask that you recommend it favorable for passage.

Thank you for your time and consideration.

SPRINT COMMUNICATIONS COMPANY L. P.
PROPERTY TAX REDUCTION BASED ON SB 270

COUNTY	1994 PROPERTY TAX @ 33%	1994 PROPERTY TAX @ 25%	1994 PROPERTY TAX REDUCTION
ATCHISON	35,670	27,023	8,647
BROWN	48,216	36,527	11,689
BUTLER	60,266	45,656	14,610
CHASE	26,726	20,247	6,479
DECATUR	22	17	5
DOUGLAS	24,660	18,682	5,978
JOHNSON	2,261,298	1,713,105	548,193
LEAVENWORTH	43,386	32,868	10,518
LYON	50,390	38,174	12,216
MARION	26	20	6
MCPHERSON	37	28	9
OSAGE	11,388	8,627	2,761
SEDGWICK	46,878	35,514	11,364
SHAWNEE	61,890	46,886	15,004
SUMNER	68,030	51,538	16,492
WABAUNSEE	842	638	204
WYANDOTTE	81,272	61,570	19,702
TOTAL	2,820,997	2,137,119	683,878

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2/15/95 2:18 PM

Good morning Madam Chair Langworthy and Members of the Senate Committee on Assessment & Taxation:

I am Whitney Damron of Pete McGill & Associates appearing before you today on behalf of our client, Southwestern Bell Mobile Systems to offer a few comments on SB 270.

As you have likely heard by now, there is some confusion as to whether the cellular or wireless industry is included in SB 270 as introduced. In Section 1. (b) (4), we are specifically absent from any reference. However, in New Section 2, (a) (2), cellular is defined as a "centrally assessed company" and therefore afforded an assessment rate of 25 percent as outlined in New Section 2. (d).

By the time I am to testify, I believe the primary proponents will have informed the Committee it was not their intent to include cellular carriers in SB 270.

Southwestern Bell Mobile Systems is cognizant of the competitive disadvantage AT&T, Sprint, MCI and others are in when competing against long distance telecommunications providers that are assessed at a commercial rate of 25 percent when they are assessed at a utility rate of 33 percent. However, we would respectfully point out that we, too are assessed at a rate of 33 percent and have little,

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if any of the attributes of a public utility. Whereas the primary proponents of SB 270 seek relief as a matter of equity, the cellular industry continues to seek relief as a matter of law (as we perceive it).

Dating back prior to the *First Page* case decided in 1993, (*First Page, Inc., vs. David C. Cunningham, et. al*, Case No, 67,641 @ page 22 - Kansas Supreme Court) cellular and wireless providers have complained that they are taxed unfairly or inappropriately. *First Page* determined that paging companies should not be deemed to be a utility for property tax purposes. In that case, paging companies were declared not to be a public utility and we would reprint the following comments from that opinion:

"*First Page* has none of the trappings of a public utility. Its service is a convenience rather than an essential service. It is highly competitive rather than a monopoly. It does not make use of public property or rights-of-way and does not require a franchise or authority to operate. It is not guaranteed a rate of return on investments and cannot offset a tax increase by requesting a rate increase."

SBMS would have all of the previously-described attributes as well.

Our client pursued redress through PVD as did *First Page* and ultimately brought an action before the Kansas Board of Tax Appeals. On February 13, 1995

BOTA ruled against our client in a 3-2 decision that the cellular telephone providers should pay property taxes based upon a utility classification.

We point out this history as forecast of future events. The telecommunications industry is constantly changing due to technological enhancements and corporate mergers. Long distance carriers are getting into cellular and wireless markets through expansion and mergers; the local carriers are moving into long distance; cable television companies are seeking mergers with telecommunications providers, Personal Communications Systems are just beginning to come on line and the list goes on. What appears to be a utility today may have little if any resemblance to a utility in the years to come, which is exactly why the proponents of SB 270 are before you today seeking relief and equity.

Southwestern Bell Mobile Systems would respectfully request this Committee give careful consideration to providing equity to the long distance interexchange carriers and also consider providing relief to the cellular industry in this bill as a matter of law.

I would be pleased to stand for questions at the appropriate time.



February 13, 1995

The Honorable Audrey Langworthy
Kansas State Senate
State Capitol
Topeka, KS 66612

RE: SB 270

Dear Senator Langworthy:

MCI supports Senate Bill 270 and respectfully requests your consideration and yes vote.

Competitive long distance companies such as MCI should be classified as other business and industry, not as public utilities. SB 270 would change the definition of public utilities to exclude interexchange telecommunications carriers.

Kansas tax statutes define public utilities for property tax purposes. If a company is considered a public utility the Kansas utility property of that company is assessed at 33% of its fair market value. A company that is not included in the definition of public utility could own the same kind of property, but would only be assessed at 25% of its fair market value.

MCI could build a telecommunications network in Kansas in order to offer competitively priced services to all residents of Kansas. MCI would be taxed on 33% of the value of the telecommunications property. A retail chain operating throughout Kansas could build the same network for its exclusive use and benefit and only be taxed on 25% of the value of the telecommunications property. This additional tax puts MCI at a competitive disadvantage when trying to obtain business in Kansas.

The long distance telecommunications companies are seeking fair tax treatment. We believe this legislation is necessary for Kansas to create an equitable and growth encouraging tax structure for the telecommunications industry.

We respectfully request your support in this effort.

Please contact me if you have any questions or would like additional information.

Sincerely,

Phyllis D. Coffin
Senior Manager
Tax Legislative Affairs

*Senate Assess + Tax
Feb. 16, 1995
attach 5-1*





**KANSAS
ASSOCIATION
OF COUNTIES**

"Service to County Government"

215 S.E. 8th
Topeka, Kansas 66603-3906
(913) 233-2271
FAX (913) 233-4830

February 16, 1995

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Darrell Wilson

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Salina, KS 67401
913) 826-6500

Executive Director

Don L. Forber, DAE

To: Senator Audrey Langworthy, Chair
Members of the Senate Assessment and
Taxation Committee

From: Bev Bradley, Deputy Executive Director
Kansas Association of Counties

Re: SB 270 concerning the assessment and
taxation of certain telecommunications
companies

The Kansas Association of Counties is opposed to this bill as we understand it. The "interexchange telecommunications carrier" would be defined as a centrally assessed company and the assessment rate would be lowered from 33 percent to 25 percent. This would result in a decided loss of revenue, nearly \$2 million to local units of government in one year. We have information which indicates the loss to each county from each company.

We are concerned about the erosion of the tax base either by exemption or rate changes. Local governments can provide the services necessary to its citizens if the burden is spread and everyone pays their fair share. We would urge the committee to carefully consider whether or not this rate change is justified.

*Senate Assess + Tax
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1994 TAX COMPARISON AT 33% & 25% ASSESSMENT RATE

CO ID	COUNTY NAME	COMPANY NAME	TAX @ 33%	TAX @ 25%	TAX LOSS
001	ALLEN	VALU-LINE OF KANSAS, INC.	234.05	177.31	56.73
		County Total	234.05	177.31	56.73
002	ANDERSON	VALU-LINE OF KANSAS, INC.	20.65	15.64	5.00
		County Total	20.65	15.64	5.00
003	ATCHISON	U.S. SPRINT	35,670.78	27,023.31	8,647.46
		AMERICAN TELEPHONE & TELEGRAPH COMPANY	2,770.68	2,099.00	671.67
		County Total	38,441.46	29,122.31	9,319.14
004	BARBER	VALU-LINE OF KANSAS, INC.	15.25	11.55	3.69
		AMERICAN TELEPHONE & TELEGRAPH COMPANY	29,458.09	22,316.73	7,141.35
		County Total	29,473.34	22,328.28	7,145.05
005	BARTON	VALU-LINE OF KANSAS, INC.	374.98	284.07	90.90
		RTSC Communications, Inc.	2,314.14	1,753.13	561.00
		WILLIAMS TELECOMMUNICATIONS	23,372.82	17,706.68	5,666.13
		AMERICAN TELEPHONE & TELEGRAPH COMPANY	18,031.46	13,660.19	4,371.26
		MCI TELECOMMUNICATIONS CORPORATION	216.20	163.78	52.41
		County Total	44,309.60	33,567.87	10,741.72
006	BOURBON	VALU-LINE OF KANSAS, INC.	99.33	75.25	24.07
		CENTRAL STATES MICROWAVE TRANSMISSION CO	3,314.36	2,510.87	803.48
		AMERICAN TELEPHONE & TELEGRAPH COMPANY	73,843.19	55,941.81	17,901.37
		County Total	77,256.88	58,527.93	18,728.94
007	BROWN	U.S. SPRINT	48,216.26	36,527.46	11,688.79
		INDEPENDENT COMMUNICATIONS INC	120,523.62	91,305.77	29,217.84
		AMERICAN TELEPHONE & TELEGRAPH COMPANY	231,582.26	175,441.10	56,141.15
		County Total	400,322.14	303,274.34	97,047.79
008	BUTLER	VALU-LINE OF KANSAS, INC.	829.94	628.74	201.19
		WILLIAMS TELECOMMUNICATIONS	1,658.68	1,256.57	402.10
		U.S. SPRINT	60,266.38	45,656.34	14,610.03
		MCI TELECOMMUNICATIONS CORPORATION	23.94	18.13	5.80
		AMERICAN TELEPHONE & TELEGRAPH COMPANY	9,414.90	7,132.50	2,282.39
		County Total	72,193.84	54,692.30	17,501.53
009	CHASE	WILLIAMS TELECOMMUNICATIONS	24,354.74	18,450.56	5,904.17
		U.S. SPRINT	26,726.38	20,247.25	6,479.12
		MCI TELECOMMUNICATIONS CORPORATION	163.64	123.96	39.67
		AMERICAN TELEPHONE & TELEGRAPH COMPANY	13,877.64	10,513.36	3,364.27
		County Total	65,122.40	49,335.15	15,787.24
011	CHEROKEE	VALU-LINE OF KANSAS, INC.	5.62	4.25	1.36
		WILLIAMS TELECOMMUNICATIONS	2,897.04	2,194.72	702.31
		MCI TELECOMMUNICATIONS CORPORATION	18,098.90	13,711.28	4,387.61
		AMERICAN TELEPHONE & TELEGRAPH COMPANY	41,207.22	31,217.59	9,989.62
		County Total	62,208.78	47,127.86	15,080.91
012	CHEYENNE	WILLIAMS TELECOMMUNICATIONS	21,416.95	16,224.96	5,191.98
		County Total	21,416.95	16,224.96	5,191.98
013	CLARK	VALU-LINE OF KANSAS, INC.	167.64	127.00	40.63
		AMERICAN TELEPHONE & TELEGRAPH COMPANY	8,603.09	6,517.49	2,085.59
		County Total	8,770.73	6,644.49	2,126.23
014	CLAY	VALU-LINE OF KANSAS, INC.	47.56	36.03	11.52
		County Total	47.56	36.03	11.52
015	CLOUD	VALU-LINE OF KANSAS, INC.	39.52	29.93	9.58
		AMERICAN TELEPHONE & TELEGRAPH COMPANY	6,640.72	5,030.84	1,609.87
		County Total	6,680.24	5,060.78	1,619.45
016	COFFEY	VALU-LINE OF KANSAS, INC.	112.22	85.01	27.20
		AMERICAN TELEPHONE & TELEGRAPH COMPANY	15,925.88	12,065.06	3,860.81

1994 TAX COMPARISON AT 33% & 25% ASSESSMENT RATE

	COUNTY NAME	COMPANY NAME	TAX @ 33%	TAX @ 25%	TAX LOSS
		County Total	16,038.10	12,150.07	3,888.02
017	COMANCHE	AMERICAN TELEPHONE & TELEGRAPH COMPANY	6,410.14	4,856.16	1,553.97
		County Total	6,410.14	4,856.16	1,553.97
018	COWLEY	VALU-LINE OF KANSAS, INC.	1,074.08	813.69	260.38
	COWLEY	AMERICAN TELEPHONE & TELEGRAPH COMPANY	9,538.62	7,226.22	2,312.39
		County Total	10,612.70	8,039.92	2,572.77
019	CRAWFORD	VALU-LINE OF KANSAS, INC.	195.13	147.82	47.30
	CRAWFORD	WILLIAMS TELECOMMUNICATIONS	20,792.35	15,751.78	5,040.56
	CRAWFORD	CENTRAL STATES MICROWAVE TRANSMISSION CO	3,220.87	2,440.05	780.81
	CRAWFORD	AMERICAN TELEPHONE & TELEGRAPH COMPANY	67,976.97	51,497.70	16,479.26
	CRAWFORD	MCI TELECOMMUNICATIONS CORPORATION	244.05	184.88	59.16
		County Total	92,429.37	70,022.25	22,407.11
020	DECATUR	VALU-LINE OF KANSAS, INC.	12.06	9.13	2.92
	DECATUR	RTSC Communications, Inc.	2,856.18	2,163.77	692.40
	DECATUR	U.S. SPRINT	21.66	16.40	5.25
		County Total	2,889.90	2,189.31	700.58
021	DICKINSON	VALU-LINE OF KANSAS, INC.	18.98	14.37	4.60
	DICKINSON	AMERICAN TELEPHONE & TELEGRAPH COMPANY	46,193.64	34,995.18	11,198.45
		County Total	46,212.62	35,009.56	11,203.05
022	DONIPHAN	AMERICAN TELEPHONE & TELEGRAPH COMPANY	20,007.56	15,157.24	4,850.31
		County Total	20,007.56	15,157.24	4,850.31
023	DOUGLAS	VALU-LINE OF KANSAS, INC.	160.52	121.60	38.91
	DOUGLAS	WILLIAMS TELECOMMUNICATIONS	4,008.06	3,036.40	971.65
	DOUGLAS	U.S. SPRINT	24,660.50	18,682.19	5,978.30
	DOUGLAS	AMERICAN TELEPHONE & TELEGRAPH COMPANY	92,867.34	70,354.04	22,513.29
	DOUGLAS	MCI TELECOMMUNICATIONS CORPORATION	5,124.86	3,882.46	1,242.39
		County Total	126,821.28	96,076.72	30,744.55
026	ELLIS	WILLIAMS TELECOMMUNICATIONS	11,833.68	8,964.90	2,868.77
	ELLIS	ECON-A-CALL, INC.	4,546.16	3,444.06	1,102.09
	ELLIS	RTSC Communications, Inc.	13,843.16	10,487.24	3,355.91
	ELLIS	VALU-LINE OF KANSAS, INC.	290.00	219.69	70.30
	ELLIS	AMERICAN TELEPHONE & TELEGRAPH COMPANY	8,121.08	6,152.33	1,968.74
		County Total	38,634.08	29,268.24	9,365.83
027	ELLSWORTH	AMERICAN TELEPHONE & TELEGRAPH COMPANY	4,670.14	3,537.98	1,132.15
		County Total	4,670.14	3,537.98	1,132.15
028	FENNEY	VALU-LINE OF KANSAS, INC.	462.99	350.75	112.23
	FENNEY	AMERICAN TELEPHONE & TELEGRAPH COMPANY	41,076.02	31,118.19	9,957.82
		County Total	41,539.01	31,468.94	10,070.06
029	FORD	VALU-LINE OF KANSAS, INC.	2,813.38	2,131.34	682.03
	FORD	AMERICAN TELEPHONE & TELEGRAPH COMPANY	175,676.64	133,088.36	42,588.27
	FORD	MCI TELECOMMUNICATIONS CORPORATION	568.10	430.37	137.72
		County Total	179,058.12	135,650.09	43,408.02
030	FRANKLIN	VALU-LINE OF KANSAS, INC.	301.78	228.62	73.15
		County Total	301.78	228.62	73.15
031	GEARY	MCI TELECOMMUNICATIONS CORPORATION	325.76	246.78	78.97
	GEARY	AMERICAN TELEPHONE & TELEGRAPH COMPANY	39,330.68	29,795.96	9,534.71
		County Total	39,656.44	30,042.75	9,613.68
032	GOVE	WILLIAMS TELECOMMUNICATIONS	930.80	705.15	225.64
	GOVE	RTSC Communications, Inc.	6,295.88	4,769.60	1,526.27
	GOVE	VALU-LINE OF KANSAS, INC.	7.62	5.77	1.84
		County Total	7,234.30	5,480.53	1,753.76
033	GRAHAM	WILLIAMS TELECOMMUNICATIONS	546.76	414.21	132.54

1994 TAX COMPARISON AT 33% & 25% ASSESSMENT RATE

	COUNTY NAME	COMPANY NAME	TAX @ 33%	TAX @ 25%	TAX LOSS
033	GRAHAM	RTSC Communications, Inc.	15,721.30	11,910.07	3,811.22
		County Total	16,268.06	12,324.28	3,943.77
034	GRANT	AMERICAN TELEPHONE & TELEGRAPH COMPANY	3,907.58	2,960.28	947.29
		County Total	3,907.58	2,960.28	947.29
035	GRAY	VALU-LINE OF KANSAS, INC.	75.92	57.51	18.40
	GRAY	AMERICAN TELEPHONE & TELEGRAPH COMPANY	9,906.16	7,504.66	2,401.49
		County Total	9,982.08	7,562.18	2,419.89
036	GREELEY	AMERICAN TELEPHONE & TELEGRAPH COMPANY	891.74	675.56	216.17
		County Total	891.74	675.56	216.17
037	GREENWOOD	VALU-LINE OF KANSAS, INC.	48.16	36.48	11.67
		County Total	48.16	36.48	11.67
038	HAMILTON	AMERICAN TELEPHONE & TELEGRAPH COMPANY	17,934.18	13,586.50	4,347.67
		County Total	17,934.18	13,586.50	4,347.67
039	HARPER	VALU-LINE OF KANSAS, INC.	38.51	29.17	9.33
	HARPER	MCI TELECOMMUNICATIONS CORPORATION	110.07	83.38	26.68
	HARPER	AMERICAN TELEPHONE & TELEGRAPH COMPANY	15,070.98	11,417.40	3,653.57
		County Total	15,219.56	11,529.96	3,689.59
040	HARVEY	WILLIAMS TELECOMMUNICATIONS	18,776.26	14,224.43	4,551.82
	HARVEY	VALU-LINE OF KANSAS, INC.	353.68	267.93	85.74
	HARVEY	MCI TELECOMMUNICATIONS CORPORATION	559.80	424.09	135.70
		County Total	19,689.74	14,916.46	4,773.27
041	HASKELL	VALU-LINE OF KANSAS, INC.	9.58	7.25	2.32
	HASKELL	MCI TELECOMMUNICATIONS CORPORATION	327.66	248.22	79.43
	HASKELL	AMERICAN TELEPHONE & TELEGRAPH COMPANY	6,284.37	4,760.88	1,523.48
		County Total	6,621.61	5,016.37	1,605.23
042	HODGEMAN	VALU-LINE OF KANSAS, INC.	8.64	6.54	2.09
	HODGEMAN	AMERICAN TELEPHONE & TELEGRAPH COMPANY	16,223.23	12,290.32	3,932.90
		County Total	16,231.87	12,296.87	3,934.99
043	JACKSON	MCI TELECOMMUNICATIONS CORPORATION	4,450.32	3,371.45	1,078.86
	JACKSON	AMERICAN TELEPHONE & TELEGRAPH COMPANY	10,503.78	7,957.40	2,546.37
		County Total	14,954.10	11,328.86	3,625.23
044	JEFFERSON	MCI TELECOMMUNICATIONS CORPORATION	11,527.08	8,732.63	2,794.44
	JEFFERSON	WILLIAMS TELECOMMUNICATIONS	5,364.20	4,063.78	1,300.41
		County Total	16,891.28	12,796.42	4,094.85
045	JEWELL	AMERICAN TELEPHONE & TELEGRAPH COMPANY	265.74	201.31	64.42
		County Total	265.74	201.31	64.42
046	JOHNSON	MCI TELECOMMUNICATIONS CORPORATION	43,728.74	33,127.83	10,600.90
	JOHNSON	U.S. SPRINT	2,261,298.86	1,713,105.19	548,193.66
	JOHNSON	THE COMMUNIGROUP OF KANSAS CITY, INC.	77,195.32	58,481.30	18,714.01
	JOHNSON	VALU-LINE OF KANSAS, INC.	22.74	17.22	5.51
	JOHNSON	AMERICAN TELEPHONE & TELEGRAPH COMPANY	250,164.50	189,518.56	60,645.93
	JOHNSON	LDOS OF KANSAS CITY, INC.	41,709.36	33,870.72	10,838.63
	JOHNSON	MIDAMERICA COMMUNICATIONS CORPORATION	1,310.54	992.83	317.70
		County Total	2,678,430.06	2,029,113.68	649,316.37
047	KEARNY	AMERICAN TELEPHONE & TELEGRAPH COMPANY	11,028.69	8,355.06	2,673.62
		County Total	11,028.69	8,355.06	2,673.62
048	KINGMAN	VALU-LINE OF KANSAS, INC.	100.65	76.25	24.39
		County Total	100.65	76.25	24.39
049	KIOWA	AMERICAN TELEPHONE & TELEGRAPH COMPANY	17,297.16	13,103.90	4,193.25
	KIOWA	VALU-LINE OF KANSAS, INC.	17.94	13.59	4.34
		County Total	17,315.10	13,117.50	4,197.59
050	LABETTE	MCI TELECOMMUNICATIONS CORPORATION	23,659.46	17,923.83	5,735.62

1994 TAX COMPARISON AT 33% & 25% ASSESSMENT RATE

	COUNTY NAME	COMPANY NAME	TAX @ 33%	TAX @ 25%	TAX LOSS
050	LABETTE	AMERICAN TELEPHONE & TELEGRAPH COMPANY	89,352.78	67,691.50	21,661.27
		VALU-LINE OF KANSAS, INC.	667.00	505.30	161.69
		County Total	113,679.24	86,120.63	27,558.60
051	LANE	AMERICAN TELEPHONE & TELEGRAPH COMPANY	337.42	255.62	81.79
		County Total	337.42	255.62	81.79
052	LEAVENWORTH	MCI TELECOMMUNICATIONS CORPORATION	9,010.70	6,826.28	2,184.41
		AMERICAN TELEPHONE & TELEGRAPH COMPANY	20,112.12	15,236.45	4,875.66
		U.S. SPRINT	43,385.28	32,867.63	10,517.64
		WILLIAMS TELECOMMUNICATIONS	28,568.81	21,643.03	6,925.77
		County Total	101,076.91	76,573.41	24,503.49
054	LNN	AMERICAN TELEPHONE & TELEGRAPH COMPANY	30,339.70	22,984.62	7,355.07
		CENTRAL STATES MICROWAVE TRANSMISSION CO	3,250.54	2,462.53	788.00
		County Total	33,590.24	25,447.15	8,143.08
055	LOGAN	VALU-LINE OF KANSAS, INC.	18.22	13.80	4.41
		County Total	18.22	13.80	4.41
056	LYON	MCI TELECOMMUNICATIONS CORPORATION	339.48	257.18	82.29
		AMERICAN TELEPHONE & TELEGRAPH COMPANY	7,363.00	5,578.03	1,784.96
		U.S. SPRINT	50,390.58	38,174.68	12,215.89
		WILLIAMS TELECOMMUNICATIONS	18,674.16	14,147.09	4,527.06
		VALU-LINE OF KANSAS, INC.	4,713.67	3,570.96	1,142.70
		County Total	81,480.89	61,727.94	19,752.94
057	MARION	U.S. SPRINT	26.34	19.95	6.38
		WILLIAMS TELECOMMUNICATIONS	14,499.82	10,984.71	3,515.10
		VALU-LINE OF KANSAS, INC.	146.47	110.96	35.50
		County Total	14,672.63	11,115.62	3,557.00
058	MARSHALL	MCI TELECOMMUNICATIONS CORPORATION	42,980.20	32,560.75	10,419.44
		AMERICAN TELEPHONE & TELEGRAPH COMPANY	6,997.90	5,301.43	1,696.46
		County Total	49,978.10	37,862.19	12,115.90
059	MCPHERSON	MCI TELECOMMUNICATIONS CORPORATION	62.36	47.24	15.11
		AMERICAN TELEPHONE & TELEGRAPH COMPANY	57,645.92	43,671.15	13,974.76
		U.S. SPRINT	37.08	28.09	8.98
		WILLIAMS TELECOMMUNICATIONS	20,104.72	15,230.84	4,873.87
		VALU-LINE OF KANSAS, INC.	48.38	36.65	11.72
		MIDWEST TELEPHONE SERVICE INC.	5,618.76	4,256.63	1,362.12
		County Total	83,517.22	63,270.62	20,246.59
060	MEADE	AMERICAN TELEPHONE & TELEGRAPH COMPANY	8,786.64	6,656.54	2,130.09
		VALU-LINE OF KANSAS, INC.	37.38	28.31	9.06
		County Total	8,824.02	6,684.86	2,139.15
061	MIAMI	AMERICAN TELEPHONE & TELEGRAPH COMPANY	68,751.97	52,084.82	16,667.14
		VALU-LINE OF KANSAS, INC.	21.66	16.40	5.25
		County Total	68,773.63	52,101.23	16,672.39
062	MITCHELL	VALU-LINE OF KANSAS, INC.	51.86	39.28	12.57
		County Total	51.86	39.28	12.57
063	MONTGOMERY	AMERICAN TELEPHONE & TELEGRAPH COMPANY	33,324.38	25,245.74	8,078.63
		VALU-LINE OF KANSAS, INC.	314.91	238.56	76.34
		County Total	33,639.29	25,484.31	8,154.97
064	MORRIS	VALU-LINE OF KANSAS, INC.	161.24	122.15	39.08
		County Total	161.24	122.15	39.08
066	NEMAHA	AMERICAN TELEPHONE & TELEGRAPH COMPANY	183.16	138.75	44.40
		County Total	183.16	138.75	44.40
067	NEOSHO	VALU-LINE OF KANSAS, INC.	962.82	729.40	233.41
		County Total	962.82	729.40	233.41

1994 TAX COMPARISON AT 33% & 25% ASSESSMENT RATE

	COUNTY NAME	COMPANY NAME	TAX @ 33%	TAX @ 25%	TAX LOSS
068	NESS	AMERICAN TELEPHONE & TELEGRAPH COMPANY	1,025.30	776.74	248.55
		County Total	1,025.30	776.74	248.55
069	NORTON	RTSC Communications, Inc.	2,402.12	1,819.78	582.33
		County Total	2,402.12	1,819.78	582.33
070	OSAGE	U.S. SPRINT	11,387.62	8,626.98	2,760.63
	OSAGE	WILLIAMS TELECOMMUNICATIONS	4,573.60	3,464.84	1,108.75
	OSAGE	VALU-LINE OF KANSAS, INC.	138.84	105.18	33.65
		County Total	16,100.06	12,197.01	3,903.04
071	OSBORNE	AMERICAN TELEPHONE & TELEGRAPH COMPANY	1,803.60	1,366.36	437.23
	OSBORNE	RTSC Communications, Inc.	9,268.64	7,021.69	2,246.94
		County Total	11,072.24	8,388.06	2,684.17
072	OTTAWA	AMERICAN TELEPHONE & TELEGRAPH COMPANY	3,884.45	2,942.76	941.68
		County Total	3,884.45	2,942.76	941.68
073	PAWNEE	VALU-LINE OF KANSAS, INC.	131.28	99.45	31.82
		County Total	131.28	99.45	31.82
074	PHILLIPS	RTSC Communications, Inc.	16,294.72	12,344.48	3,950.23
		County Total	16,294.72	12,344.48	3,950.23
075	POTTAWATOMIE	MCI TELECOMMUNICATIONS CORPORATION	12,299.80	9,318.03	2,981.76
	POTTAWATOMIE	AMERICAN TELEPHONE & TELEGRAPH COMPANY	45,285.69	34,307.34	10,978.34
	POTTAWATOMIE	VALU-LINE OF KANSAS, INC.	6.06	4.59	1.46
		County Total	57,591.55	43,629.96	13,961.58
076	PRATT	AMERICAN TELEPHONE & TELEGRAPH COMPANY	17,138.92	12,984.03	4,154.88
	PRATT	VALU-LINE OF KANSAS, INC.	63.50	48.10	15.39
		County Total	17,202.42	13,032.13	4,170.28
077	RAWLINS	WILLIAMS TELECOMMUNICATIONS	18,549.76	14,052.84	4,496.91
	RAWLINS	VALU-LINE OF KANSAS, INC.	17.27	13.08	4.18
		County Total	18,567.03	14,065.93	4,501.09
078	RENO	MCI TELECOMMUNICATIONS CORPORATION	2,336.54	1,770.10	566.43
	RENO	AMERICAN TELEPHONE & TELEGRAPH COMPANY	70,232.60	53,206.51	17,026.08
	RENO	VALU-LINE OF KANSAS, INC.	643.82	487.74	156.07
		County Total	73,212.96	55,464.36	17,748.59
079	REPUBLIC	AMERICAN TELEPHONE & TELEGRAPH COMPANY	8,136.92	6,164.33	1,972.58
		County Total	8,136.92	6,164.33	1,972.58
080	RICE	WILLIAMS TELECOMMUNICATIONS	23,818.27	18,044.14	5,774.12
	RICE	VALU-LINE OF KANSAS, INC.	13.41	10.15	3.25
		County Total	23,831.68	18,054.30	5,777.37
081	RILEY	AMERICAN TELEPHONE & TELEGRAPH COMPANY	61,457.12	46,558.42	14,898.69
	RILEY	VALU-LINE OF KANSAS, INC.	213.46	161.71	51.74
	RILEY	MCI TELECOMMUNICATIONS CORPORATION	1,081.74	819.50	262.23
		County Total	62,752.32	47,539.63	15,212.68
082	ROOKS	RTSC Communications, Inc.	27,129.44	20,552.60	6,576.83
	ROOKS	MCI TELECOMMUNICATIONS CORPORATION	110.51	83.71	26.79
		County Total	27,239.95	20,636.32	6,603.62
083	RUSH	AMERICAN TELEPHONE & TELEGRAPH COMPANY	91.70	69.46	22.23
	RUSH	WILLIAMS TELECOMMUNICATIONS	16,849.62	12,764.86	4,084.75
	RUSH	RTSC Communications, Inc.	776.54	588.28	188.25
	RUSH	VALU-LINE OF KANSAS, INC.	39.08	29.60	9.47
		County Total	17,756.94	13,452.22	4,304.71
084	RUSSELL	AMERICAN TELEPHONE & TELEGRAPH COMPANY	28,015.84	21,224.12	6,791.71
	RUSSELL	RTSC Communications, Inc.	108.27	82.02	26.24
	RUSSELL	VALU-LINE OF KANSAS, INC.	20.94	15.86	5.07
		County Total	28,145.05	21,322.00	6,823.04

1994 TAX COMPARISON AT 33% & 25% ASSESSMENT RATE

	COUNTY NAME	COMPANY NAME	TAX @ 33%	TAX @ 25%	TAX LOSS
085	SALINE	AMERICAN TELEPHONE & TELEGRAPH COMPANY	72,445.54	54,882.98	17,562.55
	SALINE	U.S. SPRINT	.00	.00	.00
	SALINE	VALU-LINE OF KANSAS, INC.	300.38	227.56	72.81
	SALINE	MCI TELECOMMUNICATIONS CORPORATION	1,606.26	1,216.86	389.39
		County Total	74,352.18	56,327.40	18,024.77
086	SCOTT	AMERICAN TELEPHONE & TELEGRAPH COMPANY	12,865.86	9,746.86	3,118.99
	SCOTT	VALU-LINE OF KANSAS, INC.	42.32	32.06	10.25
		County Total	12,908.18	9,778.92	3,129.25
087	SEDGWICK	AMERICAN TELEPHONE & TELEGRAPH COMPANY	964,215.82	730,466.53	233,749.28
	SEDGWICK	U.S. SPRINT	46,878.85	35,514.28	11,364.56
	SEDGWICK	WILLIAMS TELECOMMUNICATIONS	49,376.12	37,406.15	11,969.96
	SEDGWICK	VALU-LINE OF KANSAS, INC.	1,008.04	763.66	244.37
	SEDGWICK	FEIST LONG DISTANCE SERVICE	14,747.32	11,172.21	3,575.10
	SEDGWICK	MCI TELECOMMUNICATIONS CORPORATION	102,445.37	77,610.12	24,835.24
		County Total	1,178,671.52	892,932.96	285,738.54
088	SEWARD	AMERICAN TELEPHONE & TELEGRAPH COMPANY	11,005.94	8,337.83	2,668.10
	SEWARD	VALU-LINE OF KANSAS, INC.	159.72	121.00	38.71
	SEWARD	MCI TELECOMMUNICATIONS CORPORATION	101.52	76.90	24.61
		County Total	11,267.18	8,535.74	2,731.43
089	SHAWNEE	AMERICAN TELEPHONE & TELEGRAPH COMPANY	247,123.10	187,214.46	59,908.63
	SHAWNEE	U.S. SPRINT	61,889.02	46,885.62	15,003.39
	SHAWNEE	WILLIAMS TELECOMMUNICATIONS	54,456.99	41,255.29	13,201.69
	SHAWNEE	VALU-LINE OF KANSAS, INC.	1,131.88	857.48	274.39
	SHAWNEE	MCI TELECOMMUNICATIONS CORPORATION	73,343.41	55,563.18	17,780.22
		County Total	437,944.40	331,776.06	106,168.33
090	SHERIDAN	WILLIAMS TELECOMMUNICATIONS	26,518.76	20,089.96	6,428.79
	SHERIDAN	RTSC Communications, Inc.	2,007.64	1,520.93	486.70
		County Total	28,526.40	21,610.90	6,915.49
092	SMITH	RTSC Communications, Inc.	3,437.36	2,604.06	833.29
		County Total	3,437.36	2,604.06	833.29
093	STAFFORD	VALU-LINE OF KANSAS, INC.	97.54	73.89	23.64
		County Total	97.54	73.89	23.64
094	STANTON	AMERICAN TELEPHONE & TELEGRAPH COMPANY	5,470.60	4,144.39	1,326.20
	STANTON	VALU-LINE OF KANSAS, INC.	8.78	6.65	2.12
		County Total	5,479.38	4,151.04	1,328.33
096	SUMNER	AMERICAN TELEPHONE & TELEGRAPH COMPANY	144,608.24	109,551.69	35,056.54
	SUMNER	U.S. SPRINT	68,030.36	51,538.15	16,492.20
	SUMNER	VALU-LINE OF KANSAS, INC.	81.31	61.59	19.71
		County Total	212,719.91	161,151.44	51,568.46
097	THOMAS	AMERICAN TELEPHONE & TELEGRAPH COMPANY	5.22	3.95	1.26
	THOMAS	WILLIAMS TELECOMMUNICATIONS	17,806.47	13,489.75	4,316.71
	THOMAS	RTSC Communications, Inc.	1,921.45	1,455.64	465.80
	THOMAS	VALU-LINE OF KANSAS, INC.	102.00	77.27	24.72
		County Total	19,835.14	15,026.62	4,808.51
098	TREGO	WILLIAMS TELECOMMUNICATIONS	26,202.38	19,850.28	6,352.09
	TREGO	RTSC Communications, Inc.	2,512.36	1,903.30	609.05
	TREGO	VALU-LINE OF KANSAS, INC.	27.86	21.10	6.75
		County Total	28,742.60	21,774.69	6,967.90
099	WABAUNSEE	U.S. SPRINT	842.28	638.09	204.18
	WABAUNSEE	WILLIAMS TELECOMMUNICATIONS	9,831.92	7,448.42	2,383.49
		County Total	10,674.20	8,086.51	2,587.68
101	WASHINGTON	AMERICAN TELEPHONE & TELEGRAPH COMPANY	9,041.20	6,849.39	2,191.80

CO ID	COUNTY NAME	COMPANY NAME	TAX @ 33%	TAX @ 25%	TAX LOSS
		County Total	9,041.20	6,849.39	2,191.80
102	WICHITA	AMERICAN TELEPHONE & TELEGRAPH COMPANY	662.96	502.24	160.71
		County Total	662.96	502.24	160.71
103	WILSON	VALU-LINE OF KANSAS, INC.	75.76	57.39	18.36
		County Total	75.76	57.39	18.36
104	WOODSON	VALU-LINE OF KANSAS, INC.	26.22	19.86	6.35
		County Total	26.22	19.86	6.35
105	WYANDOTTE	AMERICAN TELEPHONE & TELEGRAPH COMPANY	51,227.11	38,308.41	12,418.69
	WYANDOTTE	U.S. SPRINT	81,271.41	61,569.25	19,702.15
	WYANDOTTE	WILLIAMS TELECOMMUNICATIONS	364,599.39	276,211.65	88,387.73
	WYANDOTTE	VALU-LINE OF KANSAS, INC.	55.47	42.02	13.44
	WYANDOTTE	MCI TELECOMMUNICATIONS CORPORATION	61,492.75	46,585.41	14,907.33
		County Total	558,646.13	423,216.76	135,429.36
		Grand Total	7,874,196.50	5,965,300.37	1,908,896.11

TAX COMPANISON AT A 25% ASSESSMENT RATE VERSES 33% ASSESSMENT RATE

D	COMPANY NAME	TOTAL GENERAL TAX @ 33%	TOTAL GENERAL TAX @ 25%	TAX LOSS
	LONG DISTANCE CARRIERS			
T410	AMERICAN TELEPHONE & TELEGRAPH COMPANY	3,401,640.79	2,577,001	824,639.79
T412	CENTRAL STATES MICROWAVE TRANSMISSION CO	9,785.77	7,413	2,372.77
T414	INDEPENDENT COMMUNICATIONS INC.	120,523.62	91,306	29,217.62
T415	MCI TELECOMMUNICATIONS CORPORATION	416,339.22	315,409	100,930.22
T417	U.S. SPRINT	2,820,999.64	2,137,121	683,878.64
T419	WILLIAMS TELECOMMUNICATIONS	830,383.13	629,078	201,305.13
	LONG DISTANCE RESELLERS			
T500	LDOS OF KANSAS CITY, INC.	44,709.36	33,871	10,838.36
T502	THE COMMUNIGROUP OF KANSAS CITY, INC.	77,195.32	58,481	18,714.32
T504	ECON-A-CALL, INC.	4,546.16	3,444	1,102.16
T508	MIDAMERICA COMMUNICATIONS CORPORATION	1,310.54	993	317.54
T510	RTSC Communications, Inc.	106,889.20	80,977	25,912.20
T512	VALU-LINE OF KANSAS, INC.	19,507.67	14,779	4,728.67
T514	MIDWEST TELEPHONE SERVICE, INC.	5,618.76	4,257	1,361.76
T520	FEIST LONG DISTANCE SERVICE	14,747.32	11,172	3,575.32
	TOTALS	7,874,197	5,965,302	1,908,895