

Approved: March 13, 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 March 7, 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, Senator Ranson, and Senator Sallee.

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: Paul Klotz, Association of Community Mental Health Centers of Kansas, Inc.
John Peterson, Kansas Association of Professional Psychologists
Jane Rhys, Kansas Council on Developmental Disabilities
Judy Kinard, Kansas Mental Health Coalition
Bruce Webb, Pres., Kansas County Appraisers Assoc.
Bob Corkins, KCCI
Hal Hudson, National Federation of Independent Business
Don Schnacke, KIOGA

Others attending: See attached list

APPROVAL OF MINUTES

Senator Clark made a motion to approve the minutes of March 6, 1995. The motion was seconded by Senator Sallee. The motion carried.

HB 2008--INCOME AND PRIVILEGE TAX CREDIT FOR EMPLOYMENT OF DEVELOPMENTALLY DISABLED PERSONS

Senator Langworthy called the committee's attention to written testimony by Representative Gary Haulmark, sponsor of HB 2008. (Attachment 1)

Paul Klotz, Association of Community Mental Health Centers of Kansas, Inc., spoke as a proponent of HB 2008. (Attachment 2) He said this legislation will provide mental health reform by allowing people now successfully discharged from long-term hospitalization to become tax payers rather than tax users. Hospitalization costs about \$65,000 per year and instead these people would move toward full employment. He said it is estimated there are currently between 12,000 and 15,000 severely and persistently mentally ill adults. He said with the talk of hospital closures by the state, the Association wants to be prepared. This could be the best economical measure when these people become members of the community.

Senator Langworthy asked Mr. Klotz about the definition of developmentally disabled persons and he said they use the SRS definition which states it is a person who has been medically diagnosed with a major mental illness and has been in a hospital stay for that illness.

Senator Sallee said there have been some problems in his district and Mr. Klotz said they would like to know where there are problems. He said all of the studies have been successful; however, that is not to say there won't be problems some time.

Senator Bond said as he reads HB 2008 it would apply to current employees and it would be applied annually. He said it looks like a tax credit is given every year.

Mr. Klotz said it is his understanding this tax credit is a one time incentive after the person has been employed for 8 months.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on March 7, 1995.

Staff said the bill could be clarified to state the one time tax credit.

Senator Feleciano said it appears to him this bill will be a tax credit offered to corporate Kansas when there are businesses who are already hiring these people.

Mr. Klotz said it gives the businesses the opportunity to see these people do a good job and their major interest is in getting these people employed and expanding their opportunities.

John Peterson, representing the Kansas Association of Professional Psychologists, proposed an amendment to include the words "a licensed psychologist" on page 1, line 40. (Attachment 3) He said this amendment was approved by Representative Haulmark.

Jane Rhys, Kansas Council on Developmental Disabilities, said they give their full support to **HB 2008**. They know there are many individuals with developmental disabilities who want to work and they are very conscientious, hard workers, never late, and overall, excellent employees. (Attachment 4) She said please give them this opportunity. With the tax credit, a large number of businesses who have been afraid to hire these individuals will have an incentive to hire them.

Judy Kinard, Kansas Mental Health Coalition, said they are enthusiastic in their support for providing employer tax deductions to hire persons with severe and persistent mental illnesses. (Attachment 5) She said most people with mental illness want to work and are dependable workers, but employers must be knowledgeable as well as understanding. These tax credits will be an extra incentive to put good people to work.

Senator Langworthy asked if these people are on medication and Ms. Kinard said they usually are.

Lonnie Lundquist, Kansas Mental Illness Awareness Council Inc., did not appear but presented written testimony. (Attachment 6)

The hearing was closed on **HB 2008**.

HB 2113--ESCAPED PERSONAL PROPERTY

Bruce Webb, President, Kansas County appraisers Association, said this bill is to reduce the penalty and the number of years for which back taxes are due on taxable tangible personal property which has been either under-reported or has not been listed and has escaped taxation. The number of years for which county appraisers are required to list and appraise such property would be reduced from 4 years to 2 years and the amount of penalty required to be added would be reduced from 100% to 50%. The time period for assessment of back taxes on real property would be limited to the prior two years. Currently the escaped real property can be assessed for as many prior years as the property has been omitted from the tax rolls.

Bob Corkins, KCCI, spoke to both **HB 2113 and HB 2115**. (Attachment 7) He said PVD has required a number of business documents in trying to find escaped personal property. He said the record-keeping on the businesses would be more reasonable, but local appraisers could still pursue legitimate tax liabilities while the records are still fresh. In **HB 2115** the present maximum penalty of 100% on delinquencies over a year old is excessive and particularly when you consider the result is often simple neglect or mistake. At this time, the taxpayers must appeal their argument all the way through the state board of tax appeals before they can have a penalty waived due to "excusable neglect".

Hal Hudson, National Federation of Independent Business, said his association overwhelmingly ranked the administration of personal property taxation as one of their most burdensome and perplexing problems in dealing with the government. He also spoke to both **HB 2113 and HB 2115** (Attachment 8) He said their goal is not to deprive local governments of their needed revenue, but to prevent local governments from coming into a massive windfall of new taxes, penalties and interest charges, imposed upon the backs of businesses.

The hearing was closed on **HB 2113**.

HB 2114--GOVERNMENTAL VEHICLE PROPERTY TAX EXEMPTION REQUEST NOT REQUIRED

Bruce Webb, President, Kansas County Appraisers Association, said **HB 2114** would eliminate property tax exemption filing requirements for vehicles owned by the state or any political or taxing subdivision and used

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on March 7, 1995.

exclusively for governmental purposes. This bill was requested for introduction and is supported by the Kansas County Appraisers Association.

Senator Martin asked if there would be any other case where the Kansas County Appraisers Association will be exempting automobiles, or is this the only one. Mr. Webb said this is the only one.

HB 2115--LATE FILING PENALTY FOR PROPERTY ASSESSMENT STATEMENT

Bruce Webb, President, Kansas County Appraisers Association, said **HB 2115** would reduce the penalties for oil and gas and other personal property tax renditions filed less than one year late. **HB 2115** would require penalties ranging from 5% of assessed valuation for renditions filed up to one month late to 25% of assessed valuation for renditions filed from five months to one year later. The bill also would reduce from 100% to 50% the penalty for oil and gas renditions filed more than one year late.

Don Schnacke, KIOGA, appeared in support of **HB 2115**. (Attachment 9) He said the original bill was opposed by their Association but the bill, as amended by the House, now has their support. In the original version of **HB 2115**, the oil and gas operator taxpayer who fails to file before April 1 of each year would be assessed a 25% penalty for late filing, up from 10%. And this same operator who files after one year would be assessed 100% penalty. In this same bill, any other taxpayer failing to file within one year is assessed a penalty of only 50%, with no further penalty for failure to file after one year. His Association also objected to the oil and gas operator taxpayer not being able to appeal to the State Board of Tax Appeals and leaving the granting of any extension of time to file for the possible abatement of a penalty solely with the Appraiser. He said they think an aggrieved taxpayer should have the right to appeal to BOTTA. He said their position has switched from opposition now to support of **HB 2115** and he urged the committee to approve the bill as amended by the House.

Senator Langworthy asked why KIOGA has not brought this unreasonable penalty to the attention of the legislature before this. Mr. Schnacke said there have been very few oil and gas operator taxpayers who have failed to file on time. He thinks now they have come up with a better procedure.

Senator Langworthy also asked Mr. Webb, Kansas County Appraiser Association, why they wanted to eliminate BOTTA in the procedure and he said in 60% of the cases all BOTTA does is to grant "excusable neglect" and the penalty is abated. Senator Langworthy asked if he was still satisfied with this bill as amended by the House and he said he was.

The hearing was closed on **HB 2115**.

The meeting adjourned at 11:55 a.m.

The next meeting is scheduled for Wednesday, March 8, 1995.

GARY HAULMARK
REPRESENTATIVE, 30TH DISTRICT
JOHNSON COUNTY
8709 GALLERY
LENEXA, KANSAS 66215
(913) 894-2035

ROOM 181-W, CAPITOL BLDG.
TOPEKA, KANSAS 66612-1504
(913) 296-7640



TOPEKA
—
HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
APPROPRIATIONS
TAX, COMMERCE & TRANSPORTATION
SUB-COMMITTEE
BUDGET REFORM & GOVERNMENTAL IMPACT
SUB-COMMITTEE

Madame Chair and Committee Members,

Thank you for the opportunity to testify in favor of H.B. 2008. Very simply, when given a choice, competitive employment is the preferred employment alternative for Kansans with mental retardation and developmental disabilities, or those persistently and seriously mentally ill.

Many (but not all) employers are hesitant to hire workers with disabilities, despite many experiences that show those with disabilities can be very productive members of the work force. The \$500 tax credit will serve as incentive to those hesitant employers.

This bill will increase the number of "tax paying" citizens who are employed in the work force and over time they will become less dependent on "the system" for survival. The following forms of public assistance are based on income. Hence, the more money an individual makes, the less they are dependent on government subsidies.

Social Security: (For individuals with disabilities who are drawing benefits because of the death of parents or a spouse.)

Benefits are terminated after 12 months if the individual earns more than \$500.00 per month.

Supplemental Security Income: (SSI) (Available to people who are age 65 or older, blind or who have a disability.)

Benefits are reduced, for any amount earned over \$65.00 per month by .50 cents per every \$1.00 earned.

Food stamps are reduced, but medical cards may be retained.

Social Security Disability Insurance: (SSDI) (Available to children with disabilities under the age of 18, and disabled people over the age of 18 if their disability began before the age of 22.)

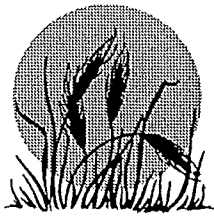
Benefits are terminated after 12 months if the individual earns more than \$500.00 per month.

Thank you for your time and consideration of this important legislation!

Senate Assess + Jay

3-7-95

attach 1-1



**Association of Community
Mental Health Centers of Kansas, Inc.**
700 SW Harrison, Suite 1420 • Topeka, KS 66603
Phone (913) 234-4773 • Fax (913) 234-3189

**Senate
Assessment and Taxation Committee
House Bill 2008**

This Association supports House Bill 2008. This legislation will provide Mental Health Reform it's best out-come measure yet, by allowing people now successfully discharged from long-term hospitalization to become tax payers rather than tax users.

Tax credits tied to Vocational Training offered by the State and Federal Government through the Community Mental Health Centers would be a powerful combination to move toward full employment for those persons who previously were state hospitalized at a cost of over \$65,000 per year.

House Bill 2008 is limited only to those patients which are designated by SRS as the State's targeted populations; that is, Severely and Persistently Mentally Ill Adults. It is estimated that there are currently 12,000 to 15,000 such individuals in the Kansas Mental Health System. Between 4,000 and 5,000 are children and adolescents.

Thank you for allowing this Association to continue to help you in improving the lives of all our citizens and at the same time create a whole new set of taxpayers.

Paul Klotz
March, 1995

Senate Assess + Tax

3-7-95

attach 2-1

As Amended by House Committee

Session of 1895

HOUSE BILL No. 2008

By Representative Haulmark

12-27

Proposed Amendment

John C. Peterson

Kansas Assn. of Professional Psychologists

Senate Assess + Tax
3-7-95
Attach 3-1

10 AN ACT relating to income taxation; authorizing credits for the hiring of
11 developmentally disabled persons.

12
13 *Be it enacted by the Legislature of the State of Kansas:*

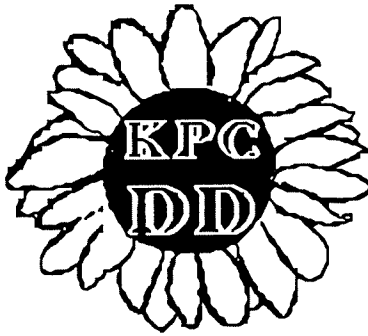
14 Section 1. (a) Any business firm which employs on a full-time basis
15 a person with a developmental disability **or who is seriously and per-**
16 **sistently mentally ill and** who is engaged for a period of ~~six~~ **eight**
17 months or more in the performance of duties in connection with the
18 operation of such firm, shall be allowed a credit against the tax imposed
19 by the Kansas income tax act, the tax on net income of national banking
20 associations, state banks, trust companies or savings and loan associations
21 imposed under article 11 of chapter 79 of the Kansas Statutes Annotated,
22 or the tax on net income of insurance companies imposed under article
23 28 of chapter 40 of the Kansas Statutes Annotated. The amount of the
24 credit allowed shall be \$500 for each such person employed, except that
25 no more than \$50,000 may be claimed for credit in any one taxable year.

26 (b) As used in this section:

27 (1) "Business firm" means any business entity authorized to do busi-
28 ness in the state of Kansas which is subject to the state income tax im-
29 posed by the provisions of the Kansas income tax act, any national banking
30 association, state bank, trust company or savings and loan association pay-
31 ing an annual tax on its net income pursuant to article 11 of chapter 79
32 of the Kansas Statutes Annotated, or any insurance company paying an
33 annual tax on its net income pursuant to article 28 of chapter 40 of the
34 Kansas Statutes Annotated; and

35 (2) "person with a developmental disability **or who is seriously and**
36 **persistently mentally ill**" means any person who meets the criteria es-
37 tablished for mental retardation or developmental disability **or serious**
38 **and persistent mental illness** by the division of mental health and re-
39 tardation services of the department of social and rehabilitation services,
40 and who is recommended for employment by a business firm, by a com-
41 munity mental health center or facility for the mentally retarded estab-
42 lished pursuant to K.S.A. 19-4001 et seq., or by any entity which any such
43 center or facility has contracted with to provide mental health services or

a licensed psychologist,



Kansas Council on Developmental Disabilities

BILL GRAVES, Governor
WENDELL LEWIS, Chairperson
JANE RHYS, Executive Director

Docking State Off. Bldg., Room 141, 915 Harrison
Topeka, KS 66612-1570
Phone (913) 296-2608, FAX (913) 296-2861

"To ensure the opportunity to make choices regarding participation in society and quality of life for individuals with developmental disabilities"

ASSESSMENT AND TAXATION

March 6, 1995

Testimony in Regard to H. B. 2008

AN ACT RELATING TO INCOME TAXATION; AUTHORIZING CREDITS FOR THE HIRING OF DEVELOPMENTALLY DISABLED PERSONS.

To ensure the opportunity to make choices regarding participation in society and quality of life for individuals with developmental disabilities.

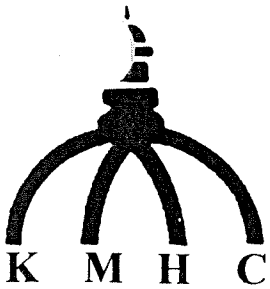
Madame Chairwoman, Members of the Committee, I am appearing today on behalf of the Kansas Council on Developmental Disabilities in support of H.B. 2008, relating to income taxation; authorizing credits for the hiring of developmentally disabled persons.

The Kansas Council is a federally mandated, federally funded council composed of individuals who are appointed by the Governor. Council members include representatives of the major agencies who provide services for individuals with developmental disabilities and nine of the fifteen members are individuals with developmental disabilities or their immediate relatives.

We give our full support for this bill which we believe will enable individuals with developmental disabilities to become employed, self supporting, full citizens of Kansas. We know that there are many individuals with developmental disabilities who want to be employed and who, given the chance, would make excellent employees. We worked with two individuals with developmental disabilities last year, assisting them to obtain employment with the state. They are very conscientious, hard workers, never late, and overall, excellent employees. Providing a tax credit will encourage employers to put more of these individuals to work. Please give them this opportunity.

Jane Rhys, Executive Director
Kansas Council on Developmental Disabilities
Docking State Office Building, Room 141
915 SW Harrison
Topeka, KS 66612-1570
913 296-2608

*Senate Assess + Tax
3-7-95
attach 4*



KANSAS MENTAL HEALTH COALITION

P. O. Box 675, Topeka, Kansas 66601-0675
Telephone: (913) 233-0755 Fax: (913) 233-4804

"Joining together in one voice on critical needs of persons with mental illness."

March 7, 1995

Public Testimony on HB 2008

From: Judy Kinard, Kansas Mental Health Coalition
Terry Larson, Kansas Mental Health Coalition
and The Kansas Alliance for the Mentally Ill

Senator Langworthy and Members, Senate Assessment & Taxation
Committee

We appreciate the opportunity to testify in favor of this bill. KMHC and Kansas AMI are enthusiastic in their support for providing employer tax deductions to hire persons with severe and persistent mental illnesses.

Serious mental illnesses are disabling diseases of the brain that are further worsened by stigma and misunderstanding. Most people with mental illness want to work and are dependable workers, but employers must be knowledgeable as well as understanding. The tax credits provided under this bill give employers an extra incentive to put good people to work. The employer benefits as well as the employee.

Hopefully, mental illness will some day be so well understood that extra incentives won't be necessary. Until then, proposals like this deserve the endorsement of the legislature.

Thank you.

Senate Assess + Tax

3-7-95

attach 5



KANSAS MENTAL ILLNESS AWARENESS COUNCIL INC.

Strength

Lonny Lindquist
Executive Director
P.O. Box 2264
Topeka, Kansas 66601
Topeka. Office: (913) 235-3866
... (800) 949-8949

Board of Directors

Osawatomie

- Janine Walther, 1997
Kansas City
- Wayne Jennings, 1996
Osawatomie
- Frank E. Taber, 1995
Ottawa

Topeka

- Kathryn Cash, 1995
Wichita
- Esther M. Fitzgerald, 1996
Towanda
- Larry Sebring, 1996
Wichita
- Gayle R. Dudley-Neal, 1995
Lawrence

Larned

- Kim Crane, 1996
Hutchinson
- Debra Gardner, 1997
Hutchinson
- Loydine Crouch, 1995
Wellington

Administrative Secretary

- Pamela C. Crooks
Ottawa

Part-time Secretary

- Leona K. Brewer
Topeka

Bookkeeper

- Linda Zimmerman
Ottawa

Editor • Consumer Voice

- Gene Fitzgerald
Towanda

Consultants

- Bryce Miller
Topeka
- Dennis Budd
Kansas City
- Roxanna Lindquist
Ottawa

Testimony

March 7, 1995

To: The Senate Assessment and Taxation Committee

RE: Support for House Bill 2008

I am Lonny Lindquist, Executive Director of the Kansas Mental Illness Awareness Council, the Statewide Consumer-Run Organization. I speak for the consumers of Kansas and I appreciate this opportunity to speak to you today.

We feel that House Bill 2008 is long past due and certainly deserves to be passed into law. This Bill offers employers that added incentive to overcome the stigma and give us a chance at a real job. It also would give us, the consumers, the added incentive to get a real job by improving our belief that we might have a real chance of obtaining one.

Dollars make good sense in that a \$500 tax incentive would give many of us the opportunity to be gainfully employed and give up our S.S.I. or S.S.D. benefits.

Thank you for hearing my testimony. I hope that it will serve to help you make favorable decisions.

I'd be happy to answer any questions.

Sincerely ,

Lonny Lindquist

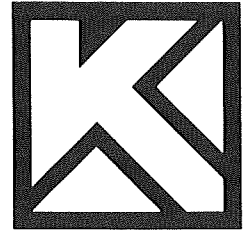
**Lonny Lindquist
Executive Director
KMIAC**

Senate Assess + Tax

3-7-95

attach 6

LEGISLATIVE TESTIMONY



Kansas Chamber of Commerce and Industry

835 SW Topeka Blvd. Topeka, Kansas 66612-1671 (913) 357-6321 FAX (913) 357-4732

HB 2113 & 2115

March 7, 1995

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Committee on Assessment and Taxation

by

Bob Corkins

Director of Taxation

Madam Chair and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry, and I appreciate the opportunity to speak today. KCCI supports HB 2113 with its move to a two year statute of limitation for the discovery of escaped personal property tax liability as well as HB 2115 with its proposed modification to the delinquent tax penalty structure.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

At the outset, I'd like to acknowledge KCCI's participation and membership in the Personal Property Tax Coalition. We and the National Federation of Independent Business are among the groups most active in the coalition's efforts. Many of you have already become familiar with the business

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attach 7-1*

problem of personal property taxes over the last couple of years. Our coalition continues to pursue relief measures on the heels of last year's reforms to curb overly aggressive audit practices.

KCCI expresses its gratitude for the steps you took in 1994 to address the situation. In our view, the most substantial reform was the legislature's enactment of a prohibition against counties hiring private auditors on a contingency fee basis. Unfortunately, the state Property Valuation Division (PVD) still persists with an "educational" program which encourages counties to adopt crackdown techniques in ferreting out new tax revenue. KCCI has good reason to believe that the Department of Revenue in the new administration will be at least as severe as the past administration in their enforcement tactics on this and other tax matters.

The two bills I address today are not the only legislative responses we seek, but they would be important improvements. The first one, HB 2113 would (in a manner of speaking) lower the water level of the ponds in which county appraisers conduct their fishing expeditions.

I use this metaphor because PVD is instructing counties to use a very big net. PVD has distributed form letters to the counties for their use in demanding production of business documents that may reveal escaped personal property. One such form letter calls for the recipient business to supply their fiscal year end, chart of accounts, audited financial statements, trial balance, fixed asset and depreciation schedule, federal income tax return, schedule reconciling accounting records to their tax rendition (if available), general ledger, subsidiary ledgers, supporting journals, year-end adjusting entries, and equipment leases.

By limiting the discovery period to two years, counties could not plumb as deeply in these waters. The record-keeping obligations on business would be more reasonable, but local appraisers could still pursue legitimate tax liabilities while the paper trail is still fresh. In fact, initial compliance by businesses would probably increase as the "red tape" becomes less daunting. To complete the metaphor, a set number of fish would be easier to hook in a modest-sized pond as opposed to a lake which is twice its size.

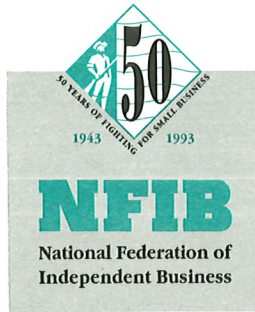
HB 2113 also overlaps with the subject matter of HB 2115. Both bills address penalties on delinquent taxes, and in the case of HB 2113 that means penalties on delinquencies which exceed one year. The present maximum penalty of 100% per year on delinquencies over a year old is excessively harsh on its face, but is particularly onerous when you consider delinquencies are often the result of simple neglect, mistake, or even good faith reliance in some instances. Presently, taxpayers must appeal their argument all the way through the state board of tax appeals before they can have a penalty waived due to "excusable neglect".

HB 2115, on the other hand, deals with penalties that are less than one year delinquent. The current maximum in this time period is 50% and HB 2115 would change that to a 25% maximum. The

graduated schedule which would start at 5% and increase the penalty each month by five percentage points is parallel to the Federal IRS penalty structure for delinquent income taxes.

A key factor in evaluating this policy is the concept of notice. Commonly, a business lacking property tax management expertise is unaware of escaped appraisal until its county appraiser informs it of the delinquent liability. A business could therefore be faced with a 400% penalty (4 years) upon its first notice of liability. If the discovery window is just two years, and if the penalties proposed in HB 2113 and HB 2115 are applied, that penalty exposure would at most be 125% upon first notice -- a more reasonable punishment for excusable neglect without the added time and expense of appealing to BOTA.

We thank you for your time and urge favorable action upon these two bills which have already received overwhelming support from the full House.



**Testimony of
Hal Hudson, Kansas State Director
National Federation of Independent Business**

**Before the
Kansas Senate Assessment & Taxation Committee**

on House Bills 2113 & 2115

Tuesday March 7, 1995

Mr. Madam Chairperson and members of the Committee: Thank you for this opportunity to appear here today. My name is Hal Hudson, and I am State Director for the Kansas Chapter of National Federation of Independent Business. NFIB is the State's largest small-business advocacy group, with over 8,000 members who employ more than 100,000 Kansans. NFIB represents a broad cross section of Kansas employers who have one thing in common -- they all are small businesses. Over 80 percent of our members have 15 or less employees, and only one percent of our members employ over 100.

I don't think I need to remind you that small business is the engine that drives the Kansas economy. As large businesses downsize, through mergers and acquisitions, and laying off hundreds of workers, small businesses are providing the jobs. According to the Kansas Department of Commerce and Housing, 75-80 percent of all new jobs in Kansas in the past several years have been created by small businesses.

NFIB legislative policy is not set by a board of directors. NFIB's position on legislative issues is determined by ballots, surveys and questionnaires, through which we ask our members directly for their opinion - several times a year.

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3-7-95*

On the most recent Kansas State Ballot, (see exhibit #1) our members overwhelmingly ranked the administration of personal property taxation as one of their most burdensome and perplexing problems in dealing with government. A year ago, many of us thought of this as a local problem, centralized in Leavenworth County. Let me assure you it is a statewide problem. That's why I am here today, asking that you report favorable for passage both H.B. 2113 and H.B. 2115.

Regarding the statute of limitations on discovery of personal property tax liabilities from prior years, 78.5% of the respondents to our 1995 Kansas State Ballot called for a reduction from four to two years - a change the House committee recommended, and the full house has agreed to make. The House committee also has dealt properly with the harsh penalties currently imposed by law.

Let me say at the outset, our goal is not to deprive counties and other local taxing authorities of revenue needed to provide government services. Our goal simply is to prevent local government from coming into a massive windfall of new taxes, penalties and interest charges, imposed on the backs of businesses.

Because many NFIB members also are members of other business, professional or trade groups, I set out last fall to determine if others shared NFIB's concern with this issue. Within a short time it became obvious that there was almost universal concern among all types of businesses and professions. A list of organizations who have come together with one common goal - the reform of personal property tax law is attached as Exhibit # 2.

These two bills, H.B. 2113 and H.B. 2115 are only a small part of the reforms in personal property tax administration we seek, but they are steps in the right direction. I urge you to report both H.B. 2113 and H.B. 2115 favorable for passage, just as they came to you from the House.

Because there are others who wish to speak, I will stop at this point, and stand for questions at the pleasure of the chair. Thank you.



STATE BALLOT

NFIB'S 1995 STATE BALLOT

PERSONAL PROPERTY TAX REFORM

1. Should the Kansas Legislature adopt a resolution to place a Constitutional Amendment on the 1996 general election ballot to exempt commercial and industrial machinery and equipment from personal property taxation?

65.1% Yes 24.6% No 10.3% Undecided 11

Background: Many small business owners believe the constitutional amendment adopted in 1986 is inherently unfair, because it imposed a tax on all commercial and industrial machinery and equipment, while granting an exemption for tangible personal property owned by individuals, with the exception of motor vehicles and boats. In addition, farm machinery and equipment, merchants' and manufacturers' inventory, livestock and all household goods and personal effects not used for the production of income, were granted exemption.

Proponents argue that, in fairness, businesses should be granted the same exemptions for all tangible personal property.

Opponents say removing all commer-

cial and industrial tangible personal property from the tax rolls would require an increase in other taxes (sales, real property, income tax, or some combination) to offset the lost revenues to the state and local government entities.

2. Should the Legislature enact a two-year statute of limitation on discovery of personal property tax liabilities from prior years?

78.5% Yes 15.0% No 6.5% Undecided 12

Background: Since 1986, there has been much confusion about reporting of commercial and industrial personal property. Neither county assessors' offices nor the state Property Valuation Division have provided clear cut direction on which property must be reported for tax purposes. Now, they are pursuing stricter enforcement, and are reviewing business owners' property listings to discover under reporting in prior years. Enactment of a two-year statute of limitation would prevent county assessors from going back more than two years to discover under reporting and assessing penalties and interest charges.

Proponents argue that a limitation is

needed to prevent counties from conducting "witch hunts" and achieving windfalls in penalties and interest charges from prior tax years.

Opponents, including the Kansas attorney general, contend that this would create an amnesty for businesses who have under reported their property. They say this would constitute discrimination against firms who have accurately reported and paid taxes due in past years.

3. Should legislation be enacted to establish a cost threshold on single items of personal property required to be assessed and taxed?

91.8% Yes 4.9% No 3.3% Undecided 11

Background: Business owners complain that listing and researching the original cost of small items, especially items purchased used, takes more time than is warranted by the tax revenue generated. It has been suggested that the Legislature establish a cost threshold and require reporting only of single items for which the new cost was \$1,000-\$3,000.

Proponents say a requirement to list only major items of personal property would substantially reduce the record-keeping and time needed to complete the annual forms for county assessors. They contend such a threshold also would reduce the cost to counties of a bureaucracy required to audit personal property reports.



Hal Hudson
Kansas State Director

116-B

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Your Vote Counts.

Please take a few minutes to vote. The NFIB staff at the State Capitol uses the ballot results to argue your case in the Legislature. Give us the ammunition we need by taking a few minutes to vote today.

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Exhibit # 2

Organizations who have joined with **NFIB/Kansas** in the Coalition include:

Associated General Contractors of Kansas (AGC)

Kansas Automobile Dealers Association

Kansas Bankers Association

Kansas Building Industry Association

Kansas Chamber of Commerce and Industry

Kansas Contractors Association (heavy & highway group)

Kansas Grain & Feed Dealers Association

Kansas Land Improvement Contractors

Kansas Lodging Association

Kansas Motor Carriers Association

Kansas Pest Control Association

Kansas Taxpayers Network

Kansas Wine & Spirits Wholesalers

Leavenworth Chamber of Commerce

Mid-America Lumbermans Association

Western Association (retail hardware and implement dealers)

Wichita Chamber of Commerce

Wichita Independent Business Association.

ABOUT NFIB / KANSAS

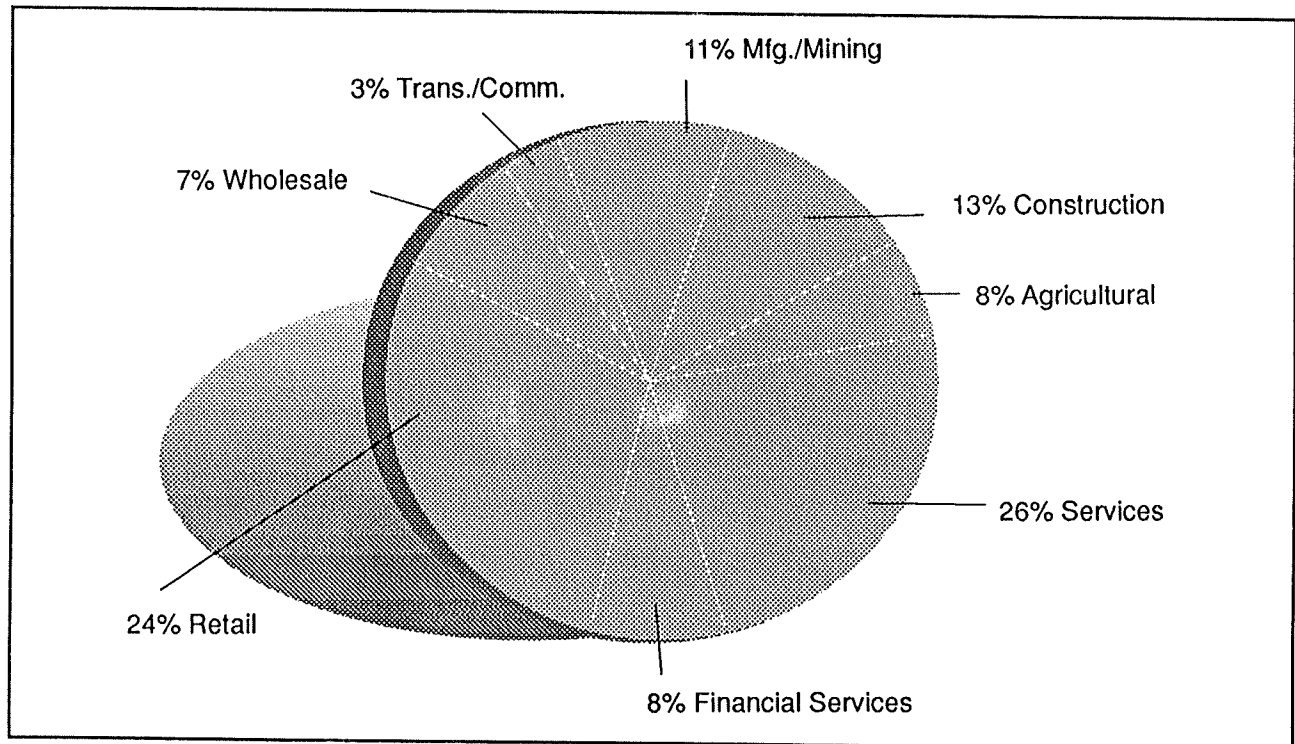
With nearly 8,000 members, the Topeka-based National Federation of Independent Business/Kansas is the state's largest small-business advocacy organization. Independent-business owners join the federation to have a greater say in the crafting of legislation and regulations that affect their lives and livelihoods.

NFIB/Kansas draws its members from all walks of commercial life: from family farmers to neighborhood retailers, from independent manufacturers to doctors and lawyers, from wholesalers to janitorial service firms.

Each year NFIB/Kansas polls its diverse membership on a variety of issues. The federation uses the poll results to form its legislative agenda, aggressively lobbying in support of positions approved by majority vote.

Because policy is determined by direct vote of the membership rather than by a steering committee or board of directors, NFIB/Kansas lobbyists have exceptional credibility as spokespersons for the entire small-business community. Rather than represent the narrow interests of any particular industry or trade group, NFIB/Kansas promotes the consensus view of small-and independent-business owners from throughout the state.

N F I B / K A N S A S M E M B E R S H I P by Industry Classification



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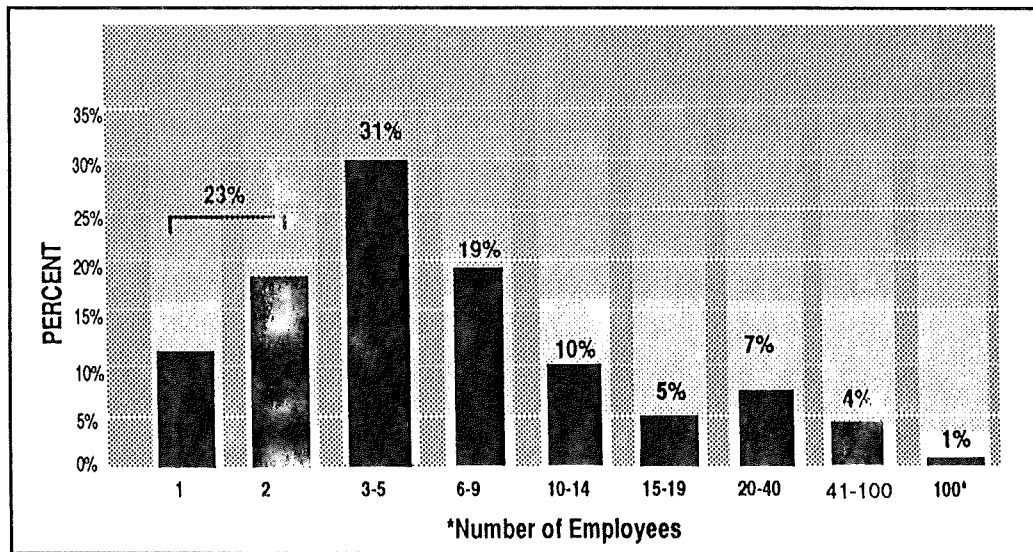
NFIB
National Federation of
Independent Business

N F I B / K A N S A S M E M B E R S H I P P R O F I L E

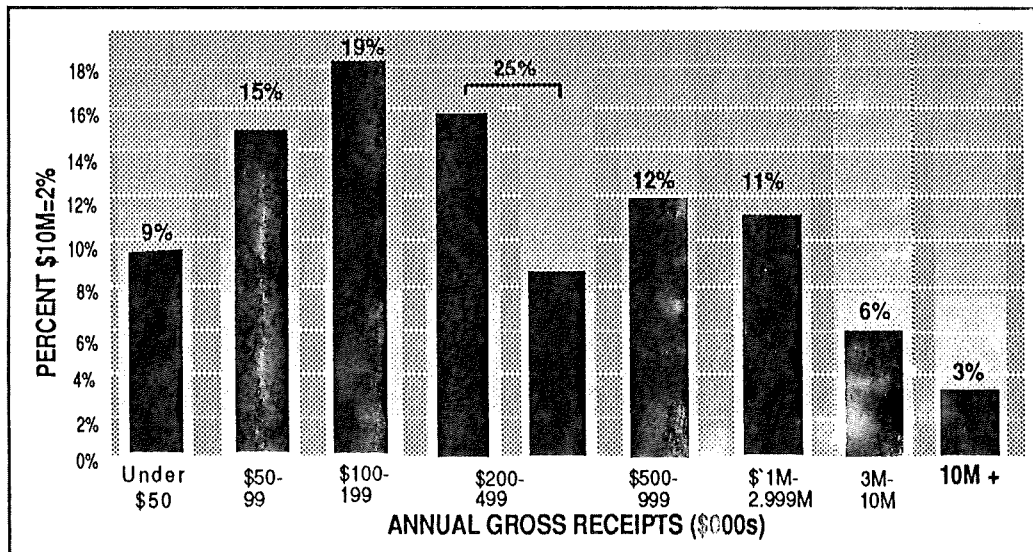
NFIB/Kansas represents the entire spectrum of independent business, from one-person "cottage" operations to quite substantial enterprises.

The typical NFIB/Kansas member employs five workers and rings up gross sales of about \$270,000 per year. In aggregate, the organization's members employ nearly 92,000 workers.

N F I B / K A N S A S M E M B E R S H I P by Number of Employees



N F I B / K A N S A S M E M B E R S H I P by Annual Gross Receipts





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SENATE COMMITTEE ON ASSESSMENT & TAXATION MARCH 7, 1995

Testimony of Donald P. Schnacke, Executive Vice President Kansas Independent Oil & Gas Association

RE: HB 2115

My name is Donald P. Schnacke. I am Executive Vice President of the Kansas Independent Oil and Gas Association. I am appearing on behalf of the Association in favor of HB 2115.

The original bill as sponsored by the County Appraisers was opposed by our Association. The bill, as amended by the House, now has our support.

The first part of the bill, beginning on page 1, lines 16 and 17, focuses on oil and gas operators filing a statement of assessment on or before April 1st. KSA 1994 Supp. 79-332a was amended in the 1994 and finally inserted into SB 542, passed and signed by the Governor. All that the County Appraisers advocated being struck from the statute in HB 2115, was reviewed and approved by the 1994 legislature. I remind you of last year's action because we prefer what the appraisers advocated striking in the original version of HB 2155 over that which they originally supported. We like even better what the House Committee and the House passed.

The appraisers in the original version of HB 2115 would have had an oil and gas operator taxpayer who fails to file before April 1st of each year be assessed 25% as a penalty for late filing within 15 days, up from 10% (page 1, line 22).

This same oil and gas operator taxpayer under the original HB 2115 who files after one year would be assessed 100% as a penalty. In the same bill, any other taxpayer failing to file within one year is assessed a penalty of only 50%, with no further penalty for failure to file after one year.

We objected to this procedure as being a discriminatory plan to assess oil and gas operators who are taxpayers, who collectively paid \$117 million in ad valorem taxes to the counties in 1994, and would be assessed a 100% penalty when all other taxpayers would be at 50% within one year and which fails to provide for a penalty for failure to file after one year for all other taxpayers.

We also objected to taking away the right of an oil and gas operator taxpayer to appeal to the State Board of Tax Appeals and leaving the granting of any extension of time to file or the possible abatement a penalty solely with the Appraiser. We think an aggrieved taxpayer should have the right to appeal to the KSTAB.

*Senate Assess + Tax
3-7-95
attach 9-1*

SENATE COMMITTEE ON ASSESSMENT & TAXATION

Statement of Donald P. Schnacke

RE: HB 2115

Page 2

MARCH 7, 1995

Fortunately, the House Committee on Taxation in its deliberation adopted a much fairer penalty procedure in their working of HB 2115, a procedure we support. We think the graduated penalty procedure is an incentive to file on time, but doesn't so greatly penalize a taxpayer who inadvertently fails to file on time. It also retains the right to appeal to KSTAB, which we also support.

Our position has switched from opposition to what was supported by the County Appraisers, to that which has been approved by the House of Representatives. We urge you to approve HB 2115 as amended by the House.

Donald P. Schnacke

DPS:pp