

Approved: Feb 6, 1996
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:00 a.m. on February 1, 1996 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, 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: Gerry Ray, Johnson County Board of Commissioners
Shirley Sicilian, Director, Research and Revenue Analysis, Department of Revenue
Jim Yonnally, Shawnee Mission School District
Kent Williams, Vice-President for Finance, Butler County Community College
Bob Kelly, Kansas Independent College Association
Mark Beck, Director, Property Valuation Division

Others attending: See attached list

APPROVAL OF MINUTES

Senator Clark made a motion to approve the minutes of January 30, 1996. The motion was seconded by Senator Hardenburger. The motion passed.

REQUESTS FOR INTRODUCTION OF BILLS

Gerry Ray, Johnson County Board of Commissioners, requested the introduction of a bill for County Commissioners in counties with 100,00 or more parcels be allowed to delegate refunds due to clerical errors to the administration for process. Such refunds would require the approval of the County Clerk, County Treasurer and County Appraiser.

Senator Martin made a motion to introduce this bill. The motion was seconded by Senator Hardenburger. The motion passed.

SB 471--SALES TAX EXEMPTION FOR STUDENT MEALS

Shirley Sicilian, Director, Research and Revenue Analysis, Department of Revenue, presented SB 471 which is a bill requested by the Department of Revenue. (Attachment 1) She said this bill contains legislation to clarify that certain types of meal sales to students are exempt from taxation. The bill also include an update of some statutory language.

Senator Langworthy asked if this only applies to university or college students, or does it include K-12 student? Ms. Sicilian said it only applies to college students. There were other questions from the committee about it being an advantage to students in dorms with a cafeteria. Ms. Sicilian said it does apply also to those living in apartments or houses off the campus if they have a meal plan.

Jim Yonnally, representing the Shawnee Mission School District, said he thought his question had been answered. He was interested in the K-12 students. Currently, tax is not charged for these lunches.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on February 1, 1996.

Proponents

Kent Williams, Vice-President for Finance, Butler County Community College, said the students at the college are on the meal plan. The public does eat in the cafeteria, but they pay cash and do pay tax. He said this bill should clarify any problems which might occur.

Senator Ranson asked if any student registered at Butler County Community College, no matter where they were living, could get a meal plan? Mr. Williams said "yes, the meal plans are paid for by the semester."

Robert N. Kelly, Executive director, Kansas Independent College Association, said **SB 471** puts into statute what is now and what used to be the policy of the Department of Revenue. (Attachment 2) He said the system really needs this clarification. He said lunch is offered to the professors of the college on occasion but they pay cash and do pay tax.

The hearing was closed on **SB 471**.

SB 439--PROPERTY TAX ADMINISTRATION PRACTICES AND PROCEDURES

Mark Beck, Director, Property Valuation Division, said the Department of Revenue requested **SB 439**. (Attachment 3) The purpose of the proposed legislation is to make some general but needed updates and to refine certain statutes to aid in administration. Mr. Beck went through the sections of the bill, one by one, to explain what is being changed and why. Section 1 included a requirement of the Secretary of Wildlife and Parks and Mr. Beck included in his testimony a letter from the Secretary stating there was no problem with the change in wordage.

There were questions from the committee regarding several sections and requests for Mr. Beck for additional information. Mr. Beck said he would be happy to supply such information.

The hearing was closed on **SB 439**.

The meeting adjourned at 11:55 a.m.

The next meeting is scheduled for Tuesday, February 6, 1996.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: Feb. 1, 1996

NAME	REPRESENTING
Ed Wolbourne	Washburn
Janet Stubbs	KBIA
Wendy Holthaus	Western Resources
Sherry Day	Johnson Co. Comm.
Bob Kelly	KS Independent Colleges
Bill Reid	KS Independent Schools
Rod Broberg	Ks. Co. Appraisers Assoc.
Kent Williams	Butler County Comm. College
Ed Wang	Butler County Comm. College
RICHARD PRODEWALD	TAXPAYERS
Madeline Smith	KMAA
Jim Urzally	USD #572
Hannet Lange	Ks Assn of Broadcasters
JASON FITZGERALD	BRAD SMOOT
Mark Bob	KDOR
Bill Waters	KDOR
Paul Davis	KDOR
S. Sicilian	KDOR
J. Brandenberg	City of Overland Park

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: Feb 1, 1996

NAME	REPRESENTING
<i>Art Brown</i>	<i>mid-mw lumberman TB</i>
<i>Lois Niemann</i>	<i>KARL III</i>
<i>Hal & Itha Hedeman</i>	<i>KS Farm Bureau</i>
<i>Jenny Unwin</i>	<i>Quevedo Park Chamber of Com.</i>
<i>Marie Marie Worley</i>	
<i>Bob Corkins</i>	<i>KCCI</i>
<i>Anne Spiess</i>	<i>Ks. Assoc. of Counties</i>

Oreg

Shirley K. Sicilian, Director
Research and Revenue Analysis
915 SW Harrison St.
Topeka, KS 66612-1588



(913) 296-3081
FAX (913) 296-7928

Research and Revenue Analysis

MEMORANDUM

TO: The Honorable Audrey Langworthy, Chair
Senate Assessment and Taxation Committee

FROM: Shirley K. Sicilian, Director
Research and Revenue Analysis
Kansas Department of Revenue

DATE: February 1, 1996

SUBJECT: Senate Bill 471

Madam Chair and members of the Senate Committee on Assessment and Taxation, thank you for this opportunity to provide testimony regarding Senate Bill 471. Senate Bill 471 contains legislation proposed by the Kansas Department of Revenue which would 1) clarify that certain types of meal sales to students are exempt from taxation, and 2) update statutory language.

Clarification Excluding Student Meals Sold Pursuant to Contract from Sales Tax:
Currently, K.S.A. 79-3603(d) imposes sales tax on meals "furnished at a private club,... restaurant, ...or other place" where meals are "regularly sold to the public." To the extent that a college dormitory or elementary school cafeteria is not a "place where meals or drinks are regularly sold to the public," the Department policy has been that most meals furnished in these places are not subject to sales tax. By contrast, meals sold at a student union, open to the public, would be taxable.

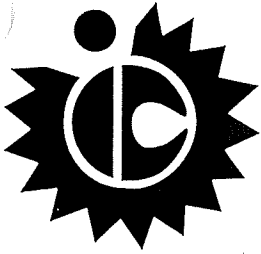
However, the Department is aware that for many, especially smaller educational institutions, it is not cost effective to run a separate closed dormitory cafeteria as well as a student union open to the public. For these institutions, it has become the practice to enter into a meal contract with the student, where a fixed price is paid for a meal plan of a fixed duration. The meals purchased under these contracts may actually be furnished in the student union, or some other cafeteria which is open to the public. Because these are places where "meals are regularly sold to the public," some confusion has arisen as to whether the meals furnished pursuant to contract are still non-taxable. The Department understands the intent of the legislature to be to exclude these types of transactions from taxation, and we have proposed SB471 as a clarification. The bill would amend K.S.A. 79-3606(j) to add a new (j)(2) explicitly exempting this type of transaction.

Update of Statutory Language:

The department has taken this opportunity to also propose updating the language in K.S.A. 79-3603(d) and 3606(j)(1). We suggest deleting reference to an "eating house, dining car, hotel, [and] drugstore"; adding reference to catered events; and in 3606(j)(1), adding "private club" which is included in 3603(d) and may have been inadvertently omitted from 3606(j)(1).

Thank you, I'd be happy to answer any questions.

Sen. Cassens + Lay
2-1-96
attach 1-1



KANSAS INDEPENDENT COLLEGE ASSOCIATION

515 Capitol Federal Building, 700 Kansas Avenue, Topeka, Kansas 66603
Telephone (913) 235-9877 • FAX (913) 235-1437

ROBERT N. KELLY, *Executive Director*

Testimony Before Senate Assessment and Taxation Committee on SB471 February 1, 1996

Madame Chairwoman, Members of the Committee:

Senate Bill 471 codifies in statute what is now and what used to be the policy of the Department of Revenue, namely that meals served to students under a meal plan should be exempt from taxes as part of the educational purpose of the institution. We applaud the Department of Revenue for reviving this long-established policy and seeking legislative clarification in statute.

The previous administration's policy proposed to tax all meals served in a facility open to the general public. This placed us at an economic disadvantage compared to Regent universities where meals are served in dormitories not open to the general public; whereas, at our small colleges, all meals are served in the student union whether to students on meal cards or to the general public for cash, including tax. It is impossible (or at least impolite) to ban the general public from our unions. In fact, there have been times when the Sterling College cafeteria was the only "cafe" in town.

In addition, we support SB471 for its administrative clarity. The present ambiguities facing colleges and food vendors in determining tax exempt sales would be eliminated. We urge your support for SB471.

*Senate Assess + Tax
2-1-96
Attach 2-1*

Mark S. Beck, Director
Kansas Department of Revenue
915 SW Harrison St.
Topeka, KS 66612-1585



(913) 296-2365
FAX (913) 296-2320
Hearing Impaired TTY (913) 296-2366

Division of Property Valuation

MEMORANDUM

TO: Senator Audrey Langworthy, Chairman
Senate Assessment and Taxation Committee

FROM: Mark S. Beck, Director

DATE: February 1, 1996

SUBJECT: Senate Bill 439

Thank you for the opportunity to provide testimony regarding the legislation proposed by the Kansas Department of Revenue, Division of Property Valuation. The purpose of the Division's proposed legislation is two-fold: (1) to make some general, but needed updates; and (2) to refine certain statutes for enhanced administration.

First, Mr. Don Hayward of Revisor's Office has pointed out an error on page 8, line 7 on the bill as introduced. This line needs to be amended to add a comma after the word "less" and the words "**which shall be assessed at 25%**" followed by a comma before the words "at 30%." The words were inadvertently left out and need to be added so that the bill correctly corresponds with the language of art. 11, § 1 of the Kansas Constitution that is being codified in the statute.

Section 1. K.S.A. 32-1104. Presently, K.S.A. 32-1104 requires the Secretary of Wildlife and Parks to annually provide the county appraiser with a list of *motorboats* on or before February 1st. The proposed amendment would replace the reference to motorboats with *vessels that are numbered* by the Department of Wildlife and Parks.

The Department of Wildlife and Parks currently requires certain vessels, including motorboats, sailboats, etc., to be numbered. The Secretary of Wildlife and Parks provides a complete list of *all* these numbered vessels, not just motorboats, to the county appraisers. These vessels are taxable personal property that taxpayers are required to list with the county appraiser. The county appraiser compares the Secretary's list with the county's list to assure that taxable vessels have not escaped taxation. When property escapes taxation, the remaining property on the tax rolls bears a greater share of supporting the local government and school districts.

The proposed amendment assures that the Secretary of Wildlife and Parks has the statutory authority to file a complete list of numbered vessels with the county appraiser. The Secretary's listing helps prevent tax evasion and promotes more uniform and equal taxation.

Sen. Ausen + Jay
2-1-96
Attach 3-1

Section 2. K.S.A. 45-221. This proposed amendment to the open records act adds an exception for a taxpayer's financial information when requested or required by the director of property valuation. (K.S.A. 45-221 (b)). The amendment mirrors the exception that already exists to protect the same taxpayer information when requested or required by county appraisers. The amendment is proposed in anticipation of income and expense information on certain properties that the Division of Property Valuation will receive from the county appraisers. The information will be used to build a state wide database that can be used to assist counties in appraisal.

Section 3. K.S.A. 75-5105a. This proposal is a housekeeping amendment that updates the director's duties set forth in an older statute which was last revised in 1987. The amendment revises K.S.A. 75-5105a(b) to state that the director has the duty to devise/prescribe guides *for the valuation* of personal property. Currently, the statute at issue states that the director has the duty to devise/prescribe guides that set forth the fair market value of personal property. The Kansas constitution was amended, however, and certain personal property is no longer valued based upon its fair market value. This has been true since the classification amendment to art. 11 § 1 of the Kansas Constitution became effective on January 1, 1989.

The proposed amendment also updates the director's duty under K.S.A. 75-5105a (e) to compile a sales ratio study. The language and references set forth in the statute are revised to coincide with the new Kansas real estate ratio study act which was adopted in 1992.

Section 4. K.S.A. 1995 Supp. 79-1439. This proposal is a housekeeping amendment that updates the assessment rates and descriptions set forth in K.S.A. 1995 Supp. 79-1439. Although K.S.A. 79-1439 was amended as recently as 1992, it has not kept pace with constitutional amendments to art. 11 §1 of the Kansas Constitution. For example, K.S.A. 1995 Supp. 79-1439 presently states that residential property is assessed at 12%, when the Constitution provides that it is assessed at 11.5%; public utility property is assessed at 30%, when the Constitution provides that it is assessed at 33%, etc.

Again, I draw your attention to the fact that Don Hayward has identified an oversight in this particular proposal on page 8, lines 4 through 7, pertaining to the mineral leasehold interests subclass. Please see the first page, second paragraph of this testimony for a full explanation.

Section 5. K.S.A. 79-1445. This proposal is a housekeeping amendment that updates the substantial compliance statute, which was last revised in 1985. Presently, county commissioners are allowed to appeal any finding of non-compliance; however, the statute does not set forth the procedures for such appeals. The amendment specifies that county commissioners may appeal the director of property valuation's finding of non-compliance within 30 days, and that a hearing shall be held in accordance with the Kansas administrative procedure act.

Section 6. K.S.A. 1995 Supp. 1467b. This proposal slightly extends the due date the county clerks must certify the exempt real and personal property tax rolls to the director of property valuation. The due date is changed from July 1st to July 15th.

The amendment would allow the due date for the exempt tax rolls to coincide with the date the county clerk forwards the abstract of the assessment rolls to the director of property valuation. The abstract and the exempt tax roll were once due on the same day: July 1st. In 1992, the abstract due date was changed from July 1st to July 15th. The date for certifying the exempt rolls was left unchanged, which has resulted in confusion. The proposed amendment would provide the county clerks with slightly more time to certify the exempt tax roll and would simplify due dates.

Section 7. K.S.A. 1995 Supp. 79-1479. This proposed amendment reduces the quarterly progress reports that county appraisers must file with the director to *annual* progress reports, preserving the director's right to require more frequent filings if a county is not in substantial compliance. This change is designed to eliminate unnecessary reports from counties that are in substantial compliance, so that greater assistance and attention can more appropriately be given to counties that are *not* in substantial compliance.

Section 8. K.S.A. 1995 Supp. 79-1488. The real estate ratio study act is amended to provide the director with the discretion to select random samples of residential sales from counties having a total parcel count exceeding 10,000 rather than 15,000. This proposed amendment allows, but does not require, the director to select a random sample of residential sales in 16 additional counties.

If passed, the amendment would allow the division to proceed with a plan developed to further improve the sales ratio study under the purview of the Technical Advisory Committee and Judge Bullock. The Technical Advisory Committee consists of the following members: Dr. Glenn Fisher, Wichita State University; Dr. Ronald Wasserstein, Washburn University; and Dr. Edwin Olsen, Kansas State University.

The plan was developed in conjunction with the Technical Advisory Committee in response to recommendations made during a comprehensive review of the division's sales ratio study procedures in 1992 by the International Association of Assessing Officers (IAAO). Statistical experts believe that a representative random sample of valid sales can more accurately portray how well the county is appraising its entire population of parcels than simply including all valid sales in the ratio study.

To briefly explain, a representative sample is carefully drawn to accurately reflect the entire population of residential real estate parcels in the county. On the other hand, when all valid residential sales are considered, they do not necessarily provide an accurate picture of the underlying population. For a simplified example, assume that 80% of a county's 1995 residential sales are comprised of homes built between 1945 and 1995. However, only 50% of the county's total residential parcels actually consist of such homes; the other half consists of older homes. Many of the older homes in the county have not sold as often as the newer homes. The representative sample of sales is drawn to reflect the fact that half of the actual population consists of newer homes and half consists of older homes. If all valid sales were used in the sales ratio study, the results would concentrate on how well the county appraised only half the population.

Section 9. K.S.A. 79-1806. This amendment provides the county clerks with 10 additional days to report the Director the amount of taxes levied upon motor vehicles pursuant to K.S.A. 79-5101 *et seq.* (i.e., the taxes levied upon "tag and tax" motor vehicles.") The amendment changes the due date for the report from January 15th to January 25th, beginning in 1997.

The slight extension of the due date will assist counties by providing extra time to prepare the director's report. In addition, the extension will encourage a more accurate report of the taxes levied upon motor vehicles for the calendar year by scheduling the report's submission after the January 20th deadline for the final distribution of motor vehicle tax. (See K.S.A. 79-5109).



STATE OF KANSAS
DEPARTMENT OF WILDLIFE & PARKS

Operations Office
512 SE 25th Avenue
Pratt, KS 67124-8174
316/672-5911 FAX 316/672-6020



January 16, 1996

RECEIVED

JAN 18 1996

DIVISION OF
PROPERTY VALUATION

State of Kansas
Kansas Department of Revenue
Attention: Mr. Mark Beck, Director
Property Valuation
DSOB, Room 400N
Topeka, Kansas 66612

Dear Mr. Beck:

The Kansas Department of Wildlife and Parks has reviewed your suggested amended language to K.S.A. 32-1104, which would require that all numbered vessels be reported to the county appraiser annually. My department has no concern with the language and it will have no impact on our current or on-going operations since all registered vessels are currently reported.

Thank you for the opportunity to review your proposed changes and if you require further information please contact me.

Sincerely,

Steve Williams, Secretary

cc: Darrell Montei
Mike Theurer