

Approved: 3-5-97  
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Chairperson Phill Kline at 9:00 a.m. on February 11, 1997 in Room 519-S of the Capitol.

Committee staff present: Chris Courtwright, Legislative Research Department  
Tom Severn, Legislative Research Department  
Don Hayward, Revisor of Statutes  
Shirley Sicilian, Department of Revenue  
Ann McMorris, Committee Secretary

Conferees appearing before the committee:

Bernard Koch, Wichita Area Chamber of Commerce  
Don McNeeley, Kansas Auto Dealers Assn.  
Jim Clark, Clark Auto Center, Junction City  
Chris McKenzie, League of Kansas Municipalities  
Irene French, Mayor, City of Merriam  
Kelly Kultala, City of Overland Park  
Bob Corkins, Kansas Chamber of Commerce & Industry  
Hal Hudson, National Federation of Independent Business  
Susan Chase, Kansas National Education Association  
Pat Baker, Kansas Assn. of School Boards  
Gary Toebben, Kansas Industrial Developers Assn.

Others attending: See attached list

Chair opened hearing on two bills:

**HB 2270 - Local compensating use tax imposed upon certain intrastate sales of motor vehicles**

**HB 2242 - Local compensating use tax imposed upon certain vehicles**

Proponents:

Bernard Koch, Wichita Area Chamber of Commerce (Attachment 1)  
Don McNeeley, Kansas Auto Dealers Assn. (Attachment 2)  
Jim Clark, Clark Auto Center, Junction City (Attachment 3)

Opponents:

Chris McKenzie, League of Kansas Municipalities (written testimony later)  
Irene French, Mayor, City of Merriam (Attachment 4)  
Kelly Kultala, City of Overland Park (Attachment 5)

Chair closed hearing on **HB 2270** and **HB 2242**.

Chair opened hearing on:

**HB 2157 - Valuation of business machinery and equipment for property tax purposes**

Proponents:

Bob Corkins, Kansas Chamber of Commerce & Industry (Attachment 6)  
Hal Hudson, National Federation of Independent Business (Attachment 7)

Chair closed hearing on **HB 2157**.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, ROOM 519-S Statehouse, at 9:00 a.m. on February 11, 1997.

Chair opened hearing on:

**HB 2117 - Approval by school districts of property tax exemptions**

Proponents:

Susan Chase, Kansas National Education Association (Attachment 8)  
Pat Baker, Kansas Assn. of School Boards (Attachment 9)

Opponents:

Bob Corkins, Kansas Chamber of Commerce & Industry (Attachment 10)  
Chris McKenzie, League of Kansas Municipalities (Attachment 11)  
Bernard Koch, Wichita Area Chamber of Commerce (Attachment 12)  
Gary Toeppen, Kansas Industrial Developers Assn. (Attachment 13)

Chair closed hearing on **HB 2117**.

The next meeting is scheduled for February 12, 1997.

Adjournment.

Attachments - 13

# TAXATION COMMITTEE GUEST LIST

DATE: FEBRUARY 11, 1997

NAME	REPRESENTING
Whitney Damron	KS Automobile Dealers Assn.
DON L. McNEELY	" " " "
Hal Hudson	NFIB/KS
JIM CLARK	JIM CLARK AUTO CENTER
Rick Scheibe	KDOR
Betty McBride	KDOR
Bernie Koch	Wichita Area Chamber
Cary Toebben	Lawrence Chamber
Doug Wahrenn	KGFA & KFCA
Jim Freed	Sen. Stan Clark
Ken Clark	KDOR
J. Chapman	Jane Vickery
Rob Stockton	Intern
<del>HELBY</del> SMITH	<del>---</del>
John Peterson	Raytheon Aircraft Co
Christy Caldwell	Topeka Chamber of Comm
Ed Spiess	Peterson Public Affairs
LEE EISENHAUER	PROPANE MARKETERS ASSOC. OF KS
Bill Anderson	Water Dist #1 of So Co

# TAXATION COMMITTEE GUEST LIST

DATE: FEBRUARY 11, 1997

NAME	REPRESENTING
John Swalmwell	"Downtown Topeka Inn"
James Chase	KNEA
Pat Baker	KASB
Kene B. French	City of Merriam
E. White	City of Merriam
Gene Amos	Shawnee Area Coy C
MARK A. BURGHART	WESTERN ASSN.
Luck, DeFries	Callman, DeFries & Nothern
Joyce Baker	Johnson County Gov
Kelley Kuntala	City of Overland Park
Bill CORANT	KCC
Bruce Jensen	BOEING
Kelli Martini	Sedgewick County
PA Mosher	City of Topeka

**Testimony on House Bills 2241 & 2270  
House Taxation Committee**

Bernie Koch  
Wichita Area Chamber of Commerce  
February 11, 1997

Mr. Chairman, members of the committee. Thank you for the opportunity to appear today. Our chamber has supported a sales tax situs bill for the past two years. Our adopted statement reads:

“The Chamber supports legislation which would require that for large ticket items such as automobiles, the dealer would collect the state portion of the sales tax and the local portion (if any) would be collected by the county treasurer upon registration of the vehicle.”

There are two reasons why our members have decided to support this position. First of all, we want to support our motor vehicle dealers who believe that the one-cent countywide sales tax in Sedgwick County is a disadvantage to them. They believe they are losing business to surrounding counties which don't have a local sales tax.

However, more important is that our one-cent countywide sales tax is dedicated to two purposes, property tax relief and road construction. In the 1980s, we had three sales tax elections in the Wichita area. The first two were unsuccessful.

On the third try, the county and the cities in Sedgwick County passed resolutions pledging that if the sales tax referendum was successful, half of the funds received would go for property tax relief, and half would go to improve our road system. In particular, the campaign was tied to making U.S. 54/ Kellogg a freeway. We did not have, and still have not completed, an East-West freeway in Wichita. We're one of the largest cities in the country not to have one.

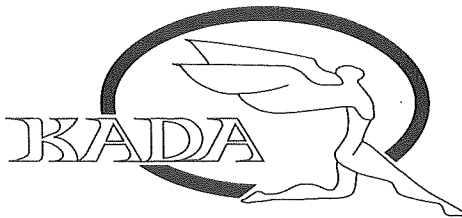
This idea of using the money for roads was extremely popular and the sales tax passed. The City of Wichita has used their portion of the sales tax, as per the resolution, to improve Kellogg to a six-lane freeway. A small amount of federal money has been obtained. A small portion is also being funded by the state highway program. However, the improvements have overwhelmingly been funded with local sales tax money leveraged through bonds. About seven miles of construction is completed, another mile or so will begin soon, and at least another five miles remains.

We believe that if a resident purchases a vehicle for use in Sedgwick County, they should have the opportunity to pay the sales tax, and thus contribute to the maintenance and improvement of the roads they are driving on with that vehicle.

For these reasons, we ask for your favorable action.

Thank you for your consideration.

House Taxation  
2-11-97  
Attachment 1-1



## KANSAS AUTOMOBILE DEALERS ASSOCIATION

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February 11, 1997

To: The Honorable Chairman Phill Kline  
and Members of the House Taxation Committee

From: Don L. McNeely, KADA Executive Vice President

Re: HB 2270 - Support

Chairman Kline and Members of the House Taxation Committee:

Good morning, my name is Don McNeely, Executive Vice President of the Kansas Automobile Dealers Association, a state trade association representing the 302 franchised new car and truck dealers in the state of Kansas. I am also joined this morning by Jim Clark of Jim Clark Auto Center in Junction City, Kansas, and KADA's lobbyist Whitney Damron.

I appear before you this morning in support of HB 2270, which would impose a local compensating use tax for the difference in local option sales tax paid on a motor vehicle which is purchased in a taxing jurisdiction other than where the vehicle is to be domiciled.

Under HB 2270, a purchaser of a motor vehicle would pay the difference in local option sales tax, if the local option sales tax is higher in the city and/or county where the vehicle is to be domiciled than where the vehicle is purchased. The city and/or county where the vehicle is purchased would not lose their local option sales tax revenues, as those revenues would still be collected by the dealer at the point of purchase. However, the city and/or county where the vehicle is to be domiciled would receive the difference at the time of registration if their local option sales tax is higher than that of the locality of where the vehicle was purchased. If the local option sales tax is higher where the vehicle is purchased than where the vehicle is to be domiciled, there would be no additional tax levied or credited, and if the local option sales tax is the same between where the vehicle is purchased and where the vehicle is to be domiciled there would also be no additional tax levied.

Included with my testimony is a listing of sales tax levies by county and city. Upon your review, you will see they range from 4.9% to 7.9% cumulative. KADA has expressed an interest in a full situs bill before the Kansas Legislature in years past.

800 S.W. Jackson, Suite 1110 • Topeka, |

Telephone (913) 233-6456 • Fax (913) 233-6456

House Taxation  
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Attachment 2-1

However, we believe HB 2270 is a fair compromise which protects revenues currently going to local units of government and also levels the playing field statewide for the purchase of motor vehicles.

On behalf of the Kansas Automobile Dealers Association, I thank the Members of the Committee for allowing me to appear before you today, and I would be happy to answer any questions you may have.

**KANSAS DEPARTMENT OF REVENUE**  
*Division of Taxation*

**LOCAL SALES TAX RATES FOR COUNTIES AND CITIES IN KANSAS**

**COUNTIES**

COUNTY	COUNTY NO.	LOCAL CODE	COUNTY TAX RATE	EFFECTIVE DATE	TOTAL TAX RATE (including 4.9% state tax rate)
ALLEN	024	C-024	1.00%	10/01/94	5.90%
ANDERSON	052	C-052	1.00%	01/01/83	5.90%
ATCHISON	015	C-015	1.00%	10/01/93	5.90%
BARBER	067	C-067	1.00%	02/01/83	5.90%
BARTON	033	C-033	1.00%	11/01/82	5.90%
BROWN	025	C-025	1.00%	11/01/82	5.90%
CHAUTAUQUA	063	C-063	1.00%	02/01/83	5.90%
CHEROKEE	010	C-010	1.00%	11/01/82	5.90%
CHEYENNE	082	C-082	1.00%	07/01/86	5.90%
CLAY	041	C-041	0.50%	11/01/82	5.40%
CRAWFORD	004	C-004	1.50%	07/01/95	6.40%
DECATUR	074	C-074	1.00%	11/01/84	5.90%
DICKINSON	018	C-018	1.00%	07/01/83	5.90%
DONIPHAN	045	C-045	1.00%	10/01/94	5.90%
DOUGLAS	016	C-016	1.00%	01/01/95	5.90%
EDWARDS	079	C-079	1.00%	11/01/83	5.90%
ELK	068	C-068	1.00%	11/01/82	5.90%
FINNEY	071	C-071	0.75%	07/01/95	5.65%
FORD	035	C-035	0.75%	07/01/91	5.65%
FRANKLIN	021	C-021	1.50%	01/01/93	6.40%
GEARY	047	C-047	1.25%	04/01/93	6.15%
GOVE	088	C-088	1.00%	11/01/84	5.90%
GRAY	089	C-089	1.00%	02/01/83	5.90%
GREELEY	105	C-105	1.00%	11/01/82	5.90%
GREENWOOD	032	C-032	1.00%	07/01/95	5.90%
HAMILTON	100	C-100	0.50%	01/01/93	5.40%
HARVEY	028	C-028	1.00%	07/01/86	5.90%
HASKELL	101	C-101	0.50%	01/01/83	5.40%
JACKSON	042	C-042	1.00%	07/01/94	5.90%
JEFFERSON	046	C-046	2.00%	01/01/94	6.90%
JEWELL	043	C-043	1.00%	02/01/83	5.90%
JOHNSON	019	C-019	0.85%	07/01/95	5.75%
KIOWA	085	C-085	1.00%	11/01/82	5.90%
LABETTE	011	C-011	1.00%	09/01/81	5.90%
LINCOLN	066	C-066	1.00%	02/01/83	5.90%
LOGAN	095	C-095	1.00%	11/01/82	5.90%
LYON	013	C-013	0.50%	10/01/92	5.40%
MARION	023	C-023	1.00%	07/01/87	5.90%
MCPHERSON	026	C-026	1.00%	07/01/82	5.90%
MEADE	086	C-086	1.00%	11/01/84	5.90%
MIAMI	031	C-031	1.00%	07/01/83	5.90%
MITCHELL	055	C-055	1.00%	11/01/82	5.90%
MONTGOMERY	005	C-005	1.00%	01/01/95	5.90%
MORRIS	054	C-054	1.00%	11/01/82	5.90%
NEMAHA	034	C-034	1.00%	11/01/82	5.90%
NEOSHO	022	C-022	0.50%	10/01/94	5.40%
OSAGE	029	C-029	1.00%	11/01/82	5.90%
OSBORNE	056	C-056	0.50%	01/01/83	5.40%
OTTAWA	065	C-065	2.00%	07/01/95	6.90%
PAWNEE	069	C-069	1.00%	07/01/83	5.90%
PRATT	053	C-053	1.00%	07/01/82	5.90%
RAWLINS	077	C-077	1.00%	02/01/83	5.90%
RENO	006	C-006	1.00%	07/01/86	5.90%
REPUBLIC	040	C-040	1.00%	11/01/82	5.90%
RICE	048	C-048	1.00%	11/01/82	5.90%

\* NEOSHO

\* SEE BACK PAGE FOR CITY ADDITION



COUNTY	COUNTY NO.	LOCAL CODE	COUNTY TAX RATE	EFFECTIVE DATE	TOTAL TAX RATE (including 4.9% state tax rate)
RILEY	030	C-030	0.50%	02/01/83	5.40%
RUSSELL	060	C-060	1.00%	04/01/88	5.90%
SALINE	014	C-014	1.00%	06/01/95	5.90%
SCOTT	096	C-096	1.00%	05/01/82	5.90%
SEDGWICK	002	C-002	1.00%	10/01/85	5.90%
SEWARD	084	C-084	1.00%	11/01/80	5.90%
SHAWNEE	003	C-003	0.25%	01/01/95	5.15%
SHERMAN	080	C-080	1.25%	10/01/92	6.15%
STAFFORD	059	C-059	1.00%	11/01/84	5.90%
STANTON	104	C-104	1.00%	11/01/84	5.90%
THOMAS	078	C-078	1.00%	11/01/82	5.90%
WABAUNSEE	062	C-062	1.00%	02/01/83	5.90%
WASHINGTON	037	C-037	1.00%	02/01/83	5.90%
WICHITA	102	C-102	1.00%	11/01/82	5.90%
WYANDOTTE	001	C-001	1.00%	01/01/84	5.90%

### CITIES

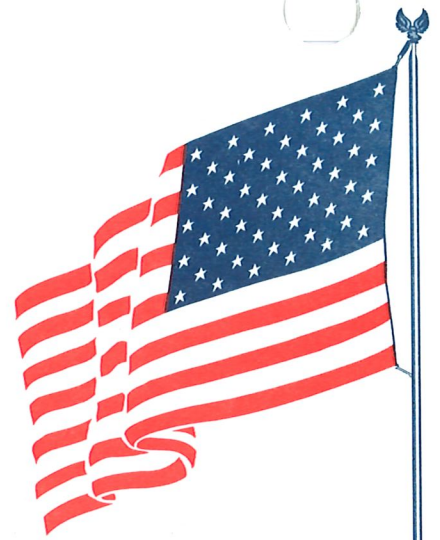
CITY	LOCAL CODE	CITY TAX RATE	EFFECTIVE DATE	COUNTY LOCATION	COUNTY NO.	COUNTY TAX RATE	TOTAL TAX RATE (including 4.9% state tax rate)
ABILENE	T-180	0.50%	05/01/83	Dickinson	018	1.00%	6.40%
AMERICUS	T-213	0.50%	04/01/87	Lyon	013	0.50%	5.90%
ANTHONY	T-195	0.50%	11/01/84	Harper	051		5.40%
ARGONIA	T-223	1.00%	01/01/91	Sumner	012		5.90%
ARKANSAS CITY	T-108	1.00%	04/01/85	Cowley	008		5.90%
ARMA	T-161	0.50%	11/01/82	Crawford	004	1.50%	6.90%
ATCHISON	T-109	1.00%	08/01/83	Atchison	015	1.00%	6.90%
AUBURN	T-192	1.00%	07/01/84	Shawnee	003	0.25%	6.15%
AUGUSTA	T-231	0.50%	10/01/91	Butler	009		5.40%
BALDWIN CITY	T-136	1.00%	07/01/91	Douglas	016	1.00%	6.90%
BASEHOR	T-158	0.50%	07/01/82	Leavenworth	007		5.40%
BAXTER SPRINGS	T-150	1.00%	07/01/85	Cherokee	010	1.00%	6.90%
BELLE PLAINE	T-219	1.00%	10/01/89	Sumner	012		5.90%
BONNER SPRINGS	T-143	1.00%	01/01/86	Wyandotte	001	1.00%	6.90%
CALDWELL	T-122	1.00%	11/01/82	Sumner	012		5.90%
CANEY	T-123	1.75%	01/01/93	Montgomery	005	1.00%	7.65%
CHANUTE	T-117	1.00%	11/01/87	Neosho	022	0.50%	6.40%
CHERRYVALE	T-133	1.00%	11/01/82	Montgomery	005	1.00%	6.90%
CHECTOPA	T-203	1.00%	07/01/85	Labette	011	1.00%	6.90%
CLAY CENTER	T-124	1.00%	11/01/84	Clay	041	0.50%	6.40%
COFFEYVILLE	T-125	1.00%	05/01/84	Montgomery	005	1.00%	6.90%
COLUMBUS	T-151	1.00%	04/01/87	Cherokee	010	1.00%	6.90%
CONCORDIA	T-142	1.00%	02/01/83	Cloud	036		5.90%
CONWAY SPRINGS	T-220	1.00%	10/01/89	Sumner	012		5.90%
COTTONWOOD FALLS	T-224	1.00%	01/01/91	Chase	081		5.90%
DEERFIELD	T-239	1.00%	10/01/94	Kearny	098		5.90%
DELPHOS	T-196	1.00%	11/01/84	Ottawa	065	2.00%	7.90%
DE SOTO	T-152	1.00%	01/01/91	Johnson	019	0.85%	6.75%
DIGHTON	T-181	1.00%	07/01/83	Lane	097		5.90%
DODGE CITY	T-148	0.75%	01/01/94	Ford	035	0.75%	6.40%
DOUGLASS	T-241	1.00%	01/01/95	Butler	009		5.90%
EASTON	T-204	1.00%	07/01/85	Leavenworth	007		5.90%
EDGERTON	T-153	1.00%	07/01/85	Johnson	019	0.85%	6.75%
EDNA	T-217	1.00%	01/01/89	Labette	011	1.00%	6.90%
EDWARDSVILLE	T-207	1.00%	01/01/86	Wyandotte	001	1.00%	6.90%
EFFINGHAM	T-190	1.00%	11/01/83	Atchison	015	1.00%	6.90%
EL DORADO	T-221	1.00%	10/01/89	Butler	009		5.90%
ELKHART	T-147	1.00%	01/01/95	Morton	094		5.90%
ELLIS	T-187	1.00%	11/01/83	Ellis	038		5.90%
ELLSWORTH	T-182	1.00%	07/01/83	Ellsworth	064		5.90%
ELWOOD	T-197	1.00%	11/01/84	Doniphan	045	1.00%	6.90%

CITY	LOCAL CODE	CITY TAX RATE	EFFECTIVE DATE	COUNTY LOCATION	COUNTY NO.	COUNTY TAX RATE	TOTAL TAX RATE (including 4.9% state tax rate)
EMPORIA	T-194	1.00%	01/01/95	Lyon	013	0.50%	6.40%
ERIE	T-162	1.00%	01/01/88	Neosho	022	0.50%	6.40%
EUDORA	T-163	0.50%	11/01/82	Douglas	016	1.00%	6.40%
FAIRWAY	T-183	1.00%	07/01/86	Johnson	019	0.85%	6.75%
FORT SCOTT	T-189	1.00%	01/01/84	Bourbon	017		5.90%
FREDONIA	T-208	1.00%	01/01/86	Wilson	027		5.90%
FRONTENAC	T-164	1.00%	01/01/95	Crawford	004	1.50%	7.40%
GALENA	T-050	1.00%	07/01/84	Cherokee	010	1.00%	6.90%
GARDEN CITY	T-177	1.00%	07/01/94	Finney	071	0.75%	6.65%
GARDNER	T-165	1.00%	01/01/89	Johnson	019	0.85%	6.75%
GAS	T-226	1.00%	01/01/91	Allen	024	1.00%	6.90%
GIRARD	T-166	0.50%	11/01/82	Crawford	004	1.50%	6.90%
GLASCO	T-184	1.00%	07/01/83	Cloud	036		5.90%
HAYS	T-167	1.00%	07/01/92	Ellis	038		5.90%
HERINGTON	T-119	0.50%	07/01/80	Dickinson	018	1.00%	6.40%
HIAWATHA	T-126	0.50%	11/01/80	Brown	025	1.00%	6.40%
HILL CITY	T-205	1.00%	07/01/85	Graham	076		5.90%
HILLSBORO	T-202	0.50%	05/01/85	Marion	023	1.00%	6.40%
HOLTON	T-242	0.25%	01/01/95	Jackson	042	1.00%	6.15%
HORTON	T-127	1.00%	07/01/87	Brown	025	1.00%	6.90%
HUGOTON	T-128	1.00%	01/01/94	Stevens	092		5.90%
HUMBOLDT	T-149	0.50%	01/01/82	Allen	024	1.00%	6.40%
HUTCHINSON	T-209	0.75%	04/01/94	Reno	006	1.00%	6.65%
INDEPENDENCE	T-134	1.00%	04/01/86	Montgomery	005	1.00%	6.90%
IOLA	T-144	1.00%	01/01/90	Allen	024	1.00%	6.90%
JUNCTION CITY	T-168	1.00%	11/01/82	Geary	047	1.25%	7.15%
KANOPOLIS	T-206	1.00%	07/01/85	Ellsworth	064		5.90%
KANSAS CITY	T-129	1.00%	01/01/84	Wyandotte	001	1.00%	6.90%
LACYGNE	T-216	1.00%	10/01/88	Linn	049		5.90%
LAKIN	T-185	1.00%	07/01/83	Kearny	098		5.90%
LANSING	T-154	1.00%	01/01/89	Leavenworth	007		5.90%
LAWRENCE	T-160	1.00%	10/01/90	Douglas	016	1.00%	6.90%
LEAVENWORTH	T-051	1.00%	03/01/85	Leavenworth	007		5.90%
LEAWOOD	T-111	1.00%	01/01/84	Johnson	019	0.85%	6.75%
LENEXA	T-118	1.00%	02/01/84	Johnson	019	0.85%	6.75%
LIBERAL	T-240	1.00%	10/01/94	Seward	084	1.00%	6.90%
LINDSBORG	T-228	0.50%	07/01/91	McPherson	026	1.00%	6.40%
LONGFORD	T-218	1.00%	01/01/89	Clay	041	0.50%	6.40%
LOUISBURG	T-155	0.50%	07/01/82	Miami	031	1.00%	6.40%
MANHATTAN	T-300	1.50%	01/01/95	Riley	030	0.50%	6.90%
MAYFIELD	T-169	0.50%	11/01/82	Sumner	012		5.40%
MEDICINE LODGE	T-229	0.50%	07/01/91	Barber	067	1.00%	6.40%
MERRIAM	T-116	1.00%	02/01/84	Johnson	019	0.85%	6.75%
MILTONVALE	T-214	1.00%	07/01/87	Cloud	036		5.90%
MISSION	T-115	1.00%	07/01/85	Johnson	019	0.85%	6.75%
MORAN	T-193	0.50%	07/01/84	Allen	024	1.00%	6.40%
MOUND CITY	T-237	1.00%	07/01/93	Linn	049		5.90%
NEODESHA	T-130	2.00%	10/01/92	Wilson	027		6.90%
NORTON	T-236	0.50%	04/01/93	Norton	061		5.40%
OGDEN	T-107	1.00%	11/01/82	Riley	030	0.50%	6.40%
OLATHE	T-120	1.00%	02/01/84	Johnson	019	0.85%	6.75%
ONAGA	T-170	1.00%	11/01/82	Pottawatomie	039		5.90%
OSAWATOMIE	T-137	0.50%	07/01/81	Miami	031	1.00%	6.40%
OSWEGO	T-244	1.00%	07/01/95	Labette	011	1.00%	6.90%
OTTAWA	T-114	0.50%	02/01/79	Franklin	021	1.50%	6.90%
OVERLAND PARK	T-106	1.00%	02/01/84	Johnson	019	0.85%	6.75%
OXFORD	T-198	1.00%	11/01/84	Sumner	012		5.90%
PAOLA	T-138	0.50%	07/01/81	Miami	031	1.00%	6.40%
PARSONS	T-233	0.50%	01/01/93	Labette	011	1.00%	6.40%
PERRY	T-139	0.50%	07/01/81	Jefferson	046	2.00%	7.40%
PITTSBURG	T-135	1.00%	10/01/94	Crawford	004	1.50%	7.40%
PLAINVILLE	T-201	0.50%	02/01/85	Rooks	070		5.40%

CITY	LOCAL CODE	CITY TAX RATE	EFFECTIVE DATE	COUNTY LOCATION	COUNTY NO.	COUNTY TAX RATE	TOTAL TAX RATE (including 4.9% state tax rate)
POMONA	T-140	0.50%	07/01/81	Franklin	021	1.50%	6.90%
PRAIRIE VILLAGE	T-110	1.00%	02/01/84	Johnson	019	0.85%	6.75%
PRINCETON	T-245	0.50%	07/01/95	Franklin	021	1.50%	6.90%
RANSOM	T-238	0.50%	10/01/93	Ness	075		5.40%
RILEY	T-232	1.00%	07/01/92	Riley	030	0.50%	6.40%
ROELAND PARK	T-159	1.00%	03/01/84	Johnson	019	0.85%	6.75%
ROSSVILLE	T-211	1.00%	10/01/86	Shawnee	003	0.25%	6.15%
SABETHA	T-230	0.50%	07/01/91	Nemaha/Brown	034/025	1.00%	6.40%
ST. MARYS	T-172	1.00%	11/01/84	Pottawatomie	039		5.90%
SALINA	T-227	0.50%	01/01/91	Saline	014	1.00%	6.40%
SATANTA	T-212	0.50%	01/01/87	Haskell	101	0.50%	5.90%
SCAMMON	T-215	1.00%	04/01/88	Cherokee	010	1.00%	6.90%
SEDAN	T-146	0.50%	11/01/81	Chautauqua	063	1.00%	6.40%
SHAWNEE	T-131	1.00%	07/01/85	Johnson	019	0.85%	6.75%
SOUTH HUTCHINSON	T-234	0.50%	01/01/93	Reno	006	1.00%	6.40%
SPIVEY	T-112	0.50%	01/01/79	Kingman	057		5.40%
SPRING HILL	T-156	1.00%	02/01/84	Johnson	019	0.85%	6.75%
STOCKTON	T-243	0.50%	01/01/95	Rooks	070		5.40%
STRONG CITY	T-222	1.00%	01/01/90	Chase	081		5.90%
SUBLETTE	T-173	0.50%	01/01/83	Haskell	101	0.50%	5.90%
SYRACUSE	T-191	1.00%	06/01/84	Hamilton	100	0.50%	6.40%
TONGANOXIE	T-199	1.00%	07/01/89	Leavenworth	007		5.90%
TOPEKA	T-030	1.00%	11/01/82	Shawnee	003	0.25%	6.15%
TORONTO	T-174	0.50%	11/01/82	Woodson	072		5.40%
TOWANDA	T-246	1.00%	07/01/95	Butler	009		5.90%
ULYSSES	T-188	1.00%	11/01/83	Grant	103		5.90%
WAKEENEY	T-178	1.00%	02/01/83	Trego	083		5.90%
WAKEFIELD	T-132	1.00%	11/01/82	Clay	041	0.50%	6.40%
WAMEGO	T-175	1.75%	01/01/93	Pottawatomie	039		6.65%
WEIR	T-200	1.00%	11/01/84	Cherokee	010	1.00%	6.90%
WELLINGTON	T-113	1.25%	01/01/94	Sumner	012		6.15%
WELLSVILLE	T-235	0.50%	01/01/93	Franklin	021	1.50%	6.90%
WESTMORELAND	T-179	1.00%	01/01/93	Pottawatomie	039		5.90%
WESTWOOD	T-141	1.00%	02/01/84	Johnson	019	0.85%	6.75%
WESTWOOD HILLS	T-121	1.00%	02/01/84	Johnson	019	0.85%	6.75%
WILLIAMSBURG	T-157	0.50%	07/01/82	Franklin	021	1.50%	6.90%
WILSON	T-186	1.00%	09/01/83	Ellsworth	064		5.90%
WINFIELD	T-145	1.00%	11/01/84	Cowley	008		5.90%
YATES CENTER	T-176	1.00%	01/01/86	Woodson	072		5.90%

CITY	LOCAL CODE	TAX RATE	EFFECTIVE DATE	COUNTY LOCATION	COUNTY CODE
Thayer	T-247	1.00%	7-1-95	Neosho (.50) =	C022 = 6.40
Basehor	T-158	1.00%	10-1-95	NO Co. TAX Leavenworth	C007 = 5.90
Pleasanton	T-248	1.00%	10-1-95	NO Co. TAX Linn	C049 = 5.90

# Jim CLARK AUTO CENTER



The Honorable Phill Kline  
Chairman, House Transportation Committee  
RE: HB 2270

Members of the committee, I appreciate the opportunity to address you today on this important legislation. Allow me to briefly express some very real concerns that the proposed legislation deals with.

I own and operate Jim Clark Auto Center, a new vehicle dealership, in Junction City, Geary county Kansas. I pride myself in responsibly operating my company which allows me to control expenses and offer competitive prices to my customers. I am faced however with a marketing disadvantage that is beyond my control. Our local option sales tax, voted in by our residents, creates a price advantage for dealers located outside of the city and county limits. The same residents that voted in a local sales tax of 2.25% can drive twenty miles and avoid paying it. When you consider that the average price of a new car is \$20,300 that represents a savings of \$456.75. Certainly enough to cause the most civic minded to pay attention to the dealer fifteen minutes away advertising the low sales tax rate.

House bill 2270 simply removes the opportunity to dodge the individual responsibility to support taxes voted in by city or county residents. It is a fairness bill, which levels the playing field for vehicle retailers, and removes government from inadvertently creating an unfair advantage to businesses based on their geographic location. This bill does not remove any tax income from those cities, or counties, which currently have a local option sales tax collected by dealers in their area. It does make the local taxing authority responsible to collect the difference between the amount of sales tax paid at the place of purchase, and the amount in affect at the consumers' place of residence.

This bill is right, fair, harmless to existing taxing jurisdictions and long overdue. I appreciate your attention and your thoughtful consideration of HB 2270.

Sincerely,

  
Jim Clark

House Taxation  
2-11-97  
Attachment 3-1

**Jim Clark Auto Center**  
**Chevrolet-Pontiac-Oldsmobile-Cadillac-Geo-Jeep-Eagle**  
834 Grant Ave • P.O. Box 1727 • Junction City, KS 66441-1727  
Phone: 913-238-3141 • **800-238-3141** • Fax: 913-238-1609

Testimony of the Honorable Irene B. French  
City of Merriam  
Regarding House Bill 2242 and 2270  
Before the House Taxation Committee

February 11, 1997

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Mr. Chairman and Members of the Taxation Committee, I appreciate the opportunity to speak with you today regarding HB 2242. I ask you to reject this bill based upon several important points of consideration:

1. While we are less opposed to this bill than previous efforts that would totally abolish the situs, this bill using a compensating use tax approach, looks to us like a snowball rolling down hill. If it were to get out of this committee, pick up speed, and then avalanche into the Automobile Dealers Association's former request of removing the situs sales tax on automobiles, we would consider it to be a disaster. After years and years of fighting against efforts to change the situs, we're naturally very suspicious of this proposal.
2. HB 2242 could create a significant burden upon the purchaser of an automobile. Under the provisions of this bill a car purchaser would be required to pay a portion of his/her sales tax at the point of registration. This would create a hardship for many consumers who have had to stretch their pocketbooks to come up with a down payment. Car buyers would be disturbed and stretched to the limit when they had to come up with extra cash to pay the this additional sales tax, when previously they had generally included all sales tax within their monthly payments.
3. HB 2242 is simply bad tax policy. Where should we draw the line on tax situs? Will other large ticket items such as boats, refrigerators, washing machines, home improvement items, etc. be next? Why shouldn't there be compensating use taxes for these and other items?
4. This bill would create significant problems for our county treasurers who will be asked to accept an additional burden upon their offices.
5. HB 2242 truly represents a special interest bill. The main proponents of this legislation, the Kansas Motor Car Dealers Association, support it for a variety of reasons. Car dealers suggest that all of their dealers need to be placed on a level playing field so that city dealers will still be able to compete with rural dealers. This would change the playing field, but it still would not make it level. Next, might they ask you to level all utility cost or other different market factors.

As we have shared many times in the past, we are opposed to any change in the situs. Merriam receives over  $\frac{1}{4}$  of its sales tax from automobile sales and any threat to that source of revenue we take very seriously. To summarize, our opposition to this comes down to our concern that if this bill were to get on the floor, amendments to change the whole situs could be attached, and that this might be the first step towards a total change in the situs.

Thank you again for this opportunity to share our thoughts on this subject.



City Hall • 8500 Santa Fe Drive  
Overland Park, Kansas 66212

**TESTIMONY**  
**HOUSE TAXATION COMMITTEE**  
**FEBRUARY 11, 1997**  
**REP. PHILL KLINE - CHAIRMAN**  
**RE: HB 2242 AND HB 2270**

My name is Kelly Kultala and I represent the City of Overland Park. I would like to bring to your attention three areas of concern regarding HB 2242 and HB 2270.

First, if you pass HB 2242 you will raise property taxes in the City of Overland Park. Currently, Overland Park has the lowest property tax of any city in Johnson County and the lowest property tax of any first class city in the state of Kansas. The current mill levy is 9.978, which includes fire protection.

The City is able to keep property taxes down because of two, very important, factors:

1. Fifty percent of the city's revenue comes from sales tax, with seven to ten percent of this amount coming from automobile dealer sales and rentals.
2. The Overland Park City Council has made a commitment, for the last three years, to the families who live there, to not raise property taxes, eventhough reappraisal has shown that property values have gone up. Overland Park has been able to keep property taxes down by being able to count on sales tax revenue.

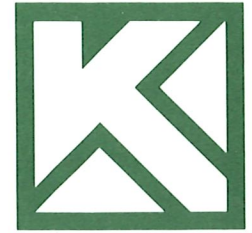
The second area of concern is that HB 2242 would penalize communities who have invested in their infrastructure. The City of Overland Park has invested millions of dollars in infrastructure to attract new automobile dealers and to allow current automobile dealers to operate. For example, Metcalf Avenue has been widened, turn lanes were constructed, a new sewer system was built, additional street lights erected, etc.

Finally, both HB 2242 and HB 2270 would totally change current tax policy. Currently, items bought are taxed at the point of sale, which is deemed the situs. Lines 27-31 in HB 2242 and lines 32-36 in HB 2270 both state that, **for compensating tax purposes the residence or place of business shall be deemed the situs.** We believe that this language is very confusing and possibly dangerous to the current Kansas retailer sales act.

The City of Overland Park believes that these bills are bad public policy and would ask that they not be passed.

# LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



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

HB 2157

February 11, 1997

## KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the  
House Committee on Taxation

by

Bob Corkins  
Director of Taxation

Honorable Chair and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to express our members' support for the personal property valuation proposal set forth in HB 2157.

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 47% of KCCI's members having less than 25 employees, and 77% 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.

This measure is prompted by the unfortunate fact that "trending factors" are alive and well in the realm of machinery and equipment (M&E) property taxation. When the legislature approved our property classification scheme in 1986, it responded to a loud business complaint about the practice

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Attachment 6-1



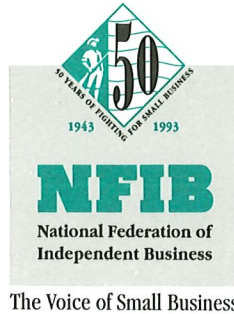
Using charts and graphs to determine M&E tax values. Even today, the state Property Valuation Division instructs county appraisers to rely on a "used factor" table of data that assigns a fictitious original cost when a property's original cost cannot be otherwise determined.

This practice strikes KCCI's membership as being inherently arbitrary and inequitable. It often results in a taxable value calculation (even after straight-line depreciation is applied) which is significantly higher than the used purchase price of the M&E in question. Clearly, the methodology achieves a result which may reflect fair market value only by accident.

Some will say this criticism is irrelevant because our Constitution does not concern itself with M&E fair market value -- the Constitution calls for "original cost when new." However, an item's original cost when new is the result of market forces. Fair market value is therefore an implicit factor in the Constitution's M&E language. HB 2157 would reinsert this principle of fair market value in the appraisal of used M&E. It is a principle that drives almost every other aspect of property taxes, but has been inappropriately erased from the tax code in this instance.

KCCI would like to see a more aggressive proposal than HB 2157 in order to correct all inequities of the M&E appraisal process. Unfortunately, the Kansas Constitution ties our hands. Because of its insistence upon "original cost when new," we believe the Constitution will not allow the fair market value test of HB 2157 to be applied unless the search for "original cost" is fruitless. When you consider that some durable goods are sold three or more times over a long economic life, you can imagine how difficult this records search can be.

Perhaps a movement to amend the Constitution in this regard will show some promise in the near future. Until then, HB 2157 will certainly be an improvement in M&E tax fairness over the way it is administered today. KCCI asks that you recommend it favorably for passage.



## LEGISLATIVE

## TESTIMONY

Testimony on H.B. 2157 - Property Valuations  
Before the Kansas House Taxation Committee  
By Hal Hudson, Kansas State Director  
National Federation of Independent Business  
Tuesday, February 11, 1997

Mr. Chairman and Members of the Committee: Thank you for allowing me to testify in support of H.B. 2157. My name is Hal Hudson, and I am the State Director for the 8,000-member Kansas Chapter of the National Federation of Independent Business.

H.B. 2157 looks a little like the product of a committee after all members have been given an opportunity to attach an amendment (read "ornament") covering their pet cause.

Others have discussed (or will discuss) their interest in various aspects of real property taxation. I will limit my remarks to new section (D) as it relates to used commercial and industrial machinery and equipment.

To my knowledge, this is the third consecutive year that the issue of determining the proper valuation of used property for tax purposes has come before this committee. This seems to indicate that there has been a problem, there still is a problem, and it won't go away until some legislation is enacted to correct it.

Establishing an equitable way to evaluate property purchased used is especially important to small business owners. Often the small business owner buys office equipment, furniture, production machinery, etc., after it has been used by a larger business and replaced by newer property. They buy used property because its acquisition cost usually is much less than comparable new property.

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Sometimes used property is purchased through a bankruptcy broker, a second or third owner, or even at auction, where real bargains can be found. None of these sales are at "retail when new" prices, and it is unlikely the seller even knows the original cost.

Then the county appraiser arrives. If the property owner is unable to provide some evidence or proof of the original "retail cost when new," it's open season on used property owners. Appraisers have been known to establish valuations as high as five times the used purchase price.

I believe the language on lines 20 through 24 provides a reasonable alternative to the inflexible language of the constitution, and policies county appraisers ascribe to the Department of Revenue. This language will provide an incentive for the owner to establish original cost if the property has appreciated and cost more used than when new.

I urge you to approve H.B. 2157, and support its enactment.

Thank You.



KANSAS NATIONAL EDUCATION ASSOCIATION / 715 W. 10TH STREET / TOPEKA, KANSAS 66612-1686

Susan Chase Testimony before  
House Taxation Committee on  
House Bill 2117  
Tuesday, February 11, 1997

Thank you Mr. Chairman and members of the committee for allowing me to speak. I am Susan Chase and I represent the Kansas National Education Association. We are here in support of HB 2117, which would require approval from school districts for exemption on property taxes.

Over the past couple of decades there has been a growing trend to exempt certain corporations from the payment of property taxes in order to entice them to either settle or expand their operation in a certain location. While on the surface this seems like a great idea, it has lead to some unplanned consequences. One of those consequences is the effect on the funding of public services, especially public schools. According to the US Department of Labor, corporations paid approximately 45 % of the property tax revenues in 1957. In 1990 the estimate of the property tax share for corporations was 16 %.

This has a decided impact on revenues for local school districts. When an exemption is given to a corporation, that exemption impacts the revenue from the statewide mill levy, the local option budget revenue, and any revenue generated by a bond issue passed by a vote of the people. While the school formula sets what a school district can spend, the obvious tie is that the amount of revenue plays a big part in determining the formula. The general public is upset over what they see as an ever-increasing amount individuals pay to finance schools. We believe this outcry is caused in part by the ever-increasing share of property taxes that individuals are paying.

KNEA understands that property tax exemptions are a way to promote economic development, but so are good schools, and the decisions around tax exemptions should take both into account. We believe it is very important to include the school districts as one of the parties that makes the decision over property tax exemptions. They not only are affected by the exemptions, they are also affected by the changes both positive and negative the corporation will bring to the community.

Thank you for allowing us to address the committee on HB 2117. We urge your support of this measure.

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Testimony on House Bill No. 2117  
before the  
House Committee on Taxation

by  
Patricia Baker  
Deputy Executive Director/General Counsel  
Kansas Association of School Boards  
February 11, 1997

Mr. Chairman, Members of the Committee:

Thank you, Mr. Chairman, on behalf of the Boards of Education of Kansas Public Schools. I appear in support of H.B. 2117 which provides that cities and counties must seek approval of the local board of education prior to exempting property from taxation.

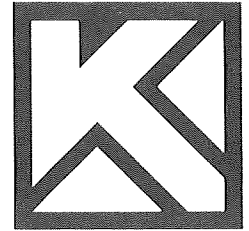
Although the uniform state mill levy for schools is established by the State Legislature, local districts are still required to levy taxes to finance local option budgets and bond and interest payments. When property is exempt from ad valorem taxes, the effect on the local district can be considerable.

We believe that locally elected school boards should be equal partners in the decision making process with cities and counties.

I appreciate your attention to our concerns.

# LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



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

HB 2117

February 11, 1997

## KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the  
House Committee on Taxation

by

Bob Corkins  
Director of Taxation

Honorable Chair and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to express our members' views on the subject of property tax abatements and, in particular, their opposition to HB 2117 because of its potential threat to this valuable growth incentive tool.

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 47% of KCCI's members having less than 25 employees, and 77% 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.

Many of you are aware that this is not a new concept before the legislature. In 1990, the legislature enacted a mandatory cost/benefit analysis that must be performed to validate any local

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g. Government decision to abate property taxes under this Constitutional provision. Considerable attention was devoted to the idea after the 1992 school finance act which gave abatements a more statewide profile. Consequently, the 1994 legislature addressed the subject by enacting safeguards which require local officials to perform a more sophisticated analysis before making property tax decisions of this sort -- extending the mandatory analysis to abatements granted through statutory industrial revenue bond (IRB) authority and requiring an evaluation of the *statewide* tax impact of each abatement proposal. KCCI supported all of these measures.

In short, we believe HB 2117 is <sup>Not</sup> necessary and possibly harmful to economic development. Ample safeguards are now in place. School districts already have guaranteed access to the abatement decision process and the chance is extremely remote that an abatement would be approved by a city or county without a highly detailed consideration of school district concerns. Perhaps some might argue that USDs deserve a more powerful role in property tax decisions, but KCCI disagrees that absolute USD veto authority is justified.

Why might a school district oppose a given abatement? We believe there are very few reasons, none of which seem compelling. The primary reason typically given, a fear of tax base erosion, is unfounded. In the vast majority of cases, no tax base is lost when property is abated. An abatement simply postpones a given property tax base increase, while enabling the immediate expansion of the sales tax base, income tax base, and tangential property development. Abated property usually consists of new business additions; if the abatements were not granted, the addition would probably not occur. Occasionally, communities will abate the value of property which is currently on the tax rolls. However, when they do, it is typically vacant rural land or deteriorating urban property which has very low taxable value. Furthermore, when communities *do* abate existing taxable value, a common practice has been to require a payment-in-lieu-of-tax (PILOT) equal to the foregone tax revenue or at least at a significant percent of that revenue.

Another possible USD concern could be the influx of additional students and the district's capacity to accommodate them. Such a position ignores or denigrates the tremendous value (in fact, an abatement's primary objective) of creating more jobs and prosperity for the community and the state. To authorize school districts to veto abatement proposals upon these grounds would be to condone a decidedly anti-growth state and local tax policy.

Ironically, many school districts may have no desire to ever oppose abatements. The current school finance law actually provides an incentive for USDs to welcome abatements because their budget authority is guaranteed by the state on a per-pupil basis. Any portion of one's budget authority that is not funded with the uniform mill levy is paid by the state. If an abatement increases the number of students, and if we assume (just for the sake of argument) that the abatement does not cause the property tax base to grow, then the USD's property tax revenue will remain constant while it gets more state money.

This motivation is held in check, fortunately, because local governments will not wildly abate property just to get more state aid for their school districts. First, they will exercise restraint because cities and counties must follow the procedural analyses mentioned above which assure that the best interests of *all* affected governmental units are respected. Second, abatement restraint occurs because this USD motivation pertains only to their general fund, not to their LOB levies, bond and interest levies, and other funds. State aid for funds such as an LOB are determined by a district's appraised valuation, not their taxable valuation.


If there is no abuse of the system and if there are no justifiable reasons for greater school district tax powers, then KCCI sees no reason for enactment of HB 2117. More importantly, since the bill would present a risk of thwarting worthy tax incentives, we respectfully ask for your opposition to it. Thank you for your time and consideration.





**League  
of Kansas  
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 300 S.W. 8TH TOPEKA, KS 66603-3896 (913) 354-9565 FAX (913) 354-4186

**TO:** House Committee on Taxation  
**FROM:** Chris McKenzie, Executive Director   
**DATE:** February 11, 1996  
**SUBJECT:** HB 2117--Approval by School Districts of Property Tax Exemptions

Thank you for the opportunity to testify today on behalf of the 530 member cities of the League of Kansas Municipalities in opposition to HB 2117. On its face, HB 2117 may appear to simply promote intergovernmental cooperation and communication in the granting of property tax exemptions for new and expanding businesses. In reality, it would substantially undermine and reduce the effectiveness of an economic development tool that has served this state well over the years. Let me explain.

The decision to grant a property tax exemption for a new or expanding business actually is one of the final decisions made by a city that is involved in a business development project. The actual development project actually involves extensive discussions and negotiations, typically led by the city or its economic development organization. A property tax exemption is one of a number of incentives the negotiators can use in providing incentives for the business development. Other items become part of that package as well; i.e., land, utilities, etc.

Under current law, cities are required to conduct a cost-benefit analysis, assessing the fiscal impact of a proposed incentive package on all local units and the state. Two years ago the League cooperated with Kansas, Inc. in the development of such a model using EDIF funds, and it is used on a widespread basis today. In fact, we are in the process of updating the model at this time and will sponsor a symposium on tax abatements in April of this year at which the updated model will be unveiled and explained. Local economic development professionals are working hard to improve the quality of the local tax exemption decision, and cost-benefit analysis is part of that process. Some cities have even formed advisory committees, sometimes even including school officials, to review and evaluate incentive packages.

Involving school districts more formally in the decision making process for granting property tax exemptions to new and expanding businesses (beyond the consultation process that currently happens) will significantly delay and inhibit a process which by its nature must be timely, efficient, and responsible if businesses are going to have such information in order to make their decisions in a reasonable time frame. Current law provides that city and county governing bodies make these important economic decisions within their respective spheres of influence. HB 2117 would require that school boards become involved in the local economic development process. We would respectfully suggest that school boards are not well-equipped to play this role. Further, with decision making also could come requests for greater financial participation in the assembly of business incentive packages. We would question whether either the legislature or school boards would like to see this happen.

**RECOMMENDATION:** We urge you to not recommend HB 2117 favorably for passage.

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2-11-97  
Attachment 11-1

**Testimony on House Bill 2117  
House Taxation Committee**

Bernie Koch  
Wichita Area Chamber of Commerce  
February 11, 1997

Thank you for the opportunity to appear today. Mr. Chairman, members of the committee, I'm Bernie Koch with The Wichita Area Chamber of Commerce.

Property tax abatements have been used as a valuable tool to attract new business and aid expansion of existing business. They encourage investment in new machinery and equipment, create jobs, help produce wealth, and result in additional revenue for local and state government by generating new sales tax, personal income tax, property tax and corporate tax. They level the playing field with other states in the region which have lower effective personal property tax rates. They help Kansas businesses become more technically competitive with foreign manufacturers.

The law requires school districts to be informed when a tax abatement is proposed so that they are aware of the deferral of taxes and have the opportunity to respond. Few, if any, ever do.

The law requires cost/benefit studies when tax abatements are proposed. These studies look at the impact of the abatements on the economy and on government. A few years ago, this legislature amended that law to include the affect on the state. As I recall, that was specifically added so that the state could see the consequences of those abatements on school finance. I testified in support because we feel confident that the influence on school finance is a positive one. Before you seriously consider this legislation, I would suggest that it would be appropriate to review that information.

Right now, cities and counties approve tax abatements. These forms of government have practical expertise in economic development and have a basis for judgment. School districts generally don't.

Expanding businesses like to know what they can expect and what they can't expect from government. This would add another level of bureaucracy and possibly delay that decision.

Finally, this bill affects constitutional abatements which are narrowly targeted and are primarily used by medium and small businesses. Large industry uses industrial revenue bond tax abatements, which are not affected by this bill. Another layer of bureaucracy is added for small business.

You've spent a lot of time an effort in this committee trying to help small business. The Tax Equity and Fairness Act and the several items you're considering in that legislation to help businesses escape costly and time-consuming bureaucratic red tape is very much appreciated. It's unsettling that you would consider a bill that goes in the other direction.

Testimony on H.B. 2117  
House Committee on Taxation  
Tuesday, February 11, 1997  
Gary Toebben, President  
Lawrence Chamber of Commerce

Mr. Chairman and members of the committee. My name is Gary Toebben and I am here today representing the Kansas Industrial Developers Association and the Lawrence Chamber of Commerce. Both of these groups stand in opposition to H.B. 2117.

The Kansas Industrial Developers Association was founded in 1981. It was created to lobby the Kansas Legislature, the Kansas Chamber of Commerce and Industry and the Kansas Department of Commerce and Housing on legislation that would have a positive or a negative effect on economic development in Kansas. Today, more than 120 economic development professionals from across the state of Kansas are members of this association. I am here today at the request of KIDA president Dennis Zimmerman who lives in Ulysses.

Economic development professionals in Kansas work closely with their local school districts in recruiting new businesses and in reviewing the advisability of property tax abatement proposals. In Lawrence, the Assistant Superintendent of Schools is a member of the five-person advisory committee that reviews every property tax abatement request before the city or the county. Through that representation, the school administration and the school board have access to the applicant and to all of the information generated by the cost-benefit analysis done by the University of Kansas Institute for Public Policy and Business Research.

The current review process is conducted jointly by representatives of the city, county, KU and the school district who serve on the advisory committee. That committee, in turn, makes a recommendation to the City Commission. The current process takes several months to complete and includes a public hearing that is well publicized.

We do not believe that it is necessary or advisable to conduct two review processes and lengthen the amount of time it takes to firm up a proposal from the community to an industrial prospect. In the business of economic development, time is a precious quantity. Applicants understand the importance of a public hearing when a tax abatement is under consideration. They would not understand a city, county and school district who could not work together to accommodate an application with one review process.

The Lawrence Public Schools are deeply involved in and well served by the existing process. So are other school districts across the state. They are not requesting to conduct a separate review on their own.

Cities and counties have the statutory authority to carry out economic development activities. The statutes on property tax abatements, as currently written, allows cities and counties to carry out that responsibility in a manner that provides the public schools and the public as a whole with every opportunity to voice their opinions, support and opposition.

For your information, I have attached the summary of a cost-benefit analysis that KU did last fall on the expansion of the production facilities at the Communicolor plant in Eudora. As you can see, all three local government bodies, the city, the county and the school district will see a positive return from the Communicolor investment and a 50% property tax abatement for ten years.

Thank you very much for your consideration of these observations from the economic development professionals across the state of Kansas. We urge you to oppose H.B. 2117. This legislation will not help us create new jobs, expand the tax base, fund education or enhance the quality of life in our state. Thank you.

# The University of Kansas

Institute for Public Policy  
and Business Research

October 22, 1996

Mayor and City Council  
City of Eudora  
City Hall  
Eudora, Kansas 66025

Honorable Mayor and City Council Members:

This letter presents a summary of the benefit-cost analysis performed for:

## Communicolor

The company proposes to purchase \$9.4 Million in new equipment to expand production capabilities within the existing plant. The company expects to hire at least 14 new employees to operate this new production line. These employees would directly generate over \$352,576 in annual before-tax income for Eudora and surrounding communities. With benefits included, the total would exceed \$427,675.

The fiscal impacts of the company's proposed expansion project are estimated for the City of Eudora, Douglas County, and the Eudora School District (#491), both individually and as a combined total. The school district results do not include revenues generated by the 35 mill state school levy. The following estimates span a 15-year time period, and assume that a 50.0% tax abatement is granted for 10 years on the investment:

	Net Benefits	Benefit-Cost Ratio
City of Eudora	\$58,092	1.27
Douglas County	99,295	2.25
USD 491	93,208	14.53
Combined City, County, USD 491	250,595	1.82

Economic impacts can be summarized by the effects on disposable (wages and salaries plus benefits less taxes) personal income and on employment. Primary effects result from the direct activities of the firm, while secondary effects occur through multiplier effects on plant and employee spending. The results shown below are for Douglas County. Additional impacts will occur in surrounding counties.

	Disposable Personal Income	Employment
Primary Effects	\$295,676	12.5
Secondary Effects	\$140,680	5.4
Total	\$436,357	17.9

We hope this benefit-cost analysis will be helpful in your decision making. We encourage you to call us at (913) 864-3701 if you have any questions. A complete report on the benefit-cost analysis accompanies this letter.

Sincerely,



Vincent C. Glaeser  
Research Economist

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