

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 5, 1997, in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Corbin, Senator Bond,
Senator Goodwin, Senator Hardenburger,
Senator Karr, Senator Lee, Senator Praeger,
and Senator Steineger.

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Don Hayward, Revisor of Statutes
Shirley Higgins, Secretary to the Committee

Conferees appearing before the committee: Lt. Governor Gary Sherrer
Bob Corkins, Kansas Chamber of Commerce and Industry
Dee Likes, Kansas Livestock Association
Jim Allen, Commercial Property Association of Kansas

Others attending: See attached list

Senator Langworthy turned the committee's attention to **SB 107** which was previously heard. The bill concerns the format of the notice of change in appraised valuation on real property. The bill would no longer require county appraisers to notify taxpayers of the appraised valuation on real property if the valuation did not change from the previous year. County appraisers would also have the option of notifying the taxpayer by post card that no change occurred in the appraised valuation. Senator Praeger expressed concern that a sudden change to allow no notification to taxpayers could create confusion for taxpayers who would question why they have not received notification.

Senator Bond moved to amend **SB 107** to include language providing that post card notification may be used subject to approval of form by the Director of the Property Valuation Department, seconded by Senator Praeger. The motion carried.

Senator Bond moved to report **SB 107** favorable for passage as amended, seconded by Senator Lee. The motion carried.

Attention was turned to another bill previously heard, **SB 109** which concerns the timing of viewing and inspection of real property for appraisal purposes. Senator Langworthy recalled that the change would allow counties, with the approval of the Property Valuation Department (PVD) that they are adequately maintaining their data base, to change the visual inspection from four years to six years.

Senator Praeger expressed concern that significant changes due to property improvement could occur in a six-year period, and the property owner could suddenly get "hit" with a big change in appraisal value. Senator Langworthy explained that property owners would still receive notice of annualized changes in property valuation; the bill deals with just the viewing of the property .

Mark Beck, Director of PVD, responded to Senator Bond's request for a position statement by the department. Mr. Beck said that PVD has no problem with the bill as the process is ongoing. He noted that a working group, consisting of county appraisers and his staff, was already established to develop standards. Further, his department currently works with county appraisers on a regular basis to check their data bases. He had no concern with the bill as it stays within the industry standards, which was his first concern. He also noted that the appraisers would still view the property at least twice a year before putting a final value on it. Mr. Beck was comfortable that he had the authority to draft the specifications into regulations so they could not easily be changed.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on February 5, 1997.

Senator Steineger moved to recommend **SB 109** favorable for passage, seconded by Senator Lee. The motion carried.

SB 54--Relating to the financing of unified school districts; concerning the property tax levy required therefor.

Senator Langworthy called on staff to brief the committee on **SB 54**. Staff explained that the bill was part of the Governor's proposed property tax relief program. The bill would basically reduce the school finance property tax levy from 33 mills to 29 mills for the 1997-98 school year and to 25 mills for the 1998-99 school year, 8 mills over a two-year period. The amount of property tax reduction would be \$40.5 million in fiscal 1998, \$89.3 million in fiscal 1999, and fully phased in at \$107.2 million in fiscal 2000.

Senator Langworthy called attention to fiscal information which was distributed to members for their information. (Attachment 1) She also called attention to the supplemental note on **HB 2031** which is the same as **SB 54**. Staff reviewed the supplemental note, noting that the major part of the bill relates to the reduction of 8 mills over two years in the school finance levy from 33 to 25 mills. There is a technical amendment to the motor vehicle law, as in **SB 54**, to insure the original estimates, despite the decline in property tax, remain the same. The remainder of the supplement explains that currently no levy has been set for the 1998-99 school year. The Governor is proposing to set a levy for that school year of 25 mills.

Lt. Governor Gary Sherrer testified in support of **SB 54**. He stated that passage of the bill would achieve a 30 percent reduction in the property tax levy statewide, protect the integrity of the 7.5 percent ending balance requirement, provide budget capacity to maintain and enhance current levels of service in the education budget, allow for tax relief for more Kansans, and protect the future budget. (Attachment 2)

Bob Corkins, Kansas Chamber of Commerce and Industry, followed with further testimony in support of **SB 54**. He believed the bill represents a major stride in the business community's pursuit for significant property tax relief, noting that multi-state tax comparisons identify Kansas commercial property owners as the sector most in need of property tax relief. He believed the bill was fair in its approach to property tax relief because all classes would get relief in proportion to their share of the tax base. (Attachment 3)

Dee Likes, Kansas Livestock Association, testified in support of **SB 54**. He stated that the Kansas Livestock Association is a proponent of more reliance on other tax sources to replace property taxes to fund schools and local units of government. He believed that the property tax was no longer a reliable indicator of wealth as it was in the nineteenth century when the concept was put into place. Our society has changed dramatically, therefore, other taxes are a more appropriate means to raise money for schools. He felt the bill was a prudent and comfortable way to approach the problem.

Jim Allen, Commercial Property Association of Kansas, gave final testimony in support of **SB 54**. He felt the bill provides property relief not only to commercial property owners in Kansas but also equally to all Kansans. He emphasized that the bill insures that education will be properly funded. (Attachment 4) His testimony concluded the hearing on **SB 54**.

Senator Langworthy called on Senator Corbin for a subcommittee report on **SB 6**, concerning interest rates on refunds and delinquent payments of property tax, which had been previously heard. Senator Corbin said the subcommittee's decision was to return to the basic provisions of original legislation introduced two years ago. The interest will be calculated on a six month treasury bill to be figured on December 20 of each year plus three percent. Taxpayers would not be eligible for refund of the interest if they are delinquent in the payment of their taxes. If taxpayers do not provide the required documentation to the appraiser's office, they will not be eligible for the interest. If they appeal, they would be eligible for the refund, but will not receive interest. A balloon of the bill was distributed indicating the proposed amendments by the subcommittee. (Attachment 5)

Senator Bond recalled the approach suggested by Johnson County appraiser, Paul Welcome, wherein the taxpayer would pay only last year's amount, and the amount in dispute would not be paid, therefore, eliminating the interest issue. Senator Corbin responded that the subcommittee discussed this approach and found that, although it sounded simple, it presented complications. The county treasurers objected to the approach due to the fact that separate accounts would be necessary, creating bookkeeping problems.

Senator Corbin moved to adopt the subcommittee's report on **SB 6**, seconded by Senator Steineger. The motion carried.

Senator Corbin moved to report **SB 6** favorable for passage as amended, seconded by Senator Hardenburger. The motion carried.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on February 5, 1997.

Senator Langworthy informed the committee that **SB 41**, concerning an income tax credit for adoption expenses, which passed out of this committee, was on the Senate floor and that she planned to move to amend the bill. She explained that the Governor's office felt the bill did not do exactly what was intended as it was not helpful to those who adopted SRS children because there are no costs to do so. Staff explained the floor amendment to be proposed by Senator Langworthy. Since there are no expenses in the adoption of a SRS child or of certain special needs children, an amendment was needed to allow for a \$3,000 income tax credit in those cases. The federal law allows a credit only in cases where money is actually spent to pay for the adoption. It was the intent of the Governor's office to allow for credit for SRS adoptions to encourage adoption of SRS children.

The meeting was adjourned at 11:58 a.m.

The next meeting is scheduled for February 6, 1997.

SENATE ASSESSMENT & TAXATION COMMITTEE
GUEST LIST

DATE: February 5, 1997

NAME	REPRESENTING
Jim Allen	C P A K
Art Brown	Mid-Am Lumberman
Dee Bee	ref
JASON PITTENBERGER	BRAD Smart
Ed Spiess	Petersen Public Affairs
Cheryl Caldwell	Topeka Chamber of Commerce
Nancy Sperrer	
Bill Howgill	Lt. Gov's OFFICE
Jill Bridges	DOB
Sonia Erickson	Senate Minority leader
Don Hollans	Western Resources
Lutene Schlegler	KLA
Matt Inuel	AT
Don Schuack	KIOGRA
Dan Hermes	GOV'S OFFICE
Teem Hatted	KIDOR
Stalvey SIGLIAN	KIDOR

School Property and Car Tax Model

Gov's Proposal

Note: Includes technical adjustment in car tax law.

Calendar Year	Current Assessed Value	Proposed Exemptions	Proposed Assessed Value	Current Mills	Proposed Mills
1994	\$15,502,087,375	--	\$15,502,087,375	35.0	35.0
1995	16,194,057,543	--	16,194,057,543	35.0	35.0
1996	16,650,000,000	--	16,650,000,000	35.0	35.0
1997	17,149,500,000	--	17,149,500,000	33.0	29.0
1998	17,663,985,000	--	17,663,985,000	31.0	25.0
1999	18,193,904,550	--	18,193,904,550	31.0	25.0
2000	18,739,721,687	--	18,739,721,687	31.0	25.0
2001	19,301,913,337	--	19,301,913,337	31.0	25.0
2002	19,880,970,737	--	19,880,970,737	31.0	25.0
2003	20,477,399,859	--	20,477,399,859	31.0	25.0
2004	21,091,721,855	--	21,091,721,855	31.0	25.0
2005	21,724,473,511	--	21,724,473,511	31.0	25.0
2006	22,376,207,716	--	22,376,207,716	31.0	25.0

Fiscal Year	Current Law Property Tax	Proposal Property Tax	Current Law Car Tax	Proposal Car Tax	Total Fiscal Note
1996	\$526,919,633	\$526,919,633	\$79,077,529	\$79,077,529	--
1997	564,871,385	564,871,385	\$71,200,839	\$71,200,839	--
1998	561,173,265	520,700,445	\$52,171,719	\$52,171,719	(40,472,820)
1999	543,788,351	454,504,624	\$31,942,472	\$31,942,818	(89,283,381)
2000	546,324,093	440,583,946	\$13,163,017	\$13,164,053	(105,739,111)
2001	562,713,816	453,801,464	--	--	(108,912,351)
2002	579,595,230	467,415,508	--	--	(112,179,722)
2003	596,983,087	481,437,973	--	--	(115,545,114)
2004	614,892,580	495,881,113	--	--	(119,011,467)
2005	633,339,357	510,757,546	--	--	(122,581,811)

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Attachment 1

STATE OF KANSAS



GARY SHERRER
LIEUTENANT GOVERNOR

February 5, 1997

Testimony to Senate Committee on Assessment and Taxation
Lieutenant Governor Gary Sherrer

Senator Langworthy and members of the committee, thank you for the opportunity to testify. I am here today in support of Senate Bill 54, which is the Governor's property tax relief bill. I will keep my comments brief and entertain any questions you may have.

The 1997 mill levy is 33.0 and is scheduled to not exceed 31.0 in 1998. Under SB 54, the levy would be reduced to 29.0 in 1997 and 25.0 in 1998. This will reduce property taxes by \$40.5 million in FY 1998, \$89.8 million in FY 1999, and \$107.2 million in FY 2000.

Passage for this bill achieves the following:

1. Reduces the statewide property tax levy 30 percent. In 1992, the average statewide mill levy was 68. With the enactment of the school finance plan, this average, including local options, is 44 mills. Now, 4 years later, we are advocating a 30 percent reduction in the 35 mills. I do not believe the taxpayer has been ignored when it comes to the state-wide levy. Fast reduction is secondary to fair reduction.
2. Protects the integrity of the 7.5 percent ending balance requirement. There are no "smoke and mirrors"--just straightforward fiscally conservative budgeting.
3. Provides budget capacity to not only maintain current levels of service in the education budget, but adds significant enhancements. It also provides needed resources in non-education areas.
4. Allows for tax relief for more Kansans. Issues regarding single taxpayers, sales tax on labor used in remodeling, taxes on machinery and equipment, and other tax policy decisions deserve to be addressed. This moderate approach allows more Kansans to share in tax relief.
5. Protects the future. I believe those of us responsible for public policy have the obligation to look beyond today. We must advocate policies that protect tomorrow. Tax reduction schemes that seriously jeopardize budget capacity in the future should be

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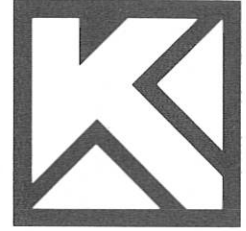
Attachment 2

rejected. If there is the capability to do more in the future let us wait until the money is in the bank before we act. There is not and should not be a Kansas charge card--even for the purpose of reducing taxes.

Members of the committee, the Governor is delivering on a promise last year to do more on property tax relief if the money is available. It is and he recommends this bill-- a bill that provides a 30 percent reduction in property tax , a sound budget, and tax relief in seven additional areas. This administration urges your consideration and support.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



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

SB 54

February 5, 1997

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 truly appreciate the chance to express our members' call for significant property tax relief. Few would dispute that SB 54 represents a major stride in the business community's pursuit of that objective.

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.

We are pleased that both Governor Graves and the Legislature as a whole have set their sights on considerably more property tax relief than was debated in the closing days of

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Attachment 3

year's session. The proposal which passed the House and dominated the 1996 veto session had been amended into SB 454. If enacted, that plan would have cut the 35-mill liability on commercial property by 9% in calendar year 1997 (the second year of a multi-year phase-out). The plan that was enacted, HB 2167, will cut the 35-mill liability in its second year (1997) by almost 6% if left untouched. This year, the Governor has proposed through SB 54 a 10-mill reduction over two years, which is over 28% of the school levy liability for business and is clearly a major acceleration in the tax reduction climate.

KCCI is well founded in contending that multi-state tax comparisons identify Kansas commercial property owners as the sector most in need of property tax relief. A 1996 nationwide study by the Minnesota Taxpayers Association (published in State Tax Notes) ranked Kansas as the 12th most expensive state for urban commercial property taxes, 7th most expensive for suburban commercial, and the nation's highest in rural commercial property taxes (effective tax rates for all states were compared). The same study ranked Kansas residential property taxes as 34th highest in the country.

Business machinery and equipment (M&E) would benefit from a 10-mill reduction, but relief here could arguably be more justified than with any other property class. The 1995 effective tax rate on M&E averaged 2.97% across Kansas. Nebraska and Colorado's M&E rate for 1995 was 20% lower than Kansas, Missouri's was 32% lower, Oklahoma's was 66% lower, and Iowa has repealed the tax altogether. As with the nationwide comparisons, Kansas residential property tax rates are also in the middle of the pack regionally.

However, KCCI does not seek to grasp every dime of property tax relief available solely for the business community. Nor do we argue for the lion's share of relief even though a compelling case can be made for that approach. A fair way which would easily be the most expeditious method of distributing relief would be to lower the minimum USD mill levy across-the-board for all taxpayers just as SB 54 proposes. Homeowners would still get more

relief than any other class, but all classes would get relief in proportion to their share of the tax base.

As mentioned at the outset, though, SB 54 would not achieve all of the property tax reduction that is needed for Kansas businesses. The multi-state comparisons show Kansas property tax rates generally one-third higher than our nearby competing states. KCCI maintains that an approximate one-third reduction in the overall state commercial effective tax rate is an appropriate target. It is not imperative that this degree of reduction be done in just one or two years, but the sooner it can be done, the better. The second year 25-mill levy in today's bill would take 30% of the average 1995 mill levy and make it about 28% smaller, so you can see how much farther there is to go. We support an even-handed levy reduction for all property classes, to whatever extent the Legislature and the Administration can agree is both possible and prudent, and we appreciate the strong effort that SB 54 represents.

Thank you for your time and consideration.

CPAK

Commercial Property
Association of Kansas

2-5-97

Chair Langworthy and members of the Senate Tax Committee:

Thank you for allowing me to present written testimony today. I am Jim Allen, representing the Commercial Property Association of Kansas (CPAK). CPAK was established in 1991 to represent the concerns of commercial property professionals in Kansas.

CPAK feels that SB 54 is going in the right direction. The ultimate goal is to provide property tax relief to all Kansans. It appears that the revenue is available to pass a meaningful property tax reduction proposal this session.

CPAK supports property tax reduction and believes that all property classes should be treated the same. There have been bills introduced this session that cut some classes of property more than others. Commercial property should be treated the same as residential property. It is a basic issue of fairness.

Whatever tax reduction package passes, CPAK believes that education should be properly funded.

Thank you again for your time this morning.

820 SE Quincy, Suite 220 C - Topeka, KS 66612 - Phone/Fax (913) 232-0486

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Attachment 4*

1 the taxpayer to produce competent evidence demonstrating the invalidity
2 and incorrectness of such determination. No presumption shall exist in
3 favor of the county appraiser with respect to the validity and correctness
4 of such determination. In all instances where the board sets a request for
5 hearing and requires the representation of the county by its attorney or
6 counselor at such hearing, the county shall be represented by its county
7 attorney or counselor.

8 (j) When a determination is made as to the merits of the tax protest,
9 the board shall render and serve its order thereon. The county treasurer
10 shall notify all affected taxing districts of the amount by which tax reve-
11 nues will be reduced as a result of a refund.

12 (k) If a protesting taxpayer fails to file a copy of the written statement
13 of protest and a copy, when applicable, of the written notification of the
14 results of the informal meeting with the county appraiser with the board
15 within the time limit prescribed, such protest shall become null and void
16 and of no effect whatsoever.

17 (l) In the event the board or a court of competent jurisdiction orders
18 that a refund be made and no appeal is taken from such order, or in the
19 event a change in valuation which results in a refund pursuant to sub-
20 section (a), the county treasurer shall, as soon thereafter as reasonably
21 practicable within 30 days after such order or change becomes final, re-
22 fund to the taxpayer such protested taxes plus interest at the rate pre-
23 scribed by K.S.A. 79-2004, and amendments thereto, for the payment of
24 delinquent taxes less 4% from June 21 of the year next succeeding the
25 year of payment of protested taxes, from tax moneys collected but not
26 distributed. Upon making any such refund, the county treasurer shall
27 charge the fund or funds having received such protested taxes, except
28 that, with respect to that portion of any such refund attributable to in-
29 terest the county treasurer shall charge the county general fund. In the
30 event that the board or court finds that any time delay in making its
31 decision is unreasonable and is attributable to the taxpayer, it may order
32 that no interest or only a portion thereof be added to such refund of taxes.

33 (m) Whenever, by reason of the refund of taxes previously received
34 or the reduction of taxes levied but not received as a result of decreases
35 in assessed valuation, it will be impossible to pay for imperative functions
36 for the current budget year, the governing body of the taxing district
37 affected may issue no-fund warrants in the amount necessary. Such war-
38 rants shall conform to the requirements prescribed by K.S.A. 79-2940,
39 and amendments thereto, except they shall not bear the notation required
40 by such section and may be issued without the approval of the state board
41 of tax appeals. The governing body of such taxing district shall make a tax
42 levy at the time fixed for the certification of tax levies to the county clerk
43 next following the issuance of such warrants sufficient to pay such war-

(1)

per annum equal to the interest rate payable on six-month United States treasury bills on December 20 of the appropriate tax year plus three percentage points, from the date such taxes were paid or required to be paid, whichever is later,

(2) No interest shall be allowed pursuant to paragraph (1) in any case where: (A) A taxpayer has failed to produce documentation prior to the informal conference with the county or district appraiser required by K.S.A. 79-1448, and amendments thereto, or this section necessary, to determine the correctness of the valuation established for the property subject to the appeal or protest; or (B) the tax paid under protest was inclusive of delinquent taxes.

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