

Approved: March 14, 1997  
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:00 a.m. on March 12, 1997, in Room 519--S of the Capitol.

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

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

Conferees appearing before the committee: None

Others attending: See attached list

Senator Langworthy announced that Chris Courtright, Legislative Research Department, would review a bill set to be heard on March 13--**HB 2031--Enacting the education and tax reform act of 1997.**

Mr. Courtright called the committee's attention to the supplemental note on **HB 2031** as amended by the House Committee of the Whole prepared by the Legislative Research Department. He explained each of the 19 provisions listed in the supplemental note.

He noted that the provision to remove the first \$40,000 of appraised valuation of property used as a single family residence adds substantially to the fiscal note.

Items 3 through 5 address revenue transfers from the State General Fund to the State School District Finance Fund. The three revenue transfers that would be used to fund school finance would not count as expenditures for the purpose of the state ending balance law. The three transfers altogether would fund not only the current law for school finance but also fund the increased need for state aid because of property tax cuts and added school finance provisions in the bill.

The bill would enact a refundable income tax credit beginning with tax year 1997 for 10 percent of property taxes on commercial and industrial machinery and equipment. Mr. Courtright stressed that this version was the original version introduced by the Governor and is not the same as the version that passed the Senate. The Senate version includes a tax credit to banks and insurance companies against their privilege tax liability and to oil and gas property at well head.

He noted two other provisions in the bill as introduced by the Governor but not passed by the Senate in the same form. One enacts a nonrefundable income tax credit for adoption expenses equal to 50 percent of the amount of federal credit allowable. The Senate version included language regarding other issues such as providing credit to persons who adopt SRS children. The other exempts from sales tax labor services associated with the reconstruction, restoration, remodeling, renovation, or replacement of a building or facility. The Senate version includes repair.

Mr. Courtright briefly touched on items 12 through 15 of the supplemental note. The provisions deal with school finance issues to be dealt with by another committee. The provisions were as introduced by the Governor.

With regard to a floor amendment that would enact income, financial institutions privilege, and domestic insurance company privilege tax credits of \$500 per person (with a \$50,000 cap) for business firms

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S  
Statehouse, at 11:00 a.m. on March 12, 1997.

employing for at least eight months persons with developmental disabilities or who are seriously and persistently mentally ill, Mr. Courtright explained that a fiscal note on this provision could not be provided because the extent to which this kind of credit might be claimed by businesses is unknown.

Mr. Courtright noted that Representative Tom Sloan offered the floor amendment which provides that whenever the appraised valuation of any owner-occupied single-family residence increases by 75 percent or more from one year to the next, a portion of the tax attributable to the increase would be refunded to the taxpayer for each of three tax years, provided the increase was not due to the property's being improved.

The final amendment addresses an issue dealt with by the interim tax committee. It provides that the portion of fair market value of real property attributable to the leasing of real property for the purpose of placing a wireless communications tower, antenna, or relay site upon the property be entered on the assessment roll and taxed separately to the owner of such equipment.

Mr. Courtright pointed out corrections on the Fiscal Note appearing on the last page of the supplemental note. At the bottom of the first table, "Replace inheritance with pick-up tax", the fiscal note for 1998 is listed as zero; however, a negative \$4.5 million should be listed. A second correction was necessary near the end of the note where "Exhibit: Additional Supplemental Aid" for fiscal year 1999 is listed as \$0.8 million. The correct calculation is \$0.6 million.

Mr. Courtright discussed a handout which he distributed. The handout included tables on the school property and car tax model in the Governor's proposal and as amended by the House, the corrected fiscal note in the supplemental note, and tables comparing the Governor's tax package with the bill as amended by the House. (Attachment 1)

A brief period of committee questions followed.

The meeting was adjourned at 11:40 a.m.

The next meeting is scheduled for March 13, 1997.

SENATE ASSESSMENT & TAXATION COMMITTEE  
GUEST LIST

DATE: March 12, 1997

NAME	REPRESENTING
Rich McKee	KLA
Jim Allen	CPAK
Patrick Hurley	KAC/KED
Bob Brown	Mid Am Lumberman
Harold Pitts	SELF
Annex Apt	USA
Dan Burnett	USD 501#
Diane Fitter	USD #489
Hal Hudson	NFIB/KS
Wane Holchans	Western Resources
Lew Jene Schneider	KLA
Ed Spiess	Peterson Public Affairs
Kathie Sparks	DQB
Craig Grant	KNEA
Sue Chase	KNEA
Mary E. Turkington	Ks. Motor Carriers Assn -
Karen Frand	Ks. Assoc. of REALTORS
Christy Caldwell	Topeka Chamber of Comm
Mike Blam	Ks Luth. Church



## 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)

Senate Assessment & Taxation  
3-12-97  
Attachment 1

# School Property and Car Tax Model

HB 2031 as amended by House COW

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	3,424,861,625	13,724,638,375	33.0	27.0
1998	17,663,985,000	3,588,011,762	14,075,973,238	31.0	25.0
1999	18,193,904,550	3,753,558,937	14,440,345,613	31.0	25.0
2000	18,739,721,687	3,921,646,973	14,818,074,714	31.0	25.0
2001	19,301,913,337	4,092,428,321	15,209,485,016	31.0	25.0
2002	19,880,970,737	4,266,064,579	15,614,906,158	31.0	25.0
2003	20,477,399,859	4,442,727,044	16,034,672,816	31.0	25.0
2004	21,091,721,855	4,622,597,286	16,469,124,569	31.0	25.0
2005	21,724,473,511	4,805,867,772	16,918,605,738	31.0	25.0
2006	22,376,207,716	4,992,742,518	17,383,465,198	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	445,905,989	\$52,171,719	\$52,171,719	(115,267,276)
1999	543,788,351	352,141,047	\$31,942,472	\$31,942,637	(191,647,139)
2000	546,324,093	350,235,837	\$13,163,017	\$13,163,511	(196,087,763)
2001	562,713,816	359,359,972	--	--	(203,353,844)
2002	579,595,230	368,816,132	--	--	(210,779,098)
2003	596,983,087	378,612,345	--	--	(218,370,742)
2004	614,892,580	388,756,759	--	--	(226,135,821)
2005	633,339,357	399,257,647	--	--	(234,081,710)



(\$ in millions)	FY 98	FY 99	FY 2000
<b>SGF Receipts</b>			
Remodeling sales tax exemption	(\$24.4)	(\$27.6)	(\$28.7)
Income tax rate equalization	(\$16.5)	(\$29.0)	(\$41.5)
Income tax credit for mach and equip prop tax	(\$11.2)	(\$17.0)	(\$17.0)
Adoption income tax credit	(\$3.8)	(\$3.8)	(\$3.8)
Earned income tax credit	(\$12.0)	(\$18.0)	(\$18.0)
Replace inheritance with pick-up tax	(\$4.5)	(\$40.0)	(\$44.9)
<b>Change in SGF Receipts</b>	<b>(\$72.4)</b>	<b>(\$135.4)</b>	<b>(\$153.9)</b>
<b>SGF Increased Expenditures</b>			
Homestead program enhancements	\$5.8	\$5.8	\$5.8
<b>SGF Revenue Transfers could fund:</b>			
Reduction in property tax local effort	\$115.3		
Correlation Weighting Acceleration	\$9.8		
Increase in BSAPP	\$12.2		
At Risk to 0.65	\$6.0		
Declining Enrollment	\$6.0		
Exhibit: Additional Supplemental Aid	\$0.9		
<b>Increased Demand on SGF Resources</b>			
Reduction in property tax local effort		\$191.6	\$196.1
Correlation Weighting Acceleration		(\$9.8)	\$0.0
Increase in BSAPP		\$12.3	\$12.3
At Risk to 0.65		\$6.0	\$6.0
Declining Enrollment		\$6.0	\$6.0
Exhibit: Additional Supplemental Aid		\$0.6	\$0.8
<b>Total SGF Fiscal Note</b>	<b>(\$228.4)</b>	<b>(\$347.9)</b>	<b>(\$380.9)</b>
<b>SHF Fiscal Note (Remodeling exemption)</b>	<b>(\$1.3)</b>	<b>(\$1.5)</b>	<b>(\$1.5)</b>
<b>TOTAL FISCAL NOTE</b>	<b>(\$229.7)</b>	<b>(\$349.4)</b>	<b>(\$382.5)</b>
<b>Exhibit:</b>			
Governor's Rec Ending Balance	\$283.3		
HB 2031 Ending Bal with All Other Gov's Recs	\$268.5		

Governor's Recs (\$ in millions)	FY 98	FY 99	FY 2000
<b>SGF Receipts</b>			
Remodeling sales tax exemption	(\$24.4)	(\$27.6)	(\$28.7)
Income tax rate equalization	(\$16.5)	(\$29.0)	(\$41.5)
Income tax credit for mach and equip prop tax	(\$11.2)	(\$17.0)	(\$17.0)
Adoption income tax credit	(\$3.8)	(\$3.8)	(\$3.8)
Insurance premiums tax on annuities	(\$1.4)	(\$1.5)	(\$1.5)
<b>Change in SGF Receipts</b>	<b>(\$57.3)</b>	<b>(\$78.9)</b>	<b>(\$92.5)</b>
<b>SGF Increased Expenditures</b>			
Homestead program enhancements	\$5.8	\$5.8	\$5.8
Food sales tax refund enhancements	\$5.0	\$5.0	\$5.0
Reduction in property tax local effort	\$40.5	\$89.3	\$105.7
Increase in BSAPP	\$12.2	\$12.3	\$12.3
At Risk to 0.60	\$4.0	\$4.0	\$4.0
Exhibit: Additional Supplemental Aid	\$0.7	\$0.4	\$0.5
Special Ed at 80% of excess costs	\$10.3	\$10.0	\$10.5
<b>Total SGF Fiscal Note</b>	<b>(\$135.8)</b>	<b>(\$205.7)</b>	<b>(\$236.3)</b>
<b>SHF Fiscal Note (Remodeling exemption)</b>	<b>(\$1.3)</b>	<b>(\$1.5)</b>	<b>(\$1.5)</b>
<b>TOTAL FISCAL NOTE</b>	<b>(\$137.1)</b>	<b>(\$207.2)</b>	<b>(\$237.9)</b>
Proposed Move of \$70 million	(\$70.0)	\$70.0	---
Exhibit: Governor's Rec Ending Balance	\$283.3		



J31 (\$ in millions)	FY 98	FY 99	FY 2000
<b>SGF Receipts</b>			
Remodeling sales tax exemption	(\$24.4)	(\$27.6)	(\$28.7)
Income tax rate equalization	(\$16.5)	(\$29.0)	(\$41.5)
Income tax credit for mach and equip prop tax	(\$11.2)	(\$17.0)	(\$17.0)
Adoption income tax credit	(\$3.8)	(\$3.8)	(\$3.8)
Earned income tax credit	(\$12.0)	(\$18.0)	(\$18.0)
Replace inheritance with pick-up tax	(\$4.5)	(\$40.0)	(\$44.9)
Homestead program enhancements	(\$5.8)	(\$5.8)	(\$5.8)
Reduction in property tax local effort	(\$115.3)	(\$191.6)	(\$196.1)
<b>Total Tax Provisions SGF Fiscal Note</b>	<b>(\$193.5)</b>	<b>(\$332.8)</b>	<b>(\$355.8)</b>
<b>Governor's Recs</b>			
Remodeling sales tax exemption	(\$24.4)	(\$27.6)	(\$28.7)
Income tax rate equalization	(\$16.5)	(\$29.0)	(\$41.5)
Income tax credit for mach and equip prop tax	(\$11.2)	(\$17.0)	(\$17.0)
Adoption income tax credit	(\$3.8)	(\$3.8)	(\$3.8)
Insurance premiums tax on annuities	(\$1.4)	(\$1.5)	(\$1.5)
Homestead program enhancements	(\$5.8)	(\$5.8)	(\$5.8)
Food sales tax refund enhancements	(\$5.0)	(\$5.0)	(\$5.0)
Reduction in property tax local effort	(\$40.5)	(\$89.3)	(\$105.7)
<b>Total Tax Provisions SGF Fiscal Note</b>	<b>(\$108.6)</b>	<b>(\$179.0)</b>	<b>(\$209.0)</b>
<b>Less repeal of tax on annuities</b>	<b>(\$107.2)</b>	<b>(\$177.5)</b>	<b>(\$207.5)</b>