

Approved: _____

Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Chairperson Phill Kline at 9:00 a.m. on January 15, 1998 in Room 519-S of the Capitol.

All members were present except: Rep. Tony Powell, excused
Rep. Terry Presta, excused
Rep. Candy Ruff, excused
Rep. Ralph Tanner, excused

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:
Dan Hermes, Director of Governmental Affairs
Rep. Jim Morrison
Bob Best, Kansas Boaters Association

Others attending: See attached list

Chair Kline called the meeting to order. He introduced the new members of the committee, Rep. Vince Cook and Rep. Joe Shriver.

Jene Vickery reported on the visit he and others had made to Steve Lloyd in Clay Center. All members send their best wishes to Steve.

Chair opened for committee bill introduction.

Dan Hermes, Director of Governmental Affairs, requested committee to introduce three bills from the Governor's tax relief package for 1998. (1) Mill levy reduction which reduces mill levy from 27 mills to 22 mills in 1998 and extends the \$20,000 homestead exemption for that time period as well; (2) Oil production exemption which changes severance tax on marginal wells to allow additional exemptions (3) sales tax issues on Girl Scouts sales, purchases & sales of PTA-PTO, humanitarian organization dues and membership fees, and sales tax exemption for broadcasting equipment and machinery; also includes Governor's recommendation to expand the food sales tax credit with average refunds going from \$43 to \$85 and expanding income eligibility from \$13,000 to \$25,000. Finally there some issues relating to tax implicity and fairness in the sales tax code. Revenue Secretary LeFaver has identified some of these as - definition of what is and isn't consumed in production, what is or isn't a major component of the manufacturing process, taxation of rolling stock and taxation of repair parts and services th at are shipped in and out of the state.

Moved by Representative Shore, seconded by Representative Larkin, to introduce the three bills requested by the Governor. Motion carried.

Rep. Jim Morrison requested committee for reparation of U.S. Hwy 24 in Sherman County. Several years ago the United State Government turned over this highway to the counties for maintenance and upkeep. That highway is used heavily by agricultural interests in that area and is badly in need of repair but county has no money to repair it. County commission has requested a 3/4 cent sales tax increase and the cities in that county are supportive of this. Requested a bill which has been drafted be introduced as a committee bill to enable the county to bring this to a vote of the people.

Moved by Representative Larkin , seconded by Representative Mays, to introduce the Sherman County road repair proposal. Motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, ROOM 519-S Statehouse, at 9:00 a.m. on
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January 15, 1997.

Bob Best, Kansas Boaters Association, requested introduction of a bill by the committee to relieve personal property taxes on boats in Kansas. (Attachment 1) He noted potential for increases in tourism and job opportunities.

Rep. Johnston requested private aircraft in Kansas with value under \$100,000 be included in this tax abatement bill.

Moved by Representative Mays, seconded by Representative Johnston, introduction of bill to relieve personal property taxes on boats and private aircraft with value under \$100,000. Motion carried.

Representative Mays requested introduction of bill dealing with charters of corporate aircraft. Department of Revenue ruling dealing with charters of corporate aircraft which affects the tax status on those that are leased or rented and as a result requires corporations to go through the legal expense of separating charters out. No fiscal impact on state.

Moved by Representative Mays, seconded by Representative Cook, introduction of bill dealing with separating out charters of corporate aircraft. Motion carried.

The next meeting is scheduled for January 20, 1998.

Adjournment.

Attachments - 1

DRAFT

Kansas Boaters Association Proposes the Abatement of Personal Property Taxes on Boats in Kansas. - WHY ?

Kansans who own boats are required to pay an unreasonably high personal property tax. This unfair tax rate forces many Kansas residents to locate their boats and spend recreational dollars out of state at a substantial cost to our Kansas economy. The tax rate on RV's and Travel Trailers, which are used year around, have been dramatically reduced.

Why Are Boat Owners Penalized?

Consider the following negative facts that have resulted from high boat taxes.

1. Loss of Sales and Revenue for the State of Kansas.
 The state of Kansas no longer realizes the revenues that are generated from a boat that is purchased and used in the state of Kansas.
2. Loss of Collected Property Tax.
 High tax rates motivate people to evade taxes by locating their boats out of state.
3. Erosion of Customer Base of Kansas.
 Kansas residents are drawn out of state to areas where more favorable climate of boat ownership and usage have been developed.
4. Discourages Tourism in the State of Kansas.
 Lack of development and lack of facility keeps our Kansas lakes from becoming tourist destinations.
5. Detours Economic Development.
 Diminished customer base will not provide the incentive for businesses to grow.

When this high tax rate is abated we are certain the following improvements will occur.

1. Boat Sales and Collected Sales Tax Will Increase.
Personal Property Tax abatement will remove an objection that is a factor in purchasing a boat in the state of Kansas.
2. Boat Registration Will Increase.
Increased sales and relocation of boats back in the state of Kansas will occur when this tax is abated.
3. Economic Development Will Be Promoted.
Tourism will be encouraged. Boating will be more accessible to residents and attractive to non-residents. Promotes family recreation and exposes new generation to creative entertainment. Lake usage will increase along with related businesses. Jobs will be created and overall lake recreation in the state of Kansas will see improvements.

The time has come to correct this unfair property tax on boats in Kansas. We must give Kansas residents the incentive to buy own and operate boats in their state. Abatement of this tax will bring boaters in general back to Kansas, and do nothing other than improve this and all related industries in our state. Let us provide the incentive to own boats by our residents and use them in the state in which they reside. By overcoming the competitive disadvantage of high taxes, Kansas tourism and the boating industry will grown and thrive.

Therefore, we recommend that Kansas eliminate taxes or at a minimum reduce them to a level that is comparable to our neighboring state of Nebraska. We have attached documents which show a comparison of taxes on boats in neighboring states.

Thank You for your consideration.

Boat Tax Comparison

Prepared by Bob Best - 1997

Examples:

* - Excise one time

<u>BOAT</u>	<u>VALUE</u>	<u>KANSAS</u>	<u>MISSOURI</u>	<u>OKLAHOMA</u>
1983 - 50' Gibson	\$43,000.00	\$1,622.00	\$295.00	\$160.00
1995 - 50' Gibson	\$107,200.00	\$3,757.00	\$2,400.00	\$160.00/Yr* \$2,500.
1989 Regal 19' / 205 HP & Trailer	\$8,800.00	\$330.00	\$55.00	\$40.00
1996 Regal	\$17,400.00	\$609.00	\$360.00	\$150.00 * \$720.

House Tax Comparison

<u>Home Value</u>	<u>Kansas</u>	<u>Missouri</u>	<u>Oklahoma</u>
\$50,000.00	11.5 x mill	19	11.2
\$100,000.00	\$1400./\$1600.	\$1,150.00	\$868.00
\$150,000.00			

**COMPARISON
OF TAX RATES
FOR BOATS IN THE
FIVE-STATE AREA**

**(KANSAS • OKLAHOMA • MISSOURI
COLORADO • NEBRASKA)**

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PREFACE

The study and report contained in the following pages concerns the very high unreasonable personal property tax in Kansas and a comparison of how tax and registration is figured in Kansas, Oklahoma, Missouri, Nebraska and Colorado.

It appears there is no set formula or rule for figuring tax and registration on personally owned boats.

In Kansas, boats are assessed at the highest rate which is 30%. This is totally unfair considering that boats are used for recreation much like R.V.s and travel trailers.

The personal property tax has been greatly reduced on R.V.s and travel trailers – what formula or reasoning is used to accomplish this for R.V.s? Let's be fair in the tax we are expected to pay – get the personal property tax on boats down-down-down-down.

Many boats are purchased by persons living in Kansas but purchase and keep them out of state to avoid the high property tax.

This study indicates the sales tax rate is about the same in various states. Most Kansas boat buyers expect to pay sales tax – however, a lot of them pay sales tax and property tax out of state.

It would appear that a much lower property tax would enable a buyer to purchase in Kansas – this would increase revenue from sales tax.

From survey records it is estimated than in 1996 about 3500 boats were purchased by Kansans; of this number, it is estimated that 20% register and keep their boats out of state. The loss of Kansas sales tax revenue is about \$400,000.

What is it going to take?

Boat owners and the boat industry in the state of Kansas must rely on local and state government officials to recognize the unfair and unreasonable tax and greatly reduce or eliminate it.

Your help is urgently requested.

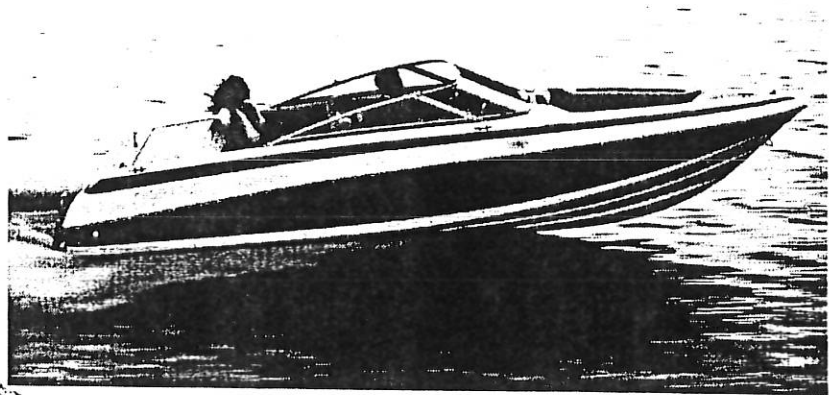
KANSAS PROPERTY TAX

In a study of the cost of registration and ownership of personally owned boats in Kansas, Missouri, Oklahoma, Nebraska and Colorado, the following is an outline for each state. For the purpose of comparison, two boats have been chosen to indicate the cost for registration and taxes in each different state.

The first boat is a 1996 Cobalt 220 Runabout and Ski boat that sells for about \$35,000.

The second boat is a 1996 Sylvan 19 ProSelect Fishing boat that sells for about \$16,000.

Boat #1



Boat #2

For Kansas...

For any boat, sales tax is 5.5% to 5.9%. The registration fee is \$18 for three years.

The appraised value is derived from the NADA small boat appraisal guide average trade-in.

The assessed value is then 30% of the appraised value.

If a person owns a boat as of January 1, then it would be subject to personal property tax for that and subsequent years. The personal property tax will then be the assessed value times the mill levy for the Kansas County where you register the boat.

It will also be subject to personal property tax of some slightly lesser amount for each following year.

Using the rules for Kansas as it applies to a:

1996 Cobalt 220, selling for \$35,000

Sales tax	\$2,065.00
3-year registration	18.50
Appraisal boat and trailer	22,630.00
Assessed value	6,789.00
Tax Rate = .11268 per 100 assessed	
First year personal tax	765.00

1996 Sylvan fishing boat, selling for \$16,000

Sales tax	\$944.00
3-year registration	18.50
Appraisal boat and trailer	12,805.00
Assessed value	3,841.00
Tax Rate = .11268 per 100 assessed	
First year personal tax	432.00

For Missouri...

All boats and motors must be titled and are appraised for tax purposes using one of three appraisal guides published in St. Louis.

The assessed value is then 33% of the appraised value.

Boats registered in Missouri are subject to the following taxes:

Example from Stone County

Sales tax 4.225% + county 1.65%
Title registration fee \$7.50 (10' to 30')
Second year personal property tax0385 x assessed value
Personal tax decreases slightly for subsequent years.

Using the rules for Missouri (Stone County)

For a 1996 Cobalt 220 and trailer selling for \$35,000:

Sales tax \$2,056.00
Title registration fee 7.50
Appraisal 18,780.00
Assessed value 6,260.00
Second year personal tax 241.00

For a Sylvan 1996 fishing boat selling for \$16,000:

Sales tax \$940.00
Title registration 7.50
Appraised value 11,820.00
Assessed value 3,940.00
Second year personal tax 151.69

PLEASE NOTE: Personal tax is much less than in Kansas due to lower tax levy. – Especially around lake areas.

No Personal Property Tax For Oklahoma...

Boats are registered through the motor vehicle department and must be titled. There is a title fee of \$3.25 and a yearly registration fee of \$150 maximum on boats over \$15,000. There is a one-time excise tax of 3.25%. All this is uniform over the state and is collected at the time of registration. There is no requirement for trailer license.

Using the rules for Oklahoma,

A 1996 Cobalt 220 selling for \$35,000 would cost:

Title fee	\$3.25
Registration fee	150.00
One-time excise tax	1138.00
(no personal property tax)	

A 1996 Sylvan fishing boat selling for \$16,000:

Title fee	\$3.25
Registration fee	150.00
One-time excise tax	520.00

No Personal Property Tax

For Colorado . . .

In Colorado, boats are not titled.

Boat trailers require a license tag and are licensed by the motor vehicle department.

The sales tax on a boat purchase is 5% plus city tax for an average sales tax of 6%.

To license a boat the registration fee is:

less than 20'	\$15.25
over 20'	20.25

This is per year.

Using the rules for Colorado:

A 1996 Cobalt 220 selling for \$35,000

Sales tax	\$2,100.00
License, registration	20.25

A Sylvan fishing boat selling for \$16,000

Sales tax	\$960.00
License, registration	15.25
No personal property tax.	

No Personal Property Tax

For Nebraska . . .

In Nebraska all boats are titled. Boat trailers less than 9,000 gross lbs. do not require a license.

To purchase and register a boat in Nebraska:

Sales tax 5% plus any city tax.
Total average 6%

Boats are licensed and registered by the Nebraska Motor Vehicle Department.

License and registration fees are as follows:

Boats 16' and under \$18.75 for three years
16' - 26' 35.50
26' - 40' 52.25
40 - over 86.00
Dealer permit 35.50

For a 1996 Cobalt 220 and trailer selling for \$35,000

Sales tax \$2,100.00
Title and registration fee \$35.50
No personal property tax

For a 1996 19' fishing boat and trailer selling for \$16,000

Sales tax \$960.00
Title and registration fee 35.50
No personal property tax

COMPARISON TO RV'S

If we look at a comparison of the personal property tax in Kansas between boats and R.V.s, there is an unreasonable difference and the tax on R.V.s is much less than boats.

In Kansas, when an R.V. or motor home is purchased, the following tax is required:

Sales tax	5.9%
License tag	
Personal property tax	
0-5 years	\$70.00 + \$0.90/100 lbs.
6-10 years	\$50.00 + \$0.70/100 lbs.
11 years and older	\$30.00 + \$0.50/100 lbs.

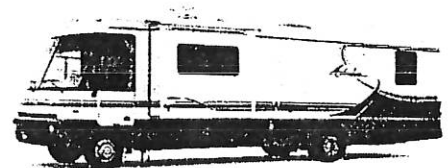
Therefore, any motor home or R.V. purchased would pay tax as follows:

A 1997 35' motor home selling for \$35,000, gross weight 16,000 lbs.

Sales tax	\$2,065.00
Tag license	37.00
Personal property tax	\$70 + 148.50=\$218.50

Going back to the tax information on the 220 Cobalt boat, it can be seen that the personal property tax on the boat at \$765 is three times that of an R.V., (\$218.50), selling for the same price.

About three years back, R.V.s were taxed the same way as boats. The state was losing revenue because people were going out of state to purchase R.V.s to get away from the high Kansas tax. The rules changed for taxing R.V.s and now the revenue from R.V. sales is going up.



The fact that tax is high on boats is driving people out of state to buy boats. A high percentage of expensive boats are taken to Grand Lake, Beaver Lake and Table Rock.

This state loses the sales tax because of the high property tax.

The boating community needs a tax break. How about some help from our legislature?

SUMMARY

As can be seen from the foregoing, the cost in Kansas for buying and owning a boat is very much more than Oklahoma, Missouri, Nebraska and Colorado.

The system for collecting personal tax on boats in Kansas is not good. Taking a look at the method Oklahoma uses, the tax is uniform and everyone pays because it is collected when the boat is registered.

The personal property tax on boats in Kansas is unfair and not uniform.

Look at the personal property tax on recreational vehicles (R.V.s) and compare them to boats – Following page.

NOTE: A \$100,000.00 motor home that weighs 16,000 pounds requires a personal property tax of \$214.00. The tax on a boat costing the same would be \$3384.00.

What's fair about that?

Bob Winkler