

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Chairperson Phill Kline at 9:00 a.m. on March 19, 1998 in Room 519-S of the Capitol.

All members were present except: Rep. Johnston

Committee staff present: Chris Courtwright, Legislative Research Department
Don Hayward, Revisor of Statutes
Ann McMorris, Committee Secretary

Conferees appearing before the committee:
Shirley Sicilian, Department of Revenue
Joseph Barron, general counsel, Board of Regents
Rep. Vince Cook
Rep. Dave Gregory
Rep. Vern Osborne
Karl Peterjohn, Kansas Taxpayers Network

Others attending: See attached list

Information requested by Committee from Don Siefert of City of Olathe on **SB 493** was distributed (Attachment 1)

Chair opened for introduction of bills.

Moved by Representative Shore, seconded by Representative Shriver, introduce committee bill to allow credit against income tax for alternative fuel vehicles and alternative service stations. Motion carried.

Chair opened hearing on

SB 250 -Educational institution defined for sales tax purposes

Proponents:

Shirley Sicilian, Department of Revenue (Attachment 2)
Joseph Barron, general counsel, Board of Regents (Attachment 3)

Closed hearing on **SB 250.**

Chair opened hearing on

SB 419 - Delinquent tax account penalties and write off

Proponent:

Shirley Sicilian, Department of Revenue (Attachment 4)

Closed hearing on **SB 419.**

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, ROOM 519-S Statehouse, at 9:00 a.m. on March 19, 1998.

Chair opened hearing on

HCR 5050 - Constitutional amendment prohibiting tax increases without two-thirds vote

Proponents:

Rep. Vince Cook (Attachment 5)

Discussion on effect on highway program and school finance appropriations. Noted that fees are not included.

Rep. Dave Gregory (Attachment 6)

Rep. Vern Osborne (Attachment 7)

Karl Peterjohn, Kansas Taxpayers Network (Attachment 8)

Closed hearing on **HCR 5050**.

Chair noted clarification on motion by Representative Wempe on **HB 2602** - establishment of Kansas tax appeals commission - intent was to delete the entire balloon section regarding tax abatement.

Chair opened for discussion, amendments and action on

HCR 5039 - Constitutional amendment allowing legislature to limit increases in appraised valuations of real estate.

Testimony not heard at previous hearings due to lack of time has been submitted to the Committee for their information. Proponent - Karen France, Kansas Assn. of Realtors (Attachment 9) and Opponent - Chris McKenzie, League of Kansas Municipalities (Attachment 10).

Moved by Representative Tanner, seconded by Representative Franklin, conceptual motion amending **HCR 5039** applying to all classes of property (1) dealing with amount of increase in growth of appraised valuation, controlled by Federal CPI from Internal Revenue Code; (2) new properties coming on line as well as expansions and improvements will be brought on to the tax rolls using comparable property that has been capped; (3) sale of property will not be affected by an increase in value.

Committee considered each of (1), (2) and (3) in the motion above as a separate component. Motion carried in each of the three components.

Moved by Representative Tanner, seconded by Representative Gregory, **HCR 5039** be passed out favorably as amended.

Substitute motion by Representative Larkin, seconded by Representative Shriver, amend **HCR 5039** by striking provisions on CPI and insert concept of rolling average as relates to residential real property. Motion failed Yes 12 - No 7

Substitute motion by Representative Larkin, seconded by Representative Kirk, pass out original **HCR 5039** without amendments. Motion failed.

Back to original motion to pass out favorably as amended. Motion carried Yes 13 No 7 - The following yes votes requested being recorded: Powell, Palmer, Franklin, Howell, Presta, Cook, Mays, Gregory, Osborne.

The next meeting is scheduled for March 20, 1998.

Adjournment.

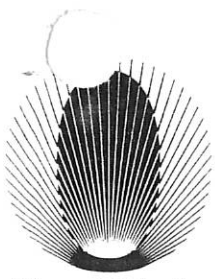
Attachments -10

TAXATION COMMITTEE GUEST LIST

DATE: March 19, 1998

NAME	REPRESENTING
Kelly Kuitala	City of Overland Park
Jim Gehr	Wiser
Maureen Miller	Johnson County
Wendy Harms	K's Aggregate Producers Assn.
Bob Totton	K-C-A
Bill Watts	KDOT
Mike Astle	CBAK
Bruce Jansce	BOEMG
CARRIE Reecht	Brad Smoot
Pat Brown	mis - bus unionism assn.
Larry Klemm	League of KS Municipalities
Tara Burt	NCHS
Kade Davison	NCHS
Joe Bain	NCHS
Brian Holerek	NCHS
Miranda Popp	NCHS
Laura Knotts	NCHS
Harmit Lany	KAB
Amanda Marshall	NCHS
Becky Davenport	NCHS Ryan Winter NCHS





City of Olathe

MEMORANDUM

TO: Representative Phill Kline, Chair; and Members of the House Taxation Committee

FROM: Don Seifert, Management Services Director *ms*

SUBJECT: SB 493

DATE: March 17, 1998

During the March 4th hearing on this bill, I was asked to furnish information on growth in the last three years in the city of Olathe's 1% sales tax and in its demand transfer receipts from the state of Kansas. The information requested follows. For comparison, I have also included historical information on our general property tax levy and general fund expenditures.

REVENUE SOURCE	1995	1996	1997	% CHANGE 1995-1997
1% CITY SALES TAX	\$ 9,328,742	\$10,235,589	\$11,535,266	23.6%
LAVTRF	\$ 448,682	\$ 444,750	\$ 468,605	4.4%
CCRSF	\$ 531,922	\$ 552,321	\$ 590,098	10.9%
General Fund Property Tax Levy	\$ 3,535,018	\$ 3,691,697	\$ 3,794,557	7.3%
General Fund Property Tax Rate	10.056	9.291	8.826	-12.2%
General Government Expenditures	\$25,332,393	\$ 27,796,035	\$ 32,436,175	28%

As indicated by the above figures, growth in both the local sales tax and state aid has enabled the city of Olathe to stabilize the local property tax required for city services. During this three-year period, the city's population grew by approximately 9% to 82,500 residents. The city's rapid growth has indeed led to increases in revenue, but not without associated costs for basic services. During this period, the city has added twenty-five new police officers, invested in additional parkland, and significantly accelerated its residential street maintenance program.

SB 493 would allow the governing body to seek voter approval for a slightly higher sales tax rate to fund other one-time investments desired by the community.

Thank you again for the opportunity to appear at the hearing and for sharing this information with the Committee.

rc

ley Sicilian, Director
W Harrison St.
ka, KS 66625



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MEMORANDUM

TO: Chairman Phill Kline, House Taxation Committee
FROM: Shirley Sicilian; Director, Policy & Research
RE: Senate bill 250 - Definition of educational institution
DATE: March 19, 1998

Chairman Kline and members of the House Taxation Committee, thank you for the opportunity to testify on Senate 250. Under current law, subsections (c) and (d) of K.S.A. 79-3606 exempt certain sales to elementary secondary schools and "educational institutions." This bill would add a definition of the term "educational institution" to K.S.A. 79-3602, which is the definitions section of the sales tax statutes. It has a fiscal note of \$420 for FY99. A few of the State's universities have begun to separately incorporate some of the foundations associations that were once a part of the university. When they do this, the separate corporation, standing alone supporting the educational institution, but they are no longer providing education and cannot themselves be considered to be an educational institution. The purpose of the bill is to provide the same favorable sales tax treatment to certain university associations and foundations, even where they are separately incorporated, by defining them in statute as educational institutions. Foundations and associations covered under the bill include endowment associations, athletic associations, and research foundations. The bill would not include separately incorporated student unions. The bill defines "educational institutions" to include:

- 1. nonprofit post-secondary schools** accredited by the North Central Association of Colleges and Schools, the Board of Education, or otherwise qualifying as "educational institutions" under K.S.A. 74-50,103. K.S.A. 74-50,103 is the "IMPACT" act and references "state educational institutions" which are defined as the universities of Kansas, Kansas state university, Wichita state university, Emporia state university, Pittsburg state university, Fort Hays state university. The IMPACT act goes on to also reference Washburn University, area vocational schools or area vocational-technical schools, and community colleges.
- 2. NCAA**, which is a group of educational institutions that operates exclusively for an educational purpose. This provision codifies the findings of the Kansas Supreme Court in the NCAA case.¹
- 3. nonprofit endowment associations** and foundations organized and operated exclusively to administer funds for the sole benefit of an educational institution. This portion of the bill would allow separately incorporated endowment associations to maintain the same sales tax exemption as those that are not separately incorporated.
- 4. nonprofit athletic associations** and foundations organized and operated exclusively to hold and own receipts from intercollegiate sporting events for the sole benefit of an educational institution. Under current law, sales tax must be paid on uniforms and athletic equipment purchased by separately incorporated athletic associations. Universities that do not have separately incorporated athletic associations would not be assessed sales tax on the same type of purchases. This portion of the bill is intended to eliminate this discrepancy.
- 5. research trusts and foundations** organized to conduct scholarly, industrial and other types of research.

¹ *NCAA v. Kansas Dept. of Revenue*, 245 Kan. 553, 781 P.2d 726 (1989).

March 19, 1998
Joseph Barron
General Counsel
Kansas Board of Regents

TESTIMONY BEFORE THE HOUSE TAXATION COMMITTEE
Senate Bill 250

Good morning, Mr. Chairman and Members of the Committee. I am Joseph Barron, General Counsel of the Kansas Board of Regents. I am here to testify in support of Senate Bill 250. This legislation was introduced last year at the request of the Department of Revenue. The legislation addresses issues which were raised by the Department in several sales tax audits which occurred in recent years on certain Regents campuses.

As you know, purchases by state educational institutions for institutional use are exempt from Kansas sales taxes. Since the Kansas sales tax has been enacted, purchases for activities which are undertaken on behalf of these schools while engaged in their mission have been exempt from sales taxation.

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The recent audits have questioned the sales tax status of several university activities. These activities were questioned not because of the nature of the purchase, but because the purchases were conducted by affiliated corporations of the University. These affiliated corporations include entities for athletics, research, endowment, and student unions. Although these entities exist primarily at our larger institutions, the same activities exist at all universities.

With few exceptions, these entities historically have been exempt and have never paid sales taxes. In the process of undertaking these recent audits, this historic status has been questioned.

SB 250 was introduced, at the Department of Revenues request and with the Department's support, to amend the law to reflect the historic treatment of these entities and to eliminate any disparity of treatment among campuses undertaking the same activities.

Shirley K. Sicilian, Director
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Kansas Department of Revenue
5 SW Harrison St.
Topeka, KS 66612-1588



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Office of Policy & Research

MEMORANDUM

TO: Chairman Phill Kline, House Taxation Committee
FROM: Shirley Sicilian; Director, Policy & Research
RE: S 419 - Phasing-in the income tax penalty and increasing the limit for charge-off of individual income tax accounts receivable
DATE: March 19, 1998

Chairman Kline and members of the House Taxation Committee, thank you for the opportunity to testify today regarding S 419. This bill would 1) phase-in the income tax penalty, and 2) increase the limit for charge-off of individual income tax accounts receivable. Both are aimed at stream lining government and being fair to taxpayers. Neither have a fiscal note.

- 1. Phase-in the income tax penalty.** Under current statute, if a taxpayer fails to file or pay by the due date, a 10% penalty must be assessed in addition to interest, even when the payment is only a day or two late. The penalty rises to 25% after 6 months. Statutes allow the secretary to waive penalty for "reasonable causes," and in the majority of cases, taxpayers do request a waiver. Because a 10% penalty in today's economic environment often seems excessive under the circumstances, their requests are usually granted. This putting on and taking off of penalty works in theory but can be administratively expensive and time consuming in practice - a poor use of government resources. The system also has the potential to create inequities between those who simply pay the penalty without question and those who know to ask for waiver. Under the proposed bill, penalties would be phased-in at the rate of 1% a month, up to a maximum of 24%. The lower starting rate and the more gradual phase-in will provide a penalty that is reasonable under most circumstances and can be uniformly applied.
KDOR's current income tax processing systems are not able to calculate interest as required by this bill. However, our new systems will be able to. Our new systems are scheduled to be operational January 1, 1999. Therefore, the proposal is written to apply to all tax years ending on or after December 31, 1998.
- 2. Increase the limit for charge-off of individual income tax accounts receivable.** Under current law, accounts receivable for less than \$25 which have been delinquent for more than seven years may be abated if the director finds them to be uncollectable after all reasonable efforts have been made. A finding of "uncollectable" must be based on one of the reasons enumerated in statute. These reasons include cases where the taxpayer is insolvent, receiving social security or welfare and has no other assets, mentally ill or physically incapacitated and not economically productive, etc. When the department charges off one of these accounts from our accounts receivable, it is still sent to Dept. of Administration to be included in the set-off program. The \$25 limit has been in place since 1969. The proposed legislation would simply raise that \$25 limit to \$100 to reflect inflation and reduce administrative costs of maintaining the account. It would help govt function more efficiently.

VINCE COOK

REPRESENTATIVE, FIFTY-SECOND DISTRICT

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STATE CAPITOL, ROOM 115-S

TOPEKA, KANSAS 66612-1504

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TOPEKA

HOUSE OF
REPRESENTATIVES

Testimony on HCR5050

COMMITTEE ASSIGNMENTS
HEALTH AND HUMAN SERVICES
FINANCIAL INSTITUTIONS
TAXATION

During this session of the Legislature we have had the luxury of debating the best of all possible worlds, how to properly dispose of a \$400 million dollar tax windfall. The decisions we are faced with are simply which taxes to reduce and which programs to fund. These are the good times. But the taxes we are reducing were imposed at a time when our economy was not so good. The taxpayers of Kansas, be they in Topeka, Wichita or St. George, collectively gasp when it's time to pay big brother. And no matter where we go and talk to our constituents we hear the cry of high taxes. Tax freedom day in the United States this year is May 9, which means each taxpayer must donate 128 days of work to the government. The average taxpayer pays more to the government in taxes than it pays for food, clothing and shelter combined. According to the Tax Foundation, there are only seven states that have a higher per capita state/local tax burden than we do in Kansas.

It's just too easy to raise taxes in Kansas. We need to reduce taxes on families and business and allow our citizens to grow and prosper. We need to encourage growth and opportunity. Basically this is the reason it is important for us to take this first step in making it more difficult to pass any further tax increase.

This Constitutional Amendment HCR5050 would allow the voters to decide if they would prefer a two thirds majority of the House and the Senate to increase any tax in our state. Known nationally as the "Tax Limitation Amendment", this measure forces the budget process to focus on cutting spending, not increasing taxes. It will serve as a check on runaway fiscal spending and slow the growth of an already bloated government. I believe it is critically important to look at this issue while the sun is shining rather than the darkness of an economic slow down.

It is time we joined the thirteen states that went before us in adopting this Supermajority Tax measure. Their experience has been that taxes grow more slowly, spending grows more slowly, the economy expands faster and employment grows more quickly. It has given their taxpayers a sense of confidence that taxes will not be increased in a stealth fashion and that these decisions will be made only after careful, well thought out deliberation.

I believe our constituents and the taxpayers of Kansas deserve this opportunity to decide for themselves how we make the decisions that so significantly impact their daily lives. I would ask your support for this measure that makes it tough to raise taxes and to relieve our citizens of the overwhelming tax burden they have carried for so long.

Tax Increase Limit Benefits the States

Heritage Foundation Study Findings

- * States with tax limitation in their constitutions have seen slower growth in taxes and spending, and quicker growth in their economy and job base.
- * A study by the Heritage Foundation found the following comparisons between states with supermajority requirements versus states without them:
 - Taxes Grow More Slowly (Supermajority States 102%; Others 112%)
 - Spending Grows More Slowly (Supermajority States 132%; Others 141%)
 - Economies Expand Faster (Supermajority States 43%; Others 35%)
 - Employment Grows More Quickly (Supermajority States 26%; Others 21%)

Supermajority Requirements at the State Level

State	Supermajority	Year	What is Covered?
Arizona	2/3	1992	All Tax Increases
Arkansas	3/4	1934	All Tax Increases
California	2/3	1978	All Tax Increases
Colorado	2/3	1992	All Tax Increases
Delaware	3/5	1980	All Tax Increases
Florida	3/5	1971	Corporate Income Tax Rate Increases
Louisiana	2/3	1966	All Tax Increases
Mississippi	3/5	1890	All Tax Increases
Nevada	2/3	1996	All Tax Increases
Oklahoma	3/4	1992	All Tax Increases
Oregon	3/5	1996	All Tax Increases
South Dakota	2/3	1996	All Tax Increases
Washington	2/3	1993	All Tax Increases

1986-1996 KANSAS AND FEDERAL TOTAL EXPENDITURES/OUTLAYS
(in Thousands)

	<u>1986*</u>	<u>1996*</u>	<u>Percent Change</u>
Federal	\$ 990,460,000	\$ 1,560,512,000	57.6%
State of Kansas	3,501,485 All Funds	7,628,786 All Funds	117.9%
	1,770,499 State General Fund	3,439,229 State General Fund	94.3%

* Amounts for federal fiscal year or state fiscal year, as appropriate.

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VERN OSBORNE

REPRESENTATIVE, SIXTY-FIRST DISTRICT

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TOPEKA

HOUSE OF
REPRESENTATIVES

March 19, 1998

TO: The Honorable Chairman and Committee Members

Thank you, Mr. Chairman, and Committee members for allowing me this opportunity to speak in favor of HCR 5050. I, along with my fellow colleagues, Representative Cook and Representative Gregory, believe that this is the right time to make this change in Kansas tax policy. In discussing with my constituents, I found them in complete agreement with this resolution and are looking forward to the opportunity to vote in November. They were quite surprised that we were even considering giving them this opportunity.

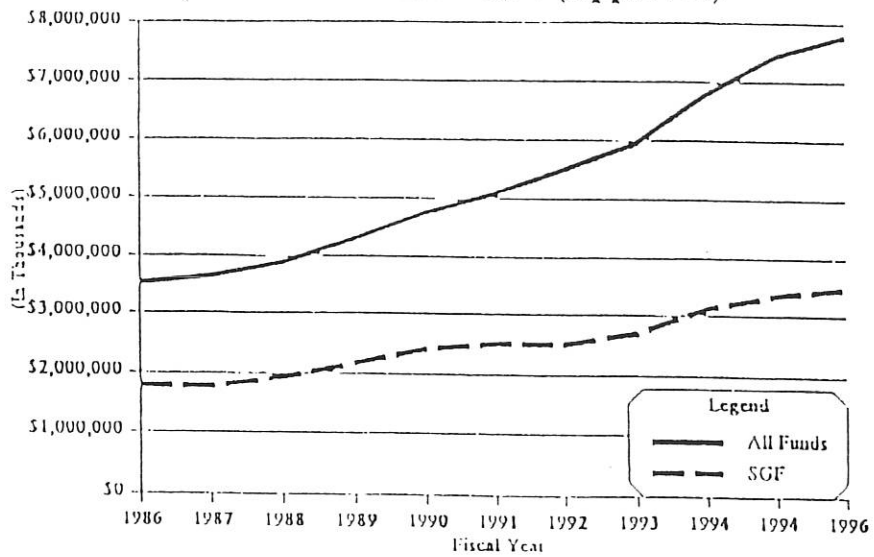
Attached for your information is a graph and a chart indicating a 122% growth of our total budget over a 10-year period between 1986 and 1996. With the surpluses that we have experienced over the last couple of years, we have seen a lessening of this trend. If the surpluses had not existed, we could have well seen another doubling over the next ten years.

There have been 13 other states that have adopted this supermajority vote and in all 13 states there has been a reduction in taxes and spending; but most importantly there was an increase in their state economies and a growth in employment. I suggest that we join this successful group of states by approving this resolution.

Thank you,

A handwritten signature in cursive script, appearing to read "Vern Osborne". The ink is dark and the signature is fluid and somewhat stylized.

All Funds and State General Fund
Expenditures FY 1986-1996 (Approved)



EXPENDITURES FROM ALL FUNDS AND GENERAL FUND
Fiscal Years 1986-1996 (Approved)
In Thousands of Dollars

Fiscal Year	All Funds		State General Fund	
	Actual Expenditures	Percent Increase	Actual Expenditures	Percent Increase
1986	\$ 3,501,485	7.5%	\$ 1,770,499	7.0%
1987	3,628,861	3.6	1,768,718	(0.1)
1988	3,872,384	6.7	1,920,822	8.6
1989	4,287,036	10.7	2,159,915	12.4
1990	4,756,527	11.0	2,400,232	11.1
1991	5,081,988	6.8	2,495,418	4.0
1992	5,487,389	8.0	2,491,270	(0.2)
1993	5,933,345	8.1	2,690,098	8.0
1994	6,782,505	14.3	3,111,023	15.6
1995 (Revised)	7,435,940	9.6	3,342,454	7.4
1996 (Approved)	7,779,632	4.6	3,468,861	3.8

NOTE: When applicable from FY 1986 through FY 1988, State General Fund expenditures include three revenue transfers (which netted out of receipts) that were changed to demand transfers (expenditures) by legislation enacted in 1988.

Source: Kansas Fiscal Facts, 2nd Edition, July 1995

Percent Change = 122.18 in 10 years!

That means that if the state were a person making \$40,000 ten years ago, the person would now be making \$88,872. Did you do that well Mr. Legislator?

KANSAS TAXPAYERS NETWORK

**P.O. Box 20050
Wichita, KS 67208
316-684-0082**

www2.southwind.net/~ktn

March 19, 1998

Testimony to House Taxation Committee Supporting H.C.R. 5050

By Karl Peterjohn, Exec. Dir.

The Kansas Taxpayers Network (KTN) strongly supports H.C.R. 5050 as an important limitation upon the growth of Kansas government. Supermajority limitations like this legislation are increasingly common across the country. Requiring a 2/3 majority of both houses of the legislature would be an important and powerful limitation upon expanding government.

Limitations on government growth like HCR 5050 are increasingly common. Oklahoma voters enacted Initiative 640 in 1992. This initiative has a 2/3 supermajority provision before state taxes can be increased in the sooner state. Initiative 640 has other provisions which also limit state tax growth.

In 1996 the State of Nevada enacted a 2/3 supermajority provision before that state's taxes can be raised. In Missouri and Colorado there are provisions which make it much harder to increase taxes than just getting a majority of both houses of their legislatures to approve the tax hike. Missouri has its Hancock Amendment which was enacted in 1980 and Colorado has its Taxpayers Bill Of Rights (TABOR) Amendment which has been in force since 1992.

Currently, it is too easy to raise taxes in Kansas. The veracity of this statement is documented by the fact that Kansas State taxes are higher per capita than in any of our neighboring states. National surveys, like the Tax Foundation's Tax Freedom Day, document this fact. HCR 5050 would limit future tax hikes and force increased fiscal accountability in Kansas. Recent legislative research confirms the high tax status of Kansas by Kansas Legislative Research comparison with our neighboring states using U.S. Commerce and Census data.

State Taxes Per Capita--1996

Kansas	\$1,547
Nebraska	\$1,434
Oklahoma	\$1,399
Missouri	\$1,345
Colorado	\$1,261

HCR 5050 would provide a brake on future tax growth, provide more predictability on future tax increases, and allow Kansas to catch up with our three neighboring states that already have this type of limitation in effect. This constitutional amendment would improve the business climate in Kansas and assist in attracting new businesses and keeping existing businesses in Kansas.

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Kansas Association of REALTORS®

3644 S.W. BURLINGAME ROAD • TOPEKA, KANSAS 66611-2098
TELEPHONE 913/267-3610 • 1-800-366-0069
FAX 913/267-1867



TO: HOUSE TAXATION COMMITTEE
FROM: KAREN FRANCE, DIRECTOR OF GOVERNMENTAL AFFAIRS
DATE: MARCH 5, 1998
SUBJECT: HCR 5039, Constitutional amendment allowing legislature to limit increases in appraised valuations of real estate.

Thank you for the opportunity to testify. On behalf of the Kansas Association of REALTORS® we appear today to urge your consideration of the concept presented in HCR 5039.

There are many frustrations with the current property tax system. While many complaints are focused on the amount of property taxes reflected on a taxpayer's bill, in truth, the damage being complained about was caused by issues regarding the valuation process. Reductions in mill levies at the state or local level are often swallowed up by problems caused in the valuation process.

Most taxpayers will tell you they are willing to "pay their fair share". But when counties give the appearance of increasing and decreasing property values without rhyme or reason, the taxpayer is hard pressed to feel what they are paying is fair. While there has been significant improvement in the appraisal process over the years, if asked, few citizens would tell you it is a good system.

When retired individuals on fixed incomes continue to see their valuations rise from year to year, sometimes dramatically, they grow afraid of losing their homes. While the "market price" for similarly situated homes may be on the rise, it really doesn't help these individuals, because they don't plan to sell and that is the only way to reap the benefits of those increased values. Meanwhile, they have to come up with more money every year to pay the taxes, which in effect are rental payments to the government for their property. Oftentimes, elected officials will tell them the mill levy will go down as the valuations rise, but somehow, the tax bills keep increasing. It is hard for them to call this system fair. The frustration is particularly high in counties where there is high rate of new construction is occurring.

If the constitution granted the legislature the ability to "temper" the peaks in the valuation process and had the ability to create statutory growth containment structures, then perhaps we could deal with the fairness issue. The legislative process would lend itself to input from citizens and local and state officials to help arrive at a "middle ground".

While the language presented here may not be the perfect solution, it does begin the conversation of whether property tax values and market values should be two separate concepts, rather than one, as is supposed to be the current law. We urge your serious consideration of this concept.

Thank you again, for the opportunity to testify.

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**League
of Kansas
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 300 S.W. 8TH TOPEKA, KS 66603-3896 (785) 354-9565 FAX (785) 354-4186

TO: HOUSE TAXATION COMMITTEE
FROM: Chris McKenzie, Executive Director
DATE: March 5, 1998
SUBJECT: Opposition to HCR 5039

I appear today on behalf of the 530 member cities of the League in general opposition to HCR 5039. In preparing my testimony, I reviewed portions of WSU Professor Emeritus Glen W. Fisher's informative and entertaining 1996 book, *The Worst Tax?* In his book, Dr. Fisher recounts the long and torturous history of the property tax in Kansas since statehood, through various efforts at reform, up to the modern day story of mass reappraisal and classification. He refers to tax economist Frederick Stocker's humorous observation that the property tax as found in most states 'resembles a structure designed by a mad architect, erected on a shaky foundation by a mad builder, and made worse by the well-intentioned repair work of hordes of amateur tinkerers.' Dr. Fisher disagrees with this assertion in his book, stating that the property tax is simply the "outcome of years of political conflict." He also observes wryly that "the universal truth about taxation is that people want government without paying for it."

Dr. Fisher's book serves as a clear reminder that while our property tax system still has its frailties, it is markedly better than the systems which preceded it. The 1986 classification amendment and the state-ordered reappraisal act which accompanied it launched us on the most sweeping reform of the property tax administration system in Kansas history. After decades of failure to assess on a uniform and equal basis, the classification amendment codified differences in assessment rates, but it also required uniform assessment within subclasses of real and personal property. Mass reappraisal techniques were implemented to secure some of the best appraisals possible--so good that in many counties today lending institutions no longer require separate appraisals for loan purposes.

We respectfully submit that HCR 5039, while well-intentioned, represents a step backward toward that period in our history in which "fair market value" meant something other than "fair market value." It would allow the legislature to impose limitations on increases in appraised valuations of all or any subclass of real property which have no relationship to market conditions. This means that if the market value of my home increases ten percent in any year, the legislature could order the county appraiser to only record a five percent increase. When such a practice is compounded year after year, one can see how in a short period of time we can return to that period in the 1960s and 1970s when we were lost in the wilderness of property assessment nonuniformity.

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In addition to the administrative confusion and nonuniformity that would result, consider for a moment the shifts in tax burdens that could occur. If, for example, the legislature chose to limit increases in valuation in subclass (2) of Class 1 (vacant lots), a greater share of the cost of financing local government services from the property tax would shift to the other subclasses, including residential, agricultural, utility, commercial and industrial, etc. The longer such a limitation was left in place, the greater the shift would be.

Perhaps hatred of the property tax, not unlike poverty, will always be with us. In the closing chapter of his book Dr. Fisher makes this observation:

Improved administration of the property tax will not stop criticism. It is a "lump sum" tax that is highly visible and often inconvenient to pay. It falls heavily on unrealized capital values, burdens shelter, and may be unrelated to the ability of the owner's current income. A number of measures to deal with these criticism have been taken and others are possible. Circuit breakers, homestead exemptions, preferential treatment of farm land, and tax deferral for elderly homeowners are some examples. Unfortunately, every such provision creates administrative complexity and fuels demands for additional relief for those near the cutoff point.

We really should be proud of our accomplishments in improving our property tax system over the last twelve years, and we should be equally hesitant to modify critical components of it, such as appraisal on the basis of fair market value. For this reason, we respectfully urge the Committee to not report HCR 5039 favorably. Perhaps our attention could be better spent developing additional alternatives to the property tax and mechanisms for streamlining the payment of such taxes.

Thank you.