

Approved: 2-19-98
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:08 a.m. on February 16, 1998, 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 Courtwright, Legislative Research Department
Shirley Higgins, Secretary to the Committee

Conferees appearing before the committee: Whitney Damron, Unified Government of Wyandotte County
Dr. Larry Snyder, University Animal Clinic
Orville Johnson
Cedric Moege, Kansans for Equal Property and Pension Taxes
Bob Corkins, Kansas Chamber of Commerce & Industry
Hal Hudson, National Federation of Independent Business

Others attending: See attached list

The minutes of the February 11 meeting were approved.

SB 492--Authorizing class A cities to impose an earnings tax.

Whitney Damron, representing the unified government of Wyandotte County/Kansas City, Kansas, testified in support of **SB 492**. He supports the right of local citizens to vote on the issue of an earnings tax as a means of diversifying the citizens' local tax burden, which currently has a strong reliance upon property taxes. (Attachment 1)

Senator Chris Steineger, author of the bill, distributed copies of a portion of the Kansas City, Kansas, Area Chamber of Commerce Revenue Study Report. The selected portion summarizes the trends which support the observation that Wyandotte County is approaching an economic crisis and losing its competitive edge. Wyandotte County has the highest real estate property tax in the region, a high level of bonded indebtedness, projected revenue shortfalls, and the highest personal property tax on automobiles. Senator Steineger briefly discussed the report page by page. (Attachment 2) He noted that a recent report by the Kansas Department of Human Resources indicates that Wyandotte County has the highest average salary of all counties in the state (approximately \$30,200.00). Although the salaries are generated in Wyandotte County, the per capita income of the residents of the county is only \$15,465.00. He emphasized that Wyandotte County residents unfairly bear the brunt of the tax liability for those persons who work in the county but live and spend their money elsewhere. **SB 492** would allow a further diversification of the county's revenue stream.

With regard to the particulars of the bill, Senator Steineger distributed copies of a balloon and discussed each proposed amendment. (Attachment 3) The amendments were the result of input from the Department of Revenue and the city of Kansas City. The original bill required that the tax be collected and administered by the Department of Revenue, but as amended, it would allow that the city may contract for such services. He referred to Section 7, page 3 of the bill as the fiscal restraints section and discussed the restraints put on city spending. He noted that three loopholes for spending remain in the bill. One is a bonus for new growth. The second and third address the debt limitation requirement. One would allow the city to issue more debt if the majority of voters of Wyandotte County voted to allow it, and the other would be for damages resulting from any kind of weather catastrophe.

Also distributed were copies of the following relevant information: a comparison of Wyandotte County's tax on cars with other counties (Attachment 4), an editorial from the Wyandotte County newspaper (Attachment 5), and three letters to the editor written by Senator Steineger (Attachment 6).

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on February 16, 1998.

Senator Steineger emphasized that the bill was drafted to apply to Wyandotte County only and requires a public vote for the citizens to decide if they want to impose the earnings tax or not. In conclusion, he reiterated that Wyandotte County needs an additional source of revenue, and it also needs some fiscal restraint for the next ten to twelve years. He believed **SB 492** offers some hope for Wyandotte County and urged its adoption with his suggested amendments.

Senator Bond suggested that, rather than the Legislature imposing restrictions on the local government in Wyandotte County, the proposed restrictions be placed in the ballot language for the citizens of Wyandotte County to vote on. Senator Steineger responded that he would be willing to work on that type of ballot language.

Dr. Larry Snyder, University Animal Hospital in Topeka, testified in opposition to **SB 492**. Dr. Snyder felt the adoption of another tax presents an undue financial and accounting burden on businesses. (Attachment 7)

Orville Johnson, a Topeka realtor, gave four reasons for his opposition to **SB 492**. He cautioned that the bill could be modified in future years to include more cities. (Attachment 8)

Cedric Moege, Kansans for Equal Property and Pension Taxes, testified in opposition to **SB 492**. He could support the need for an earnings tax to be voted on by the people only if local governments and school boards would reduce government spending by consolidation and privatization and if a property tax cap was in effect. (Attachment 9)

Senator Steineger responded that Mr. Moege's and Mr. Johnson's concerns were addressed in the balloon amendments he discussed in regard to the restrictions found in Section 7 of the bill.

Bob Corkins, Kansas Chamber of Commerce and Industry, testified in opposition to **SB 492** on the basis of both administrative difficulties and its conflict with fundamental tax principles. (Attachment 10)

Hal Hudson, National Federation of Independent Business, gave final testimony in opposition to **SB 492**. In his opinion, a new tax is not necessary. Rather than giving cities the opportunity to levy new taxes, he believed cities' spending habits should be addressed. (Attachment 11)

Senator Langworthy called attention to copies of the fiscal note on the bill which had been distributed to committee members. With this, the hearing on **SB 492** was closed.

The meeting was adjourned at 12:00 p.m.

The next meeting is scheduled for February 17, 1998.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: February 16, 1998

NAME	REPRESENTING
<i>Cedric Maege</i>	<i>KS For Equal Prop + Pers Tax</i>
DENNIS HAYS	UNITED GOVT WYCO/KCKS
<i>Whitney Dampier</i>	<i>Unified Govt WYCO/KC, ES</i>
<i>Chris McKerjin</i>	<i>League of Ks. Municipalities</i>
<i>Billy Kuetala</i>	<i>City of Overland Park</i>
DOU SNODGRASS	<i>KS FOOD DEALERS ASSOC</i>
<i>Joe Dick</i>	<i>KCK BPU</i>
LALLY SORAN	SALT
<i>Christy Caldwell</i>	<i>Topeka Chamber of Com</i>
<i>Timothy Paris</i>	<i>Kansas, Inc.</i>
<i>Ret Med</i>	<i>Sumit</i>
<i>Margaret Helquist</i>	<i>Kansas Smokeless Kids Initiative</i>
<i>Jim Conford</i>	<i>Dir of Budget</i>
<i>Steve Montgomery</i>	<i>CAS Construction</i>

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TO: The Honorable Audrey Langworthy, Chair
and Members of the
Senate Committee on Assessment and Taxation

FROM: Whitney Damron
on behalf of the
Unified Government of Wyandotte County/Kansas City, Kansas

RE: SB 492 Authorizing cities to impose and earnings tax; prescribing
procedures therefor and duties and authorities for the
state Department of Revenue.

DATE: February 16, 1998

Good morning, Madam Chair Langworthy and Members of the Senate
Committee on Assessment and Taxation.

My name is Whitney Damron and I appear before you this morning on behalf
of my client, the Unified Government of Wyandotte County/Kansas City, Kansas in
support of legislation authorizing cities to submit the issue of an earnings to the
local electorate. The Unified Government and formerly the City of Kansas City,
Kansas have historically supported the right of our local citizens to vote on the issue
of an earnings tax as a means of diversifying the citizen's local tax burden, which
presently has a strong reliance upon property taxes.

Included with my testimony is a copy of the Unified Government's position
statement on this issue which has my handwritten note regarding "dollar-for-dollar
property tax reductions" for any earnings tax question which might be forwarded to
the electorate for consideration, which has been the position of the Unified
Government and the City of Kansas City, Kansas since its consideration many years
ago.

*Senate Assessment & Taxation
2-16-98
Attachment 1*

Senate Committee on Assessment and Taxation
Page Two of Two
February 16, 1998

The Unified Government realizes that earning tax legislation is both controversial and complicated. The approach taken by Senator Steineger in SB 492 would require a similar "dollar for dollar" reduction in property taxes at the local as that supported by the Unified Government. However, other limitations on local spending are contained in the bill which we have not had the opportunity to closely evaluate at this time. If it is the desire of this Committee and the 1998 Legislature to move forward with this or similar legislation, we stand ready to provide our thoughts and input regarding a local option earnings tax at the appropriate time.

Thank you for your time this morning.

SUPPORT FOR LOCAL OPTION EARNINGS TAX LEGISLATION

A local option for an earnings tax is not a new idea. Several states allow it and, in fact, Kansas allowed cities to enact the tax between 1970 and 1972 due to the local option earnings tax being provided in the original Kansas tax lid legislation. During those rich economic years with ample federal grant and revenue programs being provided to local units of government, no city in the State elected the earnings tax option.

Wyandotte County/Kansas City, Kansas, and other Kansas cities in the greater metropolitan area have a unique tax situation. Based on the 1990 Census, **20% of our county's residents work in Kansas City, Mo.**, where workers pay a 1% earnings tax. Kansas City, Mo., has had an earnings tax since 1964. **Of those persons employed in Wyandotte County, approximately 53% live outside the County.**

An earnings tax in Wyandotte County/Kansas City, Kansas would provide a more equitable tax mix for local units of government. The ongoing problems with reappraisal and classification, and the continued tax shifts only strengthen the Unified Government's belief that a more diversified revenue base and reduction of reliance on the property tax are goals that need to be actively pursued.

The Kansas Department of Human Resources reported this past July that in 1995 among Kansas counties, Wyandotte County had the highest average salary per job (\$28,600) or 20% higher than the statewide average. In contrast, the U.S. Bureau of Economic Analysis released data this past August showing that Wyandotte County's 1995 per capita income ranked 85th among the 105 Kansas counties.

An earnings tax would generate significant revenues for the Unified Government. It is estimated that a 1% earnings tax would generate nearly \$25 million in revenue. (See attached table). This estimate assumes local residents employed in Kansas City, Mo., would receive a credit for their Kansas City, Mo., earnings tax payment. **The 1% earnings tax would have the potential of lowering the tax levy of the Unified Government by 45% and the total tax rate of all taxing units by nearly 25%.**

A local earnings tax promotes equity in taxing efforts, economic incentives for enhanced development, and a more responsive taxing effort to inflation and other economic conditions. A local option earnings tax ~~could~~ be linked to a one-for-one reduction in other taxing efforts such as the *ad valorem* property tax.

Would

**KANSAS CITY KANSAS AREA
CHAMBER OF COMMERCE**

REVENUE STUDY REPORT

MARCH, 1996

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Senate Assessment & Taxation
2-14-98
Attachment 2

EXECUTIVE SUMMARY/INTRODUCTION

The intent of this report is to call attention to areas of fiscal concern and to provide to local government leaders options to alleviate or mitigate these concerns. These options have proven successful in other communities. It is our hope that the business community and local government can collectively pursue actions to address the concerns identified in this report. Our ultimate goal is to ensure the fiscal well being of our local governments and create a competitive environment that retains and attracts businesses and fosters the development of residential housing.

To that end we stand ready to assist our local government entities in any way they feel would be beneficial and appropriate. We also believe that there are solutions, if adopted by the community's leadership, that could alleviate or mitigate the possible economic crisis and improve the competitiveness of this community as a choice for families and businesses.

Listed below is a summary of the factors/trends which cause us to believe we are approaching an economic crisis and losing our competitive edge. Each of these factors and trends is expanded later in this executive summary/introduction and each is discussed in detail in the applicable section of this report.

Summary: We believe the following factors/trends support our observation that this community is facing an economic crisis and has lost its competitive edge to the point that families and businesses choose not to locate here; and to leave the community in alarming numbers.

Internal Factors/Trends:

Highest property tax rates in the region

Continued population loss

Continued erosion of city operating reserves

Level of bonded indebtedness for the city which limits flexibility

BPU bonded indebtedness

Lack of a developed county capital maintenance and improvement plan (CMIP).

Projected expense versus revenue shortfalls of \$22.07 million between 1995 and 2000 for the city

- County expenditures to be covered by existing revenues without plan for possible revenue changes
- Water pollution rates
- KCK citizens have more and pay more for police and fire compared to cities of comparable size nationwide mainly due to high crime rates and cost of benefits respectively.

THE TOTAL AMOUNT OF CURRENT OVERLAPPING DEBT (PRINCIPAL AND INTEREST) OF THE THREE ENTITIES HEREIN DISCUSSED ARE OF PRIMARY CONCERN:

Entity	Principal	Interest	Total
County	41,510,000.00	17,226,562.00	\$58,736,562.00
City	138,844,218.00	65,163,332.00	\$204,007,550.00*
BPU	227,494,996.00	301,740,303.00	\$529,235,299.00
Total	407,849,214.00	384,130,197.00	\$791,979,411.00

*Includes General Obligation, Public Levee & Water Pollution Control debt

THE ABOVE TOTAL DOES NOT INCLUDE THE OTHER TAXING ENTITIES IN THE COUNTY I.E., THE FOUR SCHOOL DISTRICTS, COMMUNITY COLLEGE OR THE OTHER TWO MUNICIPALITIES.

- External Factors/Trends:
 - Impact of federal mandates and state legislation affecting local revenues
 - Utility deregulation

The following is a discussion of the above factors/trends. More detail can be found in the referenced section of the report.

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INTERNAL FACTORS/TRENDS:

Highest Property Tax Rates in Region--The citizens and businesses of Kansas City, Kansas pay on average 32% more than citizens or businesses in other cities in the region. (See Section 1)

Population Loss--Wyandotte County is the only county in the region to lose population in the last decade, and it is only one of two projected to lose population between now and the year 1999. The shrinking number of citizens and businesses that remain must now each share a greater proportion of the onerous tax burden. Between 1989 and 1995 the population loss of the city was 5.8%. During the same period the cost of City and County governments increased 22.5% and 30.1% respectively. It is significant to note that the consumer price index (CPI) for the Kansas City region urban consumer rose only 18.8% during the same period. While the population of the community has declined and the cost of City and County governments has increased, the median household income level of Wyandotte County residents fell 16.5% between 1979 and 1989. The population loss coupled with the increased cost of city and county governments that outpaced the CPI, and the significant decrease in the median household income places a greater burden on the taxpayers ability to pay for government services. (See section 2)

Erosion of Fund Reserves--The City has continued to use cash reserves to fund the day-to-day operations of City government. The leadership of the City has for some time recognized that revenues are not keeping pace with expenditures and have used the cash reserves to make up the difference. The General Fund cash reserves in 1991 were approximately \$20.5 million and declined to \$9.1 million at year end 1994. Projections show that if spending levels continue the General Fund Reserves will be depleted for the 1997-98 Budgets. (KCK Executive Summary and Highlights of the 1995 Revised and 1996 Adopted Budget).

BONDED INDEBTEDNESS--

City--The City currently has over \$204 million in bonded indebtedness and projected interest (this includes general obligation, water pollution control and public levee debt). This debt has been incurred to build and maintain the City's infrastructure through what is called the capital maintenance and improvement program (CMIP). There has been an ongoing debate that this amount may be excessive for a city the size of Kansas City. The City's CMIP program has caused an increased reliance on a large amount of long-term debt which has resulted in decreased expenditure flexibility due to the increased fixed cost of annual debt service payments. Additionally, the city's large amount of long-term debt combined with the projected depletion of reserves in the 1997-1998 budget year severely limits flexibility through the year 2010 in that any new CMIP projects or contingencies will require additional revenues, operating program cuts or additional bond refinancing. To not identify additional requirements or experience an unforeseen contingency seems highly unlikely in a community with aging infrastructure and located in an area with a repeated history of severe weather and flooding (See section 3).

SECTION I

HIGHEST PROPERTY TAX RATES
IN THE REGION

Selected Cities	Total Levy
Johnson County	
DeSoto	138.975
Leawood	119.654
Lenexa	126.482
Merriam	125.157
Mission	112.881
Olathe	136.954
Overland Park	110.619
Shawnee	123.537
Leavenworth County	
Lansing	129.427
Leavenworth	126.186
Wyandotte County	
Bonner Springs	171.113
Kansas City, Kansas (USD #500)	175.493

Table 1-1, comparison of 1994 Regional Property Tax Levies
 Kansas Government Journal, January, 1996

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**SECTION 1: HIGHEST PROPERTY TAX RATES
IN THE REGION
THE IMPACT**

The data in Table 1-1 clearly shows that Kansas City, Kansas has the highest total levy in the region. The average tax levy of regional cities in Kansas is \$132.873.

This means our citizens and businesses pay 42.62 mills or 32% more than the average of other Kansas cities in the region.

We contend that this margin is one of the key factors which impairs our community as a competitive choice to buy a home or operate a business.

SECTION 2: POPULATION LOSS THE PROBLEM

Wyandotte County is the only county in the metropolitan area that is losing population. Principal reasons often cited for this are: perception of high property taxes, poor service for the taxes paid, and high crime rate. This section of the report examines the population trends within the county over the last twenty years as well as the projections through the year 1999. In 1970 the county had a population of 186,845; since then it is estimated that almost 31,000 person have left. It is not an unusual pattern for an older, core city such as Kansas City, Kansas, to lose population. What is unusual, is that most of the population loss has moved outside the county and not to the developable suburbs within it.

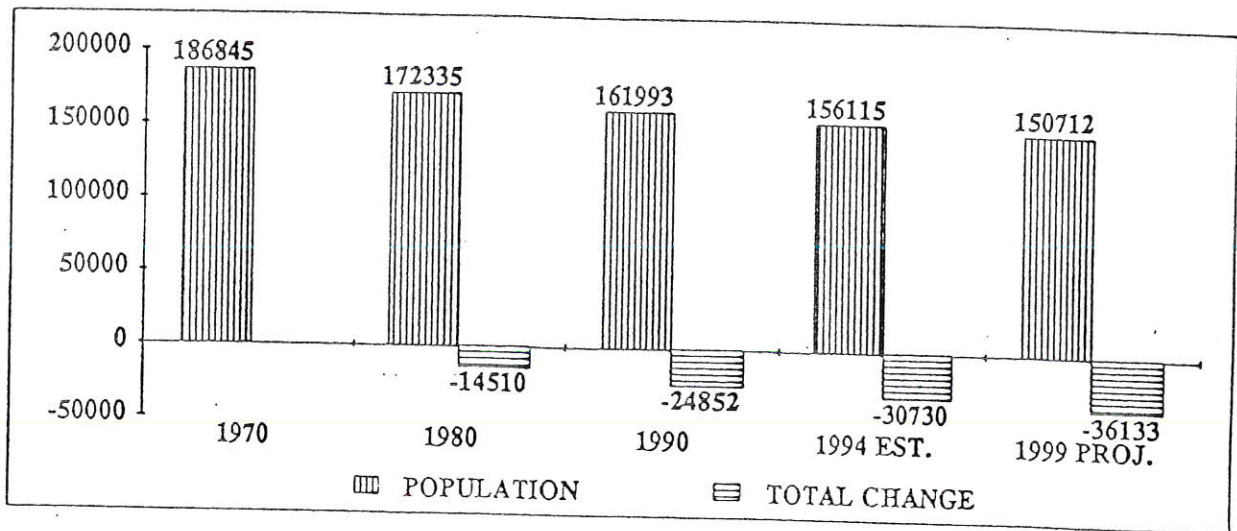


Figure 2-1, Wyandotte County Population trend 1970 to 1999 (1970, 1980 and 1990 data is from the U.S. Bureau of Census, 1994 estimated and 1999 projected population from CACI Marketing Systems)

Table 2-1 on the next page graphically portrays the net change and shifts of the total population within the county between 1980 and 1990, respectively. Table 2-2 depicts the loss of occupied housing units during the same period.

SECTION 3: IMPACT OF KANSAS CITY, KANSAS AND WYANDOTTE COUNTY'S BONDED INDEBTEDNESS AND GENERAL FUND PROJECTIONS THROUGH THE YEAR 2000 THE PROBLEM

KCK'S BONDED INDEBTEDNESS

The City has three different kinds of debt: general obligation, special assessment and revenue bonds. The first is a general obligation of all City taxpayers; the second is an obligation of certain benefiting property owners; and the third remains an exclusive liability of certain proprietary fund revenues. Payment of each is imperative for maintaining sound City bond ratings. The focus of the following discussion will be on the City's general obligation debt.

The City's current total general obligation debt is \$169,932,015 including principal and interest (KCK Memorandum, September 13, 1995) which equates to approximately \$1,121 for each of the 151,521 residents of the city. This does not include any Water Pollution Control or Public Levee debt. Those indebted amounts are: Water Pollution \$33,170,660 including principal & interest and Public Levee \$904,875 including principal & interest. This debt has been incurred by City leadership to build and maintain the City's infrastructure through what is called capital maintenance and improvement program (CMIP). There has been an on-going debate that this amount may be excessive for a city the size of Kansas City. A review of the history of the City's debt seems to indicate that there has been an increasing reliance on long term debt. This has resulted in decreasing expenditure flexibility due to the increased fixed cost in the form of debt service, which for the past several years has grown larger and represents a greater proportion of the total budget as indicated in Table 3-1 below.

Total General Obligation Debt Service (000) & Reserve Allocations beginning in 1995				
Year	1993	1994	1995	1996
Total Debt Service (in Million\$)	\$11.2	\$11.7	\$21.2	\$17.2
% of Total Budget	9.83%	9.53%	13.15%	13.16%

Table 3-1, Growth of Debt Service Payments for 1993-1996 (Source KCK Finance Depart. Untitled Printout dated November 17, 1995)

The KCK City Council revised the debt service schedule in Fall of 1995 for the general obligation debt. Prior to this action, a tax increase of 4% was scheduled for 1996, 1998, 2000, 2002, and 2004, for a net increase in taxes of 20%. The revised debt schedule

significantly reduces the need for tax increases and also levels out the debt load which would have climbed to approximately \$20 million in 1998 and peaked at approximately \$25 million in 2003.

The revised debt schedule was accomplished through a refunding and improvement bond issue which essentially accomplished two purposes. First, by restructuring the debt, the City leveled out the debt load which will no longer have the peak in debt service in the years 1998 through 2003. Second, in order to reduce the peak debt load in the years 1998 through 2003, the debt load for the years 2004 and beyond were increased. The actions taken will still require additional revenues and/or reductions in operating programs of approximately 4% in the year 2000. Thereafter, for the years 2001 through 2010 only small adjustments of additional revenues and/or operating program cuts of approximately .1% to .12% per year will be required. The total additional revenues and/or reductions in operating programs for the year 2000 through 2010 is approximately 5.8% (KCK Memorandum, September 13, 1995). Figure 3-1 below depicts the revised general obligation debt service structure.

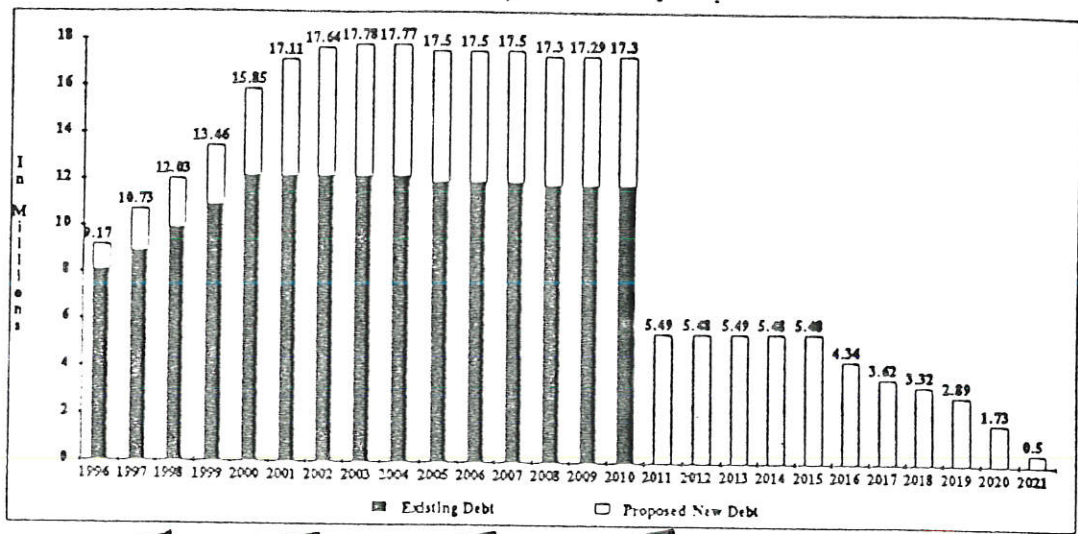


Figure 3-1, KCK's Debt Service Schedule for current and proposed General Obligation Debt (Source 1996 adopted budget)

Future year debt includes \$58,358,590 in current capital maintenance and improvement program (CMIP) projects which are scheduled for debt financing, plus approximately \$8.2 million in existing temporary note CMIP projects financing that are scheduled for debt financing in future years. If any of these CMIP projects are not undertaken, less future debt financing will be needed. **CONVERSELY, IF ANY NEW CMIP PROJECTS ARE REQUIRED OVER AND ABOVE THOSE ALREADY PLANNED, ADDITIONAL REVENUES AND/OR OPERATING PROGRAM CUTS WILL BE REQUIRED TO FUND THEM.** In addition to future General Obligation debt for

the City's six year CMIP plan, the city also calls for an additional \$15.3 million in sewer system utility debt and \$2.9 million in Public Levee enterprise debt. This will require additional rate increases in Water Pollution Control and to Public Levee lease holders.

The current debt service plan for the City and the erosion of reserves allows for little or no flexibility from now to the year 2010, should additional requirements be identified as necessary without scrapping existing proposed requirements, increasing taxes or cutting existing operating programs. However, the city's current financing plan does include reserve for current and future payment of CMIP General Obligation debt. Additionally, the city's financing plan does earmark a portion of restricted sales tax to help fund future year General Obligation debt, however future revenues will be needed to totally fund current and proposed CMIP debt. To not identify additional requirements or experience an unforeseen contingency for a ten year period seems highly unlikely in a community with aging infrastructure and in a location with history of unstable weather and/or flooding. Revenues will need to be found or programs re-prioritized if an unforeseen contingency occurs.

WYANDOTTE COUNTY'S BONDED INDEBTEDNESS:

Wyandotte County leadership also has incurred bonded indebtedness as a result of its Justice Complex and Sandstone Amphitheater. Total County bonded indebtedness is currently \$58,736,562.00 (principal and interest). The 1993 through 1996 debt service payments are shown in Table 3-2 below. The payments are fairly stable and represent almost 14% of the total County budget. This trend is expected to continue until bonds are paid in 2006 and 2007.

Year	1993	1994	1995	1996
Total Debt Service (Mil.\$)	\$5.5	\$5.7	\$5.7	\$5.8
% of Total Budget	13.88%	13.54%	13.86%	13.9%

Table 3-2, Debt Service Payment Trend for 1993-1996 (Source Undated Chart from Wyandotte County Auditor titled Wyandotte County Debt Service Schedule 1993-1996)

County officials have identified an additional estimated \$579,900 in the capital plan for the courthouse, justice complex and the courthouse annex. Other items included in the capital plan are: a sewer line at the county fairgrounds and county garage, possible Federal Building remodeling, additional jail space, additional detention space, and roof repairs for the Wyandotte County Health Department. While these items were listed on the County's

(11)

2-11

SENATE BILL No. 492

By Senator Steineger

1-22

and a privilege tax

9 AN ACT authorizing certain cities to impose an earnings tax, prescribing
10 procedures therefor and duties and authorities for the state depart-
11 ment of revenue, amending K.S.A. 12-140 and repealing the existing
12 section.

(1)

13
14 *Be it enacted by the Legislature of the State of Kansas:*

(A)

15 New Section 1. (a) Any class A city is hereby empowered and au-
16 thorized in accordance with the provisions of this act to levy a tax upon
17 the earnings of: (1) All individuals employed within that city; (2) all res-
18 idents of that city who are employed outside that city; and (3) all busi-
19 nesses and corporations operating within that city.

(B)

(C)

20 (b) The rate of any earnings tax shall be .25% of earnings, or any
21 multiple of .25%, up to and including a maximum of 2% of earnings.

(2)

1%

22 (c) Revenue derived from the earnings tax authorized by this act shall
23 be pledged solely for the purpose of reducing the tax levy of the class A
24 city upon taxable tangible property located within such city by an amount
25 equivalent to the amount of such revenue, and maintaining such reduc-
26 tion for each taxable year for which such earnings tax is levied.

(b) Any class A city is hereby empowered and authorized in accordance with the provisions of this act to levy upon every national banking association, state bank, trust company or savings and loan association located or doing business within the city for the privilege of doing business a tax according to or measured by its net income for the next preceding year computed by multiplying the tax imposed by K.S.A. 79-1107 or 79-1108, as the case requires, by 1%.

or privilege

27 New Sec. 2. (a) No class A city shall levy an earnings tax until the
28 governing body of such city shall first submit such proposition to and
29 receive the approval of a majority of the electors of the city voting thereon
30 at the general election of November 3, 1998. Any class A city proposing
31 to adopt an earnings tax shall adopt an ordinance giving notice of its
32 intention to submit such proposition for approval by the electors in the
33 manner required by K.S.A. 25-105, and amendments thereto. The notice
34 shall state the time of the election, the rate of the tax, and the purposes
35 for which the proceeds will be expended in accordance with subsection
36 (c) of section 1. Every election held under this act shall be conducted by
37 the county election officer.

38 (b) If a majority of the electors voting thereon at such election shall
39 approve the levying of such tax, the governing body of that class A city
40 shall provide by ordinance for the levy of the tax. Any repeal of such tax,
41 or any reduction or increase in the rate thereof, within the limits of this
42 act, shall be accomplished in the manner provided for in this act for the
43 adoption and approval of such tax, except that the governing body of a

SENATE ASSESSMENT & TAXATION
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ATTACHMENT 3

Senate Assessment & Taxation
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B-2

1 class A city shall be required to submit such question upon submission
2 of a petition signed by electors of such city equal in number to not less
3 than 10% of the electors of such city. If a majority of the electors voting
4 thereon at such election fail to approve the proposition, it may be resub-
5 mitted under the conditions and in the manner provided in this act for
6 submission of the original proposition.

7 (c) Any ordinance which has been adopted to give notice of the in-
8 tention of the governing body of the class A city to submit the proposition
9 of levying an earnings tax to the electors of the city shall contain provisions
10 pledging the use of the revenue to be received from such tax if the same
11 is approved by the voters in accordance with the provisions of subsection
12 (c) of section 1. Such description shall be consistent with that contained
13 in the notice of election required by subsection (a) of this section.

or privilege

14 New Sec. 3. As used in this act, the term "earnings" shall mean the
15 following:

16 (a) As applied to individuals, "earnings" mean any and all amounts
17 paid to individuals in the form of wages, salaries, commissions, fees or
18 other forms of compensation compensating such individual for labor or
19 services rendered. As applied to individuals, a person shall be considered
20 employed within such city if such person's primary place of business is
21 located within such city.

22 (b) As applied to businesses and corporations, "earnings" mean fed-
23 eral taxable income, as defined by the federal internal revenue code, as
24 defined by K.S.A. 79-32,109, and amendments thereto, derived from the
25 operations of such businesses or corporations located within such city.
26 The allocation of income provisions of K.S.A. 79-32,141, and amendments
27 thereto, and the allocation and apportionment provisions of the uniform
28 division of income for tax purposes act, insofar as the same may be made
29 applicable, shall apply to a city earnings tax levied in accordance with this
30 act.

31 New Sec. 4. Any person or organization exempt from the payment
32 of the state income tax pursuant to K.S.A. 79-32,113, and amendments
33 thereto, shall be exempt from the payment of an earnings tax levied pur-
34 suant to this act.

may

or may contract for such services.

35 New Sec. 5. The amount of earnings tax paid to another city with an
36 earnings tax by a resident individual shall be allowed as a credit against
37 the earnings tax of the class A city of their residence.

or privilege

38 New Sec. 6. (a) Any class A city levying an earnings tax as provided
39 in this act shall utilize the services of the state department of revenue to
40 administer, enforce and collect such tax. Any ordinance authorizing the
41 levy of a city earnings tax shall incorporate by reference the provisions of
42 article 32 of chapter 79 of the Kansas Statutes Annotated, and amend-
43 ments thereto, providing the procedure for the collection and adminis-

articles 11 and

M-2

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3-3

1 tration of income taxes, insofar as the provisions of such law may be made
2 applicable to a city earnings tax. The department of revenue is hereby
3 authorized to adopt such rules and regulations as may be necessary to
4 provide for the withholding by employers of any local earnings tax and
5 may require any employer in the state of Kansas to furnish any infor-
6 mation necessary for the administration, enforcement and collection of
7 such tax.

and privilege

or privilege

2010

unless approved by the majority of the voters voting at an election held thereon or in the event of a weather catastrophe

and except with regard to assessed valuation attributable to new or new improvements to property or to property which is exempt from taxation on the effective date of this act,

or privilege

W
W

3

8 (b) Upon the receipt of a certified copy of an ordinance authorizing
9 the levy of a city earnings tax, the secretary of revenue shall cause all
10 necessary forms to be prepared and such taxes to be collected at the same
11 time and in the manner provided for the collection of the state income
12 tax and privilege tax. The secretary of revenue is hereby authorized to
13 administer and collect the earnings tax of such city and to adopt such
14 rules and regulations as may be necessary for the efficient and effective
15 administration and enforcement thereof. The secretary shall credit all
16 moneys received therefrom to a city earnings tax fund, which fund is
17 hereby established in the state treasury. The secretary of revenue shall
18 transfer from the city earnings tax fund to the city earnings tax refund
19 fund, which fund is hereby created, an amount deemed sufficient by the
20 secretary to pay any refunds due from any tax levied under the provisions
21 of this section. All local earnings tax revenue collected from such city
22 pursuant to this act shall be remitted at least quarterly by the state treas-
23 urer, on instruction from the secretary of revenue, to the treasurer of
24 such city.

25 New Sec. 7. (a) Notwithstanding any other provision of law to the
26 contrary, for the period of time commencing on January 1, 1998, and
27 ending on December 31, [200], the governing body of any consolidated
28 city-county is hereby prohibited from: (1) Issuing any general obligation
29 bonds; (2) subject to the provisions of section 1, increasing the aggre-
30 gate amount of revenue produced from the levy of property tax over such
31 amount produced for the 1997 taxable year; and (3) increasing the rate
32 of any fee, charge or other exaction in effect on January 1, 1998.

33 (b) The provisions of this section shall only be in force and effect in
34 the event the tax authorized to be imposed by this act is in full force and
35 effect.

36 New Sec. 8. The following classes of cities are hereby established for
37 the purpose of imposing limitations and prohibitions upon the levying of
38 an earnings tax by cities as authorized and provided by article 12, section
39 5, of the constitution of the state of Kansas;

40 Class A cities. Any consolidated city-county established pursuant to
41 K.S.A. 1997 Supp. 12-340, and amendments thereto; and

42 Class B cities. All other cities.

43 Sec. 9. K.S.A. 12-140 is hereby amended to read as follows: 12-140.

1 Except as otherwise specifically authorized by K.S.A. 12-1,101 to 12-
2 1,109, *and amendments thereto, and sections 1 through 6*, no city shall
3 have power to levy and collect taxes on incomes from whatever source
4 derived.

5 Sec. 10. K.S.A. 12-140 is hereby repealed.

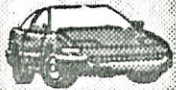
6 Sec. 11. This act shall take effect and be in force from and after its
7 publication in the statute book.

3-4

1
3-4

6

How counties compare



	Manufacturer suggested retail price	1993 value for Kansas car tax	1993 taxable value
■ 1992 Mercury Grand Marquis Sedan 4D LS	\$20,644	\$14,280	\$4,284
■ 1993 (92) Toyota Tercel Sedan 2D*	6,998	5,625	1,688
■ 1989 Ford Ranger Pickup 5-speed Half-Ton	7,693	3,734	1,120
■ 1984 Chevrolet Pickup El Camino	8,522	1,562	468
■ 1993 (92) Lexus LS 400*	42,200	35,000	10,500
■ 1993 (92) Cadillac El Dorado*	32,470	27,000	8,100
■ 1993 (92) Olds Regency Elite*	26,195	25,000	7,500
■ 1990 Ford Taurus LX 4-Door Sedan	16,000	8,891	2,667

1993 Tax

Shawnee County 166.47*	Stevens County 38.89*	Johnson County 118.31*	Wyandotte County 169.3*	Coffey County 47.31*	Saline County 127.73*
\$713.16	\$170.89	\$506.84	\$725.67	\$202.68	\$547.20
280.92	67.31	199.65	285.93	79.84	215.54
186.48	44.69	132.53	189.72	53.00	143.08
77.99	18.69	55.43	79.27	22.16	59.84
1,747.94	418.85	1,242.26	1,998.14	496.76	1,341.17
1,348.41	323.11	958.31	1,372.25	383.21	1,034.61
1,248.53	299.18	887.33	1,270.56	354.83	957.98
443.98	106.39	315.55	451.76	126.18	340.68

*Mill levy

Under consideration

HOUSE 1993 tax HB 2866 all counties	SENATE 1993 tax SB 503 all counties
\$375	\$428.40
300	168.75
200	112.02
75	46.85
600	1,050.00
500	810.00
500	750
325	266.72

The Star

* Assumes 1993 prices the same as actual 1992.

SENATE ASSESSMENT + TAXATION
 2-16-98
 ATTACHMENT 4

Senate Assessment + Taxation
 2-16-98
 Attachment 4

OUR VIEW/*Kansan* editorials

Government needs to scale back

The new Unified Board of Commissioners has a chance to put some sanity back into the various personnel policies regarding local government employees' sick leave allowance and cash payouts for unused sick leave, vacation and "comp time."

The board made the right decision last week when it sent back important pay matters to the Human Services Committee for more study before approving new personnel policies for the non-union employees.

For many years personnel policies in the former city and county governments regarding such matters have been too liberal and out of line with what is common in private industry. That applies to both union contracts and policies for non-union employees. With the consolidation of the city and county governments, this is an opportunity to reform policies and make them more fiscally responsible to the taxpayers of this community.

We keep hearing elected officials saying that local government should be operated like a business. But in the realm of personnel policies they do not operate like a business. Employees have received excessive sick leave allowance for years. KCK police officers and firefighters can get paid for up to 120 days of unused sick leave when they retire. For non-public safety personnel in city government it has been up to 90 days. Sick leave is for when someone is truly sick or disabled. Paying employees for not getting sick is an unnecessary fringe benefit. Most private companies do not pay for unused sick leave.

In some quarters government employment at all levels is consid-

ered "different," thus paying out for unused sick leave in government work is fairly common. But that does not mean it's what the Unified

This editorial represents a consensus of The *Kansan's* editorial board. Other material on this page reflects opinions of staff writers, syndicated columnists, cartoonists and readers.

Government should do given the high taxes in this particular community with many residents struggling to get by.

Consolidation was approved by voters to streamline local government, including personnel costs. What other area local governments do should be irrelevant.

Paying employees for unused vacation time and unused comp time also should be phased out by the Unified Government. These kinds of payouts should not be considered a retirement benefit. The policy should be that employees either take their vacation time or lose it, and they either take their comp time or lose it. The long-time practice by many employees of saving up their unused vacation time and unused comp time for exorbitant payouts when they resign or retire should be ended.

Finally, we hope bureaucrats and elected officials alike will stop using that dated and worn out rationalization for excessive benefits that "we need better benefits to make up for our inability to compete with salaries and wages in private industry." That may have been true a generation or two ago, but that's certainly not the case now.

"Government jobs" are the most prized in Wyandotte County; benefits could be ruthlessly slashed and it still would be true.

Now and the next few years will be the chance of a lifetime for commissioners to right the overloaded and listing benefits boat. Let's see if they will be true to the consolidation spirit and do so.

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+ Taxation
2-16-98
Attachment 5

2/96

Dear Editor,

Please accept this correspondence entitled "Privatization" for publication in your newspaper.

American government in the 1960's & 1970's became ensnarled in many functions it was unsuitable for in the long haul. Although some of these ensnarlements may have seemed liked good and necessary public policy at the time, times change and so should government. Especially government in towns that have lost population, jobs, and self and peer esteem.

Privatization of government services is a good concept that is being tried successfully in progressive cities throughout America and should be tried here in KCK. Privatization considerations should include: Are there many private firms in America engaged in this activity? Have they done so for decades? Are they doing so in the metro area?

Our city operates a warehouse complex, grain elevator, and parking garages and lots. All of these functions are provided by private enterprise everywhere else in America and have been for decades. City governments in Overland Park, Shawnee, Lenexa, and Leawood have avoided such ensnarlements, the private sector readily provided these services, and these cities have enjoyed a thirty year boom of growth and prosperity.

Our city hall management staff often will say they "can't drain the swamp because we're up to our necks in alligators" or "we're so busy keeping the wheels on the truck that we can't keep the truck running". This behooves the point that city hall is overextended in the amount of functions it attempts to provide. City staff should concentrate their time and our resources to provide clean, safe neighborhoods. Non essential functions should be jettisoned.

Complete privatization through outright sale to the private sector should be the policy for our municipally owned and operated warehouse, grain elevator, and parking garages. Get rid of some patronage jobs, legal liability and use the sale proceeds to pay down our debt.

Chris Steineger
51 S. 64th
K.C.KS. 66111

*Senate Assessment & Taxation
2-16-98
Attachment 6*

Dear Editor,

Please accept this correspondence for publication in your newspaper.

How would you like about a 10% property tax reduction? Would you like our community to start the next century debt free? We should take the following publicly owned assets: BPU, city parking garages, warehouses, grain elevators, golf course and sell them to private enterprise. ALL sales proceeds would be used to pay off our bonded indebtedness, then property taxes lowered by the amount it used to take to pay our annual bond payments. Any politician who tried to squander the sales proceeds on a spending spree would be tied to the Santa Fe tracks just before a coal train passed through.

In conjunction with the big sale, we should merge our county and city governments. After all was said and done the only remaining "city"-funded employees would be public safety & public works, all other city positions having been made superfluous through elimination or through contractual agreements with a professionally managed "minimalist" County government with five full-time Commissioners like Johnson County, the county of growth & prosperity. At this point we could reduce property taxes around another 15%. Who would be against that?

With the above moves we would probably have about 1000 former local government employees to take care of. (Always remember: Government jobs do not equal additional wealth for a community, they merely the transfer of wealth from one man's pockets to another's.) As a good, loyal Democrat, I believe we would have a duty to help these folks in their time of transition. While many of the displaced workers would gladly take an early retirement buyout, others would need job placement assistance. Here would be the role for our local Chamber of Commerce. The Chamber and its good members role would be to find them all jobs in private industry in the Fairfax, Armourdale, Argentine, or Turner industrial areas. It could be a private sector job machine that would supersede the taxpayer funded local government patronage job machine.

Our town has a great and glorious past but, old Wyandotte has been losing population for 20 years, with most of those people citing high taxes as one of their main reasons for departure. Elected officials over the years have relied on a "growth" strategy to get us out of this mess. They've been saying we need to attract more industry and rooftops to our town. Well we all want more rooftops, but unfortunately the growth strategy has utterly failed over the past 20 years. If your mutual fund lost money 20 years in a row would you want the directors to continue to use the same failed strategy? I think not. Its time we adopt a new, more realistic attitude about the size, scope, and cost of **OUR** local government. "Lean & mean", "smaller but better", "debt-free in 2003", whatever motto you like, we're all Wyandottes together and we should think and work together to get a smaller, more affordable, more responsible, and more accountable local government apparatus for the betterment of **ALL** Wyandotte residents.

Chris Steineger

6-2

Mr. Art Brisbane
Editor, The Kansas City Star
1729 Grand
Kansas City, MO. 64108

August 16, 1995

Dear Editor:

Please consider this correspondence for publication in the Sunday Star.

While attending city budget hearings, not to mention having interned in the City Administrators office, I am constantly reminded how spread thin and overworked the upper administrative staff is at city hall. I remember hearing so many times how they felt that they could perform minimal long term planning or grant searching because they were always "putting out fires" with the many city functions. The empire should be reduced. Instead of year by year whittling down the many non-core, superfluous functions, these should be eliminated entirely at the end of a budget cycle. The well-educated and talented upper management staff should be allowed to focus their abilities on the few core functions and do them very well. Its better to do a few things very well than many things expensively and poorly. With fewer departments to budget, the Finance Director would have more free time to find grants for the D.A.R.E. program. With fewer properties and departments creating liability, the City Attorney could concentrate more on defending the taxpayers against frivolous, greed motivated lawsuits. With fewer functions to oversee, the Assistant City Administrator could discover ways to lower the cost of building infrastructure, etc. Reduce the full service city to reduce taxes, then concentrate city staffs' ability to more effectively deliver the core functions of police, fire, and public works at a lower cost. This is another reason why city government is the one to reduce.

Chris Steineger

Wyandotte Patriot
Kansas City, KS.

The Empire Should be Reduced

February 16, 1998

Hon. Audrey Langworth
Chairperson, Assessment and Taxation
Kansas State Senate
Topeka, KS

Re: Senate Bill No. 492

I am here to testify in opposition to Senate Bill No. 492, authorizing the imposition of an earnings tax by any class A city in the State of Kansas.

As a Veterinarian and small business owner in the City of Topeka, I am constantly dealing with payment and collection of numerous federal, state, and local taxes. These taxes are always accompanied with forms to fill out, deadlines for payment, and other non-productive requests for my time.

At this time, as a private business owner, I am required to calculate, withhold, collect, record, certify and/or pay approximately twelve separate taxes or "contributions". The adoption of another tax, such as the one being proposed in SB-492 (with it's accompanying paperwork), presents undue financial and accounting burdens on businesses within the targeted cities.

The potential municipalities involved - Topeka, Wichita, Kansas City, and Overland Park - have to realize that passage of taxes such as this Discourages both new business from locating within that city as well as any new potential employees from moving into those cities. Existing businesses within these areas would be faced with increased labor costs needed to attract qualified employees to higher tax areas. With increasing property values and resultant increases in property tax revenue, the need for such measures even being considered is remote.

With the robust and growing economy in our state, tax reduction is called for by both political parties. The Governor and the citizens of the State of Kansas are requesting, and even demanding, tax relief in all forms and at all levels. I do not understand why a bill such as this, authorizing a tax increase at the local level, could even be considered at this time.

Current Kansas statues provide that "No city shall have power to levy and collect taxes on income from whatever source derived." The wisdom of earlier legislators to enact such a provision should not be modified at this or any future time.

Thank You,

Larry Snyder, DVM

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2-16-98
Attachment 7

TO: SENATE ASSESSMENT AND TAXATION---Feb. 16, 1998

SB 492, City earnings tax

Opposition

FROM: Orville E. Johnson
2401 SW Bradbury
Topeka, Ks 66611
785-233-0212

There are only four reasons why I even dignify SB 492 with my testimony in opposition:

1. I want to let its proponents know that some of us ARE paying attention as to who sponsors and **endorses** what.
2. FEAR! Fear that if we do not keep our **eyes WIDE OPEN** that a bill like this will slip through under the guise of lowering property tax, in this "shell game" of tax shifts.
3. No one, employer or employee needs their lives more complicated with the paperwork of another new tax.
4. A baby tyranosaurus grows into a huge tyranosaurus just as a small per centage tax grows into a huge per centage tax, but unlike the huge tranosaurus, the huge tax never dies let alone becomes extinct. It grows and grows and multiplies. They come at us from all directions to gobble up our substance. Please vote no on SB 492 allowing any class A city to levy a tax upon earnings. THANK YOU.

Senate Assessment + Taxation
2-16-98
Attachment 8

Testimony on SB 492 - 2-16-98

District Representative - Retired
Aid Association for Lutherans

3045 Kentucky - Ph. 913-266-8922
Topeka, KS 66605

FREE ADVICE given on TAXES, GOVT., GOLF,
HUNTING, FISHING, GARDENING, ETC. ETC.

Cedric Maege - Kansan for Equal Prop & Pension Tax

Proponents contend that cities would get some revenue from those who live outside the city and commute to work in the cities using their infrastructure, police, etc however remember that those who live in the city could be voting to increase taxes on themselves.

If a Bill like SB 492 is ever enacted into law, I feel any and all impositions of the tax should be approved only by voter referendum without any protest petition requirements.

The 2% upper limit of taxation seems a little too high. Last Friday, Reps Doug Mays and Ann Kuether were on a local radio talk show and most people who called in complained about Property taxes yet in reading Letters to the Editor I seldom see a letter complaining about taxes.

I oppose SB 492 at this time because it will give a Blank Check to local Govt.'s for more spending.

As some of you know, we have proposed for last 6 years a Prop. Tax cap of 1% of APV on Residential and 1 1/2 % of APV on commercial property. HCR 5074 in 1994 - SCR 1616 on which we had a hearing in this committee on 7-13-96 but no action was taken.

In 1998 - HCR _____ is presently in the House Tax Committee

If a Prop. Tax Cap was in effect then I could see the possible need for and could support an earnings tax, voted on by the people, to replace lost local property tax revenues, but at this time we cannot support SB 492 - Thank you

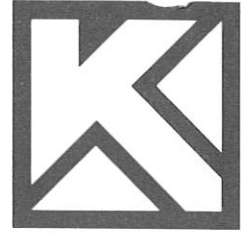
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Attachment 9

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



835 SW Topeka Blvd. Topeka, KS 66612-1671 (785) 357-6321 FAX (785) 357-4732 e-mail: kcci@kspress.com

SB 492

February 16, 1998

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 thank you for the opportunity to express our members' views on SB 492.

Although its property tax relief objective is well intended, KCCI opposes this plan for a local earnings tax on the basis of both administrative difficulties and its conflict with fundamental tax principles.

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 46% 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.

The fundamental trouble we see with this proposal is the unfairness of taxation without representation. You might work in an earnings tax city, but because you reside elsewhere

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Attachment 10*

you'd have no right to vote against the officials that impose the tax, no right to sign a petition for reducing or eliminating the tax, and no benefit from property tax reductions which are funded by the tax.

Another striking consequence of the bill would be its substantial increase in income tax liability in an especially regressive manner. The tax would be imposed on the *gross* income of individual taxpayers...no deductions would be allowed and the many worthwhile public policy objectives advanced through tax deductions would be ignored. In tax year 1996, Kansas adjusted gross income for individuals was 18.8% higher than their net taxable income. Consequently, a 2% earnings tax would equate to a 2.38% state income tax. For married individuals filing jointly, that would amount to an effective state income tax rate of 8.63% (now 6.25%) on income between \$30,000 to \$60,000 -- a jump of 38% for that bracket and an even bigger jump (68%) for those making less than \$30,000.

Next, we see a multitude of tax administration problems that SB 492 would create. The foremost would be a firm's frequent adjustments to employee tax withholdings (assuming it is even aware of an employee's change of residence). The Department of Revenue, itself, may not be able to identify non-incorporated businesses and distinguish them from individuals. This would be a big distinction because it determines whether you pay earnings tax on gross or net taxable income. Another problem, which is perhaps both administratively nightmarish and an enormous increase in liability, concerns the matter of income apportionment. What would constitute business "operations" within a city to trigger the earnings tax? If the tax is triggered, does it extend just to income earned from the firm's intra-city operations? Most small enterprises -- not adept in interstate trade -- will suddenly be forced into coping with sophisticated tax accounting problems much like those of their large nationwide rivals.

The final point I'll make involves the inequities that result from any tax shift of this sort. For many types of businesses, huge increases in income tax liability will not even be remotely offset by property tax reductions. Consider, for example, a very small office which houses a very successful service-sector business. The financial demand which such a business imposes upon city-provided services could easily be negligible in comparison to its earnings tax liability.

Perhaps no city in Kansas would see fit to exercise the local tax option SB 492 would provide. However, while KCCI generally refrains from involvement in local option tax debates, the unique problems associated with local earnings taxes persuade us to respectfully oppose this measure. Thank you for your time and consideration.



NFIB Kansas

**Testimony of Hal Hudson, State Director
Kansas Chapter,
National Federation Of Independent Business
Before the
Senate Assessment & Taxation Committee
on Senate Bill 492
February 16, 1998**

Madam Chairperson and members of the Committee: Thank you for this opportunity to appear here today. My name is Hal Hudson, and I am here today representing the more than 7,000 small business owners of Kansas who are members of the National Federation of Independent Business.

As you know, the NFIB/Kansas Legislative Agenda is set by our members through their response to our Ballot surveys. When we last asked if legislation should be adopted authorizing cities to impose an income or earnings tax, 92.6% of our respondents said NO!

That's a primary reason I am here today opposing enactment of Senate Bill 492. But my testimony would be too short if I didn't suggest to you a few reasons why small business owners are so strongly opposed.

SB 492 purports to be limited to class-A cities, and defines those as "Any city-county established pursuant to K.S.A 1997 Supp. 12-340, and amendments thereto." If this bill should be enacted, how long do you think it would be before other cities would be clamoring for the right to enact the same tax?

It's what comes after SB 492 that concerns most NFIB members across the state. It's the idea that even at a time when tax collections are at an all-time high, a new tax would even be considered, that worries us.

So it is that residents of cities who may not be directly affected by this bill offer the following objections:

- * SB 492 proposes a new tax that does not now exist.
- * SB 492 would cost small business owners, not only in the cost of the tax, but also in administering the collection and remittance of the tax.
- * SB 492 suggests that revenue derived from the tax authorized by this act be pledged solely for reducing property tax. Wasn't that the goal of the school finance plan that imposed a 35-mill property tax statewide? And, isn't it a fact that property taxes

Senate Assessment & Taxation

generally have gone up all over the state after only a one-year drop. Can we learn anything from the past?

With a booming state economy, with sales tax, income tax and property tax collections at all-time record highs, we must ask: "Is a new tax really necessary?" Rather than giving class-A or any other cities the opportunity to levy new taxes, we should be looking at ways to curb their insatiable spending habits.

On behalf of small and independent businesses of Kansas, I urge you to report SB 492 unfavorably.

Thank you.

Hal Hudson, Kansas State Director
National Federation of Independent Business
3601 S.W. 29th ST. - Suite 116-B
Topeka, KS 66614-2015
Phone: 785/271-9449
FAX: 785/273-9200
e-mail: Hal.Hudson@nfib.org