

Approved: 3-23-98
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:00 a.m. on March 19, 1998, in Room 519--S of the Capitol.

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

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

Conferees appearing before the committee: Jerry Hiatt, Cessna Aircraft
Ken Berg, Wings Over Mid-America
Lyle Bighley, Kansas Pilots Association
Bob Best, Lake Perry Marina & Kansas Boaters Association
Murrey Flinn, Lakeside Marine Service
Bud Burke, Cessna Aircraft & Kansas Boaters Association
Randy Allen, Kansas Association of Counties

Others attending: See attached list

HCR 5034--Constitutional amendment reclassifying aircraft and watercraft for property tax purposes.

Staff explained the bill. If approved by voters on November 3, **HCR 5034** would amend the *Kansas Constitution* to authorize the Legislature to separately classify and tax aircraft and watercraft on a different basis from other property. The resolution is not self-executing, and subsequent legislation would be needed before the taxation of aircraft and watercraft would be changed. Such property is currently assessed as "all other" personal property and taxed at 30 percent of its fair market value.

After similar legislative authorization for recreational vehicles was adopted as part of the 1992 constitutional amendment, the Legislature two years later enacted a new tax system for those vehicles under which liability is based on the weight and the age of the vehicles rather than on fair market value.

Aircraft are exempt from property taxation under current law if they are used exclusively for business purposes or are antique aircraft of at least 30 years old.

Jerry Hiatt, Cessna Aircraft, testified in support of **HCR 5034**. He covered the following three points: Re-entry into the single engine aircraft business, the current status of production, and a recommendation to reduce the current tax rates on personal aircraft. (Attachment 1)

Ken Berg, a member of Wings Over Mid-America, testified in support of **HCR 5034**. Wings Over Mid-America is a non-profit corporation dedicated to helping individuals with special needs who require transportation but cannot afford it. Pilots donate their time, planes, and fuel.

Mr. Berg has been working in the aircraft industry for 25 years and has owned an airplane for 10 years. The property taxes over 10 years have been more than \$30,000. Many Kansas pilots have to base their planes outside the state because they cannot afford the taxes. Mr. Berg felt that a more reasonable taxing criteria for aircraft should be established because the state benefits significantly from the general aviation industry. (Attachment 2)

Lyle Bighley, President of the Kansas Pilots Association, followed with further testimony in support of **HCR 5034**. Mr. Bighley addressed the gross inequities between personal property taxes on airplanes and

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on March 19, 1998.

comparably priced surface vehicles in Kansas. If the inequities are not corrected, he believed that much county and state revenues will be lost. (Attachment 3)

Bob Best, owner of Lake Perry Marina and representing the Kansas Boaters Association, testified in support of **HCR 5034**. At the outset, Mr. Best informed the committee that Bob Winkler, President of the Cheney Lake Association, was unable to attend the hearing but had prepared a comparison of tax rates for boats in the five state area. In Kansas, boats are assessed at the highest rate. Many boats are purchased by Kansans who keep their boats out of state to avoid the high property tax. (Attachment 4)

Mr. Best noted that Kansas ranks 48th in the area of state tourism. Part of the reason for the low rating, is the state is not user friendly for tourists. Persons who use boats in Kansas do not leave their boats in Kansas because the taxes are four to ten times higher than in neighboring states. If Kansas could move up in the tourism rankings just a few places, it could mean literally millions of dollars being pumped into the Kansas economy that are currently being spent in surrounding states. Furthermore, the higher tax rate is affecting the viability of marinas and related businesses around Kansas lakes. (Attachment 5) Mr. Best noted that the present boat registration system is extremely time consuming. He maintained that the proposed new boat registration system would streamline the process of placing watercraft on county tax rolls and would generate an additional \$4.47 million per year, based on the existing 101,000 registered boats in the state.

Murrey Flinn, owner of Lakeside Marine Service since 1976, stood in support of Mr. Best's testimony and emphasized his belief that taxes on boats are unfair.

Pack St. Clair of Cobalt Boats was scheduled to testify, but was unable to attend. His written testimony in support of **HCR 5034** was submitted for the committee's consideration. He contended that Kansas boat dealers are at an unfair disadvantage because of the tax advantage neighboring states have. (Attachment 6)

Bud Burke testified in support of **HCR 5034** on behalf of the Kansas Boaters Association and the Cessna Aircraft Company. He believed that the reduction in cost for the county appraiser in the administration of the registration system together with increased compliance that comes with reasonable levels of taxation and increased taxes generated by increased sales and use of boats and aircraft will more than offset any reduction of the current level of taxes. (Attachment 7)

Randy Allen, Kansas Association of Counties, testified in opposition to **HCR 5034** for the reason that over the past several years the property tax base has been eroded and narrowed, and **HCR 5034** represents a further erosion or narrowing. As a result, the tax burden would be further shifted to residential and business property owners. Mr. Allen suggested that another approach to the taxation of this type of property be developed in an interim study. (Attachment 8)

There being no further persons wishing to testify, the hearing on **HCR 5034** was closed.

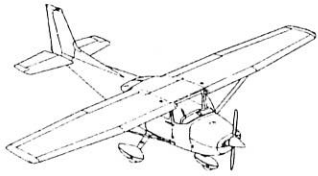
The meeting was adjourned at 12:00 p.m.

The next meeting is scheduled for March 23, 1998.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: March 19, 1998

NAME	REPRESENTING
Murray J. Florin	B Lakewood Marina
Bob Best	Kansas Boaters Assn.
"	Lake Perry Yacht & Marina
Bill Burke	Ks Boating Assn.
Leyle Bighley	Cessna Aircraft Co.
George Peterson	Kansas Pilots Assoc.
Larry Klemm	Ks Taxpayers Network
Cedric Moege	League of KS Municipalities
Don Johnson	Ks for Equal Prop Tax
Sue Bond	West Senator Bars
Rhitta Johnson	" " "
Becky Berg	Wings over Mid America
Ken Berg	Wings over Mid America
Jana Johnson	KDOR
Judy Malue	Ks. Assn. of Counties
Randy Allen	Ks. Assn. of Counties
Jim Langford	DOB
S. Sicilian	KDOR



CESSNA SINGLE ENGINE



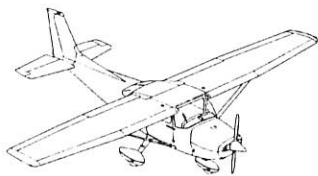
● AGENDA

- » RE-ENTRY INTO THE SINGLE ENGINE AIRCRAFT BUSINESS

- » CURRENT STATUS

- » RECOMMENDATION

*Senate Assessment + Taxation
2-14-98
Attachment 1*



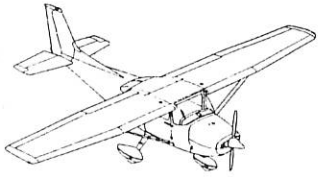
CESSNA SINGLE ENGINE



1-2

- **RE-ENTRY INTO THE SINGLE ENGINE AIRCRAFT BUSINESS**

- » NOT ONLY RE-ENTRY, BUT REVITALIZATION OF AN ENTIRE INDUSTRY
- » AUGUST 1994 - GENERAL AVIATION REVITALIZATION ACT WAS SIGNED BY PRESIDENT CLINTON
- » NEXT DAY, CESSNA CHAIRMAN RUSS MEYER ANNOUNCED THE RE-ENTRY OF FOUR NEW SINGLE ENGINE MODELS - 172, 182, 206 AND T206
- » MR. MEYER ALSO COMMITTED TO LAUNCHING THIS NEW BUSINESS IN THE STATE OF KANSAS
- » THAT COMMITMENT HAS BEEN FULFILLED IN INDEPENDENCE KANSAS WITH NEARLY 400,000 SQUARE FEET OF ASSEMBLY FACILITIES



CESSNA SINGLE ENGINE



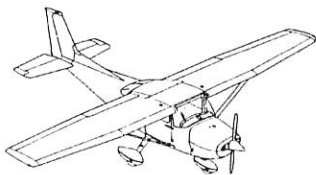
1-3

● CURRENT STATUS

- » SINGLE ENGINE EMPLOYEES APPROXIMATELY 950
 - IN ADDITION, HUNDREDS OF NEW JOBS HAVE BEEN CREATED BY VENDORS, SUPPLIERS AND THROUGH OTHER BUSINESS GROWTH IN THE LOCAL AND SURROUNDING COMMUNITIES.

- » CURRENTLY PRODUCING THREE (3) NEW AIRCRAFT PER DAY WITH THE 206 AND T206 BEGINNING LINE FLOW

- » STUDENT STARTS TO BECOME PILOTS ARE INCREASING AFTER HITTING AN ALL TIME LOW BEFORE OUR RE-ENTRY
 - MORE PILOTS TRANSITION TO MORE AIRCRAFT SOLD- HOPEFULLY MANY OF THEM IN KANSAS.



CESSNA SINGLE ENGINE



7-1

● RECOMMENDATION

- » THE CESSNA AIRCRAFT COMPANY IS CERTAINLY CONCERNED ABOUT OUR CUSTOMERS COST OF AIRCRAFT ACQUISITION AND COST OF OWNERSHIP

- » LIKE ANY COMPANY, WE MUST BE COMPETITIVE IN THE MARKETPLACE

- » THEREFORE WE STRONGLY ENCOURAGE THAT THIS COMMITTEE RECOMMEND A REDUCTION OF THE CURRENT TAX RATES ON PERSONAL AIRCRAFT

- » THANK YOU FOR YOUR TIME AND CONSIDERATION

March 19, 1998
SENATE HEARING

GOOD MORNING, *Madam Chair (Sen Langworthy)*, DISTINGUISHED MEMBERS
OF THE SENATE AND GUESTS. *Subcommittee.*

MY NAME IS KEN BERG AND I AM HERE TODAY AS A 30 YR RESIDENT OF KANSAS,
CURRENTLY LIVING IN LOUISBURG. I AM AN INSTRUMENT RATED, PRIVATE PILOT AND
OWN A BEECHCRAFT BONANZA BASED A NEW CENTURY AIRPORT IN GARDNER , KANSAS.

MORE IMPORTANTLY, I BELONG TO AN ORGANIZATION CALLED 'WINGS OVER MID-
AMERICA'. WHAT IS WINGS OVER MID-AMERICA?

IN JANUARY A 7 YEAR OLD BOY IN OLATHE KANSAS WHO WAS BORN WITH A DISEASE
THAT CAUSES HIS BODY TO GROW AT SUCH A RATE THAT HE CURRENTLY WEIGHTS
165LBS. IS DYING BECAUSE HIS BODY IS LITERALLY EATING ITSELF UP. HIS FAMILY
DOCTOR HEARS OF A CLINIC IN SAN FRANCISCO THAT HAS DEALT WITH THIS RARE
DISEASE AND RECOMMENDS THAT HE TRAVEL THERE FOR TREATMENT. THE FAMILY
CANNOT AFFORD THIS TRIP. A CALL COMES IN TO WINGS ON OUR 800 NUMBER AND THE
INFORMATION IS GIVEN TO OUR MISSION SCREENER AND CO-ORDINATOR. THE PROCESS
BEGINS AND SOON THROUGH THE EFFORTS OF OUR ORGANIZATION AND ITS SISTER
ORGANIZATIONS IN ARIZONA/NEW MEXICO AND CALIFORNIA, WE HAVE ARRANGED FOR
OUR VOLUNTEER PRIVATE PILOTS, WHO OWN THEIR OWN AIRPLANES, TO TAKE THE
YOUNG BOY AND HIS MOTHER TO THEIR APPOINTMENT IN SAN FRANCISCO. THE
PAYMENT RECEIVED BY THESE VOLUNTEER PILOTS ---- SOME VERY BIG HUGS AND A
NOTE RECEIVED A FEW WEEKS LATER THAT THE BOYS DISEASE IS IN REMISSION.

THE PILOTS TIME, THE PLANES, FUEL AND ALL OTHER COSTS ASSOCIATED WITH THESE
TRIPS ARE DONATED BY THESE PILOTS WITH ZERO RE-IMBURSEMENT. WINGS OVER MID-
AMERICA WAS STARTED IN 1995 BY JIM STEVENS WHO IS A PILOT WHO HAD AN
AIRPLANE, A DESIRE TO HELP PEOPLE IN NEED AND SOME TIME AVAILABLE. IT IS
ESTABLISHED AS A NON-PROFIT 501-C3 CORPORATION AND IS DEDICATED TO HELPING
INDIVIDUALS WITH SPECIAL NEEDS WHO REQUIRE TRANSPORTATION. THE AIRCRAFT
FLOWN BY THE VOLUNTEER PILOTS ARE USUALLY SMALL GENERAL AVIATION TYPE
AND CARRY ONE TO FIVE PASSENGERS. WE CURRENTLY HAVE OVER 125 PILOTS WHO
BELONG TO WINGS OVER MID-AMERICA OF WHICH AT LEAST HALF OWN AND OPERATE
THEIR AIRPLANES BASED IN KANSAS. LAST YEAR WE FLEW 365 PEOPLE FOR A TOTAL OF
126,016 MILES.

184 from Kansas
using 25 different airports in Kansas.

Senate Assessment + Taxation
3-19-98
Attachment 2

THE STORIES ARE ENDLESS:

A FAMILY FROM CHANUTE HAS A SON IN MICHIGAN WORKING ON A SUMMER CONSTRUCTION PROJECT. THEY RECEIVE WORD THAT HE HAS BEEN BROUGHT INTO THE UNIVERSITY OF MICHIGAN MEDICAL CENTER IN CRITICAL CONDITION WITH WITH LEUKEMIA AND MIGHT NOT LIVE THROUGH THE NIGHT. THEY WERE DESPARATE TO BE AT HIS BEDSIDE. THE FAMILY WAS IN POOR FINANCIAL HEALTH; THEIR ONLY CAR WOULD BARELY MAKE IT OUT OF TOWN. A WINGS PILOT CAME TO THE RUSCUE AND TRANSPORTED THEM TO SEE THEIR SON.

A 21YR OLD YOUNG LADY FROM OTTAWA BORN WITHOUT THE LOWER PART OF HER BODY WAS EXPERIENCING TRAUMA DUE TO PRESSURE ON HER INTERNAL ORGANS. A CLINIC IN DELAWARE HAD DEALT WITH THESE CASES AND RECOMMEND A VISIT. COMMERCIAL COSTS WERE PROHIBITIVE AND THE LOGISITICS OF TRAVEL WERE COMPLICATED. A WINGS PILOT TOOK HER FROM OTTAWA TO DELAWARE, WAITED WHILE SHE SAW THE DOCTOR, AND BROUGHT HER HOME.

A YOUNG SINGLE MOTHER FROM HAYS NEEDED CANCER TREATMENT AT MD ANDERSON IN HOUSTON; AN 11YR OLD BURN VICTIM FROM SPRINGFIELD NEEDS AN OPERATION IN CINCINNATI; A 9MO OLD BABY FROM GARDEN CITY REQUIRES FOOT SURGERY IN ST LOUIS. ALL MISSIONS FLOWN BY WINGS PILOTS. AS OF YESTERDAY WE HAVE SEVEN NEW MISSIONS NEEDING PILOTS.

THE PURPOSE OF SHARING THESE STORIES IS TO POINT OUT THAT GENERAL AVIATION PILOTS AND THEIR AIRPLANES PROVIDE A WIDE VARIETY OF SERVICES WITHIN THIS STATE OTHER THAN JUST BORING HOLES IN THE SKY ON SUNDAY AFTERNOONS. WE WHO OWN AND FLY THESE AIRPLANES OFFER THIS STATE AND ITS RESIDENTS FAR MORE BENEFITS THAN IT MAY APPEAR ON THE SURFACE. KANSAS IS THE LEADING PRODUCER OF GENERAL AVIATION AIRPLANES IN THE NATION PROVIDING A VERY SIGNIFICANT PORTION OF THE STATES ECONOMIC STRUCTURE. IN ADDITION TO THE MANUFACTURING OF THE AIRCRAFT ITSELF, KANSAS HAS MAJOR COMPANIES SUCH AS ALLIED SIGNAL, BF GOODRICH, GARMIN AND MANY MANY MORE THAT PROVIDE JOBS THAT ARE DIRECTLY RELATED TO THE AVIATION INDUSTRY.

I SPENT OVER 25 YEARS WORKING IN THIS INDUSTRY AND AS A RESULT HAVE CONTRIBUTED OVER \$300,000 IN THOSE 25 YEARS IN STATE INCOME TAXES WHICH CAME DIRECTLY FROM THE AVIATION INDUSTRY. WE STARTED A COMPANY THAT MANUFACTURES PRODUCTS USED EXCLUSIVELY BY THIS INDUSTRY AND IT CURRENTLY EMPLOYS OVER 100 PEOPLE . YOU MIGHT SAY THIS HAS BEEN MY LIFE.

IN ADDITION I HAVE OWNED MY OWN AIRPLANE FOR THE PAST 10 YEARS. THE PROPERTY TAXES ALONE OVER THAT 10 YEAR PERIOD FOR THIS SINGLE ENGINE, FOUR PASSENGER , 180MPH AIRPLANE HAVE BEEN MORE THAT \$30,000. IN THE BEST SCENERIO THIS CANNOT BE JUSTIFIED FROM AN OWNER'S STANDPOINT. MANY OF OUR PILOTS HAVE TO BASE THEIR PLANES OUTSIDE THE STATE, WORST CASE, AND AT LEAST IN A COUNTY WITH LOW MILL LEVIES IN THE BEST CASE.

FOR A STATE THAT BENEFITS SIGNIFICANTLY FROM THE GENERAL AVIATION INDUSTRY, WE AS OWNERS ARE BEING PENALIZED FOR OWNING THE VERY EQUIPMENT THAT GENERATES OUR JOBS AND CREATES A SIGNIFICANT PART OF THE STATES ECONOMY.

WITH THIS IN MIND, I WOULD ASK, ON THE BEHALF OF 'WINGS OVER MID-AMERICA', AND THE AIRCRAFT OWNERS OF KANSAS, TWO THINGS: NUMBER 1; ENDORSE AND PASS CONSITUTIONAL AMMENDMENT HCR 503A AND ESTABLISH A MORE REASONABLE TAXING CRITERIA FOR OUR AIRPLANES; AND NUMBER 2 , FOR ALL OF YOU THAT ARE PILOTS AND OWN OR HAVE ACCESS TO AIRPLANES, PLEASE CALL '1-800-474- WINGS' AND VOLUNTEER YOUR SERVICES FOR 'WINGS OVER MID-AMERICA'.
THANK-YOU.



A Member-Controlled Non-Profit Organization For All Pilots

March 19, 1998

TESTIMONY TO THE KANSAS SENATE ASSESSMENT AND TAXATION COMMITTEE

Thank you, Chairperson Langworthy and members of the Senate Assessment and Taxation Committee, for the opportunity to present testimony relative to the gross inequities between personal property taxes on airplanes and comparably priced surface vehicles in the State of Kansas.

This testimony is presented on behalf of the Kansas Pilots Association (KPA), with members throughout the state. My name is Lyle Bighley and I am president of the KPA.

KPA conducted a survey of ten counties in central and eastern Kansas which showed huge differences in personal property taxes between airplanes and comparably priced surface vehicles. I should note this survey was taken approximately three years ago and there is a possibility that the absolute numbers have changed or are not valid at this moment. However, I am sure that the differential between airplanes and other vehicles is still accurate. The following are the results of that survey:

<u>County</u>	<u>Skyhawk</u>	<u>Lincoln</u>	<u>Bass Boat</u>	<u>Pace Arrow</u>
LV	\$1846	\$750	\$499	\$160
WY	2410*	1270	730	190
JO	2200	900	525	200
DG	1713	744	454	160
SN	2332	959	475	160
OS	1529	706	720	1618**
GE	1946	786	605	205
RL	1447	1017	597	207
PT	1154	705	569	284
SG	1583	842	***	178

*WY has no airport, thus no aircraft property tax. The figure cited is based on interpolation, using the current county mill levy.

**This tax seems grossly out of proportion, but it is what the OS appraiser's office quoted, even after further questioning.

***SG was not able to provide a tax without many more details about specific type of boat and engine.

It should be pointed out that the 1983 Skyhawk, the 1995 Lincoln Towncar, the bass boat and Pace Arrow motor home were all valued at approximately \$40,000.00. Why should the assessment on an airplane be 5 or 10 times that of a motor home of equal value? Why should the assessment on an airplane be 2 or 3 times that of a Lincoln of equal value? By way of another comparison, last year the personal property tax on my 1973 Cessna airplane, which is a single engine, four passenger plane, was \$1503.51 and the tax on my house was \$1622.20. That is a difference of only \$118.69!!

As pilots, we all know and agree that taxes are necessary and we expect to pay them. However, we have a right to expect a fair and equitable tax. If this inequity is not corrected, one can't help but wonder how much revenue the counties and the state are, in fact, losing because current owners who would like a new

*Senate Assessment & Taxation
3-19-98
Attachment 3*

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Page 2

or a larger plane either shop for or continue to hang onto a tax-exempt 30-year old antique. Or, what about those who would be in the market for that first airplane--until they start computing the hefty annual assessment. Please tell me by what logic or mathematical quirk a 1983 Cessna Skyhawk warrants a tax that is over twice that of a Lincoln or ten times the tax of a Pace Arrow motor home--or is equivalent to a house!!

The general aviation pilots of Kansas are expecting relief from an onerous and inequitable tax.

In closing, I respectfully request that these remarks be made a part of the record of these proceedings. Thank you.

Lyle D. Bighley, Ph.D.
President, Kansas Pilots Association
P.O. Box 15209
Shawnee Mission, Kansas 66285-5209

PREFACE

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

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

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

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

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

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

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

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

What is it going to take?

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

Your help is urgently requested.

Senate Assessment & Taxation
3-19-98
Attachment 4

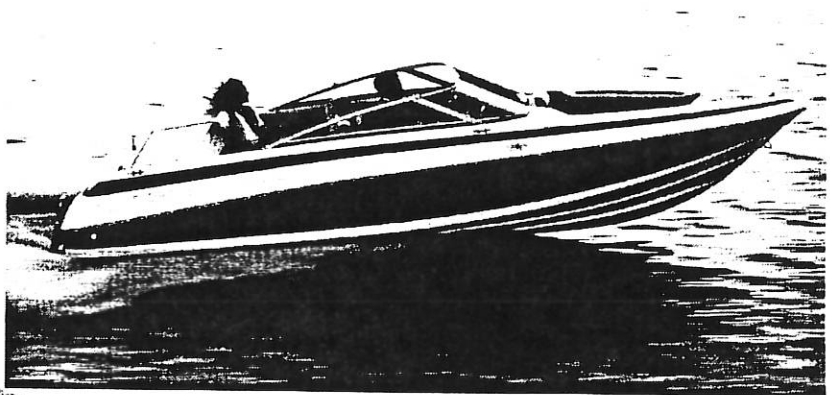
KANSAS PROPERTY TAX

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

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

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

Boat #1



Boat #2

For Kansas...

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

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

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

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

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

Using the rules for Kansas as it applies to a:

1996 Cobalt 220, selling for \$35,000

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

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

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

For Missouri...

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

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

Boats registered in Missouri are subject to the following taxes:

Example from Stone County

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

Using the rules for Missouri (Stone County)

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

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

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

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

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

No Personal Property Tax For Oklahoma...

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

Using the rules for Oklahoma,

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

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

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

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

No Personal Property Tax

For Colorado . . .

In Colorado, boats are not titled.

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

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

To license a boat the registration fee is:

less than 20' \$15.25
over 20' 20.25
This is per year.

Using the rules for Colorado:

A 1996 Cobalt 220 selling for \$35,000

Sales tax \$2,100.00
License, registration 20.25

A Sylvan fishing boat selling for \$16,000

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

No Personal Property Tax

For Nebraska . . .

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

To purchase and register a boat in Nebraska:

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

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

License and registration fees are as follows:

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

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

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

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

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

COMPARISON TO RV'S

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

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

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

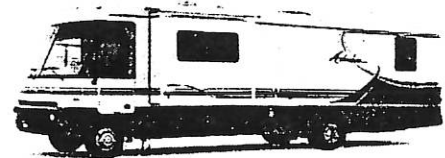
Therefore, any motor home or R.V. purchased would pay tax as follows:

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

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

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

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



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

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

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

SUMMARY

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

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

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

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

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

What's fair about that?

Best

PRESENTATION AT THE STATE CAPITOL ON MARCH 5, 1998
SUBJECT: BOAT TAXES IN KANSAS

Distinguished Legislators. I have a vision of Kansas becoming a vacation destination. Of a beautiful resort on one of our many lakes that all of you would be proud to visit and stay in. Many families from all over the U.S. would visit this resort on an annual basis to relax, boat, fish, ski, play golf, go sight seeing, hiking, camping, horse back riding or just ride around and enjoy the beautiful scenery that is Kansas. The Kansas that we know is apparently unknown by many others and consequently we are the lucky recipient of a 48th place ranking in the area of state tourism. You have just completed a first major step in attempting to lift Kansas off the bottom of the tourist destinations list with the passage of H.B. 2899 which provides a mechanism to build a resort with the States blessing and assistance.

If Kansas were able to move up in the tourism rankings just a few places it could mean literally millions of dollars being pumped into the Kansas economy that are currently being spent in states all around us. This first major step toward that goal however, needs to be augmented with a few other component pieces if we are to be successful in our efforts to make Kansas a destination and to realize the many economic benefits that can be visualized. One of the additional components is the passage of legislation that will change the way in which boats are taxed. Currently, Kansas residents own approximately 101,000 boats which results in a ranking of 32nd in the nation in terms of boat ownership. This number, however, has remained virtually flat for the last five years in that it has only increased 3% since 1992. Kansas lake utilization has also declined and in fact lake Perrys utilization has declined almost steadily since its original formation. Part of the reason for this is that boat taxes are so out of line with other states that people are not buying or keeping newer more expensive boats in the state and young families have found that boating has become too expensive for their meager budgets and they have turned to other, sometimes significantly less desirable, recreational pursuits.

Do you realize how significant a problem this really is? Do you know how important the timing of changing the level of taxation on boats is? Let me tell you.

Boat taxes are currently 4-10 times or more here in Kansas than they are in neighboring states. One of my customers left my facility where he kept his boat to move it to Missouri. His taxes in Kansas were \$120.00 - In Missouri -\$16.29 Another customer just moved his house boat, sailboat, and new runabout to Truman lake because he was fed up with the high taxes here in Kansas. We are not

Senate Assessment & Taxation
3-19-98
Attachment 5



COBALT BOATS

March 4, 1998

Mr. Phil Kline, Chairman
Kansas House Committee on Taxation

Dear Mr. Kline:

My name is Pack St. Clair and I am CEO of Cobalt boats in Neodesha, Kansas. We employ 400 people and produce a line of pleasure boats that are sold through 90 dealers throughout the United States. We do business in almost every state in this country.

I very strongly support the abatement of personal property taxes on boats sold in Kansas.

I see Kansans on a regular basis going to our neighboring states to buy, register, and use their boats. Cobalt has dealers in the four surrounding states and I see our Kansas dealers at a disadvantage because of the unfair tax advantage our neighboring states have.

Kansas has many outstanding boating lakes, which I feel are underutilized, and a change in the personal property taxes on boats would bring Kansas boaters back and actually increase revenue for the state through sales tax and registration fees.

Thank you for your consideration.

Sincerely,

Pack St. Clair
Chairman & CEO

:sda

Senate Assessment + Taxation

*3-19-98
Attachment 6*



SEDGWICK COUNTY, KANSAS

OFFICE OF THE APPRAISER

TO: House Taxation Committee

FROM: Sedgwick County Appraiser's Office

DATE: March 5, 1998

SUBJECT: HCR 5034

Chairman Kline and members of the House Taxation committee, thank you for the opportunity to share our concerns on HCR 5034. Our office has been asked to relay information regarding the process we must follow when placing watercraft on the tax roll. Boats are priced from the Boat Appraisal Guide published by NADA. Each boat must be looked up by year, make, and model, in the 2000 page guide. If the boat is an outboard, the value of the motor must also be located by year, make, and model, from the motor section of the guide. The trailer used to transport the boat then has to be priced. It is valued according to the year it was made, length and the type of boat that it carries. At least two thirds of the boats on the tax roll are priced in this manner. The other one third are old enough that a minimum value can be placed on them from a table and they are quickly reviewed and the value is rolled over from the previous year.

The Individual Personal Property division requires six to seven full time employees, and one supervisor, from January to May scheduled to handle boats and all other personal property owned by individuals in Sedgwick County. After May, division staff concentrate their efforts on discovery, market research, and clean up of the personal property information on the tax roll. This process only requires four full time employees, and one supervisor.

1997 FAIR MARKET VALUE OF AIRCRAFT W/N COUNTY:	\$3,283,240
1997 ASSESSED VALUATION OF AIRCRAFT:	984,972
1997 FAIR MARKET VALUE OF WATERCRAFT W/N COUNTY:	19,043,740
1997 ASSESSED VALUATION OF WATERCRAFT:	5,713,122

ISSUES

MANAGEMENT GROUP, INC.



TESTIMONY

SENATE COMMITTEE ON ASSESSMENT AND TAXATION

MARCH 19, 1998

Madam Chair and Members of the Committee, my name is Bud Burke, and I appear this morning on behalf of THE KANSAS BOATERS ASSOCIATION and the CESSNA AIRCRAFT COMPANY in support of HCR 5034. As one who was involved in the process of developing and drafting the current constitutional provisions relating to the taxation of property which was approved by the people of Kansas in 1986, I believe it would accurate to say that that none of us invisioned at that time that boats and some classes of aircraft would be the two major classes of personal property left to be assessed at the highest assessment level, 30%.

79-201k, which exempts business aircraft from the personal property tax makes a very compelling statement regarding the purpose for the exemption. "(a) It is the purpose of this section to promote, stimulate and develop the general welfare, economic development and prosperity of the state of Kansas by fostering the growth of commerce within the state; to encourage the location of new business and industry in this state and the expansion, relocation or retention of existing business and industry when so doing will help maintain or increase the level of commerce within the state; and to promote the economic stability of the state by maintaining and providing employment opportunities, thus promoting the general welfare of the citizens of this state, by exempting aircraft used in business and industry, from imposition of the property tax or other ad valorem tax imposed by this state or its taxing subdivisions. Kansas has long been a leader in the manufacture and use of aircraft and the use of aircraft in business and industry is vital to the continued economic growth of the state."

26391 Cedar Niles Circle
Olathe, Kansas 66061
(913) 782-8753 fax (913) 782-0052

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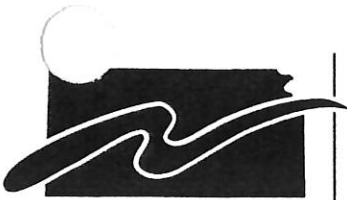
(2)

The same statement of purpose should apply to watercraft. The manufacturers, dealers, marinas and other business activity surrounding the use of boats are strong contributors to the economy of our state and if, in fact, we are serious about developing resorts at lakes in Kansas, then providing a reasonable level of taxation or system of fees is absolutely necessary. I do not speak for every owner of boats or aircraft, but I am confident that most all of them are willing to pay a reasonable tax.

We believe that the reduction in cost for the County Appraiser in the administration of this cumbersome system together with increased compliance that comes with reasonable levels of taxation and increased taxes generated by increased sales and use of boats and aircraft will more than offset any reduction of the current level of taxes.

We would hope that the state that stakes out the claim to be the AIR CAPITOL OF THE WORLD and a state that ranks 49th in tourism but is trying hard to develop resorts at our lakes would provide the tools to establish a fair level of taxation for these two types of property. HCR 5034 would provide such a mechanism.

Thank you for allowing us to present our case to you today.



KANSAS
ASSOCIATION OF
COUNTIES

TESTIMONY
HCR 5034

*Presented by Randy Allen, Kansas Association of Counties
Senate Assessment and Taxation Committee
March 19, 1998*

Senator Langworthy and members of the Senate Assessment and Taxation Committee. I am Randy Allen, Executive Director of the Kansas Association of Counties. I appreciate the opportunity to testify on HCR 5034, offering to voters a constitutional amendment to authorize the Legislature to separately classify and tax aircraft and watercraft on a basis different from other property.

The Kansas Association of Counties **opposes HCR 5034**. Our reason is that over the past several years, the property tax base has been eroded and narrowed. HCR 5034 represents a further erosion or narrowing. For the balance of the taxpayers, erosion of the property tax base means a further shifting of the tax burden to residential and business property owners.

The Kansas County Appraisers Association, an affiliate of the KAC, has indicated that the current discovery, listing, and valuation process for boats is a rather cumbersome and inefficient process, especially in contrast to the tax revenue which is generated from such property. If it is the Legislature's desire to not erode the property tax base any more (which is certainly the position of county governments), then perhaps there should be another approach to the taxation of this type of property developed, which is administratively simpler. Perhaps an interim study would be an appropriate venue for this discussion.

Thank you for this opportunity to present our position before the Committee.

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its member counties. Inquiries concerning this testimony should be directed to the KAC by calling (785) 233-2271.

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Attachment 8*