Approved: February 23, 1999
Date

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Adkins at 9:00 a.m. on January 21, 1999 in Room 519-S of the Capitol.

All members were present except: All present

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes
Shirley Sicilian, Department of Revenue
Mary Shaw, Committee Secretary

Conferees appearing before the committee: Representative Tony Powell
Chris McKenzie, League of Kansas Municipalities
Kristy Cannon, City of Overland Park
Judy Moller, Kansas Association of Counties
Karen France, Kansas Association of Realtors
Don McNeely, Kansas Automobile Association
Karl Peterjohn, Kansas Taxpayers Network
Bill Fuller, Kansas Farm Bureau
Donald Seifert, City of Olathe
Dana Fenton, Johnson County Board of Commissioners

Others attending: See attached list.

The Chairman opened the joint public hearing on:

HB 2030 - Income tax credit for motor vehicle taxes paid and
HB 2036 - Motor vehicle tax reduction

The Chairman introduced Representative Tony Powell, Proponent, and a co-sponsor of the bill (Attachment 1).

The Chairman introduced Chris Courtwright, Legislative Research Department, who gave a Staff briefing on **HB 2030** and **HB 2036**. He distributed a Car Tax Fiscal Note Comparison (Attachment 2). Fiscal Notes were distributed on **HB 2030** (Attachment 3) and **HB 2036** (Attachment 4).

The Chairman introduced Chris McKenzie, Proponent, Executive Director, League of Kansas Municipalities (Attachment 5).

The Chairman introduced Kristy Cannon, Proponent, Chief Financial Officer, City of Overland Park (Attachment 6).

The Chairman introduced Judy Moller, Proponent, Legislative Services Director/General Counsel, Kansas Association of Counties (Attachment 7)

The Chairman introduced Karen France, Proponent, Kansas Association of Realtors (Attachment 8).

The Chairman introduced Don McNeely, Proponent, Executive Vice President, Kansas Automobile Association (Attachment 9). Mr. McNeely distributed "The Property Tax On Motor Vehicles in Kansas: A Description and An Analysis" by the Hugo Wall School of Urban and Public Affairs, Wichita State University (Attachment 10).

The Chairman introduced Karl Peterjohn, Proponent, Executive Director, Kansas Taxpayers Network (Attachment 11).

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on January 21, 1999.

The Chairman introduced Bill Fuller, Proponent, Kansas Farm Bureau (Attachment 12).

The Chairman introduced Donald Seifert, Proponent, City of Olathe (Attachment 13).

The Chairman introduced Dana Fenton, Proponent, Johnson County Board of Commissioners, he distributed testimony on **HB 2030** (Attachment 14) and on **HB 2036** (Attachment 15).

The joint public hearing was closed on **HB 2030** and **HB 2036**.

The Chairman opened the meeting to bill introductions.

The Chairman recognized Representative Kirk who made a motion, and seconded by Representative Johnston, to request a committee bill for sales tax exemptions for hospitals and public health clinics, for example, the Marian Clinic in Topeka and other public clinics in Kansas. Representative Kirk noted these clinics have to pay sales tax because they did not exist years ago, and they requested to be included in sales tax exemption. Motion carried.

The meeting adjourned at 10:37 a.m.

The next meeting is scheduled for January 26, 1999.

HOUSE TAXATION COMMITTEE
GUEST LIST
DATE: Jan. 21, 1999

KRISTY CANNON	CITY OF OVERLAND PARK
Kelly Kultala	City of Overland Park
Eden Detryhe	Intern for Sen. Hensley
D MOUNKES	GOV
Tanya Johnson	KDOR
M Burk	KDOR
Jim Langford	DOB
Eileen King	KCTA
Judy Moler	Kansas Assn of Counties
Marie Ross	Sedgwick County
Erik Sartorius	Johnson Co. Board of Realtors
Mark Barcellina	KDOCH
Dave Paxton	Johnson County
Larry Kleeman	League of KS Municipalities
Don Seifert	City of Olathe
Mike Beam	Ks. Lvstk. assn.
Dave Holthaus	Western Resources
Martha Jen Smith	KMHA
Ashley Sherard	Overland Park Chamber

HOUSE TAXATION COMMITTEE
GUEST LIST
DATE: 1-21

Pat O'Brown	Mid Am Lumbermens
Jason Fisher	intern for Rep. Aurand
Gary Berger	Geary County
Bernie Koch	Wichita Area Chamber
Natalie Bright	KCCI
Don Snodgrass	KS Food Dealers Assoc
George Petersen	KS TAXPAYERS NETWORK
Karl Peterjohn	KS Taxpayers Network
Sheila Walker	KDOR

STATE OF KANSAS
HOUSE OF REPRESENTATIVES

TONY POWELL
REPRESENTATIVE, 85TH DISTRICT
SEDGWICK COUNTY
7313 WINTERBERRY
WICHITA, KANSAS 67226
(316) 634-0114

STATE CAPITOL, ROOM 115-S
TOPEKA, KANSAS 66612-1504
(785) 296-7694
email: tpowell@ink.org

TOPEKA

COMMITTEE ASSIGNMENTS
CHAIRMAN: BUDGET COMMITTEE ON TAX, COMMERCE AND TRANSPORTATION
MEMBER: APPROPRIATIONS
JUDICIARY
RULES AND JOURNAL

TESTIMONY IN SUPPORT OF HB 2030

Mr. Chairman and members of the Committee,

I am pleased to appear before you today in support of HB 2030, legislation to eliminate the car tax in four years. I am pleased to cosponsor this bipartisan legislation with my two colleagues who serve on the Tax Committee, Representatives Sharp and Palmer. I think this bipartisan proposal proves that tax cutting has not gone out of style, and given the positive comments I have received concerning this legislation, we may indeed see significant tax relief this session.

Let me say at the outset that I am open to whatever tax plan this Committee chooses to pass. As the former Vice-Chairman of the Committee, I understand the difficult choices that must be made between competing ideas. As one who is proud of our tax cutting efforts over the past four years, let me say that current economic conditions that we are enjoying in our state today prove that tax cuts bring prosperity and job growth. In fact, that is my basic message--to urge this Committee to enact the largest tax cuts possible, and to target them to working families. Broad-based cuts are, in my view, the best way to go in providing relief and spurring growth. Whether it be car tax cuts, income tax cuts, or eliminating the sales tax on food, and I am for such reductions.

House Taxation
1-21-99
Attachment 1

So why cut the car tax? Well, I believe that this tax is very unpopular. Every time motorists renew their tags, they are hit with a huge bill. This must stop. By eliminating the car tax, we not only put money back in the hands of taxpayers, money they can better spend themselves, but we also create incentives for Kansans to buy newer cars. I can recall a study a few years ago when we looked at car tax relief in 1995 that showed that Kansas had one of the oldest car fleets in the country. I imagine that is still true today. Another benefit of eliminating the car tax is that the taxpayers will notice it! One of the frustrations with our efforts to reduce the property tax has been that many taxpayers have not felt it due to rising appraisal values. Eliminating the car tax is our chance to provide relief that gets noticed.

Finally, let me say that I do not view HB 2030 as a competitor to the Governor's plan, but complimentary to it. I felt it was important to have a different plan on the table as an option, and one that eliminated the tax as soon as possible--4 years instead of five. I am pleased to report that both plans hold the local governments harmless. But my plan, I believe, is simpler in that it has less administrative burdens, and tax payers can "double-dip" meaning that since they still technically pay the car tax and get reimbursed by an income tax rebate, they can still claim a deduction on their federal income tax returns. The Governor's plan does not allow for this. I also think my plan is better for local governments in that it completely leaves them out of the equation. No revenue transfers--no estimates to rely on in the future.

Let me say in closing that whatever plan you choose, pick a plan with the greatest relief in the shortest period of time. The taxpayers will thank you for it.

I am happy to stand for questions.

Fiscal Note in millions: $51.1 FY2000; $99.2 FY2001; $161 FY 2002; $230 FY2003.

House Taxation
1-21-99
Attachment 2

CAR TAX FISCAL NOTE COMPARISON

($ in millions)

	Car Taxes Current Law	HB 2036 Car Taxes Gov Rec	HB 2036 Cal Year Difference		**HB 2036 Gov F Note Fiscal Years**	HB 2036 Gov's Budget Uses	Difference
				FY 2000	**---**		
CY 2001	$214.7	$161.0	($53.7)	FY 2001	**($22.5)**	($19.2)	($3.3)
CY 2002	$230.0	$115.0	($115.0)	FY 2002	**($79.4)**	($60.3)	($19.1)
CY 2003	$246.3	$61.6	($184.7)	FY 2003	**($144.3)**	($109.4)	($34.9)
CY 2004	$263.9	$0.0	($263.9)	FY 2004	**($218.0)**	($166.3)	($51.7)
CY 2005	$282.7	$0.0	($282.7)	FY 2005	**($271.8)**	($202.0)	($69.8)

	Car Taxes Current Law		**HB 2030 (income tax credits start in 1999)**
CY 1999	$204.5		
CY 2000	$198.5	FY 2000	**($51.1)**
CY 2001	$214.7	FY 2000	**($99.3)**
CY 2002	$230.0	FY 2000	**($161.0)**
CY 2003	$246.3	FY 2000	**($230.0)**
CY 2004	$263.9	FY 2000	**($246.3)**
CY 2005	$282.7	FY 2000	**($263.9)**

STATE OF KANSAS

DIVISION OF THE BUDGET
Room 152-E
State Capitol Building
Topeka, Kansas 66612-1575
(785) 296-2436
FAX (785) 296-0231

Bill Graves
Governor

Duane A. Goossen
Director

January 20, 1999

The Honorable David Adkins, Chairperson
House Committee on Taxation
Statehouse, Room 448-N
Topeka, Kansas 66612

Dear Representative Adkins:

SUBJECT: Fiscal Note for HB 2030 by Representatives Powell, Palmer and Sharp

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2030 is respectfully submitted to your committee.

HB 2030 would create an income tax credit for property taxes paid on motor vehicles. The bill would allow a taxpayer to deduct 25.0 percent of motor vehicle property taxes from the income tax for calendar year 1999, 50.0 percent for 2000, 75.0 percent for 2001, and 100.0 percent in 2002.

Estimated State Fiscal Impact				
	FY 1999 SGF	FY 1999 All Funds	FY 2000 SGF	FY 2000 All Funds
Revenue	--	--	($51,1000,000)	($51,1000,000)
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

The bill retains the local property taxes on motor vehicles, but gradually eliminates the cost to the taxpayer over four years by providing a state income tax refund. By doing so, the bill would reduce revenues from the State General Fund by an estimated $51.1 million in FY 2000, $99.2 million in FY 2001, $161.0 million in FY 2002, and $230.0 million in FY 2003. The FY 2000 estimate is based on 25.0 percent of the $204.5 million estimated to be collected for motor

House Taxation
1-21-99
Attachment 3

vehicle property taxes in calendar year 1999. The fiscal impact of HB 2030 is not accounted for in *The FY 2000 Governor's Budget Report*.

There would also be an administrative impact for the Department of Revenue from passage of HB 2030, which is not available at this time. The costs would include programming the refund mechanism into the computer system and revisions to the state income tax forms. Once additional information is available, a revised fiscal note will be provided.

Sincerely,

Duane A. Goossen

Duane A. Goossen
Director of the Budget

cc: Lynn Robinson, Department of Revenue

STATE OF KANSAS

DIVISION OF THE BUDGET
Room 152-E
State Capitol Building
Topeka, Kansas 66612-1575
(785) 296-2436
FAX (785) 296-0231

Bill Graves
Governor

Duane A. Goossen
Director

January 20, 1999

The Honorable David Adkins, Chairperson
House Committee on Taxation
Statehouse, Room 448-N
Topeka, Kansas 66612

Dear Representative Adkins:

SUBJECT: Fiscal Note for HB 2036 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2036 is respectfully submitted to your committee.

HB 2036 would phase out the tax on motor vehicles over a period of four years beginning with calendar year 2001 and ending with calendar year 2004. Under current law, the assessment rate on motor vehicles would be reduced from 22.5 percent in 1999 to 20.0 percent in 2000. This rate has been reduced incrementally since 1995, when the rate was 30.0 percent. HB 2036 would further reduce the assessment rate to 15.0 percent in calendar year 2001; 10.0 percent in 2002; 5.0 percent in 2003; and eliminate it in 2004.

HB 2036 would require the state to reimburse local governments for the revenue lost as the tax is phased out and eliminated. The Department of Revenue would determine the tax revenue computed according to current law and the amount of tax that would be generated under the bill's amendments. The difference would be transferred from the State General Fund to the newly created Motor Vehicle Tax Replacement Fund and then paid out to the counties. The bill would require the tax calculations and payments to be made by the 10th of every month. County treasurers would continue to allocate and distribute the funds to the taxing subdivisions located in their counties.

The passage of HB 2036 would have no fiscal impact to the state in FY 2000. Beginning with FY 2001, State General Fund revenues would be reduced to reimburse the counties and other taxing subdivisions for the loss of motor vehicle tax revenues. The table below

HOUSE TAXATION
1-21-99
ATTACHMENT 4

demonstrates the total estimated payments that would be made from the State General Fund by fiscal year.

Fiscal Year	Total Annual Payment	Annual Increase
FY 2001	$22.5 million	--
FY 2002	$79.4 million	$56.9 million
FY 2003	$144.3 million	$64.9 million
FY 2004	$218.0 million	$73.7 million
FY 2005	$271.8 million	$53.8 million

FY 2001 reflects a partial year impact because the bill is effective on a calendar year basis. The estimates are based on 3.0 percent annual growth in the average mill levy. The estimate assumes that the valuation base grew by 8.0 percent in 1998 and will grow by 7.0 percent in 1999; 6.0 percent in 2000; 5.0 percent in 2001; and 4.0 percent in the following years. These are the same growth rates agreed to by the Consensus School Finance Estimating Group when it estimated local resources available to fund school finance. It is possible these assumptions and the related estimates could change once the actual 1998 average mill levy and valuation become available. The estimates have been revised upward since the publication of *The FY 2000 Governor's Budget Report.*

Preliminary estimates for the cost to the Department of Revenue for programming changes to the Vehicle Information Processing System (VIPS) range from $30,000 to $50,000, if the Department can effect the changes with its own staff. If it is necessary to contract with outside vendors, the costs could run from $101,000 to $169,000. The use of contractors would depend on whether the programming changes required by other legislation exceed the Department's capabilities to complete the programming on time.

The Kansas Association of Counties indicates that passage of the bill would have a negative fiscal impact on investment income for counties. The exact impact cannot be estimated at this point. The League of Kansas Municipalities reports that the bill appears to be revenue neutral and would reimburse all of the revenue now available from the motor vehicle property tax.

Sincerely,

Duane A. Goossen

Duane A. Goossen
Director of the Budget

cc: Lynn Robinson, Department of Revenue

League of Kansas Municipalities

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

TO: **House Committee on Taxation**
FROM: Chris McKenzie, Executive Director
DATE: January 21, 1999
SUBJECT: HB 2030 and HB 2036--Concerning the Motor Vehicle Tax

Thank you for the opportunity to appear today on behalf of the League's 529 member cities to offer comments on HB 2030 and HB 2036, both of which address concerns raised by the Governor and legislators alike about the motor vehicle tax imposed and collected by cities, counties and other local units of government. With the Committee's indulgence, and with the prior blessing of the Chairman, I would like to put this discussion into a broader policy perspective.

HISTORY: K.S.A. 79-5101 *et seq.*, known commonly as the "tax and tags" law, was enacted 20 years ago by the legislature to end years of taxpayer frustration with the process under which motor vehicles were valued and the taxes were levied and collected. Can you imagine paying the taxes on your motor vehicles once or twice a year in conjunction with your payment of taxes on your home, boat or other tangible, taxable property? Well, that's exactly what we did until the enactment of the "tax and tags" law. Since 1979 these taxes have been paid at the time of registration of the vehicle, and the depreciation of vehicle values and other administrative details are largely laid out in the statutes. From an administrative and taxpayer ease standpoint, the "tax and tags" system was a vast improvement, and motor vehicles were still taxed as a form of property. The system is so popular that the owners of certain vehicles previously taxed as personal property have sought to come under its scope. (See, *e.g.*, K.S.A. 79-5105a for the addition by the 1997 legislature of certain heavy trucks to the law.) As you know, the 1995 amendments to the "tax and tags" law began the phased-down reduction of the assessment rate applied to motor vehicle values, lowering it from 30% to 20% over 5 years. Cities have borne 100% of their share of the cost of this reduction.

WHAT STATE-LOCAL REVENUE TRENDS MIGHT TELL US. It also may be helpful to look at this question in the context of the changes in the state-local tax system over the last 25 years to see if the elimination of this or any other tax runs contrary to or is in harmony with these trends.

In its November 1997 publication, *Critical Issues in State-Local Fiscal Policy: A Guide to Local Option Taxes*, the National Conference of State Legislatures identifies some important indicators of change in the state-local fiscal system that bear watching and pondering. Two of those factors are:

- Fiscal centralization--growth in the state share of state and local tax revenue; and
- The diminishing role of the local property tax in state-local finance.

The effects of centralizing the power to raise and expend revenues in the hands of state government is illustrated in the attached Tables 1 and 2 from the report. Table 1 illustrates not only changes in state-local tax levels per $100 of personal income, but notice the inverse relationship between 1970 and 1996 between the tax levels of local and state governments. The local tax level is declining while the state level is increasing, for the most part.

House Taxation
1-21-99
Attachment 5

Table 2 tells the rest of the story, reporting by state the shift between 1970 and 1994 between states and local governments on raising revenues. As noted, states like Kansas have moved significantly toward centralization. No doubt our 1992 school finance plan had a lot to do with this.

Table 3 then illustrates the decline between 1970 and 1994 in the role of the property tax as a percent of total state and local tax revenues. In this time frame Kansas went from collecting 51% of its total state-local revenues from property taxes in 1970 to 31% in 1996.

POLICY ISSUES. Despite its unpopularity, the motor vehicle property tax is still (1) a locally levied, collected, and administered tax (2) which is levied against the value of tangible personal property, as opposed to income off the property or the process of purchasing the property (i.e., sales). If the motor vehicle property tax is abolished, we either face likely increases in general property taxes or increases in local reliance on state revenues to fund local operations. What types of results might we expect from this type of step? Putting aside the expected result of public satisfaction (with a tax cut) or dissatisfaction (if property taxes increase), they might include:

- A narrowing of the tax base, requiring more pressure on the state sales and income tax which are more likely to decline in harsh economic times..
- Greater reliance on state revenues to fund local programs, pitting local governments against other groups traditionally funded by state government (e.g., education).
- Greater intergovernmental pressure from cities, counties, etc. on state government to maintain or increase "state aid" needed to replace the lost local revenue.
- Increased friction between state and local governments, particularly in years in which the demands on the general fund are intense and reallocations must be made by the legislature to fund other priorities.
- Less local government accountability and flexibility. The NCSL publication mentioned earlier suggests that local taxes "...improve accountability to taxpayers by placing taxing and spending decisions closer to the people." (p. 15)

LEAGUE POSITION. The League position on these proposals is set forth in our *Statement of Municipal Policy* which reads as follows: "We oppose elimination of the motor vehicle tax by the legislature without adequate in-lieu state and local revenue sources which assure reasonable long-term growth." While both plans appear to meet this requirement, HB 2030 has the added benefit of addressing some of the concerns listed above. It would continue to hold local (not state) elected officials responsible for how the tax affects people, and any special burdens resulting from the tax would be offset by the tax credit.

RECOMMENDATION: We respectfully urge you to consider these policy issues and weigh whether the motor vehicle tax is truly so onerous that it deserves the type of commitment of general fund revenues envisioned by these two bills. If the Committee desires to advance legislation on this subject, we respectfully urge your favorable consideration of HB 2030, providing for a refundable income tax credit. it retains local accountability for this local revenue source.

CRITICAL ISSUES IN STATE-LOCAL FISCAL POLICY

A Guide to Local Option Taxes

Foundation for State Legislatures
and
National Conference of State Legislatures

National Conference of State Legislatures
William T. Pound, Executive Director

1560 Broadway, Suite 700
Denver, Colorado 80202

444 North Capitol Street, N.W., Suite 515
Washington, D.C. 20001

November 1997

TABLE 1. STATE-LOCAL TAX LEVELS PER $100 PERSONAL INCOME, 1970-1996

Fiscal Year	Total			State				
	Combined	Local	State	General Sales	Personal Income Tax	Corporation Income Tax	Selective Sales	Other
1970	$11.31	$5.07	$6.24	$1.84	$1.19	$0.49	$1.70	$1.01
1971	$11.50	$5.26	$6.24	$1.87	$1.23	$0.41	$1.71	$1.02
1972	$12.24	$5.51	$6.73	$1.98	$1.46	$0.50	$1.76	$1.04
1973	$12.40	$5.43	$6.97	$2.03	$1.59	$0.56	$1.77	$1.02
1974	$11.94	$5.16	$6.78	$2.07	$1.56	$0.55	$1.64	$0.96
1975	$11.75	$5.09	$6.66	$2.06	$1.56	$0.55	$1.54	$0.94
1976	$12.01	$5.17	$6.84	$2.09	$1.64	$0.56	$1.54	$1.01
1977	$12.16	$5.17	$6.99	$2.14	$1.76	$0.63	$1.49	$0.97
1978	$12.09	$5.01	$7.08	$2.20	$1.82	$0.67	$1.44	$0.95
1979	$11.37	$4.46	$6.91	$2.19	$1.80	$0.67	$1.34	$0.92
1980	$11.00	$4.26	$6.74	$2.12	$1.83	$0.65	$1.21	$0.92
1981	$10.79	$4.20	$6.59	$2.04	$1.80	$0.62	$1.16	$0.97
1982	$10.52	$4.12	$6.40	$1.98	$1.80	$0.55	$1.12	$0.95
1983	$10.60	$4.25	$6.35	$1.99	$1.84	$0.49	$1.12	$0.91
1984	$11.20	$4.35	$6.85	$2.17	$2.05	$0.54	$1.16	$0.92
1985	$11.12	$4.34	$6.78	$2.19	$2.01	$0.55	$1.12	$0.91
1986	$11.05	$4.37	$6.68	$2.19	$1.97	$0.54	$1.10	$0.88
1987	$11.30	$4.50	$6.80	$2.19	$2.10	$0.57	$1.11	$0.84
1988	$11.43	$4.57	$6.86	$2.26	$2.08	$0.56	$1.12	$0.83
1989	$11.41	$4.55	$6.86	$2.25	$2.14	$0.58	$1.09	$0.80
1990	$11.33	$4.59	$6.74	$2.24	$2.15	$0.49	$1.06	$0.80
1991	$11.15	$4.61	$6.54	$2.17	$2.09	$0.43	$1.06	$0.79
1992	$11.35	$4.69	$6.66	$2.18	$2.12	$0.44	$1.12	$0.80
1993	$11.43	$4.66	$6.77	$2.20	$2.15	$0.46	$1.15	$0.82
1994	$11.46	$4.61	$6.85	$2.26	$2.16	$0.47	$1.15	$0.82
1995	N/A	N/A	$6.98	$2.31	$2.20	$0.51	$1.13	$0.83
1996	N/A	N/A	$6.89	$2.29	$2.21	$0.48	$1.09	$0.81
Average								
1970s	$11.88	$5.13	$6.74	$2.05	$1.56	$0.56	$1.59	$0.98
1980s	$11.04	$4.35	$6.69	$2.14	$1.96	$0.57	$1.13	$0.89
1990s	$11.34	$4.63	$6.78	$2.24	$2.15	$0.47	$1.11	$0.81

Key: N/A = Not available

Sources: U.S. Census Bureau, *Government Finances in 1970 and 1996;*
U.S. Census Bureau, *State Government Finances in 1970 and 1996;*
U.S. Commerce Department, *Survey of Current Business*, Rev. Personal Income Estimates, October 1996.

Fiscal centralization

Fiscal centralization measures the percentage of combined state and local taxes that are collected by the state. Table 2 compares state fiscal centralization in 1970 and 1994. The table illustrates the dramatic variation in state fiscal structures. New Hampshire has a long history of strong local control and a weak state government that pays very little for education, which is a key state funding responsibility in most states. Hawaii is at the opposite end of the spectrum. Its schools are state financed and controlled, and the state

TABLE 3. PROPERTY TAX AS A SHARE OF STATE-LOCAL TAXES, 1970 AND 1994					
Region/ State	1994		1970		Percentage Point
	Percent	Rank	Percent	Rank	Change
New England	**44.0%**		**47.2%**		**-3.1%**
Connecticut	38.9%	9	49.2%	8	-10.3%
Maine	40.2%	7	45.7%	16	-5.5%
Massachusetts	34.7%	18	50.3%	7	-15.6%
New Hampshire	65.9%	1	62.3%	1	3.6%
Rhode Island	42.1%	5	40.5%	20	1.6%
Vermont	42.4%	4	34.9%	30	7.5%
Middle Atlantic	**30.0%**		**34.0%**		**-3.7%**
Delaware	14.9%	49	18.6%	49	-3.7%
District of Columbia	32.1%	23	32.7%	33	-0.6%
Maryland	27.2%	35	32.4%	34	-5.2%
New Jersey	46.1%	2	54.1%	4	-8.0%
New York	32.3%	21	36.4%	26	-4.1%
Pennsylvania	28.6%	31	29.5%	37	-0.9%
Great Lakes	**36.1%**		**43.8%**		**-7.8%**
Illinois	38.5%	10	41.2%	19	-2.7%
Indiana	34.9%	17	47.0%	13	-12.1%
Michigan	41.1%	6	40.3%	22	0.8%
Ohio	28.5%	33	47.2%	11	-18.7%
Wisconsin	37.2%	13	43.4%	17	-6.2%
Plains	**32.0%**		**47.6%**		**-15.6%**
Iowa	34.4%	19	48.9%	9	-14.5%
Kansas	31.4%	24	51.2%	6	-19.8%
Minnesota	29.2%	29	38.7%	25	-9.5%
Missouri	23.4%	39	40.1%	23	-16.7%
Nebraska	36.8%	14	52.6%	5	-15.8%
North Dakota	28.8%	30	46.6%	15	-17.8%
South Dakota	39.9%	8	55.0%	2	-15.1%
Southeast	**22.8%**		**24.9%**		**-2.1%**
Alabama	12.2%	51	15.2%	51	-3.0%
Arkansas	15.1%	48	25.8%	40	-10.7%
Florida	36.1%	15	34.0%	32	2.1%
Georgia	29.5%	28	30.5%	35	-1.0%
Kentucky	16.5%	46	22.9%	45	-6.4%
Louisiana	17.3%	44	19.8%	48	-2.5%
Mississippi	23.5%	38	24.1%	43	-0.6%
North Carolina	21.9%	41	25.3%	41	-3.4%
South Carolina	28.6%	32	22.4%	47	6.2%
Tennessee	22.8%	40	27.5%	39	-4.7%
Virginia	31.0%	25	28.3%	38	2.7%
West Virginia	19.5%	43	23.3%	44	-3.8%
Southwest	**24.2%**		**33.1%**		**-8.9%**
Arizona	30.7%	26	38.9%	24	-8.2%
New Mexico	12.5%	50	22.6%	46	-10.1%
Oklahoma	16.4%	47	30.5%	35	-14.1%
Texas	37.3%	12	40.5%	20	-3.2%
Rocky Mountain	**32.8%**		**43.4%**		**-10.5%**
Colorado	32.3%	22	42.7%	18	-10.4%
Idaho	26.2%	36	36.4%	26	-10.2%
Montana	42.7%	3	54.3%	3	-11.6%
Utah	25.6%	37	36.0%	28	-10.4%
Wyoming	37.4%	11	47.5%	10	-10.1%
Far West	**27.5%**		**34.2%**		**-6.7%**
Alaska	33.0%	20	24.4%	42	8.6%
California	27.3%	34	46.9%	14	-19.6%
Hawaii	16.6%	45	17.2%	50	-0.6%
Nevada	21.8%	42	34.4%	31	-12.6%
Oregon	36.0%	16	47.2%	11	-11.2%
Washington	30.1%	27	35.1%	29	-5.0%
U.S. Average	**31.5%**		**39.2%**		**-7.7%**

Source: U.S. Census Bureau, *Government Finances* in 1970 and 1994.

The City of
Overland
Park
KANSAS

City Hall • 8500 Santa Fe Drive
Overland Park, Kansas 66212
913/895-6000 • Fax 913/895-5009

TO: Chairman David Adkins and Members of the House Committee on Taxation

FROM: Kristy Cannon, Director of Finance, Budget and Administration
City of Overland Park

DATE: January 21, 1999

SUBJECT: House Bill 2030 and House Bill 2036

Mr. Chairman and members of the committee, thank you for the opportunity to be here today. My name is Kristy Cannon and I am the Director of Finance, Budget and Administration for the City of Overland Park.

I am here today on behalf of the city to provide information to the committee about the motor vehicle tax as a revenue source for Overland Park, and the affect that eliminating this tax will have on Overland Park. The city does not support or oppose either of the bills under consideration.

During the past 10 years, Overland Park's **motor vehicle valuations have increased** - by an average of 4.5% per year. However, the **motor vehicle property tax collected has not increased** at this rate. In fact, the city's actual motor vehicle tax revenue collections in 1998 were virtually the same as motor vehicle tax collections in 1988, about $2.4 million, and have fluctuated around an annual average of $2.3 million. The graph in Exhibit 1 depicts this history.

Motor vehicle tax collections were stagnant during this period as a result of two events. The first resulted from a decrease in the average mill levy in Johnson County, a consequence of

House Taxation
1-21-99
Attachment 6

1989 reclassification and reappraisal. The second, approved in 1995, decreases the motor vehicle assessment rate - from 30% in 1995 to 20% by 2000.

As a result of the 1995 legislation, over the past three years Overland Park has experienced a total $1.1 million loss in revenues. By 2004, the cumulative loss is estimated to be $12.7 million. Elimination of the motor vehicle tax, as is currently being considered, will result in an additional loss of $4.7 million. Combined, this would represent a $17.4 million loss in revenue between 1995 and 2004.

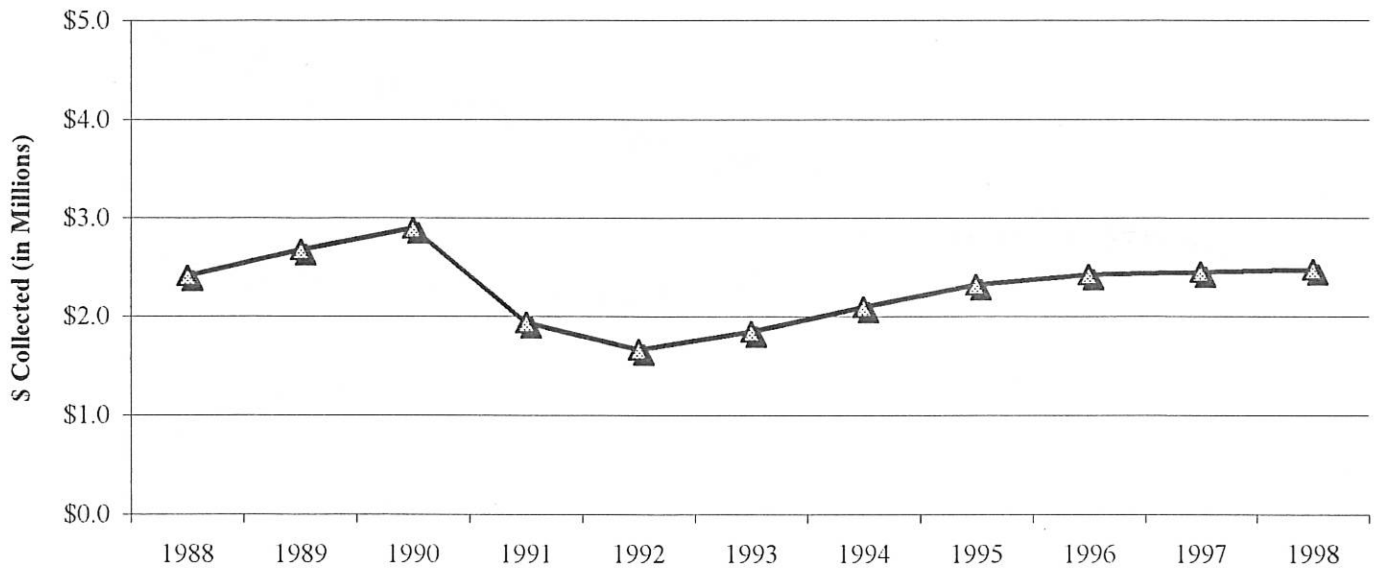
The graph and table in Exhibit 2 illustrate these losses.

Since 1990, Overland Park has absorbed reductions in the motor vehicle tax and relied on an average of $2.3 million per year from this tax. While it is true that this is not the primary revenue source for the city, continued erosion in the city's revenues places additional pressures on the property tax. Based on the city's current assessed valuation, $2.3 million generated from the property tax would require a 15% increase in the city's property tax rate.

It is the city of Overland Park's position that any legislation passed in regard to the motor vehicle tax should be revenue neutral to local governments, allow for reasonable revenue growth in the future, and be free of restrictions to local control over use of these dollars.

Thank you for the opportunity to appear before the committee this morning. I appreciate your time and attention, and would be happy to answer your questions.

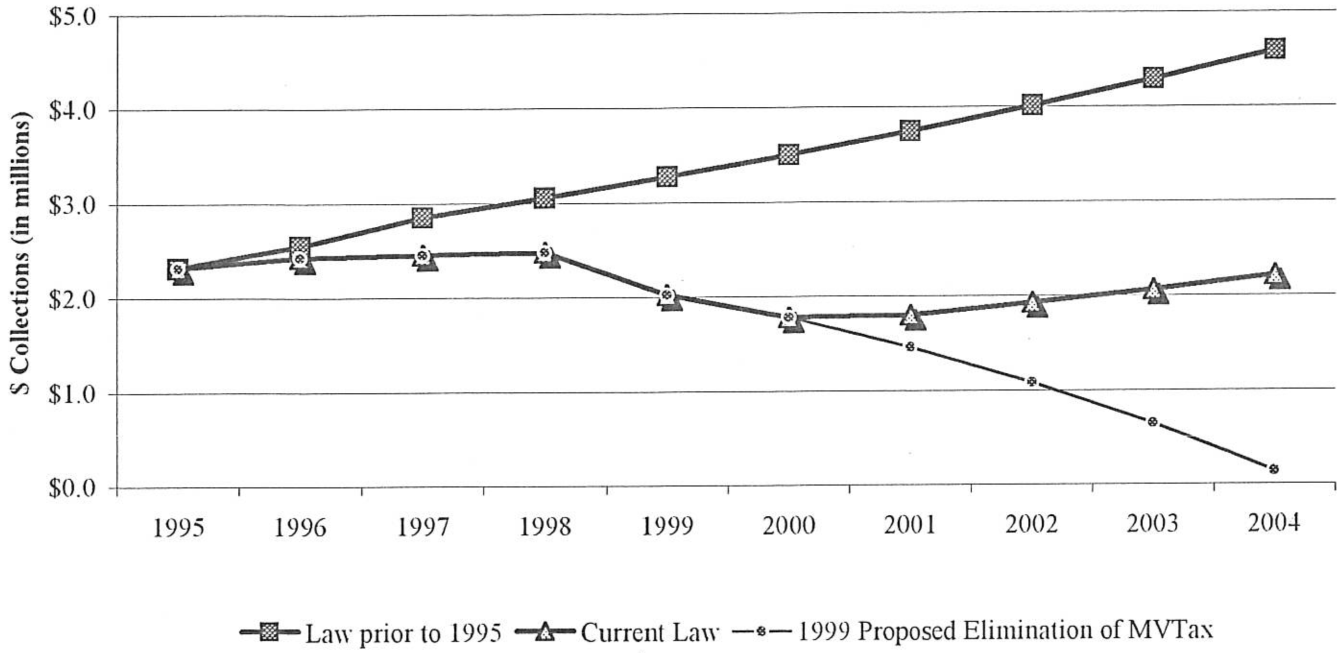
CITY OF OVERLAND PARK
Motor Vehicle Tax Collections
1988 - 1998



se Committee on Taxation
City of Overland Park - Testimony
January 21, 1999

EXHIBI

CITY OF OVERLAND PARK
Forecast(s) of Motor Vehicle Tax Collections
1995-2004



Year	A Law prior to 1995	B Current Law	C 1999 Proposed Elimination of MVTax	[A-B] Loss: Law prior to 1995 to Current Law	[B-C] Loss: Current Law to Proposed Elimination	[A-C] Loss: Law prior to 1995 to Proposed Elimination
1995	$2.3	$2.3	$2.3	$0.0	$0.0	$0.0
1996	$2.5	$2.4	$2.4	$0.1	$0.0	$0.1
1997	$2.9	$2.4	$2.4	$0.4	$0.0	$0.4
1998	$3.1	$2.5	$2.5	$0.6	$0.0	$0.6
1999	$3.3	$2.0	$2.0	$1.2	$0.0	$1.2
2000	$3.5	$1.8	$1.8	$1.7	$0.0	$1.7
2001	$3.7	$1.8	$1.5	$1.9	$0.3	$2.3
2002	$4.0	$1.9	$1.1	$2.1	$0.8	$2.9
2003	$4.3	$2.1	$0.6	$2.2	$1.4	$3.6
2004	$4.6	$2.2	$0.1	$2.4	$2.1	$4.5
TOTAL	**$34.2**	**$21.5**	**$16.8**	**$12.7**	**$4.7**	**$17.4**

$1.1 m

KANSAS
ASSOCIATION OF
COUNTIES

TESTIMONY
concerning House Bill No. 2030
(Income Tax Credit for Motor Vehicle Taxes Paid)

Presented by Judy A. Moler, Legislative Services Director/
General Counsel
Kansas Association of Counties
House Taxation Committee
January 21, 1999

Thank you, Chairman Adkins and members of the committee, for the opportunity to comment on HB 2030, which would provide a phased-in income tax credit in amounts equal to a percentage of motor vehicle taxes paid.

As you know, motor vehicle taxes are a significant revenue source for county government. The attached table illustrates the importance of this revenue source. For the 11 counties listed, 1999 motor vehicle taxes will finance an average of 5.2% of their county's total 1999 expenditures. If lost, an average property tax levy increase of 12.3% would be required to make up for the lost revenue.

We are pleased that HB 2030 leaves the motor vehicle tax system intact, and rather uses an income tax credit to blunt the impact to taxpayers. This is infinitely more acceptable to counties than the contrasting proposal (HB 2036) for phasing out the motor vehicle tax which would leave counties vulnerable to the state's annual appropriations process and decisions on the level of demand revenue transfers. County officials throughout Kansas are all too familiar with the capping of demand transfers over the past few years. We are wary of extending that approach to yet another important county revenue source.

The Kansas Association of Counties urges the committee to adopt the concept in HB 2030, if and when a decision is made to reduce or abolish motor vehicle taxes.

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.

700 SW Jackson
Suite 805
Topeka KS 66603
785•233•2271
Fax 785•233•4830
email kac@ink.org

House Taxation
1-21-99
Attachment 7

COMPARISON OF PROJECTED MOTOR VEHICLE TAX REVENUES, BUDGETED EXPENDITURES, AND PROPERTY TAXES LEVIED TO SUPPORT 1999 COUNTY BUDGETS IN 11 KANSAS COUNTIES

County	'99 Budgeted Expenditures	'98 Property Taxes Levied	'99 Proj. MV Taxes	MV Taxes as % of (1) '99 Budgets & (2) '98 Prop. Taxes (1)	(2)
Barton	$ 12,083,081	$ 4,514,821	$ 664,907	5.5%	14.7%
Butler	$ 22,302,986	$ 8,421,553	$ 1,740,603	7.8%	20.7%
Douglas	$ 33,738,666	$ 15,975,131	$ 1,717,326	5.1%	10.8%
Jewell	$ 4,376,747	$ 2,167,275	$ 237,190	5.4%	11.0%
Johnson	$ 266,339,816	$ 61,603,243	$ 10,025,968	3.7%	16.3%
Miami	$ 17,503,041	$ 8,610,239	$ 924,656	5.3%	10.7%
Reno	$ 28,583,407	$ 9,023,537	$ 990,524	3.5%	11.0%
Sedgwick	$ 180,340,628	$ 72,678,618	$ 11,522,335	6.4%	5.9%
Shawnee	$ 84,323,933	$ 36,417,479	$ 4,862,856	5.8%	13.4%
Stafford	$ 4,210,358	$ 2,256,671	$ 163,664	3.9%	7.3%
Wyandotte	$ 56,669,980	$ 18,256,450	$ 2,503,329	4.4%	13.7%
	Average: 11 counties listed above			**5.2%**	**12.3%**

- Data reflect expenditures for countywide programs, related property taxes levied, and motor vehicle taxes supporting countywide programs; municipal expenditures within the KCK city service area are excluded

Source: *1999 Adopted Budgets of Kansas counties listed above*

KAR
Kansas Association of REALTORS®

3644 S.W. BURLINGAME ROAD • TOPEKA, KANSAS 66611-2098
TELEPHONE 785/267-3610 • 1-800-366-0069
FAX 785/267-1867
REALTOR®

TO: **HOUSE ASSESSMENT AND TAXATION COMMITTEE**

FROM: **KAREN FRANCE, DIRECTOR OF GOVERNMENTAL AFFAIRS**

DATE: **JANUARY 21, 1999**

SUBJECT: **AUTOMOBILE PROPERTY TAX, HB 2030, HB 2036**

Thank you for the opportunity to present comments. On behalf of the Kansas Association of REALTORS®, I appear today to share with you some of my members' concerns regarding removing the property taxes on automobiles.

First, it has been our long-standing position that real estate is burdened with an excessive share of the constantly increasing cost of state and local government. We believe real estate taxes should be used only to pay for state and local governmental services that are rendered to real estate. Other types of taxation should pay for people-related services and programs such as education.

We have advocated the restructuring of state and local taxation sources for the funding of non-property related services. We urge the state to work for the restructuring of taxes to relieve the inequitable real property tax burden but also not to unfairly shift the tax burden to any tax paying entity.

If the legislature pursues the proposal to remove the property tax on cars, we believe the proposal in HB 2030, allowing an income tax credit for the motor vehicle tax, is the better approach.

We do not question the integrity of the current administration and legislature or their promise to replace the lost revenue to the local units of government as the vehicle tax is phased out. Our concern lies in the financial position of the local units of government once the phaseout is complete. Without "replacement revenue" we are concerned the property tax burden will shift onto real estate.

We saw the negative impact the removal of merchants and manufacturer's inventory and livestock had on real estate intensive businesses and homeowners when Reappraisal and Classification went into effect in 1989. We do not want to put real estate into that same position. Allowing an income tax credit for motor vehicles provides the same result as an outright removal of the tax, without putting local unit budgets in jeopardy. The logical place for the burden of paying for local government services to shift is onto real estate. It is that outcome we urge you to avoid.

Thank you for the opportunity to testify.

House Taxation

1-21-99
Attachment 8

KADA

KANSAS AUTOMOBILE DEALERS ASSOCIATION

TO: The Honorable David Adkins, Chairman
And Members of the House Taxation Committee

FROM: Don L. McNeely
President, Kansas Automobile Dealers Association

RE: HB 2030 - Income Tax Credit for Motor Vehicle Tax Liability
HB 2036 - Reduction of Property Taxes on Motor Vehicles

DATE: January 21, 1999

Good morning Chairman Adkins and Members of the House Taxation Committee. My name is Don McNeely and I am the President of the Kansas Automobile Dealers Association (KADA) which represents the 289 franchise new car and truck dealers in the state of Kansas. With me this morning is Whitney Damron, our legislative counsel.

On behalf of KADA, I would like to offer a few comments in support of HB 2036 and other legislative initiatives designed to reduce the property tax burden on Kansas motor vehicle owners.

The last time the Kansas Legislature considered meaningful reductions regarding motor vehicle property taxes was during the 1995 legislative session. KADA was an active participant in that debate and again offers its support for this initiative.

In February of 1995, the Hugo Wall School of Urban and Public Affairs of Wichita State University, in cooperation with Kansas, Inc., released a comprehensive study on the subject of motor vehicle personal property taxes in Kansas. Those of you in the Legislature in 1995, may recall the projections and predictions of that study. At this time, we also have the opportunity to judge the accuracy of that report with the vision of hindsight.

When KADA appeared before the House Taxation Committee in 1995, we cited the Wichita State study as evidence of the likelihood that a significant reduction of motor vehicle personal property taxes would lead to increased sales of new motor vehicles and motor vehicles that are five years old or less. Such a trend would lead to an overall average newer fleet of motor vehicles, resulting in safer, more fuel efficient and less polluting cars and trucks registered in Kansas. In addition, this trend would lead to increased sales tax revenue growth as car and truck owners traded up to newer models. The study also predicted a slight overall increase in registrations due to greater compliance by some of our state's residents, who had been illegally registering their vehicles out of state or in a county other than where they resided.

800 S.W. Jackson, Suite 1110 • Topeka, KS 66612

Telephone (785) 233-6456 • Fax (785) 233-1462

House Taxation
1-21-99
Attachment 9

Since meaningful reforms in the personal property tax rates on motor vehicles was enacted in 1995, Kansas has begun to see significant changes in motor vehicle registrations.

In 1995, the first year prior to the phased-in reductions adopted in that year, Kansas saw new vehicle registrations decrease by 2.8 percent. During that same year, new vehicle registrations nationwide decreased by only 0.2 percent. In 1996, the first year of the five-year phase down of motor vehicle personal property taxes, new vehicle registrations in Kansas increased by 5.6 percent, while the total new vehicle registrations increased by only 1.8 percent nationwide. In 1997, new vehicle registrations in Kansas increased by 2.8 percent, while total U.S. new vehicle registrations actually decreased 0.4 percent. For calender year 1998, new registration figures are not yet available.

Keep in mind that these figures are strictly for new motor vehicles and do not include Kansans trading up to late model used car and trucks, which are becoming more popular due to factory leasing programs, making quality 2-3 year old motor vehicles more readily available.

Prior to the 1995 session, Kansas had one of the highest motor vehicle personal property tax rates and one of the oldest average fleets in the country. While Kansas motor vehicle personal property taxes remain among the highest of the high and the lowest of the low in the country, the results of legislation passed in 1995 have acted to begin to move Kansas more toward the middle of both of these two categories.

We believe the theories and predictions of the 1995 Wichita State Study are beginning to be substantiated: Kansans are starting to drive newer motor vehicles, which are safer, more fuel efficient and less polluting.

An integral part of the debate over motor vehicle personal property taxes, both in 1995 and today, is the effect upon local units of government. HB 2036 provides protection for local units of government and we are supportive of that concept. An issue that is often lost during this debate is the fact that new vehicle prices have continued to increase at a significant rate, resulting in significant increases in sales and property tax revenues for the state and local units. To illustrate:

1996	Average new vehicle sales price:	$21,900
1997	Average new vehicle sales price:	$22,650
1998	Average new vehicle sales price:	$23,100*

In summary, we believe that additional reductions and the eventual elimination of personal property taxes on motor vehicles will continue to support increased sales of new motor vehicles and motor vehicles that are five years old or less, resulting in a safer, more fuel efficient and less polluting Kansas fleet. In addition, local units of government will see their loss of revenues protected by the Governor's proposal and enhanced sales tax revenues growth due to increased motor vehicle sales.

On behalf of KADA, we offer our assistance to the Kansas Legislature and this Committee as you deliberate this key component to the Governor's 1999 Legislative program. I would be pleased to stand for questions at the appropriate time. Thank you.

The Property Tax On Motor Vehicles in Kansas:

A Description and An Analysis

Prepared for

Kansas, Inc.

by

The Hugo Wall School of Urban and Public Affairs

Wichita State University

February, 1995

House Taxation
1-21-99
Attachment 10

Table Of Contents

Table Of Tables

Executive Summary

Historically motor vehicles were taxed the same way as all other property in Kansas. Motor vehicles were assessed by the local assessor on assessment day, the tax was computed, billed and collected in the same way as was the tax on real estate and other kinds of personal property.

A 1974 constitutional amendment was implemented by the passage in 1979 of the "tax and tag" law. The law provided that property taxes were to be paid when vehicles were registered, for proration of the property tax, and for the refund of the tax when the vehicle was disposed of or was moved out of the state.

Under the "tax and tag" law, vehicles are now assessed at values related to the depreciated value of a vehicle when new. The tax rate applied to that value is the average county property tax rate levied two years earlier.

The combined burden of registration fees, personal property taxation and related taxes in Kansas are among the highest in the United States and are rising more rapidly than are other property taxes. Reductions in the mill levy resulting from reappraisal reduced taxes on motor vehicles in 1992, but growth is expected to resume. If the trends exemplified in *Table 2* (Page 15) resume, motor vehicle taxes will continue to rise substantially faster than taxes on other property.

The property tax is a major source of revenue for local governments. In 1993 total collections of motor vehicle revenues were $291.6 million and were equal to 17.2 percent of collections from other property taxes. In 1993, 57.5 percent of motor vehicle revenues went to school districts, 20.1 percent to counties and 17.6 percent to cities. Under current law, elimination of the tax would result in increased state expenditure for school finance and would reduce the local revenue available to other units of local government.

Analysis of the economic impact of the tax, based on data for Kansas counties, shows that the number of vehicles owned are impacted most strongly by income and demographic factors. The level of taxation has a measurable, but modest impact.

In contrast, taxation strongly impacts the percentage of newer cars registered in a county. Lower tax rates are associated with a higher percentage of new cars. Substitutions in the regression equations suggest that a 10 percent reduction in the tax rate would result in a reduction of tax collections of only 5.7 percent. In other words almost half of the rate reduction would be offset by an increased base. In addition there would be increases in sales tax collections as car owners trade up to newer cars.

Analysis of data from the fifty states uncovered no significant correlation between level of taxation and number of vehicles registered, but confirmed the finding that taxation affects the percentage of new cars registered.

The Motor Vehicle Property Tax In Kansas

Introduction

This study was undertaken by the Hugo Wall School of Urban and Public Affairs of Wichita State University, under contract with Kansas, Inc.. The purpose of the study is to inform the 1995 legislature of possible implications of the reduction in the personal property tax on motor vehicles in Kansas. The study report includes a brief description of the history of motor vehicle taxation in Kansas, a description of the current system of motor vehicle taxation, comparisons with the systems of motor vehicle taxation in other states and a preliminary analysis of the impact of reducing the personal property tax upon motor vehicle registrations and tax collections.

While time and resource limitations prevent an exhaustive study of these questions, the results of the study do provide solid evidence of the direction and general magnitude of the impact of personal property tax reductions on motor vehicles. More detailed analysis involving further disaggregation of the data and more complicated economic models could provide more exact estimates, including numerical estimates of the increase in sales tax revenue that would result from such tax reductions.

The focus of this report is the personal property tax as applied to those automobiles and light trucks taxed under what is commonly known as the "tax and tag" act. There is no analysis of the property tax as applied to vehicles of more than 12,000 pounds gross weight, vehicles taxed as part of a motor carrier's fleet, vehicles assessed as part of state utility property, motor vehicles owned by dealers or manufacturers, mobile homes or recreational vehicles.

The research and analysis was carried out by Glenn W. Fisher, Regents' Professor Emeritus and Robin Salem Clements, Research and Policy Analyst, Hugo Wall School of Urban and Public Affairs.

The History Of Motor Vehicle Property Taxation In Kansas

Motor vehicles were originally taxed as part of the general property tax. In theory, the tax was applied to all of the classes of property recognized in property law. *Table 1* gives examples of the kinds of property that were taxable as general property.

Table 1: Types of Real and Personal Property

Table 1

Types of Real and Personal Property

Real Property	Personal Property
• Land • Buildings • Fixtures—personal property attached to real estate and becomes a part of it	• Tangible Property such as: - Machinery and equipment - Inventory - Household goods - Automobiles and trucks - Artwork and jewelry • Intangibles, such as: - Going-concern values - Goodwill, franchises - Stocks, bonds, notes - Banks accounts - Currency and coins

All classes of property were assessed by the assessor at their value on assessment day and the taxpayer received a bill for taxes on all real and personal property owned. Experience over time and the increasing complexity of the economy proved that it was impossible to uniformly administer the tax on some kinds of property. Intangible property was especially difficult to tax and many states exempted intangible property or taxed it at a lower rate and imposed income or inheritance taxes to reach wealth and income not related to ownership of property.

Taxing tangible personal property also proved difficult. Tangible personal property is often difficult to locate and most kinds are more difficult to assess than is real estate. The mapping and land registration system that eases administration of real estate taxation does not exist for most kinds of personal property. To effectively administer the personal property tax the assessor must actively seek and list the various kinds of property. Lists of businesses can be obtained through the phone book or other business lists. Industry standards can be used to determine the probable presence of certain kinds of machinery or equipment. Used equipment price guides or public records of sales are useful in determining the value of property. Unfortunately however, these methods are often expensive, yield uneven results, and beget an immense amount of taxpayer resentment.

These problems and the concern about the effects of personal property taxation upon a state or local economy led many states to exempt or classify tangible personal property. Today, nine states exempt all tangible personal property. Most of the others exempt certain kinds of tangible personal property. Only sixteen states tax business inventories, but even in these states certain kinds of inventories may be exempted by local authorities. Most of the states that tax personal property have some kind of exemption for goods-in-transit or free port arrangements that permit companies to store and, perhaps, repackage goods within the state without paying personal property taxes. Several states, including Kansas, have exempted inventories but continue to tax depreciable business assets such as machinery.

The History of the Kansas Tax and Tag Act

The taxation of motor vehicles differs from the taxation of other property in three ways: (1) motor vehicles are easier to locate than are many kinds of personal property because they must be registered, (2) they are easy to value because there is a well organized, well-reported market for used vehicles, and (3) the tax may be difficult to collect because vehicles are mobile. There are always some owners who move, sell their automobiles or are hard for the tax collector to find.

These circumstances often put vehicle tax administration in the spotlight. Administrators can administer the tax more effectively than they can the taxes on many other kinds of personal property, but critics have the means to measure their failures through registration and assessment records—ironically the same means which make assessment measurement operate so well. As a result, the vehicle tax may be severely criticized even when it is better administered than are the taxes on other kinds of personal property.

Concern about motor vehicles that may escape taxation in Kansas goes at least as far back as 1940. In that year a Kansas Legislative Council study estimated that between ten and fifteen percent of the licensed motor vehicles in Kansas were not assessed for property taxation and that the tax was not paid on ten percent of those that were assessed.

In 1954 the Legislative Council studied the advisability of requiring owners of motor vehicles to pay personal property taxes at the time of registration. The Council's committee on assessment and taxation found that twenty-one states, including Kansas, taxed motor vehicles on the same basis as other personal property. Seven of these states had provisions designed to insure that personal property taxes were paid either when vehicles were registered or when real property taxes were due. The Council concluded that a system requiring payment of the taxes at the time of registration would be most satisfactory in Kansas, but believed a constitutional amendment would be necessary. The Council proposed that such an amendment be submitted to the voters and that, after its passage, the state enact an annual excise tax substantially equal to the existing property tax. The tax was to be collected in connection with the registration of vehicles and distributed to the taxing districts by a formula that would give each district an amount essentially proportional to the property tax revenue lost. A question to amend the constitution was submitted to the people and on November 6, 1955, was defeated on the general election ballot by a vote of 284,327 to 474,310.

In 1957 the legislature enacted a law which prohibited a county treasurer from accepting an application for the registration of a motor vehicle unless the applicant presented a receipt for the payment of all personal property taxes owed. In 1960 the Legislative Council studied the possible avoidance of vehicle taxes by individuals who sold their vehicles to a dealer late in December and did not take delivery of a new car until after the January 1 assessment day. The committee concluded that this was tax avoidance, not tax evasion, and that no statutory change could bring about taxation of a person who did not want to own a car on January 1. The Council report added that both cars would be in the dealers inventory on January 1 and would be reported as part of a dealer's average inventory.[1] In 1968 a study committee attempted to deal with the problem by providing for the proration of the tax on cars purchased between January 1 and November 1. The law was passed and the November date was later changed to September 1.

---

[1]*At that time dealers' inventories were taxed on a monthly average basis. On January 1, 1979 this method of taxation was replaced by a stamp tax. Dealers purchased stamps which were attached to statements of origin (new vehicles) or title assignments (used vehicles). The stamp tax was repealed as of January 1, 1989 when the constitutional amendment exempting all merchants and manufacturers inventories was effective.*

County treasurers complained about the problem of delinquencies in the payment of the second half of personal property taxes and proposed a bill coupling motor vehicle taxation with vehicle registration. The tax would have been computed on the basis of the average statewide mill levy for the prior year. The bill was amended to use the average county levy and passed the Kansas Senate in 1972. Revenue was to be distributed to local units using a formula similar to that used in distributing revenue to the local ad valorem tax reduction fund.

A 1972 special interim committee on assessment and taxation studied the bill and the county treasurers submitted a proposal to the committee to distribute the funds on the basis of the vehicle's "tax unit" situs.[2] The Kansas Motor Car Dealers Association questioned the constitutionality of the proposal and suggested a constitutional amendment to permit separate treatment of motor vehicles.

The interim committee recognized the administrative and delinquency problems created by the attempt to tax some kinds of personal property under the general property tax and suggested a constitutional amendment permitting separate classification of motor vehicles, mobile homes, inventories, livestock and grain. It also recommended that land used for agricultural purposes be valued on the basis of income rather than market value.

The 1972 bill was not reintroduced in the 1973 legislature, but a number of bills dealing with the administration of the property tax on vehicles were considered. A 1973 interim committee concluded that these half-way measures would not be sufficient and again recommended a constitutional amendment. They pointed out that the amendment rejected in 1956 had been opposed by many local officials, but the county assessors and treasurers were now favored such changes. In 1974 the legislature again submitted to the voters a question to amend Section 1, Article 11 of the *Kansas Constitution*, but this time on a primary election ballot.

On August 6, 1974 the voters approved the amendment by a vote of 183,759 to 94,002. After this vote, Section I of Article 11 read in part:

> "The legislature shall provide for a uniform and equal rate of assessment and taxation, except that the legislature may provide for the classification and the taxation uniformly as to class of motor vehicles, mineral products, money, mortgages, note and other evidences of debt or may exempt any of such classes of property from property taxation and impose taxes upon another basis in lieu thereof. . . ."

---

[2] *A "tax unit" or a "tax levying unit" is an area subject to a common set of tax levies by all the overlying taxing units (governments).*

In December 1974 an interim committee recommended that motorcycles, passenger cars and trucks with a gross weight under 12,000 should be taxed at the time of registration. The tax was to have been based on factory delivered price and age. Revenues were to be distributed among taxing subdivisions in proportion to their share of the total levy within a "tax levy unit." Local units were to show estimated vehicle tax collections as an estimated revenue in their budgets. The amount that could be raised under the tax lid was reduced by the estimated amount of collections.

The authority to classify motor vehicles provided in the 1974 constitutional amendment was used to classify motor vehicle dealers' inventories in 1978. The ad valorem (according to value) tax was replaced by a stamp tax to be affixed to the manufacturer's certificate of origin or bill of sale of each vehicle sold.

In 1979 the legislature passed the "tax and tag" act which took effect on January 1, 1981. The new law implemented the 1974 constitutional amendment by providing that most vehicles having a gross weight of less than 12,000 pounds were to pay property taxes at the time of registration. Exceptions included vehicles assessed to motor carrier, assessed as part of state assessed utility property, motor vehicles owned by dealers or manufacturers, mobile homes and recreational vehicles. Vehicles were to be classified into 20 classes based on their value when new. The midpoint of each class, depreciated from the model year at the rate of 16 percent annually, was to be the assessed value. The rate of taxation was to be the average county rate for the preceding year. The proceeds of the tax were to be allocated to the tax levying unit, and distributed in the same proportion that the levies of a taxing subdivision were to the total taxes levied in the tax levy unit.[3]

Since the enactment of the "tax and tag" law there have been a number of amendments dealing with technical or administrative problems, but the basic provisions of the law are still in effect.

Motor Vehicle Taxation In Kansas

Motor vehicles and motor vehicle use in Kansas are subject to several different taxes or fees. These include the personal property tax, the registration fee, the retail sales or use tax, and the motor fuels tax.

---

[3]*This much simplified description omits the transition provisions, including the provisions for taxing vehicles already registered in the state.*

The Sales Tax and Use Tax

Kansas levies a tax on retail sales of tangible personal property and certain services. The rate is generally 4.9 percent. A compensating use tax is imposed at the same rate on property purchased within or without Kansas if the property is subsequently stored or consumed within Kansas, *and* if the transaction would have been subject to the sales tax had the transaction been wholly within Kansas. If a sales tax has been paid to another state only the difference between that tax and the Kansas tax (if higher) is due to Kansas. The purpose of the compensating use tax is to prevent avoidance of the tax on property purchased from non-registered, out-of-state retailers.

Cities and counties may impose retail sales up to a maximum of 2 percent subject to several restrictions and exceptions. The local use tax applies solely to motor vehicles and watercraft, and only if purchased outside of the state and used in the taxing subdivision.

Both state and local sales taxes are collected by the Kansas Department of Revenue. Of all state sales taxes collected for motor vehicles, 94.898 percent is earmarked to the State General Fund and 5.102 percent to the State Highway Fund. Of the amount deposited in the State General Fund, 7.628 percent is subsequently transferred to the State Highway Fund, 3.630 percent to the Local Ad Valorem Tax Reduction Fund (LAVTRF) and 2.823 percent to the City and County Revenue Sharing Fund. The distribution of the state compensating use tax is the same except that there is no subsequent transfer of funds from the State General Fund to the State Highway Fund. The formula for distribution of LAVTRF funds to counties is calculated as 65 percent based on the population of the county and 35 percent based on the assessed valuation of the county. Within counties the distribution is made to each levying entity, except unified school districts, proportionately by the entity's prior year tax levy rate.

County sales and compensating use tax receipts, not earmarked for health care, are apportioned among the county and the cities. Fifty percent is generally apportioned according to urban and non-urban population and 50 percent in proportion to property tax levies, but there are several exceptions which go to locally earmarked funds.

The sales tax on motor vehicles is collected by the dealer at the time of sale or, in the case of occasional sales, by the county treasurer when the vehicle is registered.

Motor Fuels Tax

Gasoline and gasohol are subject to a tax of 18 cents per gallon. Special fuels, such as diesel fuels are taxed at 20 cents per gallon.

The tax is collected from distributors, manufacturers or importers who are allowed a 2.5 percent handling allowance. Refunds are given for the tax paid on fuel used off the highway. Certain operators of commercial motor vehicles pay a tax based on taxable gallons computed by applying their nationwide-miles-per-gallon consumption to the mileage traveled in Kansas.

Motor fuel taxes are credited to the Motor and Special Fuels and LP-Gas Taxes Fund. Except for a $625,000 per quarter gasohol subsidy in effect until 1997, 59.5 percent is transferred to the State Highway Fund and 40.5 percent is transferred to the Special City and County Highway Fund. Of the Special City and County Highway Fund distributions to cities and counties are made quarterly. Cities directly receive 43 percent on the basis of city population. Counties each receive a flat $5,000 plus the balance of revenues produced by tax rates distributed on the basis of motor vehicle registration fees, average daily vehicle miles traveled in the county, and total road miles in the county[4]. The amount allocated to counties is shared with internal cities in amounts ranging from 10 percent to 90 percent in thirteen of Kansas' counties, and with townships in any counties which have not adopted the county-unit road system.

Registration Fees

Registration fees (license tag fees) are paid annually at the following rates:

Passenger Vehicles:	
- 4,500 pounds or less	$25.00
- Over 4,500	$35.00
Motorcycles:	$15.00
Motorized Bicycles:	$10.00

The rates for trucks, trailers, mobile homes, and motor homes vary by weight and use.

Passenger cars, trucks with a gross weight of less than 12,000 pounds and motorcycles are registered under a staggered registration schedule based on the owner's last name.

---

[4]*The balance of revenues produced by tax rates in effect prior to July 1, 1989, is distributed as one-half on the basis of motor vehicle registration fees collected in the county and one-half on the basis of average daily vehicle miles traveled in each county (excluding interstate miles). For revenue rates which took effect after the 1989 date the apportionment to counties is one-third based on registration fees, one-third based on average daily vehicle miles, and one-third on the basis of total road miles in the county.*

County treasurers collect the motor vehicle registration tax and retain a small portion of the fees to pay administrative costs. The remainder is remitted to the state and goes directly to the State Highway Fund. In 1993 state receipts from the tax collected were $108.4 million.

Personal Property Tax

Under the "tax and tag" law motor vehicle owners pay the personal property tax at the same time they register their motor vehicles. The tax is based upon an assessed value of 30 percent of the depreciated value of the car. The tax rate is the county average rate as applied two years earlier. The allocation of the tax to local governments is determined by the taxing unit in which the car is registered.

Since 1979, the tax imposed on motor vehicle property has been identified as a tax *in lieu of the general property tax*, and as a locally imposed tax. The general public is often uncertain about whether the state or their county government imposes the tax. Some of the confusion lies with the definition of state imposed taxes versus locally imposed ones. The definition of a state imposed tax is one for which the legislature establishes the rate, the base, and the methods of collection and distribution, but which are not authorized to be levied by local officials at their discretion or with voter approval. While motor vehicle tax rates, base and methods of collection and distribution are set by the legislature, local government officials do exercise some discretion when they set annual local mill levies.

Another way to answer the "whose tax is it?" question is to review the distribution of revenues. In 1993 net collections of motor vehicle personal property tax receipts in Kansas were $291,761 million. Of that amount $288.4 million or 98.8 percent was retained with local units of government, while state receipts were $3.3 million or 1.2 percent. The local portion of the revenues was distributed to local property tax levying entities in proportion to the number of mills each entity levied in 1993. The 1993 distribution of motor vehicle collections broken out by type of levying unit in the state was:

Counties	$ 58.6 million
Cities	$ 51.2 million
Schools[5]	$167.8 million
Townships	$ 2.8 million
Special Districts	$ 7.8 million

---

[5]*The category includes unified school districts, community colleges and municipal universities.*

Further discussion of distribution follows at the section entitled *Revenue and Revenue Distribution* on Page 14.

Administration of Motor Vehicle Property Taxes in Kansas

Collection and Calculation Procedures

As "tax and tag" suggests, the administration of the vehicle property tax is combined with the registration of vehicles. Procedures are standardized and the state plays an important role in the process. Registration periods are on a staggered monthly schedule correlating with the alphabetical order of owners' last names. Owners with last names beginning with "A" renew in February. Those whose names begin with "U," "X," "Y," or "Z" renew in December. Both the registration fee and the property tax are prorated from the time of purchase to the end of the registration period. If a vehicle is sold or traded in on a new vehicle the tax is credited or refunded.

For purposes of computing the tax, by statute vehicles are classified in twenty classes[6] based upon the trade-in value of the motor vehicle when new. The value at the mid-point of each class is depreciated by 16 percent per year of the value when new. This depreciated value is the "appraised value" which is then multiplied by 30 percent to determine the assessed value. The assessed value is multiplied by the average property tax rate in the county. Because of the time needed to compute the rate and the operation of the staggered registrations system, this average county rate used is the rate of the second year preceding the assessment year. There is a minimum tax of $12.00 on each automobile or truck.

The Kansas Department of Revenue, using information from vehicle manufacturers, classifies each vehicle and maintains a computer program for calculating both the refund or credit due on sold vehicles, and the tax due on newly acquired vehicles. Via their local hookups with the state computer, county treasurers can both: obtain tax calculation information, and transmit vehicle registration information to the state.

---

[6] *Actually there are now more than 20 classes since the midpoint of class 20 ($20,000 and over) is defined as $21,000 plus $2,000 for each $2,000 by which the trade in value of the vehicle exceeds $22,000.*

County treasurers are provided with manuals to be used to make calculations when the state computer is down. Because of the many possible combinations resulting from the number of vehicle classes and the staggered registration system, the manual is lengthy and the process of making manual calculations is slow.

The car owner is given a numbered license plate to be affixed to the rear of the vehicle. The plate is replaced periodically. In intermediate years the owner is given a decal to be affixed to the corner of the plate. The decal is numbered, but the numbers do not correspond to the plate number.

Computing The Tax In Each County

Because the average mill levies vary from county to county, the tax paid on an identical motor vehicle varies from county to county. The 1991 average county levies used to compute 1993 vehicle taxes ranged from a low of 39.9 mills in one Kansas county to a high of 180.3 mills in another. The state average of county average levies was 125.3 mills.

The imposition of the uniform statewide mill levy for schools in the 1992 change in school finance resulted in most Kansas counties experiencing reduced mill levies. The change tightened the disparity, as is reflected in the mill levies for 1993 which are used to compute 1995 vehicle taxes, and range from a low of 59.2 mills to a high of 170.7 mills with a state average of 114.1 mills.

Although the revenues are credited to local governments based upon the number of mills each entity levies, the mill rate used to compute the tax is based upon an average for the county and is the same for all local governments in the county. The average county tax rate is determined by the collective actions of the governments within the county and levies imposed or mandated by the state.

Because of the county-to-county variations in levels of taxation, and a level of taxation in Kansas that is higher than in most states, it is commonly believe that there is considerable evasion of the tax. While the current research does not quantitatively address the dilemma, a fair amount of anecdotal evidence suggests that tax evasion occurs when Kansas motor vehicle owners: fail to register a vehicle in Kansas; register a vehicle in a county in which they do not reside—but that has a lower mill rate; or, when they use a plate or decal from an older non-operating vehicle on a newer vehicle in road use. And, there is good reason to believe that law enforcement agencies do not or cannot give vehicle registration and tax law enforcement high priority. A future study could attempt to develop quantitative evidence of the extent of motor vehicle tax evasion.

Revenue and Revenue Distribution

Along with ad valorem taxes and the sales tax, the property tax on motor vehicles is one of the three most important revenue sources for local governments in Kansas. For state and local government combined the tax produced nearly $292 million dollars in 1993, or nearly five percent of all state and local tax revenues produced that year.

Table 2 on Page 15 illustrates a history of motor vehicle tax collections for the past decade and compares those with the collections from other property taxes. Column 1 shows that collections from the motor vehicle property tax have more than doubled in the eleven year period. Column 2 shows that there have been substantial annual increases in collections except in 1991 when there was a 21.4 percent decrease as a result of reappraisal which went into effect in 1989. Because the assessed value of locally assessed property rose substantially, mill rates applied to other property declined substantially in 1989. The decline is reflected in 1991 vehicle tax collections because the 1989 average county rates were applied in that year.

Column 3 shows total dollar amounts levied (not in collections) through other property taxes, which include the tax on locally assessed real and personal property and the tax on state-assessed utility property. Column 4 shows that taxes on motor vehicles have been increasing at a substantially faster rate than have taxes on other property. The 12.3 percent decline in other property taxes in 1992 reflects the state-wide reduction in the property tax mill levy for schools in the new school finance act. The 1992 change will be reflected in 1994 motor vehicle tax collections.

Column 5 shows vehicle property taxes as a percent of other property taxes and confirms that there has been more rapid growth in vehicle collections, except for the interruption caused by reappraisal and the delayed application of county mill levies to motor vehicle taxes.

Table 2: Kansas Property Taxes - Motor Vehicle and Other Property Compared

Table 2

Kansas Property Taxes[7]: Motor Vehicle and Other Property 1983 to 1993

	Motor Vehicle		Other Property		Motor Vehicle As Percent Of Other Property
Year	Amount (1000s) (1)	Increase (Percent) (2)	Amount (1000s) (3)	Increase (Percent) (4)	(Percent) (5)
1983	$140,451		$1,113,945	12.6	
1984	$151,984	8.2	$1,170,077	5.0	13.0
1985	$178,990	17.8	$1,250,560	6.9	14.3
1986	$199,371	11.4	$1,291,393	3.3	15.4
1987	$216,654	8.7	$1,392,368	7.8	15.6
1988	$242,916	12.1	$1,480,259	6.3	16.4
1989	$275,459	13.4	$1,570,610	6.1	17.5
1990	$306,451	11.3	$1,654,682	5.4	18.5
1991	$241,010	-21.4	$1,832,660	10.8	13.2
1992	$259,116	7.5	$1,607,728	-12.3	16.1
1993	$291,643	12.6	$1,696,368	5.5	17.2

Table 3, following on Page 16, shows motor vehicle taxes collected in 1993, by unit of government. Fifty-seven and one half percent of the total revenue collected went to school districts. Counties received 20.1 percent of the total and cities received 17.6 percent. Any reduction in the motor vehicle taxes would have an immediate and somewhat complex impact upon the finances of local government. Under the present school finance formula the reduction in motor vehicle taxes going to schools would result in an almost proportionate increase in state

[7]*Does not include state collected taxes on motor carrier vehicles.*

general fund payments to school districts. If the formula remains unchanged and the state appropriates the necessary money, the financial position of the school districts would be lightly affected. There would be some reduction in monies for bond and interest funds and the local option budgets that would have to be made up by increasing the tax levy.

The reduction or elimination of the motor vehicle taxes for cities and counties would require a reduction in expenditure or an increase in the tax on other property.

Table 3: Kansas Motor Vehicle Taxes Collected By Level of Government, 1993

Table 3

Kansas Motor Vehicle Property Taxes Collected
By Level Of Government
1993

Government	Amount	Percent.
State	3,244,301	1.1
Counties	58,637,684	20.1
Cities	51,249,236	17.6
Townships	2,851,394	1.0
Schools	167,789,397	57.5
Cemetery	240,135	0.1
Drainage	129,260	*
Fire	2,730,133	0.9
Hospital	487,094	0.1
Improvements	34,709	*
Library	2,526,584	0.9
Lights	1,835	*
Parks & Recreation	795,924	0.3
Sewers	82,844	*
Watershed	190,469	0.1
All Other	652,927	0.2
TOTAL	291,643,926	100.0

**Less than .05 percent*

Kansas Motor Vehicle Taxation As Compared With Other States

All states charge an annual registration fee. In a number of states the fee is a nominal, flat rate fee. For example Nebraska charges a $17.50 flat fee for motor vehicles. South Carolina charges $12.00 and Oklahoma $17.75. Other states base the registration fee on weight, age, horsepower, or some combination. For example Arkansas' fees vary by weight and range from $17.00 to $30.00. Colorado's fees, based on weight, range from $9.00 to $16.10. Missouri's fees are based on horsepower and range from $18.00 to $51.00. In addition, most states charge fees for the issuance of original or duplicate titles.

About twenty states levy a property tax on motor vehicles[8]. In nine states all personal property, including motor vehicles, is exempt. Some states specifically exempt motor vehicles from the property tax, but impose another tax in lieu of property taxation. Some of these are called excise or privilege taxes. For example Arizona levies an annual license tax at a maximum rate of four percent of assessed value. Indiana levies an annual vehicle excise tax in addition to an annual county surtax. Massachusetts levies an annual excise tax in lieu of the property tax. South Dakota levies a three percent annual excise tax.

Property tax rates vary from locality-to-locality and sometimes excise or ownership taxes are levied locally or are imposed at varying rates in different communities. These variations make it difficult to compare motor vehicle taxes from state-to-state. Often the data necessary to compute state average rates is unavailable and, if available, may hide important variations within a state.

In an effort to deal with this problem, the Revenue Department of the District of Columbia has computed the tax that would be imposed in the largest city in each state. The department makes an annual study of the total state and local tax burden imposed on four hypothetical families at four different income levels. One of the components of the tax burden is motor vehicle taxes, *including fuel taxes*. Sales taxes on motor vehicles are not included in the motor vehicle tax calculations. Families at the $25,000 and $50,000 income level are assumed to own one car of specified weight, age and price. Those at the $75,000 and $100,000 level are assumed to own two cars. *Table 4* on Page 18 shows the estimated taxes levied in 1991 in the five cities with the highest tax for each income group.

---

[8] *Authorities disagree about the classification of some "property tax like" excise or ownership taxes.*

Table 4: Motor Vehicle Taxes on Families In The Five Highest States

Table 4

Motor Vehicle Taxes On Families In The Five Highest States 1991[9]

City	**Family Income**			
	$25,000	**$50,000**	**$75,000**	**$100,000**
Bridgeport, CT	$483	$885	$1,791	$2,194
Sioux Fall, SD	$409	$858	$1,899	$2,185
Virginia Beach, VA	$388	$712	$1,445	$1,776
Wichita, KS	**$368**	**$689**	**$1,973**	**$2,266**
Indianapolis, IN	$368	$368	$1,123	$1,221
Median of 51 Cities:	$204	$355	$760	$853
Wichita's Rank	**4 (tie)**	**4**	**1**	**1**

According to these data, Wichita's tax burden tied for fourth for $25,000 income families with one car, was fourth for one car families with an income of $50,000, and had the highest tax burden on two car families with incomes of $75,000 and $100,000.

Since 1991 the reduction in Kansas property tax rates resulting from reappraisal has temporarily reduced the property tax burden on vehicles in Kansas. In the meantime, vehicle taxes have risen in other states. As a result the vehicle tax burden has been reduced relative to that of other

[9]*Source: District of Columbia, Department of Finance and Revenue,* Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison. *(June, 1992).*

states. *Table 5* below shows that Wichita's burden now ranks tenth and eleventh for the lower income families and sixth and seventh for the more affluent families. As is shown in *Table 2* on Page 15, however, the rise in Kansas vehicle taxes has resumed and it is impossible to predict how Kansas will rank in the future.

Table 5: Motor Vehicle Taxes On Families In The Ten Highest States, 1993

Table 5

Motor Vehicle Taxes On Families In The Ten Highest States 1993[10]

City	**Family Income**			
	$25,000	**$50,000**	**$75,000**	**$100,000**
Bridgeport, CT	$568	$942	$2,051	$2,418
Jackson, MS	$503	$873	$1,963	$2,360
Virginia Beach, VA	$421	$701	$1,549	$1,830
Sioux Fall, SD	$421	$712	$1,527	$1,809
Columbia, SC	$375	$652	$1,452	$1,740
Indianapolis, IN	$368	$368	$1,112	$1,809
Omaha, NE	$359	$587	$1,240	$1,439
Providence, RI	$355	$593	$1,230	$1,425
Denver, CO	$331	$547	$929	$1,062
Wichita, KS	**$329**	**$494**	**$1,317**	**$1,539**
Seattle, WA	$328	$538	$1,131	$1,311
Median of 51 Cities:	$213	$330	$755	$863
Wichita's Rank	**10**	**11**	**6**	**7**

[10] *Source: District of Columbia, Department of Finance and Revenue, Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison. (June, 1994).*

Table 6 presents the same data for the largest cities in Kansas and five neighboring states. It shows that the burden in Nebraska and Colorado would be slightly higher for the lower income families with only one car. The $75,000 and $100,000 income families with two cars would pay the highest tax in Kansas.

Table 6: Motor Vehicle Taxes On Families In Kansas and Neighboring States, 1993

Table 6

Motor Vehicle Taxes On Families In Kansas And Neighboring States 1993[11]

City	**Family Income**			
	$25,000	**$50,000**	**$75,000**	**$100,000**
Omaha, NE	$359	$587	$1,240	$1,439
Denver, CO	$331	$547	$929	$1,062
Wichita, KS	**$329**	**$494**	**$1,317**	**$1,539**
Kansas City, MO	$273	$457	$962	$1,150
Little Rock, AR	$232	$372	$755	$863
Oklahoma City, OK	$213	$314	$688	$790
Wichita's Rank	**3**	**3**	**1**	**1**

Economic Impact Of Kansas Motor Vehicle Taxes

In considering possible reductions in motor vehicle property taxes, it is important to consider the impact that such a reduction would have on economic activity in the state. Specifically, it is important to know whether tax reduction would lead to the increased ownership of more and newer vehicles. In estimating the revenue impact it is important to know whether or not the

[11] *Source: District of Columbia, Department of Finance and Revenue, Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison. (June, 1994).*

reduction in rates would result in expansion of the total tax base so as to offset part of the reduction.

These matters are difficult to study because they involve predicting the behavior of actual and potential vehicle owners. One would like to know to what degree consumers are aware of the tax and how the tax affects their decisions to buy a vehicle. These are difficult to determine, but there are ways of inferring the result of a tax decrease by studying vehicle ownership patterns in places or times in which tax burdens differ. Two appropriate sets of data were available to the authors of this report. One set of data is vehicle registration data by model year and county for Kansas. This information was provided by the Kansas Department of Revenue and was based on registration data as of December, 1994. R. L. Polk Company compiled registration of automobiles and light trucks data by model year and state as of July, 1993. Both data sets were analyzed using multiple regression analysis.

Regression Analysis of Kansas County Data

The purpose of this analysis is to identify and measure the impact of property taxation upon vehicle ownership and vehicle tax collections. It is recognized that vehicle ownership is affected by economic and demographic characteristics as well as by taxation and it is necessary to include variables that reflect these differences.

Three dependent variables were analyzed:

1. Cars and light trucks registered per 1,000 population (Owners).
2. Percentage of registered cars and trucks that are five years of age or less (Percent New).
3. Per capita vehicle property taxes collected, per capita (Tax Per Capita).

Three independent variables were used:

1. County population per square mile. (Population per Square Mile) It is hypothesized that there will be more cars and trucks, relative to population, in thinly populated counties than in more populous ones.
2. The 1991 average county tax rate (Tax Rate). This is the rate used for taxing vehicles in 1993. It is hypothesized that higher property taxes on vehicles will be associated with the registration of fewer and older cars in the county. It is hypothesized that lower tax rates will be associated with lower collections per capita. The regression equations are used to estimate the relative magnitude of the decrease.

10-24

3. The 1992 county per capita income. (Per Capita Income). It is hypothesized that car ownership, the percentage of new cars, and tax collections will be higher in counties with higher personal incomes.

Examination of the data reveals that the car and truck registrations were unusually low in Geary and Riley Counties, probably due to the large number of military related personnel who are counted in the population, but who are permitted to register motor vehicles in other states. Elimination of these counties resulted in slightly higher correlation. Further examination of the data revealed that four other counties, Douglas, Leavenworth, Lyon and Wyandotte, were "outliers." Elimination of these counties produced a slightly lower correlation with the Owners data and a slightly higher correlation with the Percent New data. The 99 county data are presented in this report.

Tables 7, 8 and *9* below summarize the results for each of the three dependent variables. *Table 7*, below, shows the results when the variable Owners (vehicles registered per 1,000 population) is regressed against the three independent variables.

The R^2 of .2862 indicates that the three variables explain 28 percent of the variation in the number of automobiles and trucks owned. The beta coefficients measure the direction and *relative* importance of the three variables. The negative sign on the first two variables indicates that they are inversely related to ownership. That is, counties with a higher population density and a higher tax rate have fewer automobiles and trucks per 1,000 population, as expected. The positive value of the Per Capita Income beta indicates that higher income is associated with higher levels of automobile and truck ownership. The absolute (ignoring signs) value of the beta coefficients indicates that both Population per Square Mile and Per Capita Income are more important than Tax Rate in explaining the level of automobile and truck ownership. All coefficients are highly significant statistically which means they have less than one chance in a hundred of resulting from chance.

Table 7: Regression With Owners Variable

Table 7

Dependent Variable = Owners
R = .5350 R^2 = .2862
Mean value of Dependent Variable = 884
Standard Error of Estimate = 69.5

	Beta Coefficients:
Population per Square Mile	-0.3411
Tax Rate	-0.2481
Per Capita Income	0.3107

Table 8, below, summarizes the results when Per Cent New (Percentage of vehicles 5 years old or less) is used as the dependent variable. The level of correlation is much higher. The three independent variables explain almost 63 percent of the variation, a rather high figure for this kind of analysis.

The positive sign of the Population per Square Mile beta coefficient shows that the percentage of new vehicles in the more thickly populated counties is higher than in the sparsely populated ones. Higher income is also associated with a higher percentage of newer cars; but the most important variable is the Tax Rate. The higher the tax rate, the smaller the percentage of newer cars. All coefficients are highly significant statistically.

Table 8: Regression With Percentage of New Vehicles Variable

Table 8

Dependent Variable = Percent New
$R = .7917$ $R^2 = .6268$
Mean value of Dependent Variable = 24.2
Standard Error of Estimate = 2.63

	Beta Coefficients:
Population per Square Mile	0.4477
Tax Rate	-0.5535
Per Capita Income	0.2111

Table 9 on Page 24 shows the results of using Tax Per Capita as the dependent variable. The R^2 of .52 indicates that over one-half of the variation is explained by the three independent variables. The low value of the beta coefficient for Population per Square Mile indicates that population sparsity is of limited importance. Per Capita Income plays a large role in explaining taxes per capita, but the Tax Rate is of the greatest importance.

It is important to recognize that the Tax Rate variable affects taxes per capita in two ways. Higher tax rates directly increase tax collections, but indirectly reduce them because it adversely affects the number of cars owned and the percentages that are new. Some idea of the magnitude of these opposing effects can be obtained by using the estimating equations to estimate the impact of a tax rate reduction on predicted tax collections.

Table 9: Regression With Tax Per Capita Variable

Table 9

Dependent Variable = Tax Per Capita
$R = .7215$ $R^2 = .5206$
Mean value of Dependent Variable = 125.4
Standard Error of Estimate = 10.9362

	Beta Coefficients:
Population per Square Mile	0.0776
Tax Rate	0.7012
Per Capita Income	0.4504

The results of the three regressions appear to be reasonable, but, there is a considerable amount of unexplained variation. The number of cars owned is affected most strongly by Per Capita Income and Population. The Tax Rate is of less importance and there is a great deal of unexplained variation. On the other hand, the age of cars owned is strongly affected by the tax rate. Population sparsity and per capita income are important and the percentage of variation explained is high.

Per capita motor vehicle property taxes collected is most strongly affected by the tax rate. The relationship is positive, meaning that higher tax rates result in higher collections. It is important to note however, that there are opposing forces involved. Higher tax rates directly raise tax collections by increasing the tax on each vehicle, but indirectly lower the collections by reducing the number of vehicles registered and increasing the average age of vehicles, (as shown in *Tables 7* and *8*).

One way of illustrating the net effect of a change in tax rates is to use the regression (estimating) equations to calculate the result of a change in tax rate. The equation is of the form:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3$$

where Y = the estimated value of the dependent variable
a = a constant generated by the least squares process
bs = regression coefficients
Xs = independent variables.

In order to illustrate the effect of varying tax rates, calculations were made using the state average value of population per square mile and per capita income. The results, shown in *Table 10*, below, show that a ten percent decrease in the vehicle tax rate would result in an *increase* in the number of cars per 1,000 population; an *increase* in the percent of cars that are five year old or less; and, a *decrease* in vehicle property tax collections per capita.

In other words tax collections would decrease by a considerably smaller percentage than the percentage cut in the tax rate because the number of cars and the percentage of newer cars would rise. There would also be an increase in the sales taxes collected on the sale of motor vehicles. Unfortunately, constraints on time and resources did not permit estimation of the impact on sales tax collections, but there would be a positive impact as owners of older cars trade up. Because used car sales are subject to the sales tax, each trade would generate sales tax revenue.

Table 10: Effect of Ten Percent Decrease In The Motor Vehicle Property Tax Rate

Table 10

Effect of Ten Percent Decrease in Tax Rate[12]

	Owners	Percent New	Per Capita Tax
Initial	892	24.6	93.8
After Decrease	903	25.8	88.3
Percent Change	+1.23	+4.9	-5.7

Several warnings are in order:

1. Not all the variation is explained by the regression equations and, as a result the predicted value of the dependent variables for some counties differs considerably from the actual values. The result for the Percent New are the most reliable as shown by the values of R^2 and the standard errors of estimate.

2. The estimates of the changes are based on linear equations. This means that the predicted changes resulting from a given mill rate change are the same in dollar amounts in every county but the percentages will be different (and probably unrealistic) for counties with very high or low tax rates.

3. These calculations are based upon *registration* data. To the extent that the county to county variations in registration result in evasion of the tax by

[12]*Calculated from multiple regression equations. Mean values of all variables used for initial calculations. Tax rate was then reduced by ten percent.*

registering in a low tax county the *statewide* impact of a change in tax rates will be less than estimated.

4. The data tells us nothing about the timing of the changes. Undoubtedly it would take several years for any change in the tax rate to be fully reflected in vehicle ownership patterns.

Regression Analysis of National Data

This analysis is similar to the analysis of county data in the preceding section. While Kansas county data were fairly comprehensive, available national data provide little more than numbers of vehicles owned and tax collections. In the Kansas analysis, the county tax rate was an accurate measure of the variation in the taxes imposed on vehicles, and tax collections per capita is an accurate measure of the taxes actually collected in each county. For the national analysis, the tax data used is the tax burden imposed (minus motor fuel taxes) on a family living in a major city with a $50,000 income as computed in the Washington, D.C. study.

The validity of these figures as a representation of vehicle taxes imposed in the state probably varies. Also, the data do not permit the separation of the "tax rate" effect from "tax collections" as was possible in the Kansas study. The independent variables used are the same, except that Miles of Road per 1,000 Population was added as an independent variable. It turned out to be a much more appropriate measure of geographic factors affecting motor vehicle ownership than Population per Square Mile.[13]

Regressing all four independent variables against the variable, Vehicles Per 1,000 Population produced an R^2 of .4538 but only the variable, Miles of Road per 1,000 Population was statistically significant. It appears from this analysis that geographic factors are the major determinants of vehicle ownership. Sparsity of population is related to the ownership of vehicles. Economic factors such as income and level of taxation do not appear to be of great importance.

Table 11 on Page 27 shows the results when Percent New is the dependent variable. The value of regression coefficient is very similar, but three variables are statistically significant. Miles of Roads per 1,000 Population is the most important variable and is negatively related to the percent of vehicles that are less than five years old. The Tax variable is the next most important

---

[13]*Preliminary analysis proved this variable to be much more useful. It is more logical and avoids the distortions caused by large quantities of uninhabited land. For example, the population per square mile in Alaska is extremely low and far outside the range in other state. However, the Miles of Road per 1,000 Population is well within the range of values found in other states.*

and is also negatively related to the percent of newer vehicles. Per Capita Income is positively related to the ownership of new vehicles.

Table 11: National Data Regression With Percent New Variable

Table 11

Dependent Variable = Percent New
R = .6658 R^2 = .4433
Mean value of Dependent Variable = 24.094
Standard Error of Estimate = 2.1426

	Beta Coefficients:
Tax	-0.2870
Per Capita Income	0.2699
Miles of Roads per 1,000 Population	-0.3909

These results are weaker than the results obtained from regression analysis of Kansas county data. This is probably due to the weakness of the Tax variable and probably due to the greater variations in the factors affecting vehicle ownership that are found in the national arena. However, the general conclusions are consistent with those from the Kansas county study and add weight to the conclusions from that study. It seems clear from both analyses that the number of motor vehicles owned is largely a function of geographic and demographic factors. Undoubtedly this reflects differences in the need for automobiles in, for example, cities with public transport, or rural areas with no public transport and a greater need for privately provided transportation of people and goods. On the other hand, economic factors, here represented by taxation and per capita income, have a significant effect on the age of vehicles owned. If incomes are high and tax low, people will own newer vehicles.

Summary

We are not able to measure precisely the effect that reducing the personal property taxation on motor vehicles in Kansas would have. However, there is support for the idea that reducing the tax would result, over time, in a small increase in the total number of vehicles owned and a substantial increase in the number of newer vehicles owned. Vehicle property tax collections would decline by a substantially smaller percentage than the tax rate is decreased. There would also be an increase in sales taxes collected on the sale of vehicles as owners traded up to newer vehicles.

10-31

PREPARED FOR: THE WICHITA STATE UNIVERSITY
Vehicles in Operation as of July 1, 1993 - State Summary
Passenger Car and Light Truck Counts by Year Model

	TYPE	TOTAL	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978 & OLDER	UNKNOW
MA	PC	1,957,593	95	73,888	122,458	122,017	121,205	138,321	147,885	147,632	152,962	145,927	132,860	92,436	73,148	72,243	65,239	80,180	268,986	111
	LT	1,064,756	240	56,453	71,118	66,844	60,796	74,202	79,600	72,382	79,954	65,437	57,199	38,296	30,613	27,514	26,058	43,679	214,383	8
ALABAMA Total		**3,022,349**	**335**	**130,341**	**193,576**	**188,861**	**182,001**	**212,523**	**227,485**	**220,014**	**232,916**	**211,364**	**190,059**	**130,732**	**103,761**	**99,757**	**91,297**	**123,859**	**483,369**	**119**
ALASKA	PC	176,689	9	6,910	9,333	11,738	14,916	12,204	12,091	10,309	10,806	12,813	13,099	10,486	9,714	8,737	6,467	5,191	21,862	4
	LT	204,255	18	9,353	13,070	15,200	16,434	13,475	10,808	9,472	12,595	14,041	14,497	10,143	7,715	6,767	4,856	7,386	38,424	1
ALASKA Total		**380,944**	**27**	**16,263**	**22,403**	**26,938**	**31,350**	**25,679**	**22,899**	**19,781**	**23,401**	**26,854**	**27,596**	**20,629**	**17,429**	**15,504**	**11,323**	**12,577**	**60,286**	**5**
ARIZONA	PC	1,639,281	100	113,216	111,194	98,111	98,064	108,405	106,957	107,620	113,172	109,077	95,481	65,983	58,686	56,567	54,594	61,846	279,951	55
	LT	994,000	94	57,424	67,275	61,427	55,395	67,058	64,421	61,153	76,017	64,948	53,355	31,269	27,403	25,192	22,833	38,944	219,790	2
ARIZONA Total		**2,633,281**	**194**	**170,640**	**178,469**	**159,538**	**153,459**	**175,463**	**171,378**	**168,773**	**189,189**	**174,025**	**148,836**	**97,252**	**86,089**	**81,759**	**77,427**	**100,790**	**499,741**	**57**
ARKANSAS	PC	951,453	57	31,781	66,900	76,981	73,599	78,177	76,415	66,372	68,875	65,427	60,561	44,421	35,993	34,246	27,308	31,918	110,335	87
	LT	726,937	41	38,579	58,602	55,924	49,578	55,497	53,302	40,836	47,157	42,334	39,042	27,409	24,314	20,839	17,790	28,971	128,721	1
ARKANSAS Total		**1,678,390**	**98**	**70,360**	**125,502**	**132,905**	**123,177**	**133,674**	**129,717**	**107,208**	**116,032**	**107,761**	**99,603**	**71,830**	**60,307**	**55,085**	**45,098**	**60,889**	**239,056**	**88**
CALIFORNIA ESTIMATED	PC	14,422,264	707	552,836	763,618	1,064,026	1,000,434	1,066,672	1,132,014	1,071,028	998,393	965,354	864,402	611,415	540,233	478,090	436,566	468,946	2,406,949	581
	LT	6,750,504	1,355	293,591	437,409	494,587	487,072	549,075	509,466	494,193	536,349	419,834	364,816	207,379	178,152	146,716	143,375	215,333	1,271,170	632
CALIFORNIA ESTIMATED Total		**21,172,768**	**2,062**	**846,427**	**1,201,027**	**1,558,613**	**1,487,506**	**1,615,747**	**1,641,480**	**1,565,221**	**1,534,742**	**1,385,188**	**1,229,218**	**818,794**	**718,385**	**624,806**	**579,941**	**684,279**	**3,678,119**	**1,213**
COLORADO	PC	1,634,891	45	62,470	88,897	101,196	103,639	106,450	113,479	109,192	114,051	109,048	102,894	74,399	66,665	66,160	61,116	61,057	294,024	109
	LT	1,054,360	79	51,641	63,499	66,710	61,185	65,720	66,223	58,369	67,228	66,992	63,557	38,389	30,346	29,368	27,546	43,802	253,702	4
COLORADO Total		**2,689,251**	**124**	**114,111**	**152,396**	**167,906**	**164,824**	**172,170**	**179,702**	**167,561**	**181,279**	**176,040**	**166,451**	**112,788**	**97,011**	**95,528**	**88,662**	**104,859**	**547,726**	**113**
CONNECTICUT	PC	1,841,528	98	77,881	118,959	111,065	125,295	145,395	160,565	175,316	167,859	146,106	130,422	88,578	64,870	56,996	51,347	49,872	170,546	358
	LT	529,576	134	31,823	36,252	33,265	35,258	49,097	58,733	54,300	52,171	38,261	30,252	19,018	11,943	10,275	8,708	16,556	43,503	27
CONNECTICUT Total		**2,371,104**	**232**	**109,704**	**155,211**	**144,330**	**160,553**	**194,492**	**219,298**	**229,616**	**220,030**	**184,367**	**160,674**	**107,596**	**76,813**	**67,271**	**60,055**	**66,428**	**214,049**	**385**
DELAWARE	PC	422,106	39	18,942	28,441	28,914	31,525	35,473	35,369	36,506	36,288	31,354	27,674	18,449	14,140	12,675	12,213	12,137	41,919	48
	LT	169,897	32	9,166	13,542	13,203	13,195	15,703	15,003	13,898	13,738	10,046	8,902	5,731	3,956	3,410	3,470	5,668	21,234	0
DELAWARE Total		**592,003**	**71**	**28,108**	**41,983**	**42,117**	**44,720**	**51,176**	**50,372**	**50,404**	**50,026**	**41,400**	**36,576**	**24,180**	**18,096**	**16,085**	**15,683**	**17,805**	**63,153**	**48**
DISTRICT OF COLUMBIA	PC	231,738	29	9,561	14,466	13,683	14,754	15,876	18,174	19,371	17,944	16,968	16,427	13,265	10,802	9,694	7,647	7,953	25,073	51
	LT	31,787	48	2,366	2,626	2,487	2,426	2,697	2,808	2,653	2,364	2,039	1,593	1,046	768	648	564	1,041	3,610	3
DISTRICT OF COLUMBIA Total		**263,525**	**77**	**11,927**	**17,092**	**16,170**	**17,180**	**18,573**	**20,982**	**22,024**	**20,308**	**19,007**	**18,020**	**14,311**	**11,570**	**10,342**	**8,211**	**8,994**	**28,683**	**54**
FLORIDA	PC	7,038,718	907	540,153	540,739	485,928	477,480	550,336	579,350	565,105	551,995	507,757	451,806	312,515	243,454	219,617	191,846	195,142	624,273	315
	LT	2,606,952	1,222	214,014	218,301	191,812	184,300	219,174	221,040	203,459	210,513	164,810	142,710	86,734	66,868	62,780	50,108	80,411	288,695	1
FLORIDA Total		**9,645,670**	**2,129**	**754,167**	**759,040**	**677,740**	**661,780**	**769,510**	**800,390**	**768,564**	**762,508**	**672,567**	**594,516**	**399,249**	**310,322**	**282,397**	**241,954**	**275,553**	**912,968**	**316**
GEORGIA	PC	2,980,166	52	129,740	203,130	178,339	183,696	216,267	228,175	220,775	219,843	213,100	190,231	132,623	100,549	94,645	84,398	95,261	489,030	312
	LT	1,564,492	518	86,213	112,606	90,390	88,671	111,093	114,814	104,116	113,836	94,195	80,994	52,687	39,350	37,458	33,473	54,842	349,224	12
GEORGIA Total		**4,544,658**	**570**	**215,953**	**315,736**	**268,729**	**272,367**	**327,360**	**342,989**	**324,891**	**333,679**	**307,295**	**271,225**	**185,310**	**139,899**	**132,103**	**117,871**	**150,103**	**838,254**	**324**
HAWAII	PC	528,109	23	44,046	35,297	33,116	38,392	40,597	41,899	42,565	38,258	36,702	34,190	24,806	18,291	16,201	15,012	14,596	53,867	251
	LT	247,434	11	13,598	18,684	22,199	20,868	23,187	22,043	21,343	19,512	14,387	13,327	7,987	5,311	5,331	5,759	7,083	26,756	48
HAWAII Total		**775,543**	**34**	**57,644**	**53,981**	**55,315**	**59,260**	**63,784**	**63,942**	**63,908**	**57,770**	**51,089**	**47,517**	**32,793**	**23,602**	**21,532**	**20,771**	**21,679**	**80,623**	**299**
IDAHO	PC	479,669	30	13,167	23,959	28,352	29,253	31,736	32,664	30,206	31,072	29,962	28,516	21,088	19,012	20,368	19,849	20,167	99,993	275
	LT	446,036	32	18,927	24,320	24,621	24,466	27,439	24,373	20,833	25,591	24,175	22,845	14,529	13,018	12,816	11,525	20,833	135,688	5
IDAHO Total		**925,705**	**62**	**32,094**	**48,279**	**52,973**	**53,719**	**59,175**	**57,037**	**51,039**	**56,663**	**54,137**	**51,361**	**35,617**	**32,030**	**33,184**	**31,374**	**41,000**	**235,681**	**280**
ILLINOIS	PC	5,619,554	369	259,582	414,810	437,726	439,336	482,808	486,675	445,939	448,417	416,197	370,863	247,392	185,702	168,878	146,391	174,031	493,925	513
	LT	1,888,369	504	121,544	174,502	172,183	156,547	177,472	172,350	140,189	134,642	110,911	90,082	60,849	43,581	32,684	35,887	72,886	191,505	71
ILLINOIS Total		**7,507,923**	**873**	**381,126**	**589,312**	**609,909**	**595,883**	**660,280**	**659,025**	**586,128**	**583,059**	**527,108**	**460,945**	**308,241**	**229,283**	**201,562**	**182,278**	**246,917**	**685,430**	**584**
INDIANA	PC	2,791,099	796	110,548	162,135	175,044	176,902	209,885	218,368	217,800	237,016	220,877	201,333	129,532	102,863	103,459	88,942	103,614	331,889	97
	LT	1,363,077	695	72,328	91,560	91,122	83,072	103,448	112,115	98,033	100,680	88,699	71,429	47,936	35,449	30,641	28,738	68,149	238,980	3
INDIANA Total		**4,154,176**	**1,491**	**182,876**	**253,695**	**266,166**	**259,974**	**313,333**	**330,483**	**315,833**	**337,696**	**309,576**	**272,762**	**177,468**	**138,312**	**134,100**	**117,680**	**171,763**	**570,869**	**100**
IOWA	PC	1,550,763	100	38,341	82,008	92,509	93,441	104,836	112,632	105,233	108,949	101,751	102,119	74,594	61,850	63,124	57,386	71,102	280,720	68
	LT	833,642	95	33,792	51,521	54,090	51,879	57,737	60,069	46,896	44,935	40,095	42,520	32,709	25,044	21,364	24,160	48,202	198,532	2
IOWA Total		**2,384,405**	**195**	**72,133**	**133,529**	**146,599**	**145,320**	**162,573**	**172,701**	**152,129**	**153,884**	**141,846**	**144,639**	**107,303**	**86,894**	**84,488**	**81,546**	**119,304**	**479,252**	**70**
KANSAS	PC	1,305,842	54	33,383	68,763	79,001	78,025	85,017	89,815	83,444	90,382	89,755	85,068	60,621	54,423	54,474	50,457	59,581	243,061	518
	LT	803,872	67	29,664	47,608	46,776	43,866	49,255	51,731	40,687	47,418	45,758	43,723	31,956	27,806	24,510	24,604	42,085	206,355	3
KANSAS Total		**2,109,714**	**121**	**63,047**	**116,371**	**125,777**	**121,891**	**134,272**	**141,546**	**124,131**	**137,800**	**135,513**	**128,791**	**92,577**	**82,229**	**78,984**	**75,061**	**101,666**	**449,416**	**521**
KY	PC	1,730,198	107	57,121	99,141	108,127	114,098	134,248	139,921	136,038	139,915	130,529	121,142	83,177	65,912	62,963	55,664	68,335	213,713	47
	LT	951,023	295	41,933	55,527	57,634	54,622	69,391	74,900	65,222	70,301	62,356	50,898	35,794	27,986	24,108	23,753	50,401	185,899	3
UCKY Total		**2,681,221**	**402**	**99,054**	**154,668**	**165,761**	**168,720**	**203,639**	**214,821**	**201,260**	**210,216**	**192,885**	**172,040**	**118,971**	**93,898**	**87,071**	**79,417**	**118,736**	**399,612**	**50**

10-38

PREPARED FOR: THE WICHITA STATE UNIVERSITY
Vehicles In Operation as of July 1, 1993 - State Summary
Passenger Car and Light Truck Counts by Year Model

	TYPE	TOTAL	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978 & OLDER	UNKNOWN
LOUISIANA	PC	1,627,464	49	61,416	120,658	128,894	127,645	135,773	134,045	112,305	116,732	122,873	119,204	87,019	83,957	82,274	70,097	79,372	243,382	1,769
	LT	1,132,856	137	54,708	84,977	88,025	79,350	83,451	78,168	58,799	67,927	65,426	63,556	43,862	44,246	43,555	33,509	50,203	192,953	4
LOUISIANA Total		2,760,320	186	116,124	205,635	216,919	206,995	219,224	212,213	171,104	184,659	188,299	182,760	130,881	128,203	125,829	103,606	129,575	436,335	1,773
MAINE	PC	524,467	9	14,804	29,942	31,286	36,057	44,199	51,624	53,366	52,057	45,647	42,119	28,917	19,901	16,344	12,074	11,681	34,315	125
	LT	300,766	27	11,876	18,279	16,195	19,220	26,929	34,691	29,746	28,847	23,117	20,495	12,883	8,714	6,795	5,138	10,287	27,513	14
MAINE Total		825,233	36	26,680	48,221	47,481	55,277	71,128	86,315	83,112	80,904	68,764	62,614	41,800	28,615	23,139	17,212	21,968	61,828	139
MARYLAND	PC	2,366,469	71	98,807	176,257	182,059	196,999	210,757	228,174	227,815	208,613	171,454	149,260	96,149	69,171	59,082	49,809	51,452	190,379	161
	LT	841,798	260	45,442	69,357	67,709	72,624	82,492	84,076	76,979	73,247	52,747	42,989	25,739	17,481	14,442	13,420	23,459	79,329	6
MARYLAND Total		3,208,267	331	144,249	245,614	249,768	269,623	293,249	312,250	304,794	281,860	224,201	192,249	121,888	86,652	73,524	63,229	74,911	269,708	167
MASSACHUSETTS	PC	3,060,909	332	144,344	200,854	183,046	212,054	250,177	288,912	303,687	295,956	255,122	223,830	152,281	111,690	92,974	78,008	76,880	190,471	291
	LT	889,341	479	57,912	64,894	55,503	61,394	84,817	107,857	97,317	90,857	68,902	50,963	29,345	19,128	14,054	11,833	22,579	51,705	2
MASSACHUSETTS Total		3,950,250	811	202,256	265,748	238,549	273,448	334,994	396,769	401,004	386,813	324,024	274,793	181,626	130,818	107,028	89,841	99,459	242,176	293
MICHIGAN	PC	4,654,084	2,617	279,149	347,632	340,178	338,865	378,614	377,221	353,540	406,811	379,496	325,849	205,086	150,041	145,299	123,401	135,975	359,002	5,308
	LT	2,105,192	1,328	162,372	192,517	179,612	163,219	189,008	180,009	154,404	168,529	144,272	108,765	68,106	45,955	36,286	32,024	77,494	201,291	1
MICHIGAN Total		6,759,276	3,945	441,521	540,149	519,790	502,084	567,622	557,230	507,944	575,340	523,768	434,614	273,192	195,996	181,585	155,425	213,469	560,293	5,309
MINNESOTA	PC	2,243,372	128	71,892	122,720	144,562	147,793	164,813	176,624	176,129	178,447	172,559	164,778	110,736	88,906	85,469	78,011	86,790	272,909	106
	LT	1,125,600	164	54,620	81,973	75,451	76,635	87,745	87,581	78,414	78,887	71,148	68,351	41,286	30,312	24,597	26,783	53,930	187,718	5
MINNESOTA Total		3,368,972	292	126,512	204,693	220,013	224,428	252,558	264,205	254,543	257,334	243,707	233,129	152,022	119,218	110,066	104,794	140,720	460,627	111
MISSISSIPPI	PC	1,051,993	34	30,694	59,187	64,652	63,708	74,725	78,083	72,931	77,496	76,924	74,220	55,314	45,601	43,614	38,935	48,905	146,897	73
	LT	647,103	25	30,065	38,758	38,315	36,067	43,531	45,951	38,941	45,186	39,009	37,098	25,072	22,206	21,284	19,599	31,609	134,386	1
MISSISSIPPI Total		1,699,096	59	60,759	97,945	102,967	99,775	118,256	124,034	111,872	122,682	115,933	111,318	80,386	67,807	64,898	58,534	80,514	281,283	74
MISSOURI	PC	2,414,490	210	97,093	157,249	173,138	172,334	187,908	192,418	177,592	186,217	176,546	157,817	107,338	83,429	80,920	71,139	88,001	304,858	285
	LT	1,293,373	269	61,886	93,434	89,333	84,238	95,261	97,602	82,150	89,055	78,559	68,732	47,447	36,601	29,539	31,607	61,768	245,889	3
MISSOURI Total		3,707,863	479	158,979	250,683	262,471	256,572	283,169	290,020	259,742	275,272	255,105	226,549	154,785	120,030	110,459	102,746	149,769	550,747	288
MONTANA	PC	358,967	15	9,207	18,685	21,938	21,772	22,914	23,300	21,341	21,560	22,092	21,165	16,713	14,585	16,136	15,371	15,602	76,550	21
	LT	350,050	25	13,599	18,510	18,043	18,598	19,742	17,778	14,575	18,558	17,582	17,888	12,663	11,056	10,186	10,266	19,946	111,037	0
MONTANA Total		709,017	40	22,806	37,195	39,981	40,370	42,656	41,078	35,916	40,118	39,674	39,053	29,376	25,641	26,322	25,637	35,548	187,587	21
NEBRASKA	PC	766,040	53	19,149	39,735	44,795	47,644	54,190	55,912	52,737	55,401	51,287	50,270	36,651	31,725	32,813	30,245	37,603	145,774	56
	LT	479,061	72	18,424	29,942	28,224	28,270	32,171	31,479	24,894	26,911	25,634	26,364	20,059	15,889	14,453	14,878	27,823	113,570	4
NEBRASKA Total		1,245,101	125	37,573	69,677	73,019	75,914	86,361	87,391	77,631	82,312	76,921	76,634	56,710	47,614	47,266	45,123	65,426	259,344	60
NEVADA	PC	608,963	59	39,224	35,657	37,918	39,329	43,948	42,525	40,007	39,147	38,868	33,783	23,847	21,062	21,173	20,802	24,406	109,066	142
	LT	378,775	85	20,434	24,188	26,416	26,489	28,077	25,589	23,238	26,326	21,556	18,719	11,238	9,783	9,386	8,813	15,648	82,415	375
NEVADA Total		987,738	144	59,658	59,845	64,334	65,818	72,025	68,114	63,245	65,473	60,424	52,502	35,085	30,845	30,559	29,615	40,054	191,481	517
NEW HAMPSHIRE	PC	629,873	29	27,166	44,000	41,582	44,835	54,283	62,501	63,701	58,760	50,535	43,855	29,138	21,929	17,654	13,073	13,857	42,897	78
	LT	295,793	215	16,442	20,317	17,095	18,476	25,803	34,725	32,495	30,112	22,977	17,550	10,510	7,358	5,498	3,888	8,583	23,745	4
NEW HAMPSHIRE Total		925,666	244	43,608	64,317	58,677	63,311	80,086	97,226	96,196	88,872	73,512	61,405	39,648	29,287	23,152	16,961	22,440	66,642	82
NEW JERSEY	PC	4,049,453	761	229,089	319,469	297,316	323,414	341,772	362,375	387,102	360,699	300,822	254,793	168,462	125,368	105,258	95,094	92,539	284,443	677
	LT	1,071,104	655	82,640	93,789	86,393	87,171	103,334	112,473	104,283	94,973	68,672	52,383	30,970	22,042	17,584	17,210	27,480	69,068	4
NEW JERSEY Total		5,120,557	1,416	311,729	413,258	383,709	410,585	445,106	474,848	491,385	455,672	369,494	307,176	199,432	147,410	122,842	112,304	120,019	353,511	681
NEW MEXICO	PC	688,151	32	24,742	37,237	39,606	40,010	44,630	45,676	43,873	45,501	45,330	41,324	31,261	28,999	27,891	25,885	28,833	137,311	10
	LT	555,946	81	26,323	34,687	33,829	30,913	35,700	37,015	31,298	38,336	35,876	31,053	20,502	19,637	16,590	14,589	23,116	126,501	0
NEW MEXICO Total		1,244,097	113	51,065	71,924	73,435	70,923	80,330	82,691	75,171	83,837	81,206	72,377	51,763	48,636	44,481	40,474	51,949	263,812	10
NEW YORK	PC	7,748,745	681	348,864	489,841	478,849	542,229	600,033	645,859	697,167	680,623	621,514	569,380	401,390	315,420	275,287	241,640	231,227	608,130	631
	LT	2,143,653	1,125	132,909	160,208	153,095	157,281	188,985	208,634	193,048	189,319	150,247	122,493	72,991	54,914	43,700	42,526	76,400	195,777	1
NEW YORK Total		9,892,398	1,806	481,773	650,049	631,944	699,510	789,018	854,493	890,215	869,942	771,761	691,873	474,381	370,334	318,987	284,166	307,627	803,907	632
NORTH CAROLINA	PC	3,271,350	207	137,019	214,850	209,705	216,619	260,763	272,805	269,282	262,564	244,153	225,027	155,206	112,376	104,156	92,469	102,820	391,196	133
	LT	1,695,195	596	92,895	113,153	104,896	103,126	133,203	138,488	125,600	126,921	101,997	93,879	60,587	41,811	38,676	36,426	61,780	321,156	5
NORTH CAROLINA Total		4,966,545	803	229,914	328,003	314,601	319,745	393,966	411,293	394,882	389,485	346,150	318,906	215,793	154,187	142,832	128,895	164,600	712,352	138
NORTH DAKOTA	PC	314,228	19	7,965	15,704	19,172	19,163	21,298	21,789	19,766	20,632	21,129	19,593	14,956	13,617	13,902	12,228	14,806	58,445	44
	LT	234,589	7	8,799	12,695	12,385	12,774	13,496	13,108	10,870	12,220	12,413	12,061	9,365	8,932	6,957	7,360	13,618	67,529	0
NORTH DAKOTA Total		548,817	26	16,764	28,399	31,557	31,937	34,794	34,897	30,636	32,852	33,542	31,654	24,321	22,549	20,859	19,588	28,424	125,974	44

10-33

STATE	TYPE	TOTAL	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978 & OLDER	UNKNOWN
	PC	5,789,063	419	210,508	364,582	383,324	403,582	458,159	470,990	456,562	505,468	470,572	423,841	271,066	212,548	208,106	181,450	204,559	563,049	278
	LT	2,183,177	546	109,633	171,017	163,943	149,570	182,098	190,792	166,468	176,640	148,987	113,800	70,812	54,205	46,014	42,349	102,703	293,585	15
…O Total		7,972,240	965	320,141	535,599	547,267	553,152	640,257	661,782	623,030	682,108	619,559	537,641	341,878	266,753	254,120	223,799	307,262	856,634	293
OKLAHOMA	PC	1,400,800	78	44,459	90,883	100,047	96,135	97,448	95,124	82,345	92,732	92,231	86,559	61,702	65,537	60,325	48,763	55,738	230,643	51
	LT	1,018,553	184	44,564	67,671	68,450	60,752	66,556	64,616	47,015	58,153	57,198	52,847	37,113	47,453	38,790	28,705	46,570	231,915	1
OKLAHOMA Total		2,419,353	262	89,023	158,554	168,497	156,887	164,004	159,740	129,360	150,885	149,429	139,406	98,815	112,990	99,115	77,468	102,308	462,558	52
OREGON	PC	1,488,257	57	49,530	77,506	85,710	86,909	90,575	97,614	91,763	96,884	90,316	88,524	63,255	56,480	60,550	63,247	61,317	327,979	241
	LT	1,055,215	96	45,986	60,147	60,932	61,210	67,334	60,896	55,063	64,936	55,499	54,199	32,875	26,851	26,257	26,634	43,378	312,919	3
OREGON Total		2,543,472	153	95,516	137,653	146,642	148,119	157,909	158,510	146,826	161,820	145,815	142,723	96,130	83,331	86,807	89,881	104,695	640,898	244
PENNSYLVANIA	PC	5,877,573	346	240,066	390,471	394,939	420,093	459,745	488,791	494,181	489,238	434,227	405,300	266,775	215,498	200,136	180,325	176,692	603,302	17,468
	LT	2,002,291	741	118,161	154,668	152,045	145,295	170,139	179,525	162,560	159,448	129,122	108,658	64,203	49,215	41,402	43,412	82,557	240,406	734
PENNSYLVANIA Total		7,879,864	1,087	358,227	545,139	546,984	565,388	629,884	668,316	656,721	648,686	563,349	513,958	330,978	264,713	241,538	223,737	259,249	843,708	18,202
RHODE ISLAND	PC	531,345	40	20,858	28,762	28,151	32,038	38,826	42,402	45,880	46,710	42,895	40,370	29,461	24,547	21,777	19,040	18,420	50,366	802
	LT	139,159	101	7,427	8,791	7,698	8,760	11,973	14,941	14,489	13,533	10,282	8,820	5,298	3,560	2,859	2,403	4,854	13,370	0
RHODE ISLAND Total		670,504	141	28,285	37,553	35,849	40,798	50,799	57,343	60,369	60,243	53,177	49,190	34,759	28,107	24,636	21,443	23,274	63,736	802
SOUTH CAROLINA	PC	1,713,341	83	63,301	106,725	107,270	115,363	131,826	135,335	135,397	135,581	130,448	121,603	82,834	61,461	58,786	52,422	58,833	215,972	101
	LT	829,002	135	43,340	55,222	54,909	55,796	62,195	63,935	58,061	60,306	50,585	45,852	28,861	20,643	20,130	18,387	29,958	160,680	7
SOUTH CAROLINA Total		2,542,343	218	106,641	161,947	162,179	171,159	194,021	199,270	193,458	195,887	181,033	167,455	111,695	82,104	78,916	70,809	88,791	376,652	108
SOUTH DAKOTA	PC	355,450	23	13,137	18,985	20,550	20,964	22,904	24,022	23,101	23,349	22,235	21,891	16,305	13,930	14,944	14,425	16,541	68,133	11
	LT	256,524	10	10,799	15,032	14,369	14,236	15,386	15,098	12,402	13,277	12,850	13,337	9,843	7,689	6,802	7,745	14,942	72,706	1
SOUTH DAKOTA Total		611,974	33	23,936	34,017	34,919	35,200	38,290	39,120	35,503	36,626	35,085	35,228	26,148	21,619	21,746	22,170	31,483	140,839	12
TENNESSEE	PC	2,484,131	253	118,659	165,530	158,842	155,213	183,424	192,321	187,106	181,935	169,732	159,192	112,347	90,468	86,705	79,444	95,742	347,127	91
	LT	1,270,232	591	80,222	86,034	78,975	71,782	89,684	94,677	84,492	89,212	73,058	64,078	43,732	33,894	30,190	29,725	55,194	264,688	4
TENNESSEE Total		3,754,363	844	198,881	251,564	237,817	226,995	273,108	286,998	271,598	271,147	242,790	223,270	156,079	124,362	116,895	109,169	150,936	611,815	95
TEXAS	PC	7,319,635	269	316,570	507,699	543,882	536,206	554,719	545,673	496,212	519,339	532,679	487,973	341,848	318,906	289,597	231,384	253,419	843,110	150
	LT	4,587,525	701	261,112	389,256	374,729	334,203	356,883	330,267	266,333	312,511	298,421	274,307	172,564	182,477	150,432	102,855	150,112	630,362	0
TEXAS Total		11,907,160	970	577,682	896,955	918,611	870,409	911,602	875,940	762,545	831,850	831,100	762,280	514,412	501,383	440,029	334,239	403,531	1,473,472	150
UTAH	PC	707,285	13	23,351	40,064	47,761	50,134	53,205	55,876	49,569	51,829	47,193	45,791	31,564	28,943	27,539	26,509	27,527	100,353	64
	LT	474,082	93	21,295	27,414	30,205	29,406	32,985	29,740	27,002	33,192	30,509	27,878	15,540	14,711	12,309	10,854	19,559	111,390	0
UTAH Total		1,181,367	106	44,646	67,478	77,966	79,540	86,190	85,616	76,571	85,021	77,702	73,669	47,104	43,654	39,848	37,363	47,086	211,743	64
VERMONT	PC	284,088	12	12,227	20,912	20,253	21,546	26,037	28,324	29,198	26,588	22,612	19,540	12,337	9,115	6,794	5,276	4,880	18,404	35
	LT	159,616	60	9,143	11,249	10,457	10,797	14,435	17,601	16,007	15,520	12,167	9,924	5,699	3,862	2,926	2,431	4,430	12,907	1
VERMONT Total		443,704	72	21,370	32,161	30,710	32,343	40,472	45,925	45,205	42,108	34,779	29,464	18,036	12,977	9,720	7,707	9,310	31,311	36
VIRGINIA	PC	3,327,197	274	155,793	209,716	213,086	226,331	260,282	282,280	290,567	280,877	249,250	225,379	154,454	118,684	107,150	90,961	95,392	366,434	287
	LT	1,479,864	379	77,211	96,972	94,656	100,324	121,131	130,707	122,408	119,786	93,079	81,593	51,477	36,107	31,178	29,418	52,641	240,792	5
VIRGINIA Total		4,807,061	653	233,004	306,688	307,742	326,655	381,413	412,987	412,975	400,663	342,329	306,972	205,931	154,791	138,328	120,379	148,033	607,226	292
WASHINGTON	PC	2,440,451	73	57,690	110,703	141,898	147,985	150,664	157,917	159,525	160,031	155,838	149,252	106,764	95,532	103,008	103,535	108,267	525,748	6,021
	LT	1,503,352	111	60,272	83,433	92,145	89,827	95,285	85,862	83,976	92,645	80,609	75,545	46,573	37,938	39,925	38,768	66,638	433,786	14
WASHINGTON Total		3,943,803	184	117,962	194,136	234,043	237,812	245,949	243,779	243,501	252,676	236,447	224,797	153,337	133,470	142,933	142,303	174,905	959,534	6,035
WEST VIRGINIA	PC	779,815	23	25,736	53,579	59,513	57,528	63,872	66,799	61,681	63,761	57,809	54,849	35,624	29,330	27,602	24,673	24,123	73,229	84
	LT	473,807	44	21,499	32,952	35,274	30,257	34,968	37,939	32,492	36,945	33,682	27,135	17,003	13,984	11,759	12,002	24,638	71,232	2
WEST VIRGINIA Total		1,253,622	67	47,235	86,531	94,787	87,785	98,840	104,738	94,173	100,706	91,491	81,984	52,627	43,314	39,361	36,675	48,761	144,461	86
WISCONSIN	PC	2,472,860	133	86,657	155,716	174,846	175,609	196,018	198,379	194,418	202,435	191,112	183,574	122,776	94,440	91,481	82,501	91,999	230,730	36
	LT	1,170,362	236	65,734	95,562	91,157	90,066	100,224	95,658	84,978	85,130	71,734	64,488	41,106	28,840	23,685	26,778	52,805	152,179	2
WISCONSIN Total		3,643,222	369	152,391	251,278	266,003	265,675	296,242	294,037	279,396	287,565	262,846	248,062	163,882	123,280	115,166	109,279	144,804	382,909	38
WYOMING	PC	183,428	13	6,086	11,324	11,637	11,529	12,019	11,864	10,718	10,697	10,352	9,750	7,448	7,412	7,815	4,715	5,199	24,848	20,002
	LT	199,910	21	9,690	13,957	13,111	12,585	12,941	12,001	8,996	11,832	12,085	11,207	7,269	7,273	7,062	5,110	9,165	42,568	3,037
WYOMING Total		383,338	34	15,776	25,281	24,748	24,114	24,960	23,865	19,714	22,529	22,437	20,957	14,717	14,685	14,877	9,825	14,364	67,416	23,039
US SUMMARY	PC	121,055,398	11,032	5,258,818	7,739,082	8,176,278	8,361,689	9,253,223	9,686,002	9,471,195	9,500,664	8,862,556	8,068,743	5,542,802	4,506,915	4,191,678	3,709,393	4,020,328	14,635,568	59,432
	LT	56,573,835	15,079	3,059,843	4,077,077	3,994,048	3,830,341	4,438,682	4,473,276	3,967,807	4,204,278	3,539,319	3,078,748	1,942,454	1,584,290	1,367,723	1,250,432	2,212,139	9,533,218	5,081
US SUMMARY Grand Total		177,629,233	26,111	8,318,661	11,816,159	12,170,326	12,192,030	13,691,905	14,159,278	13,439,002	13,704,942	12,401,875	11,147,491	7,485,256	6,091,205	5,559,401	4,959,825	6,232,467	24,168,786	64,513

KANSAS TAXPAYERS NETWORK
P.O. Box 20050
Wichita, KS 67208
316-684-0082

www2.southwind.net/~ktn

January 21, 1999

Testimony to House Taxation Committee Supporting H.B 2030 & H.B. 2036

By Karl Peterjohn, Exec. Dir.

The Kansas Taxpayers Network (KTN) strongly supports cutting property taxes. Both H.B. 2030 and 2036 would reduce and eventually eliminate the property tax on motor vehicles and provide broadbased tax relief that would help continue stimulating economic growth in this state.

KTN's support is qualified for different reasons on both bills.

H.B. 2030 has the advantage of providing meaningful new tax cuts this year, while the state is enjoying substantial increases in revenue. The state General Fund ended the last fiscal year with a record level exceeding $753 million. H.B. 2030 would also guarantee that this important promise stated by the governor, "I promised the people of Kansas an end to the property taxes they pay every year on cars and trucks...."

However H.B. 2030 would not provide this tax cut at the time the vehicles are registered but would provide a personal income tax credit when the state personal income tax was filed. This disadvantage appears to create another advantage to Kansas taxpayers. Since the property tax is still paid, this would remain as a deduction for the Kansans who itemize their property taxes on their federal income tax forms.

Another advantage to this proposal is that it would complete this tax cut during the governor's second term in office. KTN is strongly in support of the governor's statement, "Taxes are too high and they must be reduced." KTN also agrees that this is, "a top priority."

Governor Graves proposal in H.B. 2036 would eventually provide property tax relief when Kansans pay their registration taxes. The qualification KTN has on this bill is the fact that it will not be completed until FY 2004 which extends past Governor Graves second term. If this is the only tax bill enacted this year the average Kansan will not see any new tax relief this year. KTN strongly urges this committee to pass property tax cutting legislation in 1999 so this can be achieved within four years.

Both bills seek to achieve the same objective but are quite different in how this tax cut would occur and how it would be administered at the state and local levels. KTN supports simplicity within all Kansas taxes which makes it easier for the average Kansan to understand state taxes and urges this committee to view both bills from this perspective.

Since the Kansas state treasury has regularly been exceeding estimates: the fact that Kansas remains as the high tax point in this region; there are over 30 states looking at cutting taxes this year; KTN strongly urges this committee to approve a substantial and broadbased tax cut in 1999 to continue the economic success this state has enjoyed in the last five years.

House Taxation
1-21-99
Attachment 11

Kansas Farm Bureau

PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON TAXATION

RE: HB 2036 – Motor vehicle tax reduction.
HB 2030 – Income tax credit for motor vehicle taxes paid.

January 21, 1999
Topeka, Kansas

Prepared by:
Bill R. Fuller, Associate Director
Public Affairs Division
Kansas Farm Bureau

Chairman Adkins and members of the House Committee on Taxation, we certainly appreciate this opportunity to present the policy positions on tax reductions for our farm and ranch members. My name is Bill Fuller and I serve as the Associate Director of the Public Affairs Division at Kansas Farm Bureau.

The 435 Voting Delegates representing all 105 county Farm Bureaus at the 80th Annual Meeting of Kansas Farm Bureau approved a number of positions on taxation:

- ***We strongly support reducing the reliance on the property tax. We likewise support increasing reliance on sales and income taxes for the support of state and local governmental units.***
- ***The state property tax for school finance should continue to be phased-out. We support replacement of those property tax revenues by increasing reliance on sales and income tax revenues.***
- ***All citizens are consumers of food and are uniformly taxed on the food they purchase. We oppose legislation to totally exempt food from the state sales tax.***

House Taxation
1-21-99
Attachment 12

It is important that all tax reduction proposals be examined at the beginning of this 1999 legislative session. We ask that the recommendations of Kansas Farm Bureau be considered as the House, Senate and Governor work together to develop an acceptable plan.

The two bills under consideration today reduce the reliance on the property tax. HB 2036 reduces the reliance on the property tax by replacing the revenues with mostly state collected sales and income taxes. HB 2030 allows an income tax credit against the property tax levied on motor vehicles. Both bills, including any plan to further phase-down the statewide school property tax, meet the criteria outlined in the member-adopted Farm Bureau policy

Thank you for this opportunity to present the views of the members of Kansas Farm Bureau as you begin the task of developing a tax reduction package. We will respond to any questions you may have.

City of Olathe

MEMORANDUM

TO: Members of the House Taxation Committee

FROM: Donald R. Seifert, Management Services Director DRS

SUBJECT: **HB 2030** and **HB 2036**; Motor Vehicle Tax Bills

DATE: January 21, 1999

On behalf of the city of Olathe, thank you for the opportunity to offer some general comments on the two motor vehicle tax bills currently before the committee. This topic has been discussed in the Legislature for many years. The city has appeared many times on this issue to express concern about loss of local revenue. The city generally supported the permanent lowering of vehicle taxes enacted in 1995 because it preserved the local tax collection system, provided for a gradual phase-in period for the lowering of assessment rates, and provided the opportunity for local revenue growth.

Although nobody likes it, the motor vehicle tax is a very important revenue source for local government operations, raising some $300 million statewide. For the city of Olathe, 1999 motor vehicle tax revenues are expected to be approximately $2.25 million, or 15% of the property tax revenue that supports the city's library, debt service, and general operating funds. Outside of sales, property, and franchise taxes, the motor vehicle tax is the largest single revenue source in the city's budget. The city's principal concern with all previous efforts to reform the motor vehicle tax system is that it generally carried a hefty price in terms of lost revenue for local government. This led to corresponding pressure on the general property tax.

There are currently two motor vehicle tax bills before this committee. **HB 2030** provides for a refundable income tax credit for the motor vehicle tax paid by a taxpayer. This credit would be fully implemented over a four-year period. If the Legislature wishes to change the system, the city supports the concept of this bill because it is simple to understand, fully maintains the existing revenue source, and provides for growth as additional vehicles are registered. **HB 2030** also clearly defines that the state, and not units of local government, will ultimately bear the cost of this tax relief.

HB 2036, the other bill before the committee, is proposed by the Governor to continue the step down reduction in motor vehicle assessment rates for an additional four years until the tax is totally phased out during calendar year 2003. This bill provides for a somewhat cumbersome calculation of tax under the 1995 formula, and transfer of an equal amount of replacement revenue to units of local government. The city applauds this effort to fully refund the loss to local units. However, we are very concerned about the state's long term willingness and ability to continually make up that lost revenue. Our lengthy experience with the capping of state aid transfers makes us uncomfortable with the language in **HB 2036**.

In summary, the city applauds the Legislature and Governor for continued efforts to improve the motor vehicle tax system. From the perspective of local government, both of these bills are superior to most previous legislative initiatives. However, the city has generally adjusted to the 1995 change, and is equally comfortable with current law. As you discuss these bills, we ask you to consider language that will truly hold cities harmless from loss in this vital revenue source. Thank you again for the opportunity to comment.

House Taxation
1-21-99
Attachment 13

Johnson County
Kansas

JANUARY 21, 1999

HOUSE TAXATION COMMITTEE

HEARING ON HOUSE BILL 2030

TESTIMONY OF DANA FENTON, INTERGOVERNMENTAL RELATIONS COORDINATOR, JOHNSON COUNTY BOARD OF COMMISSIONERS

Mister Chairman, members of the Committee, my name is Dana Fenton, Intergovernmental Relations Coordinator for the Johnson County Board of Commissioners. I am appearing today to comment on HB 2030.

As you have heard from others today, the motor vehicle tax is important to local governments. In Johnson County, over $10 million of motor vehicle tax will be collected on behalf of the County Government. For the entire spectrum of local governments in Johnson County, $58.6 million will be collected.

Of the two motor vehicle tax proposals being heard today, HB 2030 offers the most reasonable long-term assurance to local governments. The State would be less apt to reduce the size of an income tax credit than reduce the size of a revenue transfer for local governments. The objective of protecting the long-term revenue stream generated by the motor vehicle tax would be accomplished through HB 2030.

Thank you for your time and I will stand for questions.

House Taxation
1-21-99

Attachment 14

JANUARY 21, 1999

HOUSE TAXATION COMMITTEE

HEARING ON HOUSE BILL 2036

TESTIMONY OF DANA FENTON, INTERGOVERNMENTAL RELATIONS COORDINATOR, JOHNSON COUNTY BOARD OF COMMISSIONERS

Mister Chairman, members of the Committee, my name is Dana Fenton, Intergovernmental Relations Coordinator for the Johnson County Board of Commissioners. I am appearing today to comment on HB 2036.

In 1995, local governments supported the efforts of the State to cut the motor vehicle tax without an alternative source of revenue to make up the difference. I am pleased to report that the Johnson County Government did not have to resort to real property tax increases to make up the difference. In fact, the Johnson County Government has been able to reduce its mill levy for the effects of reappraisal of real properties in each of the four years the current motor vehicle tax cut phase-in has been in effect.

In 1999, local governments are justifiably concerned about HB 2036. Although this bill makes up the loss of the motor vehicle tax revenue through a dynamic revenue transfer, there is not a mechanism to inhibit the State from reducing the size of the revenue transfer. This situation concerns local governments throughout the State including Johnson County.

This year, Johnson County is projecting to collect $10 million of motor vehicle tax in support of countywide programs. Another $2.8 million of motor vehicle tax is projected to be collected to support parks and library programs. If the motor vehicle tax had been abolished without an alternative source of revenue for 1999, no doubt a large portion of the $12.8 million would have been shifted to the real property tax.

When considering all governmental entities -- cities, school districts, community college, county, etc. -- the gap would have been even greater. The Johnson County Treasurer projected it will collect $58.6 million of motor vehicle tax on behalf of all governmental entities in 1999. This is the equivalent of 14 mills of real property tax.

The County appreciates the goal of keeping local governments whole if the tax is abolished. At the same time, we are concerned about the temptation to reduce the size and scope of transfers including the one proposed in HB 2036.

Thank you for your time and I will stand for questions.

HOUSE TAXATION
1-21-99

Attachment 15