

Approved: March 22, 1999
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson David Adkins at 9:00 a.m. on February 10, 1999 in Room 519-S of the Capitol.

All members were present except: Rep. Gatewood - excused
 Rep. Howell - excused
 Rep. Johnston - excused

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 Tim Carmody
 Randy Hearrell, Executive Director, Kansas Judicial Center
 Jim Wiesgerber, Member, Judicial Council, Estate Tax Advisory Committee
 Austin Nothern, Member, Kansas Bar Association
 Representative Shari Weber
 Larry Bachura, City of Council Grove
 Clint Anderson, County Appraiser for Morris and Marian Counties
 Paul Welcome, Office of the Johnson County Appraiser (written)
 Mark Beck, Property Valuation, Department of Revenue
 Representative Bonnie Sharp
 Jerri Ruiz, PTA State Treasurer

Others attending: See attached list.

The Chairman opened the public hearing on:

HB 2158 - Kansas estate tax act

The Fiscal Note was distributed for **HB 2158** (Attachment 1).

The Chairman introduced Representative Tim Carmody who was instrumental in the multi-year effort in which the Kansas inheritance tax was converted to an estate tax. Representative Carmody explained that last year the Legislature passed the Kansas estate act which replaced an inheritance tax law that had been on the books since 1915. He noted that the concept changed from taxing the beneficiaries of an estate of a decedent to taxing the estate itself and they tied it into the federal estate tax. He explained that after that bill was passed, several questions were raised by practitioners in the field so the Kansas Judicial Council formed an Ad Hoc Committee which he was asked to chair. Representative Carmody noted that in two meetings they were able to address the issues that were there, and as a result of that committee, **HB 2158** is before the Taxation Committee. He explained the main points in the bill.

Proponents:

The Chairman introduced Randy Hearrell, Executive Director, Kansas Judicial Council, who introduced Jim Wiesgerber, Proponent, Member, Judicial Council, Estate Tax Advisory Committee (Attachment 2). The Chairman noted that in Mr. Wiesgerber's testimony there were suggestions that there might be additional amendments to the bill. The Chairman requested that Mr. Hearrell coordinate with Mr. Weisgerber, Representative Carmody and the Revisor to get a balloon if there is to be one.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on February 10, 1999.

The Chairman introduced Austin Nothern, Proponent, Member, Kansas Bar Association (Attachment 3).

Questions and discussion followed.

The Chairman closed the public hearing on **HB 2158**.

The Chairman opened the public hearing on:

HB 2180 - Property valuation notice recipients

The Chairman introduced Representative Shari Weber, Proponent and sponsor of the bill (Attachment 4). Representative Weber explained the Kansas County Appraisers Association suggested that the words "government owned" should replace the word city in KSA 79-412 which would allow a city, county, or the state to have the property tax valuation notification provision as noted in her testimony.

The Chairman introduced Larry Bachura, Proponent, and City Administrator of Council Grove (Attachment 5). Mr. Bachura indicated that he agreed with what Representative Weber mentioned regarding KSA 79-412 and to make that change.

The Chairman introduced Clint Anderson, Proponent, County Appraiser for Morris and Marion counties (Attachment 6). Mr. Anderson also distributed copies of the members of the Estate Tax Advisory Committee (Attachment 7). Mr. Anderson requested attention be given to other issues he addressed in his testimony concerning leased property.

Written testimony:

Paul Welcome, Proponent, Office of the Johnson County Appraiser, on behalf of the Kansas County Appraisers Association, submitted written testimony (Attachment 8). Amendments were indicated in his testimony.

The Chairman recognized Mark Beck, Director of Property Valuation Division, Kansas Department of Revenue. Mr. Beck indicated that some of the issues that came up the day before and in the testimony, and they were not able to get language to address all the issues. Mr. Beck noted that he is present at the request of Representative Weber to say that he will work with all the parties involved and the Revisor to address the issues that have come before the committee during the testimony. The Chairman requested that Mr. Beck coordinate with the others to draw up a balloon. No written testimony was submitted.

Questions and discussion followed testimony.

The Chairman closed the public hearing on **HB 2180**.

The Chairman opened the public hearing on:

HB 2189 - PTO and PTA sales tax exemption; sales of services

The Fiscal Note was distributed for **HB 2189** (Attachment 9).

The Chairman introduced Representative Bonnie Sharp, Proponent and co-sponsor of the bill (Attachment 10).

The Chairman introduced Jerri Ruiz, Proponent, PTA State Treasurer (Attachment 11).

Questions and discussion followed testimony.

The Chairman closed the public hearing on **HB 2189**.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on February 10, 1999.

The Chairman opened the meeting to bill introductions.

The Chairman recognized Representative Wilk who made a motion, and seconded by Representative Aurand, to request a bill concerning the civil service act, pilot programs. Motion carried.

The meeting was adjourned at 10:20 a.m.

The next meeting is scheduled for February 11, 1999.

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

February 9, 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 2158 by House Committee on Judiciary

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2158 is respectfully submitted to your committee.

HB 2158 would make changes to the Kansas Estate Tax Act. The bill would allow the personal representative of a decedent's estate to obtain a determination from the state's Director of Taxation that the estate owes no tax by filing a non-taxable return. HB 2158 would eliminate the general lien now placed on the assets of an estate. Under the estate tax, those who are to receive property from the estate are held liable for the tax. The bill would require the personal representative to provide a copy of the closing letter to the district court or register of deeds and relieves the Director of Taxation of that responsibility. District courts would no longer have to make a finding that all estate taxes have been paid before accepting a final accounting of the estate from the personal representative. The interest rate paid on refunds for overpayment of estate taxes would be the same as that used for other state tax refunds, rather than the 12.0 percent in current law. The bill would clarify and provide direction on how the assets of an estate are to be distributed among the recipients.

The Department of Revenue reports that passage of HB 2158 would not affect state revenues or expenditures.

Sincerely,

Handwritten signature of Duane A. Goossen in cursive.

Duane A. Goossen
Director of the Budget

cc: Lynn Robinson, Revenue

HOUSE TAXATION
2-10-99
Attachment 1

**Testimony Of Jim Weisgerber
For The
Estate Tax Advisory Committee of the Kansas Judicial Council
And The
Kansas Department of Revenue
In Support Of House Bill 2158b
Before the House Taxation Committee
Wednesday, February 10, 1999**

For many years, the state of Kansas imposed an inheritance tax on the transfer of property at the time of death. Then, during the 1998 Legislative Session, Senate Bill 493 was passed. This legislation repealed the inheritance tax and replaced it with an estate tax, known as a "pick-up" tax, for estate's of decedents dying on or after July 1, 1998.

In July of 1998, the Kansas Judicial Council created the Estate Tax Advisory Committee as a sub-committee of their Probate Committee. Mr. Randy Hearrell, Executive Director of the Kansas Judicial Council, noted in a July 1, 1998, letter to members of the Advisory Committee that the Committee was established, "for the purpose of reviewing the recently enacted Kansas estate tax legislation." He went on to note, "[t]he Committee will assist in the implementation of that legislation by bringing together persons from a number of disciplines and points of view to consider questions or problems that may arise with regard to the legislation. The Advisory Committee will also provide input on forms, rules and regulations and, if needed, would prepare legislation for the 1999 legislative session."

Members of the Advisory Committee appointed by the Judicial Council included attorneys with expertise in the area, a probate division judge, a CPA, a representative of the Title Standards Committee and the title insurance industry, a legislator, a representative of the Kansas Bar Association, a representative of the Kansas Department of Revenue, a representative of the Internal Revenue Service, and a bank trust officer with expertise in Missouri (which has had a "pick-up" tax for some time).

The Advisory Committee met in July and September for discussion and to review the work of members done outside Committee meetings. Topics discussed by the Committee included:

- Tax liens
- Connections to probate law
- Generation skipping transfer tax
- Gift tax
- Basis in property for income tax purposes
- Recaptures
- Reference to Internal Revenue Code provisions
- Equitable apportionment

*HOUSE TAXATION
2-10-99
ATTACHMENT 2*

During its review, the Advisory Committee determined there was no need for change with regard to:

- Generation skipping transfer tax
- Gift tax
- Basis in property for income tax purposes
- Recaptures

The Advisory Committee's work did, however, include a recommendation for legislative change with regard to:

- Tax liens
- Connections to probate law
- Reference to Internal Revenue Code provisions
- Equitable apportionment

These recommendations were submitted to, and approved by, the Kansas Judicial Council. They are found in House Bill 2158b.

Tax Liens / Connections to Probate Law

A primary purpose of the Bill is to repeal the estate tax lien [Section 4 which amends K.S.A. 79-15,107] and to repeal a provision which requires the district court to find that all estate taxes have been paid prior to accepting the personal representative's final accounting [Section 12 which repeals K.S.A. 79-15,110]. The effect would be to virtually eliminate the need for a non-taxable estate to file a return (since there would be no tax reason and almost no practical reason to do so). As a result, approximately 10,000 non-taxable returns (based on inheritance tax experience where roughly 90% of the approximately 12,000 returns filed annually are non-taxable) which are filed each year would no longer be necessary. Obviously, this would result in savings for both the state and the estate.

From the Department of Revenue's perspective, the amendment of K.S.A. 79-15,107 [Section 4] and the repeal of K.S.A. 79-15,110 are the heart of the Bill. The (old) Kansas Inheritance Tax Act imposed tax on estates which were often well below the federal filing threshold. As a result, an inheritance tax lien was necessary to ensure compliance with the Kansas law. Under the new Estate Tax Act, however, the state filing threshold is the same as the federal filing threshold. As a result, compliance is much less of an issue, and repeal of the lien (and the safeguard of having the probate court find that all taxes have been paid before accepting a final accounting) is possible.

Reference to Internal Revenue Code provisions

Though not specifically contained in the Bill, the Committee noted the definition section of the Estate Tax Act [K.S.A. 79-15,101] makes reference to the United States Internal Revenue Code [IRC] as such code exists on December 31, 1997. The Committee suggests that this reference be updated, annually, to ensure continued conformity with the provisions of the IRC on which the Kansas estate tax is based.

Equitable Apportionment

Unlike an inheritance tax, where the burden of tax falls on the recipient of property, the burden of an estate tax falls on the estate per se. As a result, it is necessary for the estate to be able to determine which distributee's shares are responsible for tax and the extent to which they are responsible. And, it is necessary for the estate to know what authority it has to enforce collection or recovery of tax from the various distributees.

The Committee recognized two primary issues with regard to equitable apportionment. First, where should the burden of the tax fall? Second, what remedies should the personal representative have to collect funds to pay the tax; i.e. what rights of recovery?

During its discussions the Committee noted a Kansas Bar Association committee was reviewing these issues. It then appeared the KBA committee might recommend addressing the issues by reference to federal law, or by drafting of new provisions based on the law from other states. The Committee finally determined, however, that it would be appropriate to recommend that federal provisions which relate to the issue be adapted for Kansas purposes. [New Sections 7 through 11]. The Committee believes this approach is desirable since it will give the personal representative of the estate some specific authority to act while the issue is studied further.

Effective Date

During its discussions the Committee noted the changes suggested, especially those which relate to the repeal of the estate tax lien, should be retroactive to the effective date of the Estate Tax Act (July 1, 1998). Though not specifically contained in the Bill, the Committee would suggest this amendment.

Specific Provisions of HB 2158b

Section 1 amends K.S.A. 1998 Supp. 79-15,100 to include reference to new sections 7 through 11.

Section 2 amends K.S.A. 1998 Supp. 79-15,102 to substitute the word "allowable" for the word "allowed", and to strike the phrase "that would otherwise be". This change is a technical correction for purposes of conformity to federal law.

Section 3 amends K.S.A. 1998 Supp. 79-15,103 to provide that the personal representative of a decedent's estate may obtain a determination from the director that no tax exists by filing a non-taxable return. The new language replaces K.S.A. 79-15,104 (to be repealed) which had dealt with the filing of non-taxable returns. Subsection (c) of the section makes a Revisor's change to the reference to K.S.A. 79-2968 for purposes of computing interest.

Section 4 amends K.S.A. 1998 Supp. 79-15,107 to repeal those provisions which impose a general lien on the assets of the estate for purposes of the Kansas estate tax. Instead of a specific lien, the parties enumerated (essentially anyone receiving property from the estate, except a bona fide purchaser) is made personally liable for the tax. The amendments do NOT prohibit the state from imposing a specific lien for collection purposes.

Section 5 amends K.S.A. 1998 Supp. 79-15,109 to provide that closing letters shall be issued to the personal representative of the estate, and repeals those provisions which require the director to forward a copy of the closing letter to either the district court or the register of deeds. As a result of this amendment, the personal representative is responsible for providing copies of closing letters to either the probate court or the register of deeds, if and when required.

This section also relates to the repeal of K.S.A. 1998 Supp. 79-15,110. K.S.A. 1998 Supp. 79-15,110 requires the district court to find that all estate taxes have been paid prior to accepting a final accounting from a personal representative. Experience has shown the Court frequently waives this requirement as a matter of practice. Section 12 of the Bill repeals this statute.

Section 6 amends K.S.A. 1998 Supp. 79-15,113 to provide that interest on refunds shall be paid at the rate prescribed and determined pursuant to K.S.A. 79-2968, rather than at a fixed rate of 12%.

New Sections 7 through 11 all relate to equitable apportionment. They provide direction with regard to how the estate's tax burden shall be apportioned among the recipients of property or assets from the estate.

New Section 7 is an adaptation of IRC § 2205 which relates to an heir's right to reimbursement out of the estate if that part of the estate passing to the heir is used to pay a disproportionately large share of taxes, debts or other charges against the estate.

New Section 8 is an adaptation of IRC § 2206 which relates to the liability of life insurance beneficiaries for estate tax attributable to proceeds they receive.

New Section 9 is an adaptation of IRC § 2207 which relates to the liability of the recipient of property over which the decedent had a power of appointment for estate tax attributable to property they receive.

New Section 10 is an adaptation of IRC § 2207A which relates to the estate's right of recovery of estate taxes paid in the case of certain marital deduction property. This Section contains a technical error on page 6, lines 4 and 5. Reference should only be to subsections (a) and (b). The reference to subsection (c) should be stricken.

New Section 11 is an adaptation of IRC § 2207B which relates to the estate's right of recovery of estate taxes paid on behalf of the recipient of property in which the decedent had retained a life estate.

Section 12 repeals certain provisions, as noted above.

Section 13 makes the act effective from and after its publication in the statute book.

Kansas Department of Revenue Perspective

From the Department of Revenue's perspective, only those provisions which relate to repeal of the estate tax lien and repeal of the requirement that the probate court find that all taxes have been paid before accepting a final accounting will affect the agency, and then only indirectly. Enactment of these provisions will be to allow us to streamline our processing in that approximately 90% of the returns we now receive (or expect to receive) will be eliminated. Therefore, the Department is in support of these provisions.

The other provisions of the Bill will have little or no effect on the Department. Therefore, the Department takes no position with regard to those provisions.



**KANSAS BAR
ASSOCIATION**

1200 SW Harrison St.
P.O. Box 1037
Topeka, Kansas 66601-1037
Telephone (785) 234-5696
FAX (785) 234-3813
Email: ksbar@ink.org

Legislative Testimony

TO: Members, House Tax Committee

FROM: Austin Nothern
Kansas Bar Association

SUBJ: HB 2158

DATE: February 10, 1999

Mr. Chairman.

I am Austin Nothern, a Topeka attorney specializing in estate planning and probate. I am a member of the Judicial Council advisory committee that recommends this bill.

KBA supports this legislation. The primary beneficiaries will be small estates of less than \$650,000.

It is similar to the Missouri estate tax, which then allows practitioners on both sides of the line to be able to better serve Kansas and Missouri consumers with estate planning.

The equitable apportionment is a difficult concept that we in the Bar have been discussing for some time, but we do not yet have answers for you. We want to review it a bit further. There was a recent article in the ABA Probate Section's newsletter on the problems of equitable apportionment of liability for taxes among the heirs.

Thank you.

*HOUSE TAXATION
2-10-99
ATTACHMENT 3*

The Kansas House

REPRESENTATIVE, 68TH DISTRICT
CENTRAL & SE DICKINSON, MORRIS &
NORTHERN LYON COUNTIES

OFFICE: STATE CAPITOL—182-W
TOPEKA, KANSAS 66612
(785) 296-7674

HOME ADDRESS: 934 UNION ROAD
HERINGTON, KANSAS 67449
(785) 258-3526



Representative
Shari Weber

COMMITTEE ASSIGNMENTS

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- SUB-COMMITTEE ON CORRECTIONS AND PUBLIC SAFETY
- SELECT COMMITTEE ON HIGHER EDUCATION
- JOINT COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS

DURING SESSION
LEGISLATIVE HOTLINE
1-800-432-3924

INTERNET E-MAIL rep_shari_weber@mail.ksleg.state.ks.us

February 10, 1999

Thank you, Chairman Adkins, and members of the committee for your time this morning to talk about a resolution to a local concern.

HB 2180 was formulated at the request of the city of Council Grove and the Morris County Commissioners. The bill amends current law regarding property tax valuation notices. The bill would clarify the definition of "taxpayer" in cases where property owned by a city is involved in a lease agreement.

Last year, at the lake property around Council Grove, a replacement cost method of appraisal was used for the structures on the city-owned lake property. Because the city is the owner of record, the valuation notices were directed to the city. This prompted the structure owners to note that sending notices to the landowners of that leased property, would preclude them from knowing about elevated valuations that they may wish to protest in the appraisal process. In other words, the fact that most valuations on Council Grove Lake property structures went up significantly last year, made owners aware of the difficulty in receiving appraisal notices. Hence, the request to amend current law regarding property tax valuation notices.

In recent weeks, after reviewing other entities that may be affected by the same situation of land owned by one entity and leased by another entity that owns the structure/improvement on the land, I see possible need to not limit it to only city property. The Kansas County Appraisers Association has suggested that the words "government owned" should replace the word city in KSA 79-412. This would allow a city, county, or the State to have this property tax valuation notification provision. I have also spoken with the Property Valuation Department about this expanded change in notification of valuation notices. I would consider that addition as a friendly amendment should this committee agree after hearing supporting testimony.

Thank you for your time. I ask you to give favorable consideration to HB 2180.

House Taxation
2-10-99
Attachment 4



313 WEST MAIN, COUNCIL GROVE, KANSAS 66846
TELEPHONE (316) 767-5417
FAX NUMBER (316) 767-6749

TESTIMONY GIVEN FEBRUARY 10, 1999
BY LARRY J. BACHURA
ADMINISTRATOR, CITY OF COUNCIL GROVE
SUPPORTING HOUSE BILL 2180

Good Morning, my name is Larry Bachura. I am the City Administrator of Council Grove. Also appearing with me is Charlene McRae, Mayor of the City of Council Grove.

We are here in support of House Bill 2180. The changes to KSA 79-1460 provided by this bill have a significant impact on the operations of the City of Council Grove and the legal rights of the residents/lease holders at the Council Grove municipal lake.

The City of Council Grove owns a municipal lake. The impound provides water for the residents of the City of Council Grove. The City retains fee simple title to the land surrounding the lake. Lots on the lake frontage are leased to individuals for their personal use. The leases are transferable and durable, so long as the lease payments are made and the lease hold is properly maintained. The lease documentation is maintained in the city administrative offices. Title documents for the lease hold improvements are retained by the lease holder. The lease holder does not have a warranty deed and does not take title to property in fee simple. The City's deed for the land is on file with the

Morris County Register of Deeds. The City of Council Grove pays ad valorem tax on the land and the lease holders pay taxes on the lease hold improvements, which are typically houses, garages, and boat houses. Pursuant to the terms of the lease, lease hold improvements are personal property.

This year it was determined that property valuation notices for lease hold improvements should be sent to the City of Council Grove and not to the lease holders. Previously the notices had been sent to the lease holders. That notice distribution appeared to be consistent with as KSA 79-412 and KSA 79-1460 as presently written. That notice distribution method was going to require that either the City of Council Grove mail the notices to the lease holders or the lease holders come to the city administrative offices and retrieve their notices. If neither was done, the lease holder failed to receive their notice. If one or both was done, additional expense and effort was incurred. Both of which is an irritant for the individuals involved.

With the cooperation of the City of Council Grove governing body, the Morris County governing body, the Morris County Appraisers Office, and the Division' of Property Valuation (Department of Revenue) a stop gap plan was entered into to ensure that the property valuation notices would be mailed to lease hold improvement owners at the Council Grove City Lake. While this stop gap measure curtailed litigation and will put the valuation notice in the hands of the lease hold improvement owner, it did have a financial cost to all entities involved and

will have additional cost for the duplicate mailings.

Without the passage of House Bill 2180, lease hold improvement owners legal right to have knowledge of or challenge their property valuations is not protected. This situation touches more than just the lease hold improvement owners at the City Lake of Council Grove. It is also affects the lease hold improvement owners of Lake Kahola and to my understanding those who have lease hold improvements at the City of Anthony municipal lake.

Without the passage of this bill, the City of Council Grove may well be required, in the future, to expend funds for staff to copy and mail notices even though we would have no obligation to do so. If that scenario comes to pass and we would choose not to mail notices, lease hold improvement owners would not be getting the service from their government they expect.

Therefore, we urge you to move this bill from the House Taxation committee with the recommendation it be become law.

To make a long story short, House Bill 2180, with a minimal cost, cures a statutory defect that jeopardizes a taxpayer's right to protest and cripples the tax collections process.

Thank you.

OFFICE OF THE APPRAISER

CERTIFIED KANSAS APPRAISER
316-382-3715
1-800-498-2009 (toll free from area code 316)

BOX 26
MARION, KANSAS 66861



MARION COUNTY COURTHOUSE

Chairman Atkins and Committee Members:

I am Clint Anderson, county appraiser for Morris and Marion counties.

Thank you for the opportunity to speak here today. It is my understanding that HB 2180 directs the county appraiser to send valuation notices to a lessee if they construct real property improvements on land owned by a city. The passing of this bill would solve a problem I am currently dealing with in Morris County at the Council Grove City Lake. However, I need clarification pertaining to the allowance of a county appraiser to send such notices with or without land value. There are situations in which both are applicable. In the case of the Council Grove City Lake the city is responsible for the land and the lessee is responsible for the improvements. However, in the situation of industrial revenue bonds, the responsibility of both land and improvement is the lessees. It is also not clear to me if this bill requires the county appraiser to send notices to the owner of record, as recorded in the office of the Register of Deeds, as well as the lessee, or send the notice only to the lessee.

Another concern is that this bill only addresses a small part of two larger problems. The first is the problem of all improvements on leased land. In Marion County I work with Scully Estates, which is a large agricultural landowner. They have leased agricultural land to farmers for many years. Some of their tenants feel secure enough that they have built residential as well as agricultural improvements on the leased properties. With this legislation the lessees of city owned land would be able to receive notices and all other lessees would not. The second problem is sales of leased improvements do not file deeds and are not required to disclose information pertaining to the transaction. Sales of property including land are required to disclose sales information when a deed is filed. For one group of properties the law provides the necessary sales information but for the other it does not.

I am very grateful that you are addressing the problem of sending valuation notices to the appropriate parties. Hopefully the wording either currently allows or can be changed to allow the county appraiser to send the values to the person responsible for the land and/or improvements. I would also appreciate attention given to the other issues I have addressed concerning leased property.

Thank you very much

*HOUSE TAXATION
2-10-99
ATTACHMENT 6*

ESTATE TAX ADVISORY COMMITTEE

Representative Tim Carmody, Chair
11301 Nall Ave. #110
Leawood, KS 66211-1672
(913) 491-6332
(913) 451-9147 FAX

Hon. Sam K. Bruner
Johnson County Courthouse
100 N. Kansas Ave.
Olathe, KS 66061
(913) 764-8484 ext. 5564
(913) 791-5258 FAX

C.W. Cade
4 Townsite Plaza #200
120 S.E. 6th St.
Topeka, KS 66603

Martin B. Dickinson, Jr.
1211 Massachusetts
Lawrence, KS 66044
(785) 843-6600
(785) 843-8405 FAX

Joseph W. Jeter
P.O. Box 128
Hays, KS 67601
(785) 628-8226
(785) 628-1376 FAX

John R. Luttjohann
534 S. Kansas Ave.
Topeka, KS 66603
(785) 233-4226
(785) 233-6830 FAX

Joseph Murtha
271 W. 3rd St. #5000
Wichita, KS 67202-1235

Austin Nothorn
534 S. Kansas Ave.
Topeka, KS 66603
(785) 234-3461
(785) 234-3363 FAX

Hayden St. John
2214 W. 10th St.
Topeka, KS 66604
(785) 232-6934
(785) 232-6969 FAX

Susan Teson
UMB Bank N.A.
1010 Grand Ave.
P.O. Box 419226
Kansas City, Mo 64141-6226
(816) 860-7388
(816) 860-5080 FAX

William P. Trenkle Jr.
810 Frontview
Dodge City, KS 67003
(316) 227-8126
(316) 227-8451 FAX

Jim Wiesgerber
Kansas Dept. Of Revenue
Docking State Office Bldg, 3rd Fl.
PO Box 12002
Topeka, KS 66612-2002
(785) 296-8457
(785) 296-8989 FAX

STAFF

Randy M. Hearrell
301 S.W. 10th St. #262
Topeka, KS 66612-1507
(785) 296-3930
(785) 296-1035 FAX

Christy Molzen
301 S.W. 10th St. #262
Topeka, KS 66612-1507
(785) 296-2203
(785) 296-1035 FAX

(7/98)

HOUSE TAXATION
2-10-99
Attachment 7



County

Office of the County Appraiser

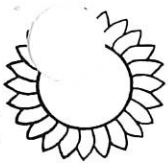
To: House Taxation Committee
From: Paul Welcome, Johnson County Appraiser
Subject: HB 2180
Date: February 10, 1999

My name is Paul Welcome, Johnson County Appraiser, and I am writing on behalf of the Kansas County Appraisers Association. I neither favor or oppose this specific legislation, but offer some thoughts for the committee's consideration.

The bill as currently written would require counties to separate effected parcels by ownership rights, in other words the city as owner and another entity as lessee. Currently K.S.A. 79-1460 requires notice to be sent to **“the person in ownership of the property as indicated on the records of the office of register of deeds or county clerk.”** The county appraiser receives the information needed to mail notices from either of the two latter sources. In order to insure that appraisers are able to carry out the responsibilities of this bill, it will be necessary to insure that all effected leases are filed of record with the register of deeds or with the county clerk. That may require amending the legislation which enables the lease arrangement initially.

In addition, there may be other governmental entities which enter into similar lease arrangements. They may also want the lessee notified of valuation changes, which requires an amendment to the language in K.S.A. 79-412. I would suggest that wherever the term “a city” appears in that statute that the phrase “the state or a political subdivision thereof” be substituted.

Thank you for your consideration of these points.



HOUSE BILL No. 2180

By Representative Weber

1-28

9 AN ACT relating to property taxation; concerning recipients of valuation
10 notices; amending K.S.A. 79-1460 and repealing the existing section.

11

12 Be it enacted by the Legislature of the State of Kansas:

13 Section 1. K.S.A. 79-1460 is hereby amended to read as follows: 79-
14 1460. The county appraiser shall notify each taxpayer in the county an-
15 nually on or before March 1 for real property and May 1 for personal
16 property, by mail directed to the taxpayer's last known address, of the
17 classification and appraised valuation of the taxpayer's property, except
18 that, the valuation for all real property shall not be increased unless: (a)
19 The record of the latest physical inspection was reviewed by the county
20 or district appraiser, and documentation exists to support such increase
21 in valuation in compliance with the directives and specifications of the
22 director of property valuation, and such record and documentation is
23 available to the affected taxpayer; and (b) for the taxable year next follow-
24 ing the taxable year that the valuation for real property has been reduced
25 due to a final determination made pursuant to the valuation appeals pro-
26 cess, documented substantial and compelling reasons exist therefor and

27 are provided by the county appraiser. For the purposes of this section
28 and in the case of real property, the term "taxpayer" shall be deemed to
29 be the person in ownership of the property as indicated on the records
30 of the office of register of deeds or county clerk *and, in the case where*
31 *such person is a city and the real property ~~or improvement thereon~~ is the*
32 *subject of a lease agreement, such term shall be deemed to be the lessee*
33 *of such property **with respect to any leasehold improvements identified***
in the lease filed with the register of deeds or county clerk . Such notice shall specify
separately both the previous
34 and current appraised and assessed values for each property class iden-
35 tified on the parcel. Such notice shall also contain the uniform parcel
36 identification number prescribed by the director of property valuation.
37 Such notice shall also contain a statement of the taxpayer's right to appeal
38 and the procedure to be followed in making such appeal. In any year in
39 which no change in appraised valuation of any real property from its
40 appraised valuation in the next preceding year is determined, an alter-
41 native form of notification which has been approved by the director of
42 property valuation may be utilized by a county. Failure to timely mail or
43 receive such notice shall in no way invalidate the classification or ap-
44 praised valuation as changed. The secretary of revenue shall adopt rules
45 and regulations necessary to implement the provisions of this section.
46 Sec. 2. K.S.A. 79-1460 is hereby repealed.
47 Sec. 3. This act shall take effect and be in force from and after its
48 publication in the statute book.

K.S.A. 79-412

It shall be the duty of the county or district appraiser to value the land and improvements; but the value of the land and improvements shall be entered on the assessment roll in a single aggregate, except as hereinafter provided. Improvements owned by entities other than ~~a city~~ *the state or a political subdivision thereof* and located on land owned by ~~a city~~ *the state or a*

political subdivision thereof may be assessed to the owners of such improvements, and the taxes imposed on such improvements may be collected by levy and sale of the interests of such owners the same as in cases of the collection of taxes on personal property.

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

February 9, 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 2189 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2189 is respectfully submitted to your committee.

HB 2189 deals with sales tax exemptions pertaining to parent-teacher organizations. Current law allows exemptions on purchases of both "merchandise" and "services" if the purchase is made "by" the parent-teacher organization. Current law also allows an exemption for only "merchandise" purchased "on behalf of" a parent-teacher organization. HB 2189 would expand sales tax exemptions to include "services" purchased "on behalf of" a parent-teacher organization.

Estimated State Fiscal Impact				
	FY 1999 SGF	FY 1999 All Funds	FY 2000 SGF	FY 2000 All Funds
Revenue	--	--	(\$87,000)	(\$92,000)
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

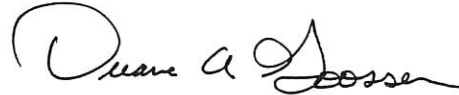
HB 2189 would reduce state revenues by \$92,000 in FY 2000. The distribution of the impact includes a \$87,000 reduction to the State General Fund and a \$5,000 reduction to the State Highway Fund. It is estimated that the reduction to state revenues in FY 2001 would total

HOUSE TAXATION
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 Attachment 9

The Honorable David Adkins, Chairperson
February 9, 1999
Page 2

\$104,000. According to the Department of Revenue, this estimate is based on fiscal impact information developed for the 1998 Legislature. The primary assumption used to formulate the estimate is that purchasing services represents 25.0 percent of parent-teacher organizations' activities. Any fiscal impact associated with the passage of this bill is not included in *The FY 2000 Governor's Budget Report*.

Sincerely,



Duane A. Goossen
Director of the Budget

cc: Dale Dennis, Education
Lynn Robinson, Revenue

STATE OF KANSAS



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: ECONOMIC DEVELOPMENT
FINANCIAL INSTITUTIONS
TAXATION
KANSAS 2000
RANKING DEMOCRAT

BONNIE SHARP

REPRESENTATIVE, THIRTY-FIRST DISTRICT
WYANDOTTE COUNTY
4218 DIXIE COURT
KANSAS CITY, KANSAS 66106
(913) 831-2339

STATE CAPITOL—RM. 273-W
TOPEKA, KANSAS 66612-1504
(785) 296-7656

TESTIMONY ON HOUSE BILL 2189
BY
REPRESENTATIVE BONNIE SHARP

PTA/PTO SALES TAX EXEMPTION ON SERVICES
HOUSE TAXATION COMMITTEE

FEBRUARY 10, 1999

THANK YOU MR. CHAIRMAN AND COMMITTEE MEMBERS FOR THE OPPORTUNITY
TO TESTIFY ON BEHALF OF HOUSE BILL 2189.

HOUSE BILL 2189 AMENDS K.S.A. 79-3606 WITH THE WORDS "AND SERVICES". THIS
WILL INCLUDE SALES OF SERVICES BY OR ON BEHALF OF PARENT-TEACHER
ASSOCIATIONS AND ORGANIZATIONS AS EXEMPT FOR SALES TAX. THIS
PROPOSAL WOULD BE EFFECTIVE JULY 1, 1999.

FISCAL IMPACT WOULD REDUCE STATE REVENUES BY \$92,000 IN FY 2000. THE
STATE GENERAL FUND WOULD BE REDUCED BY \$87,000 AND THE HIGHWAY
FUND BY \$5,000.

I APPRECIATE THE COMMITTEE'S CONSIDERATION AND ASK FOR YOUR
FAVORABLE PASSAGE OF HOUSE BILL 2189.

I WILL STAND FOR QUESTIONS.

THANK YOU,

Bonnie Sharp

*House Taxation
2-10-99
Attachment 10*

KANSAS CONGRESS OF PARENTS AND TEACHERS
715 SW 10TH STREET
TOPEKA, KANSAS 66612
(785) 234-5782

February 10, 1999

Dear Legislator,

PTA is a volunteer, non-profit organization established in 1897. The primary purpose of PTA is to promote the Objects, which are:

- ✓ To promote the welfare of children and youth in home, school, community and place of worship.
- ✓ To raise the standards of home life.
- ✓ To secure adequate laws for the care and protection of children and youth.
- ✓ To bring into closer relation the home and the school, that parents and teachers may cooperate intelligently in the education of children and youth.
- ✓ To develop between educators and the general public such united efforts as will secure for every child the highest advantage in physical, mental, social, and spiritual education.

PTA's concern is for ALL children, every child – not just special groups of children.

The letters "PTA" stand for Parent Teacher Association; however, our members do not include parents and teachers only. School administrators, students, community members, and business people interested in promoting the welfare of children, join PTA.

The real working capital of a PTA is in its membership, not its bank account. The primary source of PTA funds is from the membership dues paid each year. \$2.25 of the membership money is forwarded to the State PTA. This is the financial support that makes the PTA programs, kits, and volunteer training possible. Some of the programs and services provided by Kansas PTA are listed on the Kansas PTA Fact Sheet.

HOUSE TAXATION
2-10-99
ATTACHMENT 11

The biggest obstacle all PTAs have to overcome is the lack of parental involvement. The PTA needs to be creative, resourceful, and innovative. Usually, one fund-raising project per year is enough to carry on a PTA unit's activities.

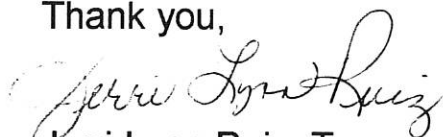
Last year, legislation passed which exempted PTAs from paying sales tax on tangible items they sold, and items and services they purchased. Services provided by PTA, such as carnivals, dances and car washes, however, are still considered taxable by the Kansas Department of Revenue.

The Kansas PTA and its constituent organization are asking that an amendment be added to last year's legislation to include the wording "and services." The bill would then read:

....exempts all purchases of tangible personal property and services by a parent-teacher association or organization, and all sales of tangible personal property *and services* by or on behalf of such association or organization.

I would like to extend heartfelt thanks on behalf of the Kansas PTA and PTAs across the state, to the Senators and Representatives for the time and energy spent working on the PTA Sales Tax Exemption Bill. Your efforts have allowed PTAs to reach more parents; and, by encouraging parents to become involved, we are helping more children to achieve.

Thank you,


Jerri Lynn Ruiz, Treasurer
Kansas PTA

KANSAS PTA FACT SHEET

- MEMBERSHIP** **43,783 members, 270 local units, and 11 councils statewide**
Members include parents, school administrators, students,
and other child advocates.
- PURPOSE** **The Kansas PTA is chartered under the National PTA and**
shares the same purposes: It is a volunteer organization
seeking to unite home, school, and community in promoting
the education, health, and safety of children, youth, and
families.
- PRESIDENT** **Laura J. Robson**
Coffeyville, Kansas
October 1997-October 1999
Theme: *Building The Future for Our Children*
- STATE OFFICE** **715 SW 10th Street**
Topeka, KS 66612
(785) 234-5782
Fax (785) 234-4170
E-mail ks_office@pta.org
- HISTORY** **The Kansas Congress of Parents and Teachers was formed**
in 1914 when several branches of nationally chartered local
PTA units from all over the state of Kansas came together
in Topeka to form a state branch of the National Congress
of Parents and Teachers.
- PROGRAMS &** **The Kansas PTA has participated in the following**
PROJECTS **programs and projects sponsored by the National PTA:**
- PARENT INVOLVEMENT STANDARDS**
COMMUNITY LEADER KIT FOR ENVIRONMENTAL
CONCERNS
REFLECTIONS
IN SOMEONE ELSE'S SHOES: A GUIDE TO
INCLUSIVENESS
OPENING DOORS: COMMUNICATING WITH
YOUR TEENAGER
PARENT PLUS PROGRAM
TAKING CHARGE OF YOUR TV

In addition, the Kansas PTA sponsors a citizenship essay and poetry contest for students in fifth through ninth grades in Kansas schools with a PTA unit. The contest theme is "How Would Society Be Different If I Had A Voice..."

LEGISLATIVE PROGRAM

**Communicating views to legislators
Member-To-Member Network**

PUBLICATION

The Kansas PTA Bulletin is a monthly newsletter, published nine times a year, that keeps units up-to-date on upcoming events, contest deadlines, and activities. The publication also contains timely and informative articles written by members of the Kansas PTA Board of Managers.

CONVENTION

The Kansas PTA State Convention will be in Overland Park October 22-24, 1999. Delegates from all over the state will convene to vote on by-laws, resolutions, and to elect a President, 1st Vice-President, and a 2nd Vice-President. In addition to hearing enlightening keynote speakers, delegates will have the opportunity to attend workshops on leadership training, current issues, and parenting skills.

CONFERENCES

The Legislative Conference is held in February each year in Topeka. Excellent speakers will be in attendance to present the latest information on Kansas legislative issues that deal with children and youth. All attendees will be able to become more effective advocates for children.

The 1999 Leadership Conferences will be held in two regions. These seminars provide training, information, and guidance for officers, committee chairmen, and members of the local units and councils.

PTA: A History of Advocacy for Children



1899-called for creation of a national Health Bureau (14 years before creation of the U.S. Public Health Service).

1890-already voicing public concern for juvenile justice.

1903-studied needs of handicapped children.

1904-adopted convention resolution on child labor laws.

1905-called for federal aid to kindergarten and elementary schools and for salary increases for teachers.

1910-advocated supervision of motion pictures and vaudeville because of their influence on children and youth.

1912-sponsored hot lunch programs in many schools.

1925-began nationwide health project to identify and correct children's health problems.

1926-encouraged and helped organize PTAs to serve children in segregated states.

1932-established special nutrition project and other programs to prevent children from suffering as a result of the Depression.

1938-became one of four organizations to sponsor American Education Week.

1941-inaugurated a nationwide school lunch program.

1942-started PTA radio series. "The Family in War," starring the Baxter family.

1944-became one of the first organizations to support establishment of the United Nations.

1951-called a national conference on narcotics and drug addiction.

1954-helped field-test Salk Polio Vaccine and win acceptance of its use.

1966-established project on smoking and health.

1972-launched educational program on alcohol abuse and called for parents to share in decision making in schools.

1976-began nationwide project to combat violence on television.

1978-helped lead fight against tuition tax credit legislation.

1982-fought for safety belt and child restraint legislation.

1983-created a drug and alcohol abuse prevention project.

1985-focused attention on children and families in the inner cities.

1986-created national HIV/AIDS awareness program for parents.

1982-convened national summit to promote parent involvement in education.

KANSAS DEPARTMENT OF REVENUE

PARENT-TEACHER ASSOCIATION EXEMPTION CERTIFICATE

The undersigned parent-teacher association or organization certifies that the tangible personal property or service purchased from:

Seller: _____
Business Name

Address: _____
Street, RR, or PO Box City State Zip + 4

is exempt from Kansas sales and compensating use tax for the following reason:

Effective July 1, 1998, K.S.A. 79-3606(yy) exempts all purchases of tangible personal property and services by a parent-teacher association or organization, and all sales of tangible personal property by or on behalf of such association or organization.

Description of tangible personal property or services purchased:

The undersigned understands and agrees that if the tangible personal property or services are used other than as stated above or for any purpose that is not exempt from sales or compensating use tax, the undersigned purchaser becomes liable for the tax.

Purchaser: _____
Name of Parent-Teacher Association or Organization

Address: _____
Street, RR or PO Box City State Zip + 4

Authorized Signature: _____ Date: _____

THIS CERTIFICATE MUST BE COMPLETED IN ITS ENTIRETY.

WHO MAY USE THIS CERTIFICATE?

This exemption is designed for parent-teacher associations (PTAs) and parent-teacher organizations (PTOs). A PTA is a local organization affiliated with the National Congress of Parents and Teachers, a national corporation exempt from federal income tax under Internal Revenue Code section 501(c)(3). Included in the definition of a PTA are Parent Teacher Student Associations (PTSAs). A PTO is an organization composed of parents and teachers operating for the benefit and support of an individual school, school project, or school district. A PTO would include organizations such as music and sports booster clubs.

WHAT PURCHASES ARE EXEMPT?

All direct purchases of goods, merchandise, and taxable services for the use, consumption, or resale by a PTA or PTO are exempt. To qualify as a direct purchase, the invoice must be made out to the PTA or PTO, and paid for directly by PTA or PTO funds. Purchases by individual parents or teachers with their own funds on behalf of a PTA, PTO, or school are taxable, even when the individual parent or teacher is later reimbursed the expense by the PTA, PTO, or school.

SALES BY PTAs AND PTOs.

The retail sale of goods and merchandise (tangible personal property) by or on behalf of a PTA or PTO has also been exempted from sales tax by law. A PTA or PTO may therefore use this certificate to buy the goods and merchandise it intends to resell as part of a fund-raising activity if it does not have the Kansas sales tax number required by a resale exemption certificate.

IMPORTANT: A PTA or PTO is NOT exempt from collecting sales tax on the sale of taxable services (such as car washes) or the sale of tickets or other forms of admission to a carnival, fun night, or other event. PTAs and PTOs engaging in these activities must obtain a Kansas sales tax number from the Kansas Department of Revenue to collect and remit the sales tax due on these taxable sales.