

Approved: 3-27-00  
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:10 a.m. on March 22, 2000, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department  
April Holman, Legislative Research Department  
Don Hayward, Revisor of Statutes Office  
Shirley Higgins, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list.

The minutes of March 14, 15, and 16, 2000, were approved.

**Discussion of a previously heard bill: SB 624—Property tax; exempting certain personal property used for manufacturing of motor vehicles**

Senator Langworthy called the Committee's attention to copies of a letter from the County Administrator's Office of the Unified Government of Wyandotte County-Kansas City, Kansas. She noted that the letter indicates the Unified Government supports **SB 624**, which exempts special tools and dies from future taxation as part of an overall agreement with General Motors to build an automobile of the future in its Fairfax plant. (Attachment 1) She called upon Whitney Damron, representing the Unified Government of Wyandotte County-Kansas City, to discuss the contents of the letter.

Mr. Damron informed the Committee that, at the time **SB 624** was heard, the Unified Government indicated to General Motors that it would remain neutral on the bill until such time as sufficient valuation information was available to make a determination of the impact it would have on Wyandotte County. That information was received from General Motors last week, and the Wyandotte County Appraiser was able to make some projections to assist in making a determination of what the bill would cost Wyandotte County. Based upon the County Appraiser's valuations, the Unified Government now supports the bill. However, the Unified Government requested that the sponsors of the bill clarify the definition of "tools and dies." That amendment was prepared with the assistance of the Department of Revenue, and the Unified Government will support the bill with the amendment. Mr. Damron commented that Wyandotte County appreciates the commitment General Motors has made to Wyandotte County, keeping in mind the impact General Motors' presence or lack of presence has upon the citizens of Wyandotte County. He stated that the bill will cost Wyandotte County a potential loss of revenue of approximately \$19 million, assuming that the new investment will remain in the plant without any other incentives.

Mr. Damron confirmed for Senator Langworthy that the Unified Government believes that the General Motors project is important enough to allow the state to override its local authority. In addition, he noted that General Motors has indicated that it would like Kansas to be on a level playing field with other states which have a statutory permanent exemption for tools and dies. General Motors feels it is preferable to have a change at the state level as opposed to seeking local abatements on a periodic approval basis.

Senator Steineger requested that Mr. Damron furnish a copy of the proposed amendment which would narrow the definition of "tools and dies." In response, John Federico, Federico Consulting, stood to explain that George Turner, General Motors, was presently in the process of clarifying the proposed language. Senator Steineger went on to ask what other capital improvements General Motors may request to be defined in

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE  
Room 519-S, Statehouse, at 11:10 a.m. on March 22, 2000.

connection with development of the Fairfax plant. Mr. Federico responded that it is unclear at this time what remaining issues remain for General Motors in regard to developing the infrastructure of the plant. In this regard, Senator Steineger referred to a memorandum distributed last week by General Motors to legislators which includes a request for a local abatement for new machinery and equipment. Mr. Federico stated that, based upon the Unified Government's support of **SB 624**, it is his understanding that the Unified Government does not support any additional tax abatements.

Senator Lee asked Mr. Damron why the Unified Government of Wyandotte County felt it was necessary to request the bill when local governments already have the authority to grant abatements on a yearly basis. Mr. Damron responded that **SB 624** is a General Motors bill, not a Unified Government bill, and that General Motors has indicated that it prefers to have a statutory and permanent change regarding the taxation of tools and dies as opposed to continually making abatement requests at the local level as the tools and dies are installed in the plant over a period of several years. In his opinion, the Unified Government would grant abatements to General Motors if the bill is not passed.

Senator Steineger distributed copies of a memorandum he requested the Department of Revenue to prepare with regard to the legal authority for local units to grant abatements. Laura Johnson, Division of Property Valuation, summarized the memorandum which discusses exemptions under Article 11 Section 13 (EDX exemptions) if new jobs are created and under K.S.A. 79-201a *Second* (IRB exemption) if bonds fund the property. (Attachment 2)

Following Committee questions to Ms. Johnson, Mr. Federico clarified that the request for the bill relates to job retention at the Fairfax plant. The General Motors Epsilon Project would secure current staffing levels for the next ten years after the plant no longer produces the Grand Prix model, which makes up 75 percent of the plant's production. In addition to an interest in winning the Epsilon Project, the Fairfax plant is interested in winning future projects. Competitors for General Motors projects are located in states wherein General Motors manufacturing facilities enjoy tax relief related to ad valorem taxes on special tools and dies. In response, Senator Steineger pointed out that, under existing statutes, local units of government have much more leeway to negotiate than under the provisions of **SB 624**.

Senator Bond commented that the issue of interfering with home rule authority raises concerns among legislators. However, when a local unit of government supports enactment of a state law for a specific, narrow purpose, he has no concern about the issue of local control. The only concern he has about the bill is the possibility that it will be changed and broadened in the legislative process. He suggested that no action be taken on the bill until staff and the Committee has had an opportunity to review the proposed amendment.

Senator Langworthy asked Mr. Damron for a copy of the proposed amendment. Mr. Damron read the proposed amendment. The amendment changes "All special tools and dies and other manufacturing aids" on line 16 to "All special tools with a useful life of two years or less." He explained that General Motors is concerned that the change may have some limitations on certain equipment. Senator Langworthy continued the discussion on **SB 624** to March 23 at which time the Committee will be furnished with a copy of the proposed amendment in its final form.

The meeting was adjourned at 11:55 a.m.

The next meeting is scheduled for March 23, 2000.

SENATE ASSESSMENT AND TAXATION COMMITTEE  
GUEST LIST

DATE: March 22, 2000

NAME	REPRESENTING
Sturley Suddan	KBOR
Jane Johnson	"
Leslie Kaufman	Ks Farm Bureau
Jana Gordon Miller	G.M. Fairfax Plant
Marlee Berthoff	KCCI
Anne Spiess	Petersen Public Affairs Group
Larry Kleeman	League of KS Municipalities
Kelly Kuitala	City of Overland Park
John Federico	EM
JOE DICK	BPU KCK
Jesse Hean	Hein & W. Co.
Blair Peters	KTN
RICHARD BODEWALD	
Tom Coches	McCall Coches & Associates
Kyara Hall	Student
Brie Janee	BOEING



County Administrator's Office  
Dennis M. Hays, County Administrator

701 North 7th Street, Suite 945  
Kansas City, Kansas 66101-3064

Phone: (913) 573-5030  
Fax: (913) 573-5540

March 21, 2000

Senator Audrey Langworthy  
Kansas Senate  
State House  
Topeka, Kansas 66612

Re: Senate Bill No. 624

Dear Senator Langworthy:

Senate Bill No. 624 represents a legislative initiative by the General Motors Corporation to exempt from all future taxation special tooling and design dies inherent in the manufacture of automobiles. You are well aware that representatives of General Motors Corporation have met on several occasions with their counterparts from the Unified Government in a cooperative effort to explore the continued viability and to ensure the longevity of the Fairfax Assembly Plant in the future manufacturing of state-of-the-art automobiles. The importance of this corporate citizen to our community cannot be fully described within this correspondence, but we would all agree that the efforts of our legislative delegation and the Unified Government should be combined to act responsibly in a manner fair to both the individual citizens and the business community. Together, we believe, on behalf of the Unified Government, that the very existence of the Fairfax Assembly Plant in Wyandotte County underscores the importance this facility has played and will continue to serve in years to come. Subject to the analysis provided below, the Unified Government will support Senate Bill No. 624 and in exempting special tools and dies from future taxation as part of an overall agreement to with General Motors to trust this community with the technology to build the automobile of our future.

An agreement between General Motors and the Unified Government must be reached regarding a number of important details, defining the future relationship between the two (2) entities. However, we firmly believe that a commitment has been made to implement a 50% local new hire policy. Additionally, we also believe that General Motors will make other as yet to be specified concessions relating to community involvement, plant operation and future capital expansion of the

*Senate Assessment & Taxation  
3-22-00  
Attachment 1*

plant facility. External economic factors beyond the control of either the Unified Government, General Motors or the Kansas Legislature contribute to decisions made by all corporate entities in future planning operations. However, a partnership relationship between the Unified Government and General Motors Corporation has been the benchmark by which we have jointly proceeded to discuss the salient issues inherent in such a major decision and the consequences that result from our separate but jointly undertaking decisions.

An analysis of the economic consequences of extending a permanent tax exemption to special tools and dies has been undertaken by the Unified Government based on data provided by the General Motors Corporation. Until final designs are approved, the numbers provided must be viewed as estimates. The data provided by General Motors derives from similar experiences and application of sound accounting principles. Further, the data assumes that the current millage for this taxing district of 156.257 remains constant over the next 13 year period (2001-2013). Obviously, a change in that mill levy impacts the total differential between taxing years and the overall net effect of the exemption. To assist you in this valuation, the following are provided:

1.	Epsilon Project implemented - no state or local tax abatement provided.	\$130,663,458
2.	No Epsilon Project awarded to Fairfax - Grand Prix transferred to other plant - Intrigue line phased out over time - no new product.	\$ 68,163,034
3.	Senate Bill No. 624 passed as to special tools and dies - no local tax abatement or additional tax changes.	\$111,755,300

Support documentation has been included. Based on discussion with GM representatives, Option 1, is only for comparative purposes. We are fully convinced that under no circumstances will the Fairfax Assembly Plant be awarded the Epsilon Project without additional incentives. The competitive environment and the global economy will predictably result in other jurisdictions seeking through myriad of alternatives to induce the relocation of this project to their facility.

A comparison between the reduction and potential tax revenues evidenced by Option 3 above, with the eventual phase-out of the plant realistically provides no meaningful alternative to accepting with qualification the passage of Senate Bill No. 624.

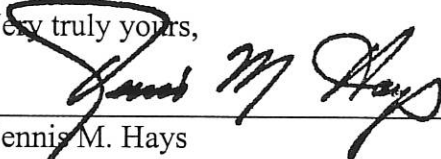
The Unified Government will urge passage of Senate Bill No. 624 with an amendment that provides no local tax abatement may be received if the beneficiary of Senate Bill No. 624 legislation utilizes the exemption of special tools and dies. We believe that this represents the good-faith cooperative effort on the part of our legislative delegation and the Unified Government to address the reality of the competitive market place in the world of today. To compromise between no more

Letter to Senator Audrey Langworthy  
March 21, 2000  
Page 3 of 3

abatements and loss of the facility plays such a vital role in the economic life of our common community mandates the balance between responsible inducements and fairness to all of our citizenry. While much debate has and will continue to occur about the propriety of economic inducements to corporate entities in general, the very continued existence of an automobile assembly plant in Fairfax is strong witness to the power that economic incentives play in maintaining a highly mobile business community within the global market place.

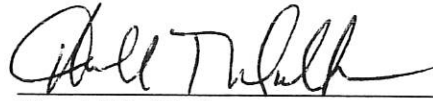
We urge passage of Senate Bill No. 624, exempting special tools and dies from future taxation with an amendment that prohibits granting of local or additional tax abatements to the industry utilizing such an incentive.

Very truly yours,



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Dennis M. Hays  
County Administrator



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Harold T. Walker  
Chief Counsel

## GENERAL MOTORS ASSESSMENT BY APPRAISER'S OFFICE

March 17, 2000

A.	No Product - Plant Phase Out	\$ 68,163,000
B.	Expansion - NO ABATEMENT	\$130,663,000
C.	Expansion - w/SB 624 and NO LOCAL Abatement	\$111,755,000
D.	Expansion - w/SB 624 and LOCAL Abatement	\$101,994,000
E.	Status Quo - NO EXPANSION	\$128,435,000

**THESE ESTIMATED NUMBERS WERE COMPILED BY THE  
WYANDOTTE COUNTY APPRAISER'S OFFICE ON MARCH 17, 2000  
BASED UPON NUMBERS PROVIDED TO THE UNIFIED GOVERNMENT  
BY GENERAL MOTORS ON MARCH 14, 2000.**





Taxes by Taxing Units (2)

1-6

Summary of Potential Taxes

Based on Gross Costs (including sales tax, freight and installation)

Scenario B  
No tax abatement on Epsilon Project

Year	Pers. Prop Tax	Real Estate Tax	Total	City				Other	Total	
				State	County	Twsp	School			Comm. College
				* 0.0015	0.024255	0.052237	0.05351	0.017424	0.007331	0.156257
				** 0.0095996	0.15522505	0.33430182	0.34244866	0.1115086	0.0469163	1
2001	6,516,054	3,721,741	10,237,795	98,278	1,589,162	3,422,514	3,505,919	1,141,602	480,319	10,237,795
2002	8,334,690	3,721,741	12,056,431	115,737	1,871,460	4,030,487	4,128,709	1,344,396	565,643	12,056,431
2003	9,985,268	3,721,741	13,707,009	131,581	2,127,671	4,582,278	4,693,947	1,528,449	643,082	13,707,009
2004	8,119,618	3,721,741	11,841,359	113,672	1,838,075	3,958,588	4,055,058	1,320,413	555,553	11,841,359
2005	6,805,990	3,721,741	10,527,731	101,062	1,634,168	3,519,440	3,605,207	1,173,933	493,922	10,527,731
2006	6,026,652	3,721,741	9,748,393	93,580	1,513,195	3,258,906	3,338,324	1,087,030	457,359	9,748,393
2007	5,466,903	3,721,741	9,188,644	88,207	1,426,308	3,071,780	3,146,639	1,024,613	431,097	9,188,644
2008	5,219,935	3,721,741	8,941,676	85,836	1,387,972	2,989,219	3,062,065	997,074	419,510	8,941,676
2009	5,161,143	3,721,741	8,882,884	85,272	1,378,846	2,969,564	3,041,932	990,518	416,752	8,882,884
2010	5,161,143	3,721,741	8,882,884	85,272	1,378,846	2,969,564	3,041,932	990,518	416,752	8,882,884
2011	5,161,143	3,721,741	8,882,884	85,272	1,378,846	2,969,564	3,041,932	990,518	416,752	8,882,884
2012	5,161,143	3,721,741	8,882,884	85,272	1,378,846	2,969,564	3,041,932	990,518	416,752	8,882,884
2013	5,161,143	3,721,741	8,882,884	85,272	1,378,846	2,969,564	3,041,932	990,518	416,752	8,882,884
<b>Total</b>	<b>82,280,825</b>	<b>48,382,633</b>	<b>130,663,458</b>	<b>1,254,313</b>	<b>20,282,241</b>	<b>43,681,032</b>	<b>44,745,526</b>	<b>14,570,100</b>	<b>6,130,246</b>	<b>130,663,458</b>

\* Note: This is the tax levy rate by taxing unit

\*\*Note: This is the ratio of the taxing unit levy to the total tax rate

Taxes by Taxing Units (2)

Scenario C

Tooling Exempted by Legislature-no Tax Abatement

Year	Pers. Prop Tax	Real Estate Tax	Total	State	County	City Twsp	School	Comm. College	Other	Total	
				*	0.0015	0.024255	0.052237	0.05351	0.017424	0.007331	0.156257
				**	0.0095996	0.15522505	0.33430182	0.34244866	0.1115086	0.0469163	1
2001	5,233,135	3,721,741	8,954,876		85,963	1,390,021	2,993,631	3,066,585	998,546	420,130	8,954,876
2002	6,408,136	3,721,741	10,129,877		97,242	1,572,411	3,386,436	3,468,963	1,129,568	475,256	10,129,877
2003	6,974,185	3,721,741	10,695,926		102,676	1,660,276	3,575,668	3,662,806	1,192,688	501,813	10,695,926
2004	6,597,722	3,721,741	10,319,463		99,062	1,601,839	3,449,815	3,533,886	1,150,709	484,151	10,319,463
2005	5,565,356	3,721,741	9,287,097		89,152	1,441,590	3,104,693	3,180,354	1,035,591	435,716	9,287,097
2006	4,786,018	3,721,741	8,507,759		81,671	1,320,617	2,844,159	2,913,471	948,688	399,153	8,507,759
2007	4,226,269	3,721,741	7,948,010		76,297	1,233,730	2,657,034	2,721,785	886,272	372,891	7,948,010
2008	3,979,301	3,721,741	7,701,042		73,927	1,195,395	2,574,472	2,637,212	858,732	361,304	7,701,042
2009	3,920,509	3,721,741	7,642,250		73,362	1,186,269	2,554,818	2,617,078	852,177	358,546	7,642,250
2010	3,920,509	3,721,741	7,642,250		73,362	1,186,269	2,554,818	2,617,078	852,177	358,546	7,642,250
2011	3,920,509	3,721,741	7,642,250		73,362	1,186,269	2,554,818	2,617,078	852,177	358,546	7,642,250
2012	3,920,509	3,721,741	7,642,250		73,362	1,186,269	2,554,818	2,617,078	852,177	358,546	7,642,250
2013	3,920,509	3,721,741	7,642,250		73,362	1,186,269	2,554,818	2,617,078	852,177	358,546	7,642,250
<b>Total</b>	<b>63,372,667</b>	<b>48,382,633</b>	<b>111,755,300</b>		<b>1,072,803</b>	<b>17,347,222</b>	<b>37,360,001</b>	<b>38,270,453</b>	<b>12,461,678</b>	<b>5,243,145</b>	<b>111,755,300</b>

Taxes by Taxing Units (2)

Scenario D

Tooling Exempted by Legislature and Tax Abatement

Year	Pers. Prop Tax	Real Estate Tax	Fee in Lieu of	Total	State	County	City Twsp	School	Comm. College	Other	Total
2001	6,176,105	3,721,741	0	9,897,846	95,015	1,536,394	3,308,868	3,389,504	1,103,695	464,370	9,897,846
2002	5,265,094	3,721,741	26,062	9,012,897	86,520	1,399,027	3,013,028	3,086,454	1,005,016	422,852	9,012,897
2003	4,287,935	3,721,741	219,827	8,229,503	79,000	1,277,425	2,751,138	2,818,182	917,660	386,098	8,229,503
2004	3,191,832	3,721,741	455,785	7,369,358	70,743	1,143,909	2,463,590	2,523,627	821,747	345,743	7,369,358
2005	2,911,816	3,721,741	609,811	7,243,368	69,533	1,124,352	2,421,471	2,480,482	807,698	339,832	7,243,368
2006	2,864,783	3,721,741	623,293	7,209,817	69,211	1,119,144	2,410,255	2,468,992	803,957	338,258	7,209,817
2007	2,864,783	3,721,741	579,768	7,166,292	68,793	1,112,388	2,395,704	2,454,087	799,103	336,216	7,166,292
2008	2,864,783	3,721,741	602,208	7,188,732	69,009	1,115,871	2,403,206	2,461,772	801,605	337,269	7,188,732
2009	2,864,783	3,721,741	684,264	7,270,788	69,796	1,128,608	2,430,638	2,489,872	810,755	341,118	7,270,788
2010	2,864,783	3,721,741	789,837	7,376,361	70,810	1,144,996	2,465,931	2,526,025	822,528	346,072	7,376,361
2011	2,948,638	3,721,741	822,406	7,492,785	71,928	1,163,068	2,504,852	2,565,894	835,510	351,534	7,492,785
2012	3,711,602	3,721,741	421,680	7,855,023	75,405	1,219,296	2,625,949	2,689,942	875,903	368,529	7,855,023
2013	4,836,910	3,721,741	123,052	8,681,703	83,341	1,347,618	2,902,309	2,973,038	968,085	407,313	8,681,703
<b>Total</b>	<b>47,653,847</b>	<b>48,382,633</b>	<b>5,957,993</b>	<b>101,994,473</b>	<b>979,103</b>	<b>15,832,097</b>	<b>34,096,938</b>	<b>34,927,870</b>	<b>11,373,261</b>	<b>4,785,203</b>	<b>101,994,473</b>

Taxes by Taxing Units

1-9

Scenario E  
No Epsilon Project-Status Quo through 2005

Year	Pers. Prop Tax	Real Estate Tax	Total	State	County	City	School	Comm.	Other	Total
				0.0015	0.024255	Twsp 0.052237	0.05351	College 0.017424	0.007331	0.156257
2000	6,729,771	3,721,741	10,451,512	** 0.0095996	0.15522505	0.33430182	0.34244866	0.1115086	0.0469163	1
2001	6,230,084	3,721,741	9,951,825	100,330	1,622,336	3,493,960	3,579,106	1,165,434	490,346	10,451,512
2002	5,797,420	3,721,741	9,519,161	95,533	1,544,772	3,326,913	3,407,989	1,109,714	466,903	9,951,825
2003	5,882,516	3,721,741	9,404,257	91,380	1,477,612	3,182,273	3,259,824	1,061,468	446,604	9,519,161
2004	5,689,354	3,721,741	9,411,095	90,277	1,459,776	3,143,860	3,220,475	1,048,656	441,213	9,404,257
2005	5,550,316	3,721,741	9,272,057	90,342	1,460,838	3,146,146	3,222,817	1,049,418	441,534	9,411,095
2006	5,550,316	3,610,089	9,160,405	89,008	1,439,255	3,099,666	3,175,203	1,033,914	435,011	9,272,057
2007	5,550,316	3,501,786	9,052,102	87,936	1,421,924	3,062,340	3,136,968	1,021,464	429,772	9,160,405
2008	5,550,316	3,396,733	8,947,049	86,896	1,405,113	3,026,134	3,099,880	1,009,387	424,691	9,052,102
2009	5,550,316	3,294,831	8,845,147	85,888	1,388,806	2,991,015	3,063,905	997,673	419,762	8,947,049
2010	5,550,316	3,195,986	8,746,302	84,910	1,372,988	2,958,949	3,029,009	986,310	414,982	8,845,147
2011	5,550,316	3,100,108	8,650,422	83,961	1,357,645	2,923,905	2,995,159	975,288	410,344	8,746,302
2012	5,550,316	3,007,103	8,557,419	83,040	1,342,762	2,891,852	2,962,325	964,596	405,846	8,650,422
2013	5,550,316	2,916,890	8,467,206	82,148	1,328,326	2,860,761	2,930,477	954,226	401,482	8,557,419
Total	80,081,989	48,353,968	128,435,957	81,282	1,314,322	2,830,602	2,899,583	944,166	397,250	8,467,206
				1,232,930	19,936,477	42,936,375	43,982,721	14,321,714	6,025,740	128,435,957

Mark S. Beck, Director  
Department of Revenue  
Division of Property Valuation  
915 SW Harrison St., Room 400  
Topeka, KS 66612-1585



(785) 296-2365  
FAX (785) 296-2320  
Hearing Impaired TTY (785) 296-3909  
Internet Address: www.ink.org/public/kdor

Division of Property Valuation

MEMORANDUM

**TO:** Shirley Sicilian, Director of Policy and Research  
**FROM:** Laura Johnson, Deputy Director, Division of Property Valuation  
**DATE:** March 20, 2000  
**SUBJECT:** Economic Development Exemptions – SB 624

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Issue: Can the short-lived special tools and dies and similar manufacturing aids discussed in Senate Bill 624 qualify for exemption under existing property tax laws? The bill indicates that these items will be acquired after December 31, 2000 and used directly in the manufacturing process.

Short Answer: Yes, for up to 10 years under Article 11 Section 13 ("EDX" exemptions) if new jobs are created **or** under K.S.A. 79-201a *Second* ("IRB" exemption) if bonds fund the property.

Article 11, Section 13 of the Kansas Constitution ("EDX")

This constitutional amendment provides an exemption for up to 10 years to property associated with (1) a new business **or** (2) **the expansion of an existing business that creates new employment.** The property must be used exclusively for one of 3 purposes, including manufacturing. The local governing body formally determines whether the exemption will promote economic development in the community in the desired manner. Next, the exemption proceeds to the Kansas Board of Tax Appeals to determine whether the property legally qualifies for exemption.

Once the Board of Tax Appeals issues an order exempting the property, replacement property may enjoy exemption throughout the exempt period. (See, e.g., docket no. 99-4333-EDX. In that case, personal property replacing damaged or outdated property that was exempt by a prior Board of Tax Appeals order was entitled to enjoy exemption for the remainder of the exempt period.)

As mentioned, in order to qualify for exemption under Article 11, Section 13, the property at issue must be associated with an expansion that creates new employment (due to the fact that this is not a new business.) If the expansion creates 1 new job, that would probably be sufficient to satisfy the law (albeit not necessarily the local government considering what is in the best interests of the community). In docket no. 99-7690-EDX, Mid-South Milling Co., Inc., an economic development exemption stemming from Wyandotte County, the Board of Tax Appeals exempted real and personal property associated with an expansion that created 2 new jobs.

K.S.A. 79-201a Second – Industrial Revenue Bond Exemption (“IRB”)

Property may also be exempt to the extent the property is funded by industrial revenue bonds for up to 10 years. The local governing body must approve issuing the bonds and the exemption itself. Exemption is then sought by filing an informational statement with the Kansas Board of Tax Appeals prior to issuing the bonds. Once that step is complete and the bonds are issued, then the applicant files the application for exemption with the Kansas Board of Tax Appeals.

Legally, it would be problematic to continue the exemption for replacement property if the subsequent property purchases are funded with private money rather than by industrial revenue bonds. The bonds would have to be issued in a manner that would allow the replacement property in addition to the original property to be funded by the bonds.

cc: Mark S. Beck, Director