

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by the Chairman at 9:00 a.m. February 15, 2001 in Room 519-S of the Capitol.

All members were present except: Representative Howell, excused

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor
Winnie Crapson, Secretary

Conferees appearing before the committee:

Hal Hudson, National Federation Independent Business
Marlee Carpenter, Kansas Chamber of Commerce and Industry
Frances Kastner, Kansas Food Dealers Association
Charlie Gregor, Leavenworth-Lansing Area Chamber of Commerce
Christy Caldwell, Greater Topeka Chamber of Commerce
Ken Daniel, Midway Sales & Distribution
Arty Straella Goodyear
Jeff Berke, CJS Industries, Inc.
Lee Eisenhauer, Propane Marketers Association of Kansas
Bernie Koch, Wichita Area Chamber of Commerce
Greg Sevier, Wichita Independent Business Association
Ross Markle, Kansas National Federation of Independent Business
Leadership Council

Others attending: See attached list.

The Chairman opened the meeting for bill introductions.

By unanimous consent bill will be introduced on check-off item on individual income tax for schools. [HB 2511 - Income tax check-off for school district contributions]

By unanimous consent bill will be introduced relating to pharmaceutical assistance for senior citizens. [HB 2510 - Income tax check-off for senior citizen pharmaceutical assistance]

Hearing was opened on:

HB 2091 - Property tax exemption amount increased on business machinery, equipment and supplies

Hal Hudson presented testimony in support of HB 2091 on behalf of the National Federation of Independent Business (Attachment #1) and responded to questions from members of the Committee.

Marlee Carpenter presented testimony in support of HB 2091 on behalf of the Kansas Chamber of Commerce and Industry (Attachment #2) and responded to questions from members of the Committee.

Frances Kastner presented testimony in support of HB 2091 on behalf of the Kansas Food Dealers Association (Attachment #3) and responded to questions from members of the Committee.

Charles H. Gregor, Jr. presented testimony in support of HB 2091 on behalf of the Leavenworth-Lansing Area Chamber of Commerce (Attachment #4) and responded to questions from members of the Committee.

Christy Caldwell presented testimony in support of HB 2091 on behalf of the Greater Topeka Chamber of Commerce (Attachment #5) and responded to questions from members of the Committee.

CONTINUATION SHEET

Kenneth L. Daniel, Jr., Founder and Chairman of Midway Wholesale, Topeka, presented testimony in support of **HB 2091** (Attachment #6) and responded to questions from members of the Committee.

Art Straehla presented testimony in support of **HB 2091** (Attachment #7) on behalf of Goodyear. Mr. Straehla gave a history of Goodyear-Topeka, presented data illustrating the Topeka plant's taxation compared to other North American facilities, and responded to questions from members of the Committee.

Jeff Berke, General Manager of CJS Industries, Inc., Topeka, a small manufacturing concern, presented testimony in support of **HB 2091** (Attachment #8) and responded to questions from members of the Committee.

Lee Eisenhower presented testimony in support of **HB 2091** on behalf of the Propane Marketers Association of Kansas (Attachment #9) and responded to questions from members of the Committee.

Bernie Koch presented testimony in support of **HB 2091** on behalf of the Wichita Area Chamber of Commerce (Attachment #10) and responded to questions from members of the Committee.

Greg Sevier presented testimony in support of **HB 2091** on behalf of the Wichita Independent Business Association (Attachment #11) and responded to questions from members of the Committee.

Karl Peterjohn addressed the Committee on behalf of Kansas Taxpayers, Inc., in support of **HB 2091**.

Ross E. Markle, President of Harris Bros. Cleaners, Inc., Leavenworth, presented testimony in support of **HB 2091** on behalf of the Kansas National Federation of Independent Business Leadership Council (Attachment #12). He responded to questions from members of the Committee.

Chairman Edmonds requested staff to provide information clarifying the apparent requirement of County Appraisers that all property be listed whether or not it meets the \$250 minimum. Conferees indicated they found this to be burdensome.

Hearing on **HB 2091** was closed.

Chairman Edmonds requested staff to provide

Hearing was opened on:

HB 2140 - Income tax credit for property tax paid upon commercial and industrial machinery and equipment:

Marlee Carpenter presented testimony in support of **HB 2140** on behalf of the Kansas Chamber of Commerce and Industry (Attachment #13) and responded to questions from members of the Committee.

Frances Kastner testified in support of **HB 2140** on behalf of the Kansas Food Dealers Association, making reference to her written testimony previously presented (Attachment #3).

Jeff Berke, General Manager of CJS Industries, Inc., Topeka, testified support of **HB 2140** and referred to his written testimony (Attachment #8).

On behalf of the Greater Topeka Chamber of Commerce Christy Caldwell referred to her previous testimony (Attachment #5) in support of **HB 2140**.

Art Straehla addressed the Committee in support of **HB 2140** on behalf of Goodyear, referring to his testimony presented previously (Attachment #7).

CONTINUATION SHEET

Jeff Berke, General Manager of CJS Industries, Inc., Topeka, testified in support of **HB 2140** making reference to his previous written testimony (Attachment #8).

Hearing on **HB 2140** was closed.

Representative Larkin, Ranking Minority Member, referred to testimony provided by Mr. Straella comparing Kansas real estate and personal property taxes with those of other states (Alabama, Illinois, North Carolina, Oklahoma, Tennessee, Texas and Virginia) (Attachment #7). He asked if staff could provide comparative data on corporate income tax in those states.

The Committee adjourned at 10:08 a.m. The next scheduled meeting is February 19.

GUEST LIST

DATE Feb. 15, 2001

| NAME | REPRESENTING |
|------------------|--|
| Christy Caldwell | Tuzela Chamber of Commerce |
| Hal Hudson | NFIB / KS |
| ROSS MARKLE | HEAVENWORTH + NFIB |
| CHARLIE GREGOR | LEAVENWORTH-LANSING AREA CHAMBER OF COMMERCE |
| Frances Kastner | Ks Food Dealers Assn |
| Art Strachla | Goodyear |
| Tom BRUND | Horn & Assoc. |
| GEORGIE PETERSEN | Ks TAXPAYERS Network |
| See Ewenhauer | Propane Marketers Assoc. of KS |
| Marlee Carpenter | KCEB |
| Wendy Jean Smith | KMHFA |
| DAVID L. ROSS | KSOCH |
| Bernie Koch | Wichita Area Chamber |
| Don Cowley | DOB |
| Julie Kain | Hain & Weir |
| Liane Nykstra | SKS |
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KANSAS

**Statement by Hal Hudson, State Director
Kansas Chapter, National Federation of Independent Business
Before the
Kansas House Taxation Committee**

Re: House Bill 2091

February 15, 2001

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to appear in support of House Bill 2091. My name is Hal Hudson, and I am here today representing the more than 7,000 small and independent business owners who are members of the National Federation of Independent Business. Most of our members are the local owners of "Main Street" businesses in your community.

There is no doubt that NFIB/Kansas members support increasing the property tax exemption on machinery and equipment. Those of you who were in the Legislature in 1995 will recall that NFIB was a leading proponent of the "Paper Clip Tax" bill that established the present \$250.00 threshold exemption for business personal property. A coalition of some 17 business, professional and trade associations supported that legislation, but they wanted the threshold set at the \$5,000 level. Obviously, we did not prevail at that level.

Some of you also may remember that in 1998 Governor Graves proposed increasing the machinery and equipment exemption to \$500. And in 1998, it was the House Taxation Committee that approved increasing the exemption to \$1,000. That proposal passed in the full House, where it then became a part of the comprehensive tax relief bill of 1998. However, the provision to increase the exemption to \$1,000 was lost in the conference committee.

NFIB/Kansas members were asked on the 1999 Kansas State Ballot if they still wanted this property tax exemption increased. A total of 81 percent of those responding said YES to this question. Property tax reduction continues as a top priority of NFIB/Kansas members. On the 2000 ballot, 87.5% again said, "Yes" to this question.

In 1999, the House passed H.B. 2543, with the machinery and equipment exemption increased to \$500.00 – on a vote of 122 to 0. Again, the proposal was lost in the conference committee – even though the fiscal note projected a reduction in SGF revenue of only \$184,000. Of course, that figure assumed no new investment, and thus no increase in appraised value of new property subject to the tax.

Some of you have heard me say before that the tax small business owners dislike most is property tax – and especially property tax on machinery, equipment, materials, and supplies. That is because payment of property tax has no relevance to the ability to pay.

Many small businesses, in the years they are growing and expanding make substantial investments in machinery and equipment, as they provide new jobs. It is this very growth that may reduce their income, hence their ability to pay property taxes. A reduction in the cost of property tax is one way to encourage investment in new machinery and equipment and the creation of more jobs for Kansans.

When the concept of this tax exemption threshold was first introduced in 1995, there were those who said local tax revenues would be slashed, resulting in big shifts of the tax burden to homeowners. There is little evidence to support that fear. In fact, in some counties the assessed value of machinery and equipment, and the actual tax dollars collected, has increased.

There are at least three reasons why this may be true:

- 1) Since 1995, many businesses, relieved of the time consuming effort of listing minutiae, have undertaken a more serious approach to accurately listing those items that should be reported.
- 2) Legislation enacted as a companion to the first threshold exemption bill established a two-year statute of limitation for county appraisers to go back into company books looking for unreported or under reported property. This also encouraged some who may have been negligent to clean up their act and report more accurately.
- 3) Tax relief granted to businesses, including the unemployment tax moratorium, provided business with the capital to invest and grow – adding to the value of their “personal” property on which property tax is assessed.

Items that cost less than \$1,000 when purchased new do not produce very much tax revenue. And, after 3 to 5 years, when they have been depreciated to 20 percent of original cost, they generate even less in tax collections. Tracking such items is a non-productive endeavor which may actually produce negative results when you consider the time and energy expended by both the property owner and the county appraisers’ offices.

As I ask you to seriously consider enactment of H.B. 2091, I would like to leave you with one more thought, and that is this: Property taxes paid by businesses are at a higher rate than those paid by individuals, and only businesses pay “personal” property tax on the machinery and equipment they own. Dollar-for-dollar, tax relief granted to Kansas businesses will do more to bolster the Kansas economy than the same dollars granted in tax relief to individuals.

I urge you to report H.B. 2091 favorably, and to support its enactment by the full House.

Thank you.

Hal Hudson, State Director
National Federation of Independent Business
3601 SW 29th St. – Suite 116-B, Topeka, KS 66614-2015
Phone: 785/271-9449 - Fax: 785/273-9200
E-mail: Hal.Hudson@nfib.org

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National Federation of Independent Business

Kansas

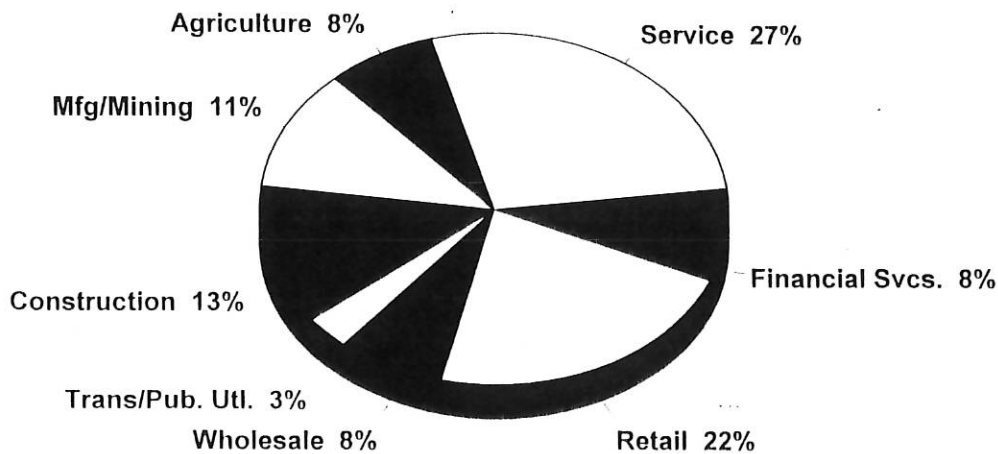
About NFIB-Kansas

Since 1943, business owners from all walks of commercial life have joined the National Federation of Independent Business to have a powerful, united voice in government decision making. Today, NFIB's Kansas chapter has more than 7,000 members, making it the largest small-business advocacy group in the state.

Each year, NFIB-Kansas polls its entire membership on a variety of state legislative and regulatory issues. The federation uses the poll results to set its legislative agenda and aggressively promotes those positions approved by a majority vote.

This democratic method of setting policy assures that the positions advanced by NFIB reflect the consensus view of the entire small-business community rather than the narrow interests of any particular trade group. Lawmakers wanting to know how proposed legislation and regulation will affect Main Street businesses can get the authoritative answer from NFIB's legislative office in Topeka.

NFIB-Kansas by Industry Classification



...and NFIB works for small business.

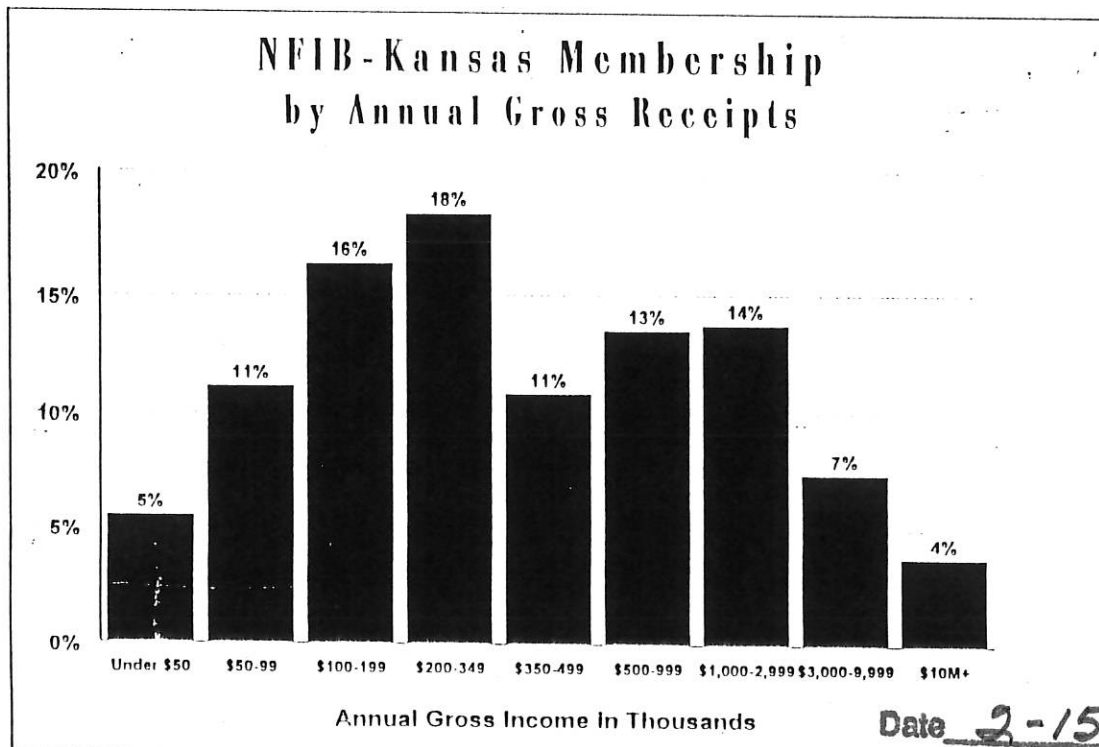
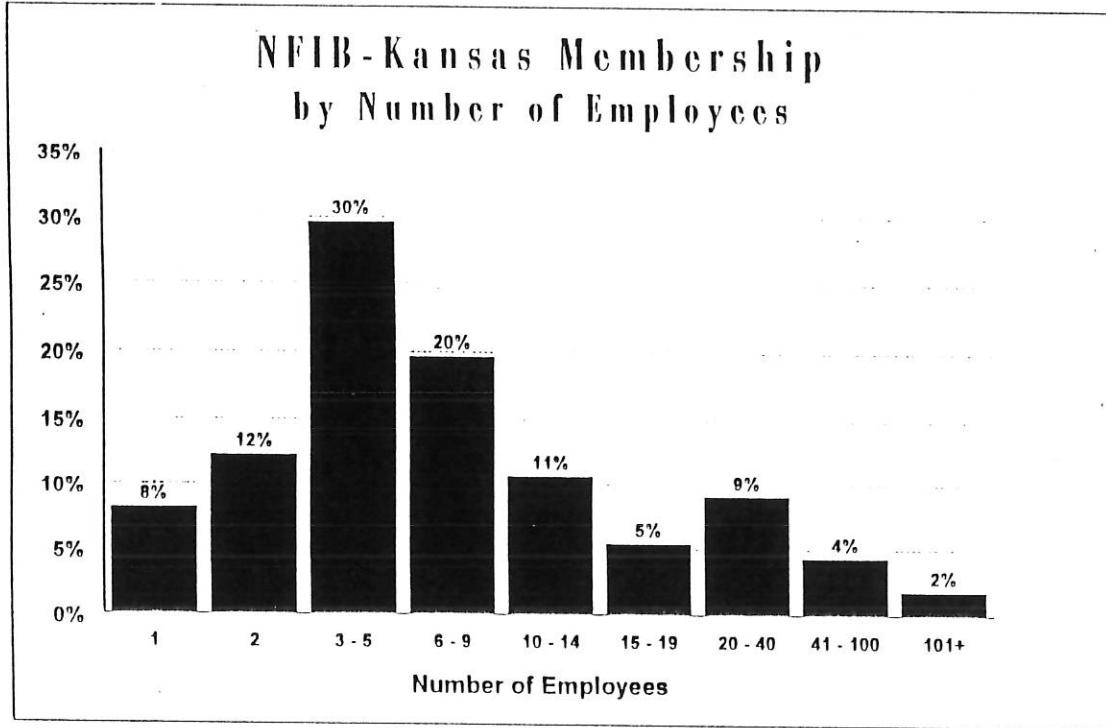
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NFIB-Kansas Membership Profile

NFIB-Kansas represents the entire spectrum of independent business, from one-person home-based operations to enterprises employing more than 100 people. The typical NFIB-Kansas member is quite small, employing six workers and ringing up gross sales of about \$340,000 per year. Yet, in aggregate, the membership is a potent economic force, employing more than 110,000 and earning about \$8 billion (gross) annually.



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LEGISLATIVE TESTIMONY



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HB 2091

February 15, 2001

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

House Taxation Committee

by

Marlee Carpenter

Director of Taxation and Small Business

Chairman Edmonds and members of the Committee:

My name is Marlee Carpenter and I am the Director of Taxation and Small Business for the Kansas Chamber of Commerce and Industry. I am pleased to have this opportunity to express our members' support for the increase in the exemption threshold allowed for business personal property as set out in HB 2091.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 2,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 48% of KCCI's members having less than 25 employees, and 78% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

KCCI was one of the leading organizations to push for this provision in 1995 to counteract a wave of aggressive county audits across the state. When the 1995 bill was introduced, the threshold

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was proposed at \$2,500 per item. The House overwhelmingly approved a \$500 threshold and conference committee a compromise was struck at \$250.

Today, there is ample justification to increase the threshold amount to \$1,000. It is very difficult and time consuming for both the large and small business owner to accurately account for every item of business personal property on their tax forms. This process is not only difficult for the taxpayer, but the auditor as well.

I would like to bring Directive #95-030 to the attention of the committee. This Directive is attached to my testimony and was adopted in 1995 to address appraisal questions on this issue. As passed, the law exempts any qualifying **item** of machinery, equipment, materials and supplies that has a retail cost when new of \$250 or less. However, the Directive defines an item as a computer system, including a monitor, tape/hard drive, mouse, printer, etc. This Directive does not qualify separate computer items for the exemption. This issue was raised by one of KCCI's members and I wanted to bring it to your attention.

KCCI supports any increase in the current \$250 level. We urge your favorable recommendation of this proposal and I thank you for your time. I will be happy to answer questions at the appropriate time.

STATE OF KANSAS

Mark S. Beck, Director
Robert B. Docking State Office Building
915 S.W. Harrison St.
Topeka, Kansas 66612-1585



(913) 296-2365
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Department of Revenue
Division of Property Valuation

DIRECTIVE #95-030

TO: **County Appraisers**
SUBJECT: **\$250 Personal Property Exemption
(K.S.A. 1995 Supp. 79-201w).**

This directive is adopted pursuant to the provisions of K.S.A. 1995 Supp. 79-505, and shall be in force and effect from and after the Director's approval date.

In 1995, the legislature adopted a new law that exempts any *qualifying* item of machinery, equipment, materials and supplies that has a retail cost when new of \$250 or less. The exemption becomes effective after December 31, 1995. (K.S.A. 1995 Supp. 79-201w).

In order to qualify for the exemption, an item must be the type of personal property that would otherwise be required to be listed for the purposes of taxation pursuant to K.S.A. 79-306, and amendments thereto. For example, oil and gas property will only qualify for the exemption if it is the type of property that was required to be listed on the Tangible Personal Property Ad Valorem Tax Return (Form PV-PP-2E) for tax year 1995 and prior years (e.g., office equipment). Oil and gas property that is required to be listed on the oil and gas rendition filed pursuant to K.S.A. 79-329 through 79-333, and amendments thereto, shall not qualify for this exemption. Public utility property that is required to be listed pursuant to K.S.A. 79-5a01 through 79-5a28, and amendments thereto, shall not qualify for this exemption. Motor carrier property that is required to be listed pursuant to K.S.A. 79-6a01 through 79-6a16, and amendments thereto, shall not qualify for this exemption.

In addition, the item must be used exclusively for (1) business purposes or (2) in the conduct of activities by an entity not subject to Kansas income tax pursuant to K.S.A. 79-32,113, and amendments thereto. Generally, a person or organization exempt from federal income taxation under provisions of the federal internal revenue code are also not subject to Kansas income tax.

The purpose of this directive is to define the term "item" for purposes of the new exemption. The Director takes the position that an interpretation of an "item" should begin with the Tangible Personal Property Ad Valorem Tax Return (Form PV-PP-2E, hereinafter referred to as a "rendition"), which was an express concern of the legislature.

The Director takes the position that *as a general rule*, a line-item on an acceptably filed rendition is the equivalent of an item for purposes of the new exemption. However, the Director recognizes that taxpayers vary in reporting practices due to differing purchasing procedures and styles.

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Consequently, some adjustment to this general rule must be made in order to place taxpayers on more equal footing.

First, if a single line-item represents a group of like goods that can be used independently and that have the same or similar cost, the line-item is not a single item. Rather, the line-item represents several items. For example, if a taxpayer lists "chairs, 6 @ \$100 each," as a line-item on the rendition, each chair constitutes an item. The chairs are alike, have the same cost, and do not have to be used in conjunction with other goods in order to serve their function. Thus, the single line-item on the rendition described as "6 chairs" actually consists of six separate items.

Second, if a single line-item represents a good that must be used in conjunction with other goods in order to serve its purpose or function, the line-item is not an item. Rather, the line-item represents only part of an item. For example, if a taxpayer lists a "computer keyboard" as a line-item on the rendition, the line-item does not constitute an entire item. The computer keyboard cannot serve its purpose or function without the remainder of the computer system; therefore, the keyboard is part of a computer system. The computer system is the item. The keyboard and its other components, even though they may be separately identified and listed on the rendition, are merely parts of an item.

Finally, materials and supplies were typically reported as a single, lump sum line-item on the rendition prior to the new law. The line-item typically contained a variety and number of low-dollar, highly consumable goods such as paper, pens, pencils, paperclips, rubberbands, etc. The Director takes the position that in the case of materials and supplies, the line-item is not a single item. The line-item represents several expense items. For example, a taxpayer lists "office supplies, \$500" on the rendition. The single line-item described as "office supplies" consists of 1,000 sheets of paper, 1,000 rubberbands, 200 pens, etc. The item is the smallest quantity in which like goods may be purchased by a business or qualifying not-for-profit entity in the ordinary course of a trade or business. Therefore, the single line-item represents several items. For example, one pen constitutes an item.

Materials and supplies may include spare parts. A spare part with a cost of \$250 or less may qualify for exemption. However, once the spare part is affixed to machinery and equipment, it becomes part of an item of machinery and equipment, and no longer qualifies for exemption by virtue of being an item of materials or supplies.

The Director offers the following list of example *items* of machinery and equipment as an additional guideline:

Example Items of Machinery and Equipment:

Alarm System
 Computer System (including monitor, tape/hard drive, mouse, printer, etc.)
 Phone System
 Bed (including mattress, box springs, frame and headboard)
 Window Treatment (all curtains/blinds for one window)
 Shelf (one free-standing shelf unit; as high/wide as used by the entity)
 Kitchen pan and lid
 Kitchen utensil (example: fork)
 Chair

Approved: January 12, 1996

 Mark S. Beck
 Director of Property Valuation

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Shawnee Mission

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ARNIE GRAHAM
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DIRECTOR OF
GOVERNMENTAL AFFAIRS

FRANCES KASTNER

HOUSE TAX COMMITTEE

FEBRUARY 15, 2001

SUPPORTING HB 2091 AND 2140

I am Frances Kastner, Director of Governmental Affairs for the Kansas Food Dealers Association. Our membership includes manufacturers, wholesalers, and retailers of food products throughout the State.

When 2091 was enacted about five years ago it became apparent it provided dual benefits. Not only did it lower the property tax bill, but it was a tremendous time-saver to be able to eliminate minor expenditures for material and supplies from the annual property tax renditions when the original retail cost of the new item was \$250 or less.

Raising that amount would allow us to include more of the machinery and equipment used by our members in their operation. As you are all aware, everything is increasing in cost, and we support changing the exemption from \$250 to \$1000.

HB 2140 provides additional property tax relief by increasing a percentage of that tax to be used as an income tax credit or refund. Going from 15% to 20% might be the difference between some of the smaller operators staying in business or closing their doors. At the very least, businesses would be able to keep from increasing their prices on their goods or services. As you all know, when a business can no longer make a profit, they close their doors.

We urge your SUPPORT OF HB 2091 AND HB 2140.

Frances Kastner

Frances Kastner, Director
Governmental Affairs KFSA

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Leavenworth-Lansing Area Chamber of Commerce

TESTIMONY OF CHARLES H. GREGOR, JR. EXECUTIVE VICE PRESIDENT LEAVENWORTH-LANSING AREA CHAMBER OF COMMERCE HOUSE TAXATION COMMITTEE February 15, 2001

Mister Chairman, members of the Committee, on behalf of the Board of Directors and more than 520 members of the Leavenworth-Lansing Area Chamber of Commerce, I thank you for the opportunity to come before you to speak on behalf of House Bill 2091. The bill provides a business personal property tax exemption of \$1,000, up from the current \$250 exemption. This bill would be a major step forward in providing our small businesses substantial administrative expenses relief as well as limited tax relief.

The Leavenworth-Lansing Area Chamber of Commerce was one of the organizations instrumental in the passage of the original \$250 exemption by the 1995 Legislature. The \$250 exemption has been most effective in terms of reducing the administrative and associated costs that burden our small businesses. It greatly simplified tax reporting, saved many preparation hours and allowed our small businesses to comply with the law and more accurately report business property. The year the exemption was promulgated business personal property tax revenues actually increased. We think the exemption increase we are asking you to support in H. B. 2091 would continue that trend while offering a modicum of tax relief to Kansas' small businesses. It would also assist in making Kansas more competitive with surrounding states in economic development efforts.

In 1998 the Governor recommended the \$250 exemption on business machinery and equipment be increased to \$500. This Committee raised the exemption increase to \$1,000 and the House passed the resulting legislation. Unfortunately, the entire exemption increase was lost in conference. An exemption increase to \$500 was again passed by the House in 1999 as a part of H. B. 2543, with the Department of Revenue projecting a State General Fund impact of less than \$185,000. Once again, despite this virtually negligible SGF impact, the exemption increase was lost in conference.

In Leavenworth County, all business personal property taxes made up only 3% of 1999 county property tax revenue. This is probably a higher percentage than most Kansas counties, since Fort Leavenworth, federal and state prisons, a large VA Medical Center and National Cemetery, and the campus of Saint Mary College are completely off the tax roles. This, combined with schools, etc., removes 39.4% of real property value from the county tax roles. An exemption of \$1,000 would have minimal impact on that 3% of total property tax revenue. While a \$1,000 exemption may not prove to be totally revenue neutral, it will have negligible impact.

An exemption increase to \$1,000 will help stimulate and reinvigorate small business growth, particularly important in today's economy. It will provide limited but meaningful tax relief to Kansas' small businesses, such as our "mom and pop" retailers, small service businesses, and small manufacturers that make up the heart and soul of so many of our communities, not only in Leavenworth County but throughout the State of Kansas. These businesses are a critical part of our tax base and provide the jobs that form the economic core of many Kansas communities. Many of these business owners work 60 to 80 hours a week just to survive. It is more than appropriate that they benefit from the tax relief an exemption increase would provide. Such an exemption increase will contribute to small business' ability to reinvest profits, increase inventories, expand, and create job development within that part of Kansas' economic base that is rarely the primary beneficiary of economic development programs that offer tax breaks and similar economic incentives.

I respectfully urge you to approve HB 2091 and provide a \$1000 exemption to the business personal property taxes paid by Kansas businesses.

-----End of Testimony----- Date 2-15-01

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House Taxation Committee
February 15, 2001
HB 2140 and HB 2091
Testimony by Christy Caldwell
Greater Topeka Chamber of Commerce

Christy Caldwell

Thank you for the opportunity to address the issue of business machinery and equipment property taxes. The Greater Topeka Chamber of Commerce supports HB 2140 which increases the income tax credit from 15% to 20% for property taxes paid by business on their machinery and equipment and HB 2091, increasing the exemption for machinery and equipment, materials and supplies from \$250.00 to \$1,000.00.

Although the state has made significant strides in the last several years to reduce all property taxes, the Kansas business community continues to be burdened with higher property taxes on machinery and equipment than any of our neighboring states. These taxes are a significant issue for companies who utilize a lot of expensive machinery in their operations. Many manufacturing companies compete for work not only with their competitors but also within their company when there are several plant locations. The cost of doing business, including the tax burden, is a major factor in securing expansions and capital expenditure. Competitive costs ultimately can result in increased jobs and continued operations in our state.

I have asked two Topeka companies, Goodyear and CJS Industries to talk to you about their property taxes and explain how these two bills will continue the progress made on making Kansas more appealing for business growth.

Although we realize the realities of the state's fiscal situation and that passage of these two bills current form is slim, we do respectfully request the legislature give attention to this problem soon. Kansas's business growth has resulted in nearly total employment and increased revenues to the state. We ask that you do everything you can to keep Kansas business healthy. Reducing the state's reliance on machinery and equipment property tax is a welcome movement in that direction. Thank you.

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House Bill 2091

Testimony before the House Taxation Committee
February 15, 2001

By Kenneth L. Daniel, Jr.
Chairman and CEO
Midway Sales & Distributing, Inc. d/b/a Midway Wholesale

Mr. Chairman and Members of the Committee:

My name is Ken Daniel. I am the Founder, Chairman and C.E.O. of Midway Wholesale, which is headquartered here in Topeka and has branches in Salina, Manhattan, Lawrence, Kansas City, and Elwood.

Like the huge majority of small businessmen and businesswomen, I want to pay the taxes I owe. I want to go to bed at night knowing I've done it right and not worry about being hammered by some auditor.

At Midway Wholesale, we keep three different sets of records of our furniture, fixtures and equipment:

- 1) We have to keep tax depreciation schedules in order to file our state and federal income tax returns. At Midway, we pay a C.P.A. firm a considerable sum each year to maintain our depreciation schedules from information our staff gathers and furnishes to them.
- 2) As a sound business practice, we maintain a separate data base of the furniture, fixtures, and equipment we have at each location. Each fixed asset item is marked with a sticker. An internal company auditor goes to each location once a year and does an inventory of the fixed assets.

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- 3) Finally, we keep a third set of records so we can file reports to county appraisers for property tax purposes.

Last year we thoroughly investigated the possibility of somehow combining these lists. We bought a special package of Peachtree Software and tried to combine the lists. We even considered spending several thousand dollars to buy the same depreciation software our C.P.A. uses. It proved impractical for us to combine even two of the lists.

It is very time-consuming and expensive for us to maintain all of these records, and there is risk to every business of being fined or penalized even if you've done the very best job you can. The Kansas Legislature can eliminate a significant part of the burden of keeping records for property tax purposes by enacting House Bill 2091. For many small businesses, the cost of keeping these records is greater than the tax collected.

Here are some real numbers for your consideration: At the end of 1999, we had 1,606 items on our internal fixed asset inventory list. Of those, for one reason or another, there were 480 on which we had no original purchase information. 339 of the remaining items cost more than \$250 when new. 141 of those cost more than \$1000 when new. If you will enact this law, it will cut our appraisers' lists from 339 items to 141 items, a reduction of about 60%.

Furthermore, it will strike a blow for fairness. The easier it is to comply with the law, the more businesses will comply, and the tax burden will be spread more evenly and fairly.

I would contend that it is small business that is the "sitting duck" for audits by appraisers. Imagine an appraiser walking into one of my stores to check whether we are reporting our \$250 & up items honestly. The appraiser would be familiar with nearly all

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types of property we have. In 15 minutes or so, he or she could come up with a pretty good list of all items appearing to have cost \$250 or more when new. Now imagine that appraiser walking into the Goodyear plant here in Topeka. Much of the equipment would be unfamiliar, some might be more than 50 years old, some moved here from other Goodyear plants, etc. The sheer magnitude of cataloging it would be gargantuan. Compiling a complete and accurate list would be nearly impossible.

A good case can be made that the 1995 law putting a floor of \$250 on items to be reported increased tax revenues instead of decreasing them. I can't guarantee that an increase from \$250 to \$1000 will "pay for itself", but it may. It will undoubtedly save a huge amount of money and hassle for Kansas businesses, and will make county appraisers' jobs easier.

Please support House Bill 2091. Thank you.

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Topeka Plant
2000 Highway 24
Topeka, KS 66618

Thursday, February 15, 2001

Rep. John Edmonds
Kansas House Taxation Committee

Dear Chairman Edmonds and members of the Committee,

Thank you for allowing me this opportunity to visit with you about Goodyear-Topeka's competitive position. Mr. Chairman, I am here today to share with you another perspective on House Bill 2140. This bill would increase our state income tax credit from 15 percent to 20 percent on property taxes based on equipment and machinery.

The Goodyear-Topeka plant was built in 1944, and since that time has played an important role in our community. Goodyear-Topeka is one of the city's largest private employers and currently employs more than 1,800 associates. The annual payroll exceeds \$100 million, and those dollars are turned over in our community an average of five times.

As all companies, Goodyear-Topeka's mission is to safely manufacture the highest quality product in a cost competitive environment. One component of our competitive position is our plant's taxation. When reviewing where to invest capital monies, productivity and cost indicators are reviewed. The Topeka Plant's current tax rate serves as a red mark on our report card in our effort to gain additional investment and retain jobs. Goodyear-Topeka is the highest taxed plant in North America, and consequently, many other locations in the U.S. and abroad may appear more appealing to our corporate decision makers.

The charts below illustrate the plant's taxation compared to other North American facilities.

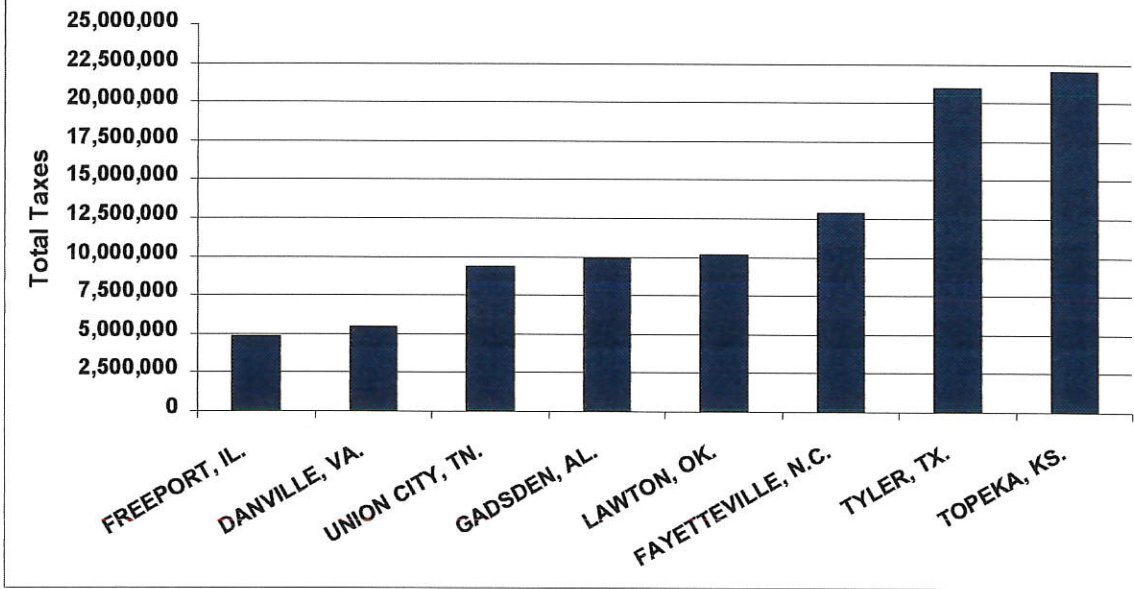
House Taxation

Date 2-15-01

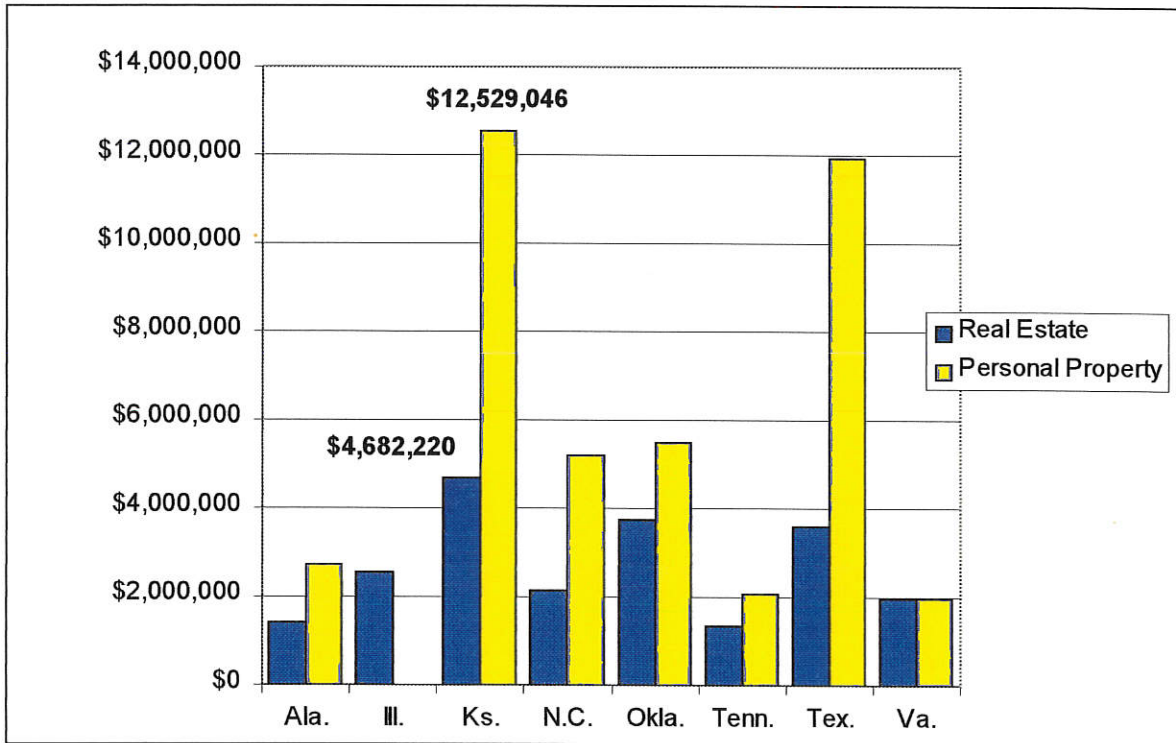
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**Goodyear / Topeka 7 Year Tax Burden Comparison Summary Includes :
Income/Franchise/Sales/Real & Personal Property Taxes**

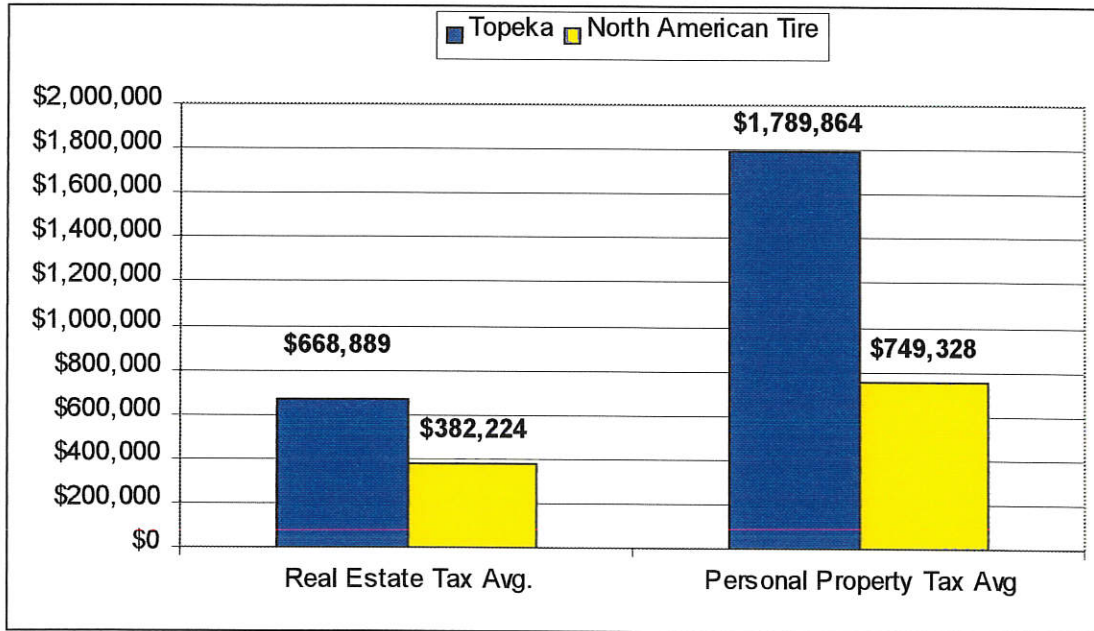


Total Real Estate and Personal Property Taxes By Plant

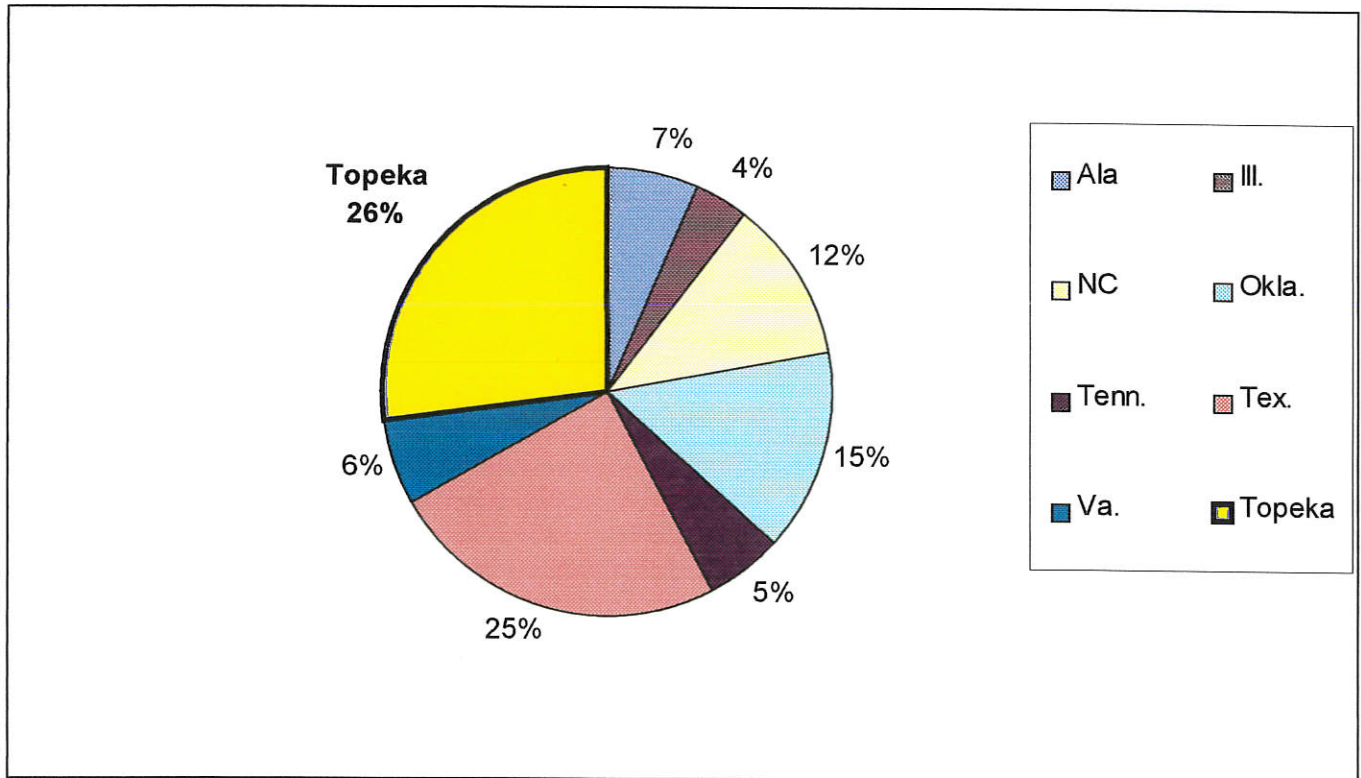


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Topeka Plant Versus Goodyear North American Tire Average Tax Rate



Percent of Total North American Tire Taxes Paid by Goodyear-Topeka

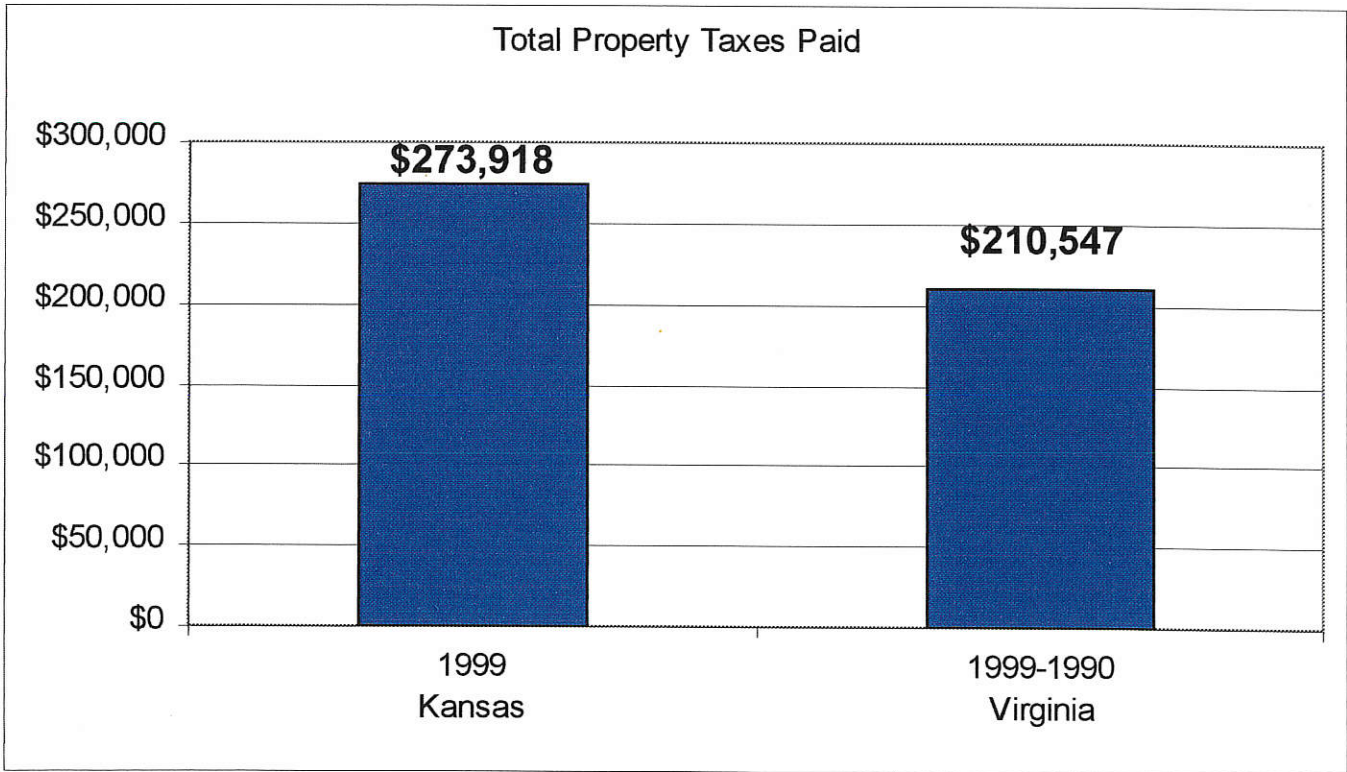


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As a more direct comparison, Goodyear's Danville, Va., plant produces Radial Truck Tires—one of Goodyear-Topeka's major tire lines. Not only do we as a plant compete with other major tire manufacturing competitors, but we also compete with our sister plants for capital investment.

As the table and chart show, **Goodyear-Topeka paid more property taxes in 1999 than it would have paid from 1990-1999 had the plant been in Virginia.** Obviously, this is a serious competitive disadvantage that our plant must carry.

| | Year | Net Taxable Machinery & Equipment | Valuation Factors | Assessment (Cols. 1*2*25%) | Tax Rate (115.027/1 000) | Tax |
|----------|-----------|-----------------------------------|-------------------|----------------------------|--------------------------|-----------|
| Kansas | 1999 | \$11,114,739 | 85.70% | \$2,381,333 | 0.115027 | \$273,918 |
| Virginia | 1999-1990 | \$70,182,375 | 20.00% | \$14,036,475 | 0.015 | \$210,547 |



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As the charts clearly illustrate, Goodyear-Topeka pays more than a quarter of the total taxes of all of North American Tire. Further, **Goodyear-Topeka's personal property taxes are 2.39 times higher than the corporate average.**

As a responsible corporate citizen of our community, I personally and Goodyear corporately support education funding. But, there must be other ways to fund education while at the same time ensuring the future of the business community here in Topeka. By providing an environment friendly to business, our students will have a greater chance of finding employment following graduation.

As you are aware, more and more jobs are leaving our country and being replaced by service sector jobs. The employment rate has dropped to historic lows over the past few years, but individuals are working at lower paying jobs with fewer benefits. I urge you to help Goodyear and other Topeka businesses protect their investment in the community by increasing the state income tax credit to 20%. In our case alone, this could mean a reduction of our tax expense by nearly \$500,000 annually.

Again, I thank you for your time and consideration of this important bill.

Sincerely,



Arty Straehla
Goodyear-Topeka Plant Manager

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Testimony before the House Committee on Taxation
February 15, 2001

By Jeff Berke CPA
General Manager
CJS Industries, Inc.

Chairperson Edmonds and members of the committee, I am a representative of a small manufacturing concern. I am here in support of House Bill No. 2091 and 2140.

Manufacturing is by nature a capital-intensive business. Production equipment is becoming more and more computer reliant, making it increasingly expensive to both acquire and maintain. Property taxes have become a significant component of the cost to own or lease this equipment. In my experience, any reductions in property taxes granted on manufacturing equipment is more than offset by the increases in income and sales taxes generated by the jobs created by that investment.

House Bill No. 2091 would have the two-fold benefit of reducing property taxes, and significantly reducing the administrative burden to track purchases of small pieces of equipment. The current threshold of \$250 for property tax reporting purposes is below the capitalization threshold for even a small company such as ours.

I adjusted last years rendition based on a \$1,000 limitation. The value of reported assets was decreased by just over 3.5%, with a tax savings of about \$890. However, it reduced the number of line items on the rendition by over 64%. The savings in paperwork alone would be tremendous. House Bill No. 2140 would have represented a tax savings of \$1,580 based on the numbers used on our 1999 tax return. The total savings would be about \$2,500.

CJS Industries, Inc. has received property tax abatements in the past. Our first year's savings was about \$33,000. That in a large way helped us finance an investment of over one million dollars in additional equipment this past year. That investment in equipment should create in time, four to six new jobs. These jobs will have a wage and benefit package for each individual in the range of \$30,000 to \$40,000 per year.

Manufacturing businesses usually will make the most significant investment in plant and equipment in a community. Decisions to locate a manufacturing plant are long term in nature, and bring the high paying jobs usually sought after by a community. An overly burdensome property tax structure can make it almost prohibitively expensive to locate here. Anything that the legislature can do to reduce that cost increases the opportunity that existing businesses can expand and new businesses may locate here.

We ask that you approve House Bills No. 2091 and 2140. Thank you for your time and attention.

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Propane Marketers Association of Kansas

214 S.W. 6th Avenue, Suite 305 Topeka, KS 66603-3719

Phone 785-354-1749

Fax 785-354-1740

Testimony Regarding

House Bill 2091

Presented to the House Committee on Taxation

February 15, 2001

By Lee Eisenhauer, Executive Vice-President

Propane Marketers Association of Kansas

Mr. Chairman and Members of the Committee:

My name is Lee Eisenhauer, and I am the executive vice-president of the Propane Marketers Association of Kansas.

We thank you for your consideration of House Bill 2091, and for allowing us time today to voice our support of this bill.

Basically, we support the increase in exemption of business machinery, equipment, material and supplies with a new retail cost of \$1,000 or less, not so much to get out of paying the tax but, more importantly, to eliminate the current nightmare of paperwork required by both the propane marketer and the county office collecting the tax.

One of the services propane marketers offer their customers is the leasing of propane storage tanks at their residence or place of business. A marketer may have tanks leased in several taxing districts in several counties, requiring preparation and filing of numerous tax report forms.

As an example, in 1995 when the current exemption of \$250 was adopted, one of our members testified that he had approximately 300 tanks leased in one county, for which he had to complete up to 200 returns. He estimated that it cost him about \$3-\$4 per return, and the county approximately \$10 per return, for which the county collected only about \$400 in taxes. Some of the tanks were old enough that the tax was 35 cents, with most running a little over one dollar. As you can see, the amount of income is hardly worth everyone's time and effort involved.

Most residential users lease 500-gallon tanks, the new cost of which falls below the \$1,000 amount proposed in this bill. So, its passage would eliminate a lot of time and expense for both the propane businesses and the counties and, quite possibly, a savings for the propane user leasing the tank.

Again, we thank you for your consideration, and urge the passage of H. B. 2091.

I would be happy to try to answer any questions you may have.

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**Testimony on HB 2091 & HB 2140
House Taxation Committee
February 15, 2001**

**Bernie Koch
Wichita Area Chamber of Commerce**

Mr. Chairman, members of the committee, thank you for the opportunity to appear in support of House Bill 2091 and House Bill 2140 this morning.

I'm Bernie Koch, Vice President for Government Relations with the Wichita Area Chamber of Commerce. Our chamber has approximately 1,850 members from all types of business. Although we have some of the largest companies in the state, 76 percent of our members have 50 or fewer workers.

About 34 percent of our members are in a service industry, 15 percent in manufacturing, and 14 percent in retail. 12 percent are in the category of financial/insurance/real estate.

For many years we have been paying particular attention to the taxes on business personal property, which includes machinery and equipment. Manufacturing is the engine that drives our economy, and those companies are pretty dependent on machinery and equipment that is as technically advanced as possible.

Our business personal property taxes are high for the region. In particular, we compete with Oklahoma, where business personal property taxes can be one-fourth of what they are in Kansas.

I believe there is a growing recognition in the world that anything you can do to encourage investment in machinery and equipment is a very positive economic policy. A few years ago, Iowa eliminated machinery and equipment property taxes completely.

We live in such a technologically competitive world that successful businesses must continually make sure they are on the cutting edge. They must have machinery and equipment that is the most productive and competitive. To do that, we should remove the roadblocks to acquiring that technology. Our tax structure is one of those roadblocks.

The 15% refundable tax credit for property tax paid on commercial and industrial machinery and equipment has helped. We support increasing that to 20%, as provided by House Bill 2140.

We also support increasing the business personal property tax exemption as contained in House Bill 2091. The \$250 exemption has had no impact on state revenues and virtually no perceptible impact on local revenues.

In Sedgwick County, since the \$250 exemption was enacted, commercial and industrial machinery and equipment assessed valuations have grown by over \$64 million dollars. That's a 20% growth rate since 1996. Valuations are growing so quickly in our county that the exemption isn't even a blip on the radar screen.

I urge your support for both of these measures.

Thank you for your consideration.

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PERCENT OF SEDGWICK COUNTY PROPERTY TAX BASE COMPOSED OF COMMERCIAL AND INDUSTRIAL PROPERTY

| | COMMERCIAL & INDUSTRIAL MACHINERY & EQUIPMENT | | | COMMERCIAL & INDUSTRIAL REAL PROPERTY | | TOTAL COMMERCIAL & INDUSTRIAL PROPERTY | |
|------|--|-------------------|------------------------|--|------------------------|---|------------------------|
| | TOTAL PROPERTY TAX BASE | ASSESSED VALUE | PERCENT OF TAX BASE | ASSESSED VALUE | PERCENT OF TAX BASE | ASSESSED VALUE | PERCENT OF TAX BASE |
| 1984 | \$1,339,610,776 | \$183,930,207 | 13.73% | \$220,623,496 | 16.47% | \$404,553,703 | 30.20% |
| 1985 | \$1,394,266,112 | \$187,085,820 | 13.42% | \$227,298,750 | 16.30% | \$414,384,570 | 29.72% |
| 1986 | \$1,448,022,385 | \$185,445,528 | 12.81% | \$250,987,830 | 17.33% | \$436,433,358 | 30.14% |
| 1987 | \$1,494,160,620 | \$195,126,906 | 13.06% | \$261,418,256 | 17.50% | \$456,545,162 | 30.56% |
| 1988 | \$1,537,513,579 | \$211,576,704 | 13.76% | \$266,438,350 | 17.33% | \$478,015,054 | 31.09% |

(1989 was the first year after reappraisal and reclassification. Mach/equip from 30% to 20%. Comm/indust real property remained 30%.)

| | | | | | | | |
|------|-----------------|---------------|--------|---------------|--------|---------------|--------|
| 1989 | \$1,867,511,789 | \$180,826,219 | 9.68% | \$613,043,418 | 32.83% | \$793,869,637 | 42.51% |
| 1990 | \$1,912,253,139 | \$177,862,882 | 9.30% | \$622,574,204 | 32.56% | \$800,437,086 | 41.86% |
| 1991 | \$1,962,204,160 | \$212,948,990 | 10.85% | \$625,921,336 | 31.90% | \$838,870,326 | 42.75% |
| 1992 | \$2,017,833,007 | \$220,016,005 | 10.90% | \$638,151,101 | 31.63% | \$858,167,106 | 42.53% |

(1993 was the first year during which both comm/indust machinery & equipment and comm/indust real property were assessed at 25%.)

| | | | | | | | |
|------|-----------------|---------------|--------|---------------|--------|-----------------|--------|
| 1993 | \$2,007,037,441 | \$281,394,061 | 14.02% | \$469,597,688 | 23.40% | \$750,991,749 | 37.42% |
| 1994 | \$2,060,281,521 | \$282,127,156 | 13.69% | \$535,365,114 | 25.99% | \$817,492,270 | 39.68% |
| 1995 | \$2,118,312,007 | \$295,632,718 | 13.96% | \$523,594,346 | 24.72% | \$819,227,064 | 38.67% |
| 1996 | \$2,204,320,563 | \$309,179,886 | 14.03% | \$557,505,466 | 25.29% | \$866,685,352 | 39.32% |
| 1997 | \$2,335,445,803 | \$326,055,773 | 13.96% | \$609,002,374 | 26.08% | \$935,058,147 | 40.04% |
| 1998 | \$2,453,805,137 | \$355,717,918 | 14.50% | \$635,027,905 | 25.88% | \$990,745,823 | 40.38% |
| 1999 | \$2,596,920,364 | \$360,099,087 | 13.87% | \$671,695,039 | 25.87% | \$1,031,794,126 | 39.73% |
| 2000 | \$2,793,561,274 | \$373,823,471 | 13.38% | \$729,440,214 | 26.11% | \$1,103,263,685 | 39.49% |

PETERSON, PETERSON & GOSS, L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MARVIN W. NYE, C.P.A.
RODNEY E. PETERSON, C.P.A.
GREGORY B. SEVIER, C.P.A.
JOHN B. GOSS, C.P.A.

TESTIMONY
FEBRUARY 15, 2001
HOUSE TAXATION COMMITTEE
GREG SEVIER
House Bill No. 2091

A basic tenet of tax policy should be fairness, equity as to its application should be equitable to all taxpayers. Our Association and I personally feel that the current system is not. Large companies have established capitalization policies in which a floor is set that purchases under that amount are expensed as operating expense. These thresholds are typically greater than \$1,000.00.

Accepted accounting practice by CPA profession

Accepted accounting practice by IRS

Reviewed several large companies personally property tax rendition statements at the Sedgwick County Appraiser's Office.

| <u>Industry</u> | <u>1999 purchases</u> | <u>Items under \$1,000</u> |
|-----------------|-----------------------|----------------------------|
| MANUF | \$200,000.00 | 2 |
| MANUF | \$175,000.00 | 3 |
| MANUF | \$900,000.00 | 0 |
| MANUF | \$230,000.00 | 0 |
| Large Co. | \$2MM | 3 |
| Bank | 600 items | 60 |

This is not to imply that they are under reporting but merely their filing follows their accounting policies.

The other end of business size spectrum - very small business. Sedgwick County Appraiser estimates that 10% of businesses subject to filing do not file. The vast majority would be very small businesses.

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This leaves the small to medium size business as those who file and report items under \$1,000.00.

IMPACT --- see Total Value Loss schedule per Sedgwick County Appraiser attached

Would remove 500 businesses from filing requirement.

Would reduce work hours in county office substantially after first year.

In conclusion:

Bill brings equity to the small to medium independent business owner.

Reduces paper work and filing for both the business owner and the county.

It addresses the intent of the personal property tax concept taxing personal property that has significant value within extended useful life.



Harris Bros. Cleaners, Inc.

501 South Fifth Street • Leavenworth, Kansas 66048 • (913) 682-3535

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**TESTIMONY OF ROSS E. MARKLE
PRESIDENT, HARRIS BROTHERS CLEANERS
before the
HOUSE TAXATION COMMITTEE
February 15, 2001**

Mister Chairman, members of the Committee, my name is Ross Markle and my wife Ellie and I own a small business in Leavenworth County. I am also chairman of the Kansas National Federation of Independent Business Leadership Council, representing 7000 small businesses across the State of Kansas. I thank you for the opportunity to come before you today to speak on behalf of House Bill 2091.

In February, 1995, I had the opportunity to testify before this committee as a proponent of then House Bill 2108, a bill that would have set the tax exemption level of business personal property at \$2,500. As we all know, that bill passed but at a tax exemption level of \$250. In preparing that testimony I used four companies as examples; my own dry-cleaning business, a construction company, an excavating company, and an auto mechanic shop, to develop my position with the following average results:

- * At the \$500 exemption level total line items reported fell by 47% and with a tax consequence of minus 5.2%
- * At the \$1000 exemption level total line items reported fell by 63.7 % with a tax consequence of minus 9.3%

This last example demonstrates that with a \$1000 exemption, the tax decrease would be only 9.3% of the 3% produced by business personal property taxes of all of the property tax revenue received by Leavenworth County.

Some of those who testified against the exemption bill in 1995 predicted doom and gloom in their estimated loss of their counties' tax revenues. I, and others, through considerable research, said that the revenue loss from an exemption would be minimal. In fact, in my county, business personal property tax revenues increased considerably the year the exemption went into effect.

I respectfully urge you to support H. B. 2091 at the \$1,000 level and provide Kansas' small businesses additional administrative relief and any small tax relief that may accompany such an exemption increase.

I will be happy to stand for any questions from the Committee.

-----End of Testimony-----

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LEGISLATIVE TESTIMONY



The Unified Voice of Business

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HB 2140

February 15, 2001

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

House Taxation Committee

by

Marlee Carpenter
Director of Taxation and Small Business

Chairman Edmonds and members of the Committee:

My name is Marlee Carpenter and I am the Director of Taxation and Small Business for the Kansas Chamber of Commerce and Industry. On behalf of our members, we would like to thank the Kansas Legislature for improving the business climate with the passage of a 15% income tax credit for property taxes paid on business machinery and equipment in 1998. However, more needs to be done.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 2,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 48% of KCCI's members having less than 25 employees, and 78% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Property tax on business machinery and equipment continues to be singled out as the most burdensome tax on Kansas businesses. A 1999 survey of KCCI members found that property taxes

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con to be the most sought after area for tax relief. Therefore, I am here today to urge you continued commitment to helping Kansas businesses and support HB 2140, which would increase the income tax credit to 20%.

I have attached two charts from a 1999 Kansas, Inc. report to my testimony. The first compares Kansas' property tax collection to the region and the United States. As you can see, Kansas' rates are higher than the region and nation as a whole in both the percentage of local taxes collected and the percentage of personal income collected.

The second chart shows the effective rate of property tax compared to states throughout the region. In 1999, the effective tax rate for machinery and equipment in Kansas totaled 2.61%. Colorado's tax rate was 2.32%, Nebraska's was 1.97%, Missouri's was 1.96%, and Oklahoma's was 1.13% or 57% lower than Kansas. Iowa repealed its property tax on machinery and equipment in 1995. Enacting HB 2140 will continue to even the playing field for Kansas' businesses.

KCCI has adopted a policy to seek legislation that will increase the tax credit to a level of 50% of personal property taxes paid on machinery and equipment. KCCI has set this aggressive goal because significant tax relief is needed. In a year where revenues are tight, the passage of this bill may not seem fiscally responsible. However, cutting property taxes on machinery and equipment have been a strong incentive for manufacturers to invest in business growth. A 1997 report by Kansas, Inc. indicates that a 50% reduction in machinery and equipment property tax would create over 2,500 new jobs in Kansa and boost state personal income by \$59 million in just its first year of implementation.

Reducing the tax burden for business machinery and equipment is an important to KCCI members. Tax rates on machinery and equipment remain the highest in the region and in fact have risen slightly since 1991 due to changes in the assessment ratio. We urge you to support HB 2140 and I will be happy to answer any questions.

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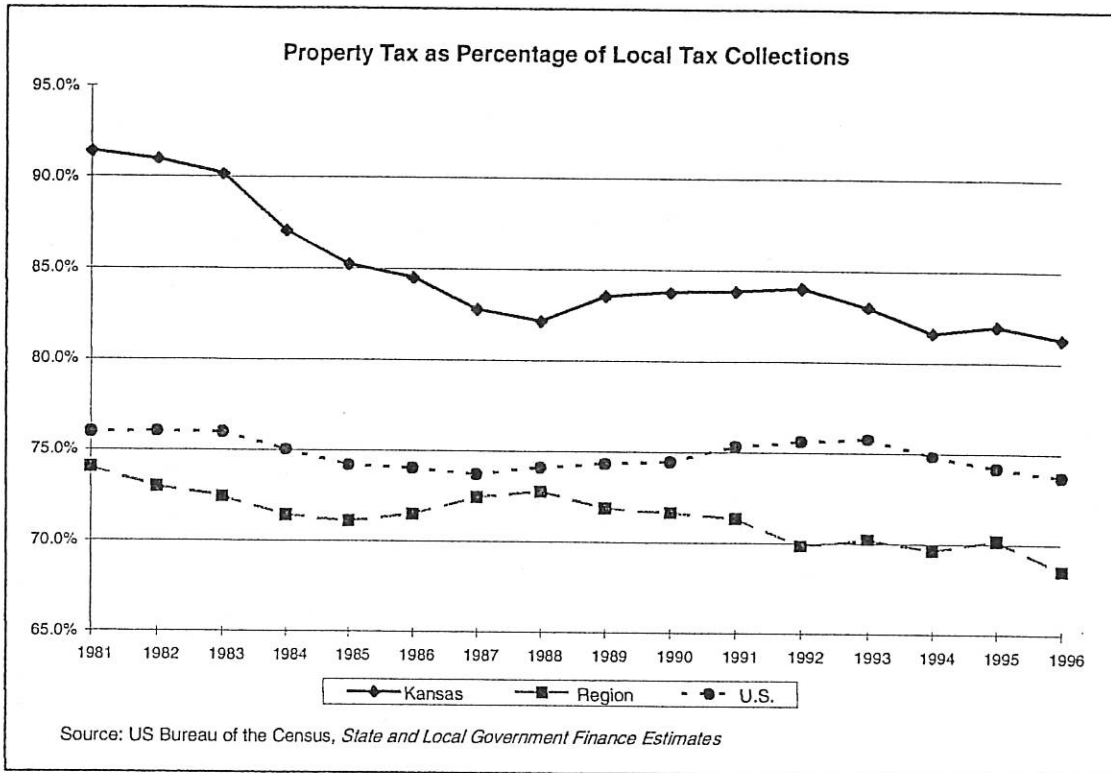


Figure 5-1

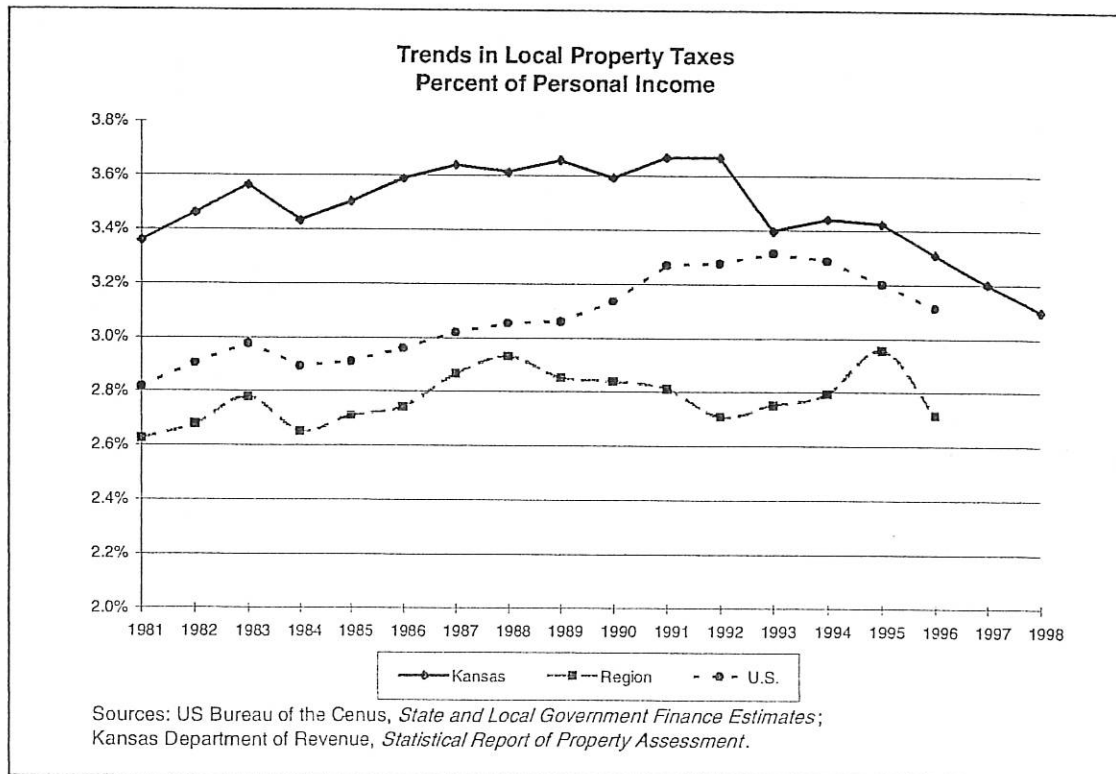


Figure 5-2

**Table 5-1
Local Property Tax Rates and Ratios**

| State | Average Mills (dollars per \$1000 assess. val.) | | Statutory Assessment Ratios (%) | | Estimated Actual Assessment Ratios (%) ¹ | | Statewide Effective Tax Rates (%) ³ | |
|-----------------|---|--------|---------------------------------|-------------|---|-------------|--|------|
| Colorado (1998) | Statewide | 80.06 | Residential | 9.74 | Residential | 9.64 | Residential | .77 |
| | Metro | 87.89 | Commercial/Ind. | 29.00 | Commercial/Ind. | 28.64 | Commercial/Ind. | 2.29 |
| | Nonmetro | 58.62 | Mach./Equip. | 29.00 | Mach./Equip. | 29.00 | Mach./Equip. | 2.32 |
| | | | Inventories | 0 | Inventories | 0 | Inventories | 0 |
| Iowa (1998) | Statewide | 29.57 | Residential | 56.48 | Residential | 53.93 | Residential ² | 1.53 |
| | Metro | 33.16 | Commercial/Ind. | 100.00 | Commercial/Ind. | 91.35 | Commercial/Ind. | 2.70 |
| | Nonmetro | 27.00 | Mach./Equip. ³ | 0 | Mach./Equip. | 0 | Mach./Equip. | 0 |
| | | | Inventories | 0 | Inventories | 0 | Inventories | 0 |
| Kansas (1998) | Statewide | 104.24 | Residential | 11.50 | Residential | 10.89 | Residential ² | 1.10 |
| | Metro | 108.92 | Commercial/Ind. | 25.00 | Commercial/Ind. | 23.88 | Commercial/Ind. | 2.49 |
| | Nonmetro | 98.97 | Mach./Equip. | 25.00 | Mach./Equip. | 25.00 | Mach./Equip. ³ | 2.61 |
| | | | Inventories | 0 | Inventories | 0 | Inventories | 0 |
| Missouri (1998) | Statewide | 58.93 | Residential | 19.00 | Residential | 18.76 | Residential | 1.11 |
| | Metro | 64.29 | Commercial/Ind. | 32.00 | Commercial/Ind. | 31.67 | Commercial/Ind. | 2.19 |
| | Nonmetro | 44.56 | Mach./Equip. | 33.33 | Mach./Equip. | 33.33 | Mach./Equip. | 1.96 |
| | | | Surtax ⁴ | 10.12 | Inventories | 0 | Inventories | 0 |
| Nebraska (1998) | Statewide | 19.72 | Residential | 100.00 | Residential | 96.00 | Residential | 1.89 |
| | Metro | 21.62 | Commercial/Ind. | 100.00 | Commercial/Ind. | 96.00 | Commercial/Ind. | 1.89 |
| | Nonmetro | 18.15 | Mach./Equip. | 100.00 | Mach./Equip. | 100.00 | Mach./Equip. | 1.97 |
| | | | Inventories | 0 | Inventories | 0 | Inventories | 0 |
| Oklahoma (1997) | Statewide | 91.38 | Residential | 11.35 | Residential | 11.17 | Residential ² | .95 |
| | Metro | 100.00 | Commercial/Ind. | 11.35 | Commercial/Ind. | 11.36 | Commercial/Ind. | 1.04 |
| | Nonmetro | 77.52 | Mach./Equip. | 12.40 | Mach./Equip. | 12.40 | Mach./Equip. | 1.13 |
| Inventories | | | 12.40 | Inventories | 12.40 | Inventories | 1.13 | |

¹ The effective property tax rate is defined as the amount of taxes per \$100 actual market value of property. In terms of this table, the effective tax rate is estimated by [statewide average mill levy/1000 * estimated actual assessment ratio]. In Kansas, Iowa, and Oklahoma, additional adjustments are made to the residential rate.

² Rates are shown for a home valued at \$120,000. In Kansas, the first \$20,000 of valuation is exempt from the 20 mill state school tax. In Iowa, a homestead exemption of \$4,850 of appraised value is applied. In Oklahoma, a homestead exemption of \$1,000 of assessed value is applied.

³ In Iowa, machinery and equipment acquired after 1995 are not taxed and other personal property exempt. In Kansas, an income tax credit of 15% of property taxes paid applies.

⁴ The surtax applies to commercial and industrial real estate only.

SOURCES: Effective rates calculated by IPPBR. Basic data from individual state agencies.

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