

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by the Chairman at 9:00 a.m. February 20, 2001 in Room 519-S of the Capitol.

All members were present except: Representative Flora, excused.
Representative Kirk, 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: Representative Sloan
Representative Jeff Peterson
Dan Harden, Riley County Engineer
Richard Jackson, Mayor of Ottawa
Blaine Finch, City Commissioner of Ottawa
Karen France, Kansas Association of Realtors
Janet Stubbs, Kansas Building Industry
Rick Stuart, County Appraiser, Jefferson County

Others attending: See attached list.

Representative Gatewood moved that Minutes be approved for January 23, January 24, January 25, January 29, January 30, January 31, February 1 and February 6 be approved as distributed. Representative Sharp seconded and motion was adopted.

Hearing was opened on:

HB 2323 - Sales tax exemption for sales of certain energy efficient household appliances.

Representative Sloan presented testimony in support of **HB 2323** (Attachment #1) and responded to questions from members of the Committee.

Hearing on **HB 2323** was closed.

Hearing was opened on:

HB 2221 - Riley County tax authority.

Representative Jeff Peterson addressed the Committee in support of **HB 2221** and responded to questions from members of the Committee.

Dan Harden, Riley County Engineer, presented testimony in support of **HB 2221** (Attachment #2) and responded to questions from members of the Committee.

Written testimony in support of **HB 2221** was provided by Stan Morgan, County Counselor and Director of Administrative Services for Riley County (Attachment #3).

Hearing on **HB 2221** was closed.

Hearing was opened on identical bills

HB 2409 - City sales tax rates
and **SB 216** - City sales tax rates

Richard Jackson, Mayor of Ottawa, presented testimony in support of **HB 2409** (Attachment #4) and responded to questions from members of the Committee.

CONTINUATION SHEET

Blaine Finch, City Commissioner of Ottawa, presented testimony in support of **HB 2409** (Attachment #5) and responded to questions from members of the Committee.

Hearing on **HB 2409** and **SB 216** was closed.

The Committee took under consideration **HB 2323** on which hearing was held today.

Representative Gatewood moved that **HB 2323** be reported favorable for passage. Representative Huff seconded and motion was adopted.

The Committee took under consideration **HB 2221** on which hearing was held today.

Representative Osborne moved that **HB 2221** be amended in line 35 on page 4 by extending the expiration date from five years to ten years for K.S.A. 12-187(b)(9). Representative Mays seconded and amendment was adopted.

Representative Osborne moved that **HB 2221** be reported favorable for passage as amended. Representative L. Powell seconded and motion was adopted.

The Committee took under consideration **SB 216** on which hearing was held today.

Representative Powers moved that **SB 216** be reported favorable for passage. Representative Sharp seconded and motion was adopted.

Hearing was opened on:

HB 2220 - Valuation methodology for property taxation purposes.

Karen France presented testimony in support of **HB 2220** on behalf of the Kansas Association of Realtors (Attachment #6) and responded to questions from members of the Committee.

Janet Stubbs presented testimony in support of **HB 2220** on behalf of the Kansas Building Industry and later provided written testimony (Attachment #7). She responded to questions from members of the Committee.

Rick Stuart, County Appraiser of Jefferson County, presented testimony in opposition to **HB 2220** on behalf of the Kansas County Appraisers Association (Attachment #8), and responded to questions from members of the Committee.

Hearing on **HB 2220** was closed.

The meeting adjourned at 10:00 a.m. The next scheduled meeting is February 21.

GUEST LIST

DATE Feb. 20, 2001

NAME	REPRESENTING
George Peterson	Ks Taxpayers Network
Lamy Wilson	LKN
Charles Tillet	Ottawa City Commissioner
Richard Galt	Ottawa Mayor
Blaine Finch	Ottawa
Scott Lamson	OTTAWA CITY MANAGER
Rick Stuart	Kansas County Appraisers Assoc.
Rod Broberg	Saline County Appraiser
Kelly Kuttala	City of Overland Park
Jim Louth	Emporia
Maren Vernon	Emporia
Erik Sartorius	K.C. Regional Assoc. of Realtors
Wendell Lee Smith	KMHIA
Maree Carpenter	KCCI

TOM SLOAN
REPRESENTATIVE, 45TH DISTRICT
DOUGLAS COUNTY

COMMITTEE ASSIGNMENTS
VICE-CHAIR: UTILITIES
MEMBER: ENVIRONMENT
HIGHER EDUCATION
KANSAS FUTURES



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**TESTIMONY
HOUSE BILL 2323**

Energy Demand Reduction Incentives

February 20, 2001

Mr. Chairman, Committee Members:

During my previous appearances before you, I spoke about Utilities Committee efforts to increase the supply of electricity generated in Kansas. Today, I will present information on a bill introduced to reduce demand.

HB 2323 will provide a sales tax exemption to consumers who purchase and install appliances that meet the federal Energy Star program requirements. The Energy Star program recognizes the appliances (washers, refrigerators, air conditioners) that rank in the top five percent of all such appliances for energy efficiency. It is important to point out that the provisions of this bill will also apply to landlords who install such appliances in their rental properties.

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The criteria for appliances to qualify for Energy Star designation changes over time. For example, the specification for refrigerators changed on January 1, 2001. Currently, no models qualify, though manufacturers anticipate having energy efficient models that will meet the Program's criteria within a few months.

The new Energy Star specifications for refrigerators are 10 percent above the new minimum energy efficiency standards that will take effect on July 1, 2001. Prior to updating the standards, some models built by 20 manufacturers qualified for the Energy Star rating.

For room air conditioners, the Energy Star specifications again require 10 percent more efficiency than the federal minimum standards that went into effect on October 1, 2000.

The Utilities Committee believes introduction and consideration of this bill is warranted because it is more cost effective to, on a one-time basis, reduce the demand for energy in a home than to continually try and assist people to pay their bills.

Tom Sloan
 Representative - 45th District

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Testimony of Dan Harden
Before the House Taxation Committee
Regarding House Bill 2221
20 February 2001

Representative John Edmonds
Chair

Representative Edmonds, and members of the House Taxation Committee; my name is Dan Harden. I am a registered professional engineer in the state of Kansas. I have been employed for the past 25 years as the Riley County engineer. I thank you for allowing me the opportunity to testify today.

I am here today to support House Bill 2221. My support is founded on the following.

The inclusion of Riley County in line 28 of page 4 of the bill allows Riley County to use a sales tax to fund public infrastructure projects. Specifically Riley County would use this authority to use a sales tax to fund road and bridge improvements.

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In September 1997 the Riley County Board of County Commissioners appointed a 32-member committee of Riley Countians to study the Riley County highway system. This committee was called the Riley County road and bridge advisory committee. This group of Riley County citizens recently reported back to the Board of County Commissioners that Riley County needed to fund several road and bridge replacement projects. It also reported the use of the local retail sales tax as a funding source was preferred over the use of local ad valorem property tax. The inclusion of Riley County on line 28 of page 4 would allow the Riley County Board of County Commissioners to carry out the recommendation of the Riley County road and bridge advisory board.

I would suggest the time limit in line 35 of page 4 be increased from 5 years to 10 years. This change will allow the voters more flexibility in what they can approve as a sales tax rate. For example the voters may chose to fund a particular bond issue at a higher sales tax rate for a shorter period of time, or they may chose to fund the issue at a lower sales tax rate over a longer period of time. A 5 year limit allows for the former option, but not the later. A 10 year limit would allow for either option. I feel the voters are perfectly capable of making this decision, and should be given the latitude to do so.

I stand for any questions.

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Testimony before the House Taxation Committee
Regarding House Bill 2221
20 February 2001

Stan Morgan
Riley County Counselor and Director of Administrative Services

Mr. Chairman and distinguished members of this Committee. My name is Stan Morgan and I am the County Counselor and Director of Administrative Services for Riley County.

Riley County is requesting an amendment to K.S.A. 2000 Supp. 12-187(b)(9) to allow the Board of Commissioners of Riley County to submit the question of imposing a county-wide retailer's sales tax at the rate of up to .5% for the purpose of financing economic development initiatives or public infrastructure projects. House Bill No. 2221 will provide the County with that authority. We are also asking that the expiration of that authority be extended from 5 to 10 years.

Mr. Harden has presented testimony regarding the need for the authority requested. I only add to that a point made by Monty Prescott, engineer with Schwab & Eaton and member of the Road and Bridge Committee, who noted that deferred maintenance of roads results in sharply higher expenditures in later years. It is important that Riley County be given authority to propose to its citizens a sales tax revenue option to avoid that result.

My brief comments are primarily to make clear to the members of this Committee that Riley County is not asking for authority to impose total sales taxes at a rate higher than the 1.0% authorized by K.S.A. 2000 Supp.12-189. The County currently has in place a 1.0% sales tax, which includes a .5% sales tax for the County General Fund and a .5% amount imposed to pay the costs of the new Riley County Law Enforcement Center. We estimate the LEC will be paid off by January of 2004, and any tax authorized by this proposed legislation would be designed to take effect after the LEC .5% sales tax sunsets.

Thank you for considering House Bill 2221, including our suggested amendment.

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**REMARKS BY OTTAWA MAYOR RICHARD JACKSON TO THE
HOUSE TAXATION COMMITTEE REGARDING HOUSE BILL 2409**

**February 20, 2001
519-S**

Mr. Chairman and members of the Committee, my name is Richard Jackson and I am the Mayor of the City of Ottawa. I am appearing before you today to testify in support of House Bill 2409 which would allow local governing bodies the authority to submit a sales tax proposal to the electorate in an increment of 1/10th of a percent.

I realize that this Bill, if enacted, would be applicable to all cities in the State. The City of Ottawa desires this legislation in order to utilize sales tax revenues to finance the construction of a new wastewater treatment plant at an estimated cost of \$7.5 million dollars. The City is being required by KDHE to build a new wastewater treatment plant because the age and design of the City's existing plant cannot meet current discharge standards. In addition to the proposed sales tax increase to finance this project, the City of Ottawa also intends to increase wastewater rates for all users. The City Commission believes that the combination of these revenues represents the fairest form of taxation for this required improvement.

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It is the desire of the Ottawa City Commission to submit a proposal to increase the City's sales tax for the construction of a new wastewater treatment plant to the voters at the April 2001 election. In order for this to occur, this legislation needs to be enacted and published in the Kansas Register as soon as possible.

As you may be aware, the Senate has passed Senate Bill 216, a Senate Bill version of House Bill 2409.

I urge your favorable consideration of this legislation and I hope you will be willing to expedite its passage as much as possible.

Thank you very much.

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REMARKS BY OTTAWA CITY COMMISSIONER BLAINE FINCH TO THE HOUSE TAXATION COMMITTEE REGARDING HOUSE BILL 2409

**February 20, 2001
519-S**

Mr. Chairman and members of the Committee, my name is Blaine Finch and I am a City Commissioner of the City of Ottawa. I am appearing before you today to express my support of House Bill 2409 which would allow cities the opportunity to submit a sales tax proposal to the voters in an increment of 1/10th of a percent.

The City of Ottawa currently utilizes one-half of its statutorily allowed sales tax authority. The City is being required to construct a new wastewater treatment plant by KDHE. In addition to this major capital improvement, the City of Ottawa has several other priority capital projects that would be appropriate for funding through a voter approved sales tax. This bill, if enacted, would allow us to employ a similar financing program of incorporating sales tax revenue and user fees for a number of public improvements. If this additional option is not available, then the City would be restricted to a minimum of a 1/4 percent increase increment and therefore only have the option of financing two public improvement projects utilizing sales tax revenues. Moreover, it would allow the City to propose a smaller sales tax increase that would hopefully reduce voter opposition which can be generally expected to occur with any proposal to increase the local sales tax rate.

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Mayor Jackson has previously advised you of the need for this legislation to be passed as quickly as possible and hopefully identical to Senate Bill 216.

I request the Committee to report this bill out favorably, and I thank you for the opportunity to speak to you this morning.

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TO: HOUSE TAXATION COMMITTEE
FROM: KAREN FRANCE, DIRECTOR OF GOVERNMENTAL RELATIONS
DATE: FEBRUARY 8, 2001
SUBJECT: HB 2220, SUCCESSFUL BOTA APPEALS

Thank you for the opportunity to testify. The Kansas Association of REALTORS® supports and asks for your support of HB 2220.

This bill is an important complement to HB 2064 because, like that bill, HB 2220 will protect taxpayers from having to expend time and money to take their appeals to the Board of Tax Appeals every year to fight about the way that a county appraiser values their property.

This bill would lock in the valuation methodology approved by BOTA for three years. If a taxpayer appeals the valuation methodology used by a county appraiser and wins at the BOTA level, the county appraiser must use whatever methodology is approved by BOTA for three years.

Currently, the law provides that a county appraiser cannot increase the value of a property that has been successfully appealed the previous year unless they have strong and substantial proof that it should be increased. Evidently, for some county appraisers, a ruling by BOTA is not enough to deter them from increasing the property value the next year, forcing the taxpayer to come, once again, and go through the appeal process. Many taxpayers just give up and never test the appraiser's requirement to meet the higher standard of proof.

It seems that many county appraisers like to brag that their number of appeals is decreasing. They would give the impression that it is because the county valuations that they have arrived at are on target with the market. We believe that the real reason could very well be that the process of having to appeal over and over, year after year has worn down taxpayers. While the county appraiser has both the time and the budget and the legal counsel to continue to appeal these decisions over and over, taxpayers do not. Taxpayers should not have to continue to fight over the same issue again and again, using their personal time and resources to hire appraisers and attorneys.

Taxpayers don't mind paying a tax as much when they think it is arrived at fairly and reasonably. We believe this bill makes the system a little more fair and reasonable. On behalf of the property taxpayers of Kansas, we ask for your favorable support of this legislation

Thank you for the opportunity to testify.

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LEGISLATIVE TESTIMONY



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HOUSE TAXATION COMMITTEE FEBRUARY 20, 2001 HB 2220

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

My name is Janet Stubbs appearing on behalf of the Kansas Building Industry Association in support of HB 2220.

We strongly support the concept contained in this bill due to the problems we have attempted to correct with HB 2064. We did not request introduction of this proposed legislation. If we had been involved in the drafting of a proposal of this type, the language would have been much more punitive than this.

It is extremely frustrating and expensive for a taxpayer to appeal the valuation placed upon his property only to see it revert back to the same situation the next year. Some attorneys working on these cases charge \$125 per hour.

Thank you for the opportunity to appear and I would stand for questions.

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TESTIMONY IN OPPOSITION TO HOUSE BILL 2220
PRESENTED BY RICK STUART, CAE, JEFFERSON COUNTY APPRAISER
FOR
KANSAS COUNTY APPRAISERS ASSOCIATION (KCAA)

2/20/2001

House bill 2220 would require that County Appraisers follow a certain valuation methodology when a taxpayer has successfully prosecuted an appeal in which the methodology is the issue of the appeal. I appear in opposition to this proposed change.

In 1985 the Kansas Legislature passed legislation that provided for the statewide reappraisal of all real property. Also included as a part of that legislation were provisions that provided for the annual updating of all values statewide. These provisions were included because of the recognition that market value is always changing. The inclusion of house bill 2220 in 79-1460 would require County Appraisers to ignore market value for certain properties, while other similar properties are valued at fair market value.

Legislation often causes unintended consequences. The passage of 79-1460 was to hold the reduced value of a property set by the State Board of Tax Appeals (BOTA) for the next year after the year appealed. Because of the language, timing of the appeal by the property owners and the time to get through the appeal at BOTA, some properties had the same values for four (4) years. Therefore, a very large increase was made after the four year period. Not a situation that was considered in the passage of the legislation.

House bill 2220 may also have similar consequences. A few are mentioned below.

1. Removal of appraisal judgment.
2. Partially complete additions to previously existing structures.
3. Over-valuation of a property.

County Appraisers need the flexibility to find fair market value by the best means available to them. Any statutory language that attempts to limit the exercise of appraisal judgment will create as many problems as it fixes and create inequities in the taxation system.

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