

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

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

All members were present.

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

Conferrees: Stacey Farmer, Kansas Association of School Boards and  
School Finance Coalition  
Karl Peterjohn, Kansas Taxpayers Network  
Karen France, Kansas Association of Realtors

Others attending: See attached list.

Without objection bill will be introduced to allow a one-year extension for the OZ project. [HB 2573 - KFDA; projects of statewide as well as local importance]

Hearing was opened on:

HB 2562 - Reauthorization of statewide education mill levy and exemption therefrom

SB 68 - Property tax exemption for residential property from school levy

SB 69 - Reauthorization of school district property tax levy

Stacey Farmer presented testimony relating to all three bills (Attachment #1) on behalf of the Kansas Association of School Boards and the School Finance Coalition (which includes Kansas National Education Association, United School Administrators of Kansas, Schools for Quality Education, the Kansas Education Coalition, Kansans for Local Control, and the public school districts of Wichita, Shawnee Mission, Kansas City, Olathe, Blue Valley and Topeka). She responded to questions from members of the Committee and in response to a question about Local Option Budgets (LOBs), furnished information later that 285 of the 304 school districts in Kansas have LOBs with \$373,700,000 associated with those LOBs.

Karl Peterjohn, representing the Kansas Taxpayers Network, presented testimony in opposition to HB 2562 and SB 69 (Attachment #2) and in support of SB 68 (Attachment #3). Mr. Peterjohn discussed weighting factors and quoted from information provided by the Kansas Public Policy Institute. He answered questions of Committee members.

Karen France presented testimony on behalf of the Kansas Association of Realtors in support of SB 68 (Attachment #4) and responded to questions from members of the Committee.

Hearing was closed on HB 2562, SB 68 and SB 69.

The Committee considered action on HB 2219 - Tax incentive effectiveness report requirement abolished. Following the hearing on the bill on February 21, the Committee had tabled it.

A balloon amendment was distributed and discussed. It would suspend the requirement for one year and require Kansas, Inc. and the Department of Revenue to meet and establish a procedure by which the information required to produce the report could be furnished.

CONTINUATION SHEET

Rep. Larkin moved that **HB 2219** be removed from the table. Rep. Vickrey seconded and the motion was adopted.

Rep. Larkin moved that the balloon amendment to **HB 2219** be adopted. Rep. Osborne seconded and the amendment was adopted.

Rep. Larkin moved to recommend **HB 2219** as amended favorable for passage. Rep. Osborne seconded and motion was adopted.

The Committee considered **HB 2030** - Sales tax exemption for bullion and coins, on which hearing was held March 13.

Representative Powers moved to amend **HB 2030** in line 20 page 19 by changing \$1,000 to \$100 and including paladium. Representative Vickrey seconded and motion was adopted.

Representative Mays moved to amend into **HB 2030** the provisions of **HB 2293** - Sales tax exemption for coin-operated vehicle washing services. Representative L. Powell seconded. The motion failed.

Representative Vickrey moved to recommend **HB 2030** favorable for passage as amended. Representative Gatewood seconded and the motion was adopted.

The Committee considered **HB 2160** - Judicial foreclosure and sale on property located within cities, powers and duties of cities, on which hearing was held March 1.

Representative Larkin moved to recommend **HB 2160** favorable for passage. Representative L. Powell seconded and motion was adopted.

The Committee considered **HB 2292** - Sales tax exemption for limited liability company motor vehicle transfers, on which hearing was held March 1.

Representative T. Powell moved to recommend **HB 2292** favorable for passage and to place on the consent agenda. Representative Vickrey seconded.

Representative Wilson moved a substitute motion to include in **HB 2292** the provisions of **HB 2090** - Motor vehicle taxes canceled where donation of vehicle made to nonprofit organization. Representative Flora seconded and substitute motion was adopted.

Representative T. Powell moved to recommend **HB 2292** favorable for passage as amended. Representative Wilson seconded and motion was adopted.

The Committee considered **HB 2458** - Sales tax exemption for hotel service rentals to governmental officers and employees, on which hearing was held March 13.

Representative Larkin moved to amend **HB 2458** to limit its effect to federal employees. Representative Gatewood seconded and motion was adopted.

Representative Hutchins moved to recommend **HB 2458** favorable for passage as amended. Representative Powers seconded and motion was adopted.

The Committee adjourned at 10:45 a.m. Next schedule meeting is March 23.

GUEST LIST

DATE March 20

NAME	REPRESENTING
Stacy Farmer	KABP
BILL YANER	KS Assn of REALTORS
KAREN FRANCE	"
Phil Hurley	PAT Hurley & Co.
Bernie Koch	Wichita Chamber
Karl Peterlyhn	KS Taxpayers Network
George Peterson	KS " "
Erik Santoring	K.C. Regional Assoc. of Realtors
Deby Walsh	Tensas Inc
Mike Orltu	Pinegar - Smith
Julie Hein	Hein & Wiatr
Ann Burkes	DOB
Tom Allen	KEC & KFHC





TO: House Committee on Assessment and Taxation  
FROM: Stacey Farmer, Governmental Relations Specialist  
DATE: March 20, 2001

RE: **Testimony on H.B. 2562 – Reauthorizing the school district tax levy;  
S.B. 68 - Exemption from school district property tax, and  
S.B. 69, - Reauthorizing the school district property tax levy**

Mr. Chairman, Members of the Committee:

I am appearing here today on behalf of the Kansas Association of School Boards. I have also been asked to represent other members of the School Finance Coalition, which includes Kansas National Education Association, United School Administrators of Kansas, Schools for Quality Education, the Kansas Education Coalition, Kansans for Local Control, and the public school districts of Wichita, Shawnee Mission, Kansas City, Olathe, Blue Valley, and Topeka.

We appreciate the opportunity to testify on the bills before you today to express our concerns about state tax and funding policies for public education. We believe that state funding for education is not adequate for the needs our schools and the children they serve. As you consider the legislation before you, we urge you to keep the following points in mind.

First, at an absolute minimum, the current levy must be maintained so that no additional revenue is lost to school districts.

Second, we must reverse the trend of underfunding base support for school districts and forcing local boards to make up the difference by raising local option budgets.

Under the school finance system, the base budget per pupil is multiplied by student enrollment, which is adjusted by various weighting factors, to determine a school district's general operating budget for regular education programs. Between 1992-93 and 1999-00, the base budget per pupil increased just 4.7%. If increases in weighting factors are included, total general fund spending per pupil increased 13.6%, or only about 70% of the consumer price index (approximately 19.4%). Much of that increase was limited to specific program demands.

The low increase in the base was due to reductions in the statewide mill levy and removing the levy from motor vehicles. Because the Legislature had to replace those revenues, it reduced funding available for increasing the base. As a result, school boards had to increase local option budgets, which rose from less than \$100 million in the first year of the 1992 school finance system to \$320 million in FY 1999-00, and are expected to raise to \$417 million next year. School boards have increased the LOB in order to meet rising costs which base state aid does not cover.

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As a result, while the state has reduced the statewide mill levy on property, local school boards have been forced to increase unequal local property tax levies to compensate. This moves us away from an equitable funding system.

Third, this policy has meant that important educational needs are not being met. The School Finance Coalition believes that additional state revenue will be needed to provide competitive salaries for school district employees, to increase the academic performance of children who are not succeeding under the current system, and to meet the additional expectations placed on public schools.

Fourth, the Legislature must adopt a balanced tax policy at the state level to assure adequate funding for every child in every district. We are deeply concerned about the possibility of further reductions in the property tax as a component of school funding.

Fifth, it is important to understand that even extending the current statewide levy will not avoid a tax increase. This will still result in a property tax increase for most districts because they will be forced to continue to increase the use of the local option budget.

Thank you for your consideration.

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Testimony Opposing SB 69 & HB 2562

Karl Peterjohn

Exec. Dir.

SB 69 would extend the state's existing statewide 20 mill property tax levy into the next two fiscal years. However, with appraisals rapidly growing this tax is generating a growing amount of revenue each year. These increases are occurring among all Kansas property taxpayers with the exception of that small group who are fortunate enough to receive tax abatements.

The Kansas Taxpayers Network would like to limit statewide property tax increases. We are committed to seeking broad based property tax relief. Where possible, Kansas Taxpayers Network would like to roll back taxes which are particularly burdensome. The statewide mill levy is at the top of our list when we survey our supporters at the end of the year.

The fact that this tax levy must be approved by the legislature or it will expire provides an excellent opportunity for this legislature to work on this tax. This is especially true since the efforts to cap appraisals by various means have never passed the legislature and have, in fact, seldom even gotten out of committee.

As usual, there is pressure from the numerous spending lobbies to provide more state funds for their special spending interests. In the eight years I've worked on behalf of taxpayers as the lobbyist for the Kansas Taxpayers Network I have never seen the legislature leave the capitol without spending more state General Fund money than they did in the previous year.

Fortunately, this state's economy is growing. Therefore, so are state tax receipts. For the first eight months of Fiscal Year 2001 state receipts are over \$175 million above the same period last year. This is an increase of almost 7 percent over the same period last year. If this pattern continues, state tax collections for FY 2001 will be roughly \$250 million above last year.

If state spending growth can be limited to \$150 million, or even \$200 million a year (or say three-to-four percent), there would be funds for improving this state's poor position on taxing its citizens. Last year the federal government reported on the per capita state tax burden in all 50 states. While Kansas ranked in the middle of these figures nationally, we were (and are) the high tax point in our region (see web site: [www.census.gov/ftp/pub/govs/statetax/99tax.txt](http://www.census.gov/ftp/pub/govs/statetax/99tax.txt)). State taxes in Kansas are higher than in all our surrounding states according to these federal figures. This 1999 figure does not factor in the higher taxes caused by bracket creep in personal income, corporate income, and statewide property taxes which occurred last year.

Rolling back the statewide mill levy to 19 mills would offset the appraisal increase and would be revenue neutral in state tax collections. This would benefit all taxpayers: urban or rural, commercial, homeowners, or agriculture. We would also urge that any statewide rollback include protection to prevent the state's reduction from being "grabbed" by local units now that the property tax lid has been removed.

So, Kansas Taxpayers Network rises in opposition to extending the 20 mill statewide property tax levy and urges this committee to consider a revenue neutral levy at 19 mills.

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Testimony Supporting SB 68

Karl Peterjohn  
Exec. Dir.

The \$20,000 exemption on appraised value for the statewide mill levy was an important point in the enactment of tax cutting legislation four years ago. At that time eight mills were also reduced cutting the mill levy from 35 down to 27 mills for the following year.

Kansas Taxpayers Network strongly supported that legislation in 1997 and we once again strongly urge this committee to retain the statewide homestead exemption. We would suggest that this provision be permanently extended into the future.

We are concerned that this exemption could lapse via the sunset provision that would dramatically raise statewide property taxes for every homeowner in Kansas. Allowing this exemption to lapse would also place a larger part of the statewide mill levy onto the backs of Kansas homeowners.

Kansas Taxpayers Network urges this committee to make this exemption a permanent part of state statutes and eliminate the sunset portion of this statute. This would reduce the possibility that this statute could disappear simply by legislative inaction.

This is a real and substantial risk since the statewide property tax lid on local units expired two years ago.

Many ideas are floating through the state capitol concerning the statewide mill levy, the homestead exemption, and financing school finance in particular. Instead of looking at changing the amount of the homestead exemption KTN would urge this committee to focus upon the 20 mills for K-12 and the 1.5 mill levy for capital spending instead.

The homestead exemption is placed against a fixed amount of appraised value. It has its largest impact among homeowners with the least value on their properties.

There are significant and growing property tax problems in Kansas. Soaring appraisals, rising mill levies, and voter powerlessness in stopping any of these tax hikes by petition or tax referendum are growing problems. These are all areas of complaints we hear from the individuals and businesses who support this taxpayer organization. We believe this is a problem which extends far beyond the homeowners, farmers, entrepreneurs and businesses who support Kansas Taxpayers Network including many Kansans who may not be familiar with our efforts to improve the tax climate in Kansas.

We strongly urge this committee to approve extending this homestead exemption indefinitely.

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Kansas Association of REALTORS®

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



**TO: HOUSE TAXATION COMMITTEE**  
**FROM: KAREN FRANCE, DIRECTOR OF GOVERNMENTAL RELATIONS**  
**DATE: MARCH 20, 2001**  
**SUBJECT: SB 68, HB 2562, EXEMPTION OF RESIDENTIAL PROPERTY FROM STATEWIDE SCHOOL LEVIES**

Thank you for the opportunity to testify. On behalf of the Kansas Association of REALTORS®, I appear today to support SB 68, which proposes to continue the exemption of residential property from the statewide mill levy for schools.

It has been our long-standing position that real estate is burdened with an excessive share of the constantly increasing cost of state and local government. We believe real estate taxes should be used only to pay for state and local governmental services that are rendered to real estate. Other types of taxation should pay for people-related services and programs such as education. We have advocated the restructuring of state and local taxation sources for the funding of non-property related services. We urge the state to work for the restructuring of taxes to relieve the inequitable real property tax burden but also not to unfairly shift the tax burden to any tax paying entity. We have supported the continual, gradual reduction of the statewide mill levy to the extent possible.

Property ownership is no longer an indication of the ability to pay. When it was first instituted, years ago, the ownership of property was an indicator of wealth. That is no longer the case. For example, we have people on fixed incomes whose property has appreciated in value through no fault of their own and their property tax bills have essentially become a rental payment to the government for their homes.

When the statewide mill levy was adopted in 1992, it began another whole spectrum of property taxation, by putting the state in the business of levying property tax far beyond the 1 1/2 mills it used to levy. The state now has to worry about increases and decreases in the statewide assessed valuation and is now a reluctant player in the game of maintaining current levels.

The Kansas legislature did the right thing when it adopted this exemption. It created a cushion for residential property taxpayers who have the least amount of control over their income. These same people are being hard hit by the increased heating costs this last winter. While it appears you can do little about heating costs, you can assist these folks by continuing the small bit of property tax relief they receive from this exemption. We urge your support for the exemption and ask for your favorable recommendation for this bill.

Thank you for the opportunity to testify.

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