

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 11:00 A.M. on March 2, 2006, in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research
Gordon Self, Revisor of Statutes Office
Judy Swanson, Secretary

Conferees appearing before the committee:

Others attending:

See attached list.

Chris Courtwright presented a briefing on:

HB 2619--Property tax exemption for certain commercial and industrial machinery and equipment, materials and supplies

Sub HB 2525--Property tax exemption for certain telecommunications machinery and equipment and railroad machinery and equipment

Mr. Courtwright said the House Taxation Committee spent over three weeks working these two bills. He distributed information concerning the bills (Attachment 1) and gave examples of how commercial and industrial machinery and equipment are currently taxed. Agriculture machinery and equipment is exempt from property tax in Kansas. In 2005, \$234,154,820 was realized from commercial and industrial machinery and equipment taxes. Mr. Courtwright said the fully depreciated appraised value of commercial machinery and equipment never goes below 20% of its original value. He explained the "slider" provision formula, a House Floor amendment. He also explained two other House Floor amendments to **HB 2619**, one which would expand the Homestead Property Tax Refund Act and one which would expand the school finance residential homestead property tax exemption.

The fiscal impact of **HB 2619**, as amended by the House Committee of the Whole, reflects a total net loss to the state of \$45,185,000 in FY2008, and a cumulative loss of \$316,837,000 through FY2013.

Sub HB 2525 does the same thing as **HB 2619**, except it is for railroad property taxes and telecommunications machinery and equipment taxes.

Chairman Allen requested Mr. Courtwright continue his briefing at the next Committee meeting, March 7.

Senator Donovan moved to approve the Minutes of the February 21 and February 22 Committee meetings. Senator Jordan seconded the motion, and the motion passed.

Being no further business, the meeting adjourned at 12:00 noon.

SENATE
ASSESSMENT & TAXATION COMMITTEE

GUEST LIST

DATE: 03-02-06

NAME	REPRESENTING
Roger Hamm	KDOR
Tony Folsom	KDOR
Mark Beck	" "
Jim Mazz	Spirit AeroSystems
KARNE Goodwin	City of Wichita
Bernie Koch	Wichita Metro Chamber of Commerce
Dave Cunningham	Ks Assoc. of School Bds
Lanni Roe	KACCT
Ed Gray	Commerce
Larry R Baer	LKM
Mina Tusk	VZW
Ed Wolf	LGR
Kiel Bruner	intern
Robt J. Fasl	AT+T Services Inc.
Natalie Haug	Security Benefit
Sharira Stafford	Kansas Assn. of Realtors
BILL YANEK	Kansas Assn of Realtors
Marlee Carpenter	KS Chamber

§ 2.

Attorney General's Opinions:

County commissioners; budget for sheriff's office. 88-171. County commission cannot, by charter ordinance, change term limitations of county officials which are established by statute. 92-134.

Article 10.—APPORTIONMENT OF THE LEGISLATURE

Attorney General's Opinions:

Technical college granting associate degree is "college" under K.S.A. 11-302; residence of students must be collected for census purposes. 1999-60.

§ 1.

Research and Practice Aids:

States = 27(1) et seq. C.J.S. States §§ 62 to 71.

Attorney General's Opinions:

Persons to be included in resident enumeration; determination of residence. 88-111.

Reapportionment of senatorial and representative districts; members of state board of education. 89-11.

Census data; reapportionment of senatorial and representative districts; definitions. 89-141.

State board of education; vacancy; effect of redistricting. 91-84.

Reapportionment of senatorial and representative districts; census. 91-99.

Powers and duties of county commissioners; rearrangement of commissioner districts. 94-51.

Reapportionment of Kansas legislature; vacancy in senate seat prior to 2004 effective date. 2002-8.

CASE ANNOTATIONS

10. Census accuracy, minor population deviations as factors in reapportionment considered. In re Substitute for House Bill No. 2492, 245 K. 118, 775 P.2d 663 (1989).

11. Validity of bill reapportioning house and senate districts upheld. In re House Bill No. 3083, 251 K. 595, 833 P.2d 1017 (per curiam); 251 K. 597, 598, 836 P.2d 574 (1992).

12. Reapportionment of Kansas legislative districts approved. 2002 Substitute for House Bill 2625, 273 K. 715, 44 P.3d 1266 (2002).

13. Legislative reapportionment of senatorial and representative districts approved. In re 2002 Substitute for Senate Bill 256, 273 K. 731, 45 P.3d 855 (2002).

Article 11.—FINANCE AND TAXATION

Law Review and Bar Journal References:

"Survey of Kansas Law: Taxation," Sandra Craig McKenzie and Eric B. Milstead, 37 K.L.R. 961, 964 (1989).

§ 1. System of taxation; classification; exemption (a) The provisions of this subsection shall govern the assessment and taxation of property on and after January 1, 1993, and each year thereafter. Except as otherwise hereinafter specifically provided, the legislature shall provide for a uniform and equal basis of valuation and rate of

taxation of all property subject to taxation. The legislature may provide for the classification and the taxation uniformly as to class of recreational vehicles, as defined by the legislature, or may exempt such class from property taxation and impose taxes upon another basis in lieu thereof. The provisions of this subsection shall not be applicable to the taxation of motor vehicles, except as otherwise hereinafter specifically provided, mineral products, money, mortgages, notes and other evidence of debt and grain. Property shall be classified into the following classes for the purpose of assessment and assessed at the percentage of value prescribed therefor:

Class 1 shall consist of real property. Real property shall be further classified into seven subclasses. Such property shall be defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of value:

- (1) Real property used for residential purposes including multi-family residential real property and real property necessary to accommodate a residential community of mobile or manufactured homes including the real property upon which such homes are located 11 1/2%
(2) Land devoted to agricultural use which shall be valued upon the basis of its agricultural income or agricultural productivity pursuant to section 12 of article 11 of the constitution 30%
(3) Vacant lots 12%
(4) Real property which is owned and operated by a not-for-profit organization not subject to federal income taxation pursuant to section 501 of the federal internal revenue code, and which is included in this subclass by law 12%
(5) Public utility real property, except railroad real property which shall be assessed at the average rate that all other commercial and industrial property is assessed 33%
(6) Real property used for commercial and industrial purposes and buildings and other improvements located upon land devoted to agricultural use 25%

Assessment & Taxation Date 3-2-06 Attachment # 1

- (7) All other urban and rural real property not otherwise specifically subclassified 30%

Class 2 shall consist of tangible personal property. Such tangible personal property shall be further classified into six subclasses, shall be defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of value:

- (1) Mobile homes used for residential purposes 11 1/2%
- (2) Mineral leasehold interests except oil leasehold interests the average daily production from which is five barrels or less, and natural gas leasehold interests the average daily production from which is 100 mcf or less, which shall be assessed at 25% 30%
- (3) Public utility tangible personal property including inventories thereof, except railroad personal property including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed 33%
- (4) All categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985 30%
- (5) Commercial and industrial machinery and equipment which, if its economic life is seven years or more, shall be valued at its retail cost when new less seven-year straight-line depreciation, or which, if its economic life is less than seven years, shall be valued at its retail cost when new less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property 25%
- (6) All other tangible personal property not otherwise specifically classified 30%

- (b) All property used exclusively for state,

county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchants' and manufacturers' inventories, other than public utility inventories included in subclass (3) of class 2, livestock, and all household goods and personal effects not used for the production of income, shall be exempted from property taxation.

History: Adopted by Convention, July 29, 1859; ratified by electors, Oct. 4, 1859; L. 1861, p. 62; L. 1923, ch. 255, § 1; L. 1963, ch. 459, § 1; L. 1974, ch. 460, § 1; L. 1985, ch. 364, § 1; L. 1992, ch. 342, § 1; Nov. 3, 1992.

Law Review and Bar Journal References:

"Reappraisal—How Long Will It Last," Bruce Landeck, 58 J.K.B.A. No. 1, 15, 18 (1989).
 "Liberalizing Kansas Real Property Tax Exemptions: The 1988 Legislation," Joan M. Bowen, 37 K.L.R. 597, 615, 639 (1989).
 "Kansas Property Classification and Reappraisal: The 1986 Constitutional Amendment and Statutory Modifications," Nancy Ogle, 29 W.L.J. 26 (1989).
 "Spurring Economic Development in Kansas Through Property Tax Exemptions—Are We Getting the Results We Want?" Laura Ellen Johnson, 30 W.L.J. 82, 83 (1990).
 "Survey of Kansas Law: Taxation," Sandra Craig McKenzie, 41 K.L.R. 727, 735 (1993).
 "Tax Law: Braum, a Valuable Tax Crop [Board of County Commissioners v. Smith, 857 P.2d 1386 (Kan. Ct. App. 1993)]," Nels P. Noel, 34 W.L.J. 381, 388 (1995).

Attorney General's Opinions:

Exemption of property for economic development; exclusive use requirement. 88-123.
 Shawnee county fair association—tax levy, protest petition and election. 88-136.
 Statewide reappraisal of farm land; methods of establishing valuations. 88-144.
 Tax exempt property; machinery and equipment of electric utility company. 88-158.
 Property valuation, county and district appraisers' duties; valuation methods; pasture and rangeland. 89-63.
 Coal and gas of public utility; system of taxation; classification; exemption. 89-85.
 Statewide reappraisal of real property; CRP land. 89-144.
 Taxation; classification. 89-145.
 Extending deadline for property tax payment; equal protection. 89-146.
 Property exempt from taxation; merchants' and manufacturers' inventory. 89-148.
 Classification; excise tax on inventories. 89-150.
 Classification of property; constitutionality. 90-10.
 County planning and zoning; agricultural purposes; greyhound operations. 90-68.
 Change in property valuation for tax purposes. 90-82.
 System of taxation; classification; exemptions; uniform and equal provisions of constitution. 91-71.
 Community colleges; boards of trustees; powers and duties; political campaign posters and signs on campus. 91-112.
 Taxation; classification; uniform and equal requirement on state assessed taxes. 91-147.

Taxation; extent of classification. 17.
 Water pollution act; stormwater operated facility. 93-32.
 Public utilities; definition; contain telephone companies. 93-1.
 Contracts for assistance in construction. 93-1.
 Property taxation; classification of machinery and equipment not included. 94-79.
 Property tax obligation reclassification. 94-79.
 Property tax accumulated in andott county; uniform operation. 89.
 Taxation classification; recreational boats. 95-18.
 Classification and valuation "used factor"; ownership by nonresident. 99.
 Beds, sheets and forks, value industrial machinery and equipment. 97.
 Constitutional exemption from machinery and equipment does exclusively used for farming. 97.
 Classification of property as machinery and equipment; personal structure and installation. 97-97.
 "Public utility" defined for classification. 1999-21.

CASE ANNOTATIONS

197. Cited; allegations regarding assessments of real property administrative remedies examined. *Comm'r's v. Schmidt*, 12 K.A.2d 198. Cited; tax exempt status leased to private business and examined. *Salina Airport Authority*, 13 K.A.2d 80, 83, 761 P.2d 126.
 199. County appraiser authority and revalue taxpayer's filed inventory. In re *Tax Appeal of W.K.A.2d 39*, 779 P.2d 875 (1989).
 200. Taxable status under owned to produce revenue for airport, 27-315 et seq.) examined. *Board of Morris v. Board of Morris*, 305, 777 P.2d 843 (1989).
 201. NCAA as educational institution of sales taxes on purchases (79 Kansas Dept. of Revenue, 24 (1989)).
 202. Property rented or leased through lessee uses property for purposes of *Wyandotte County Comm'r's K. 161*, 168, 786 P.2d 1141 (1990).
 203. Nonexempt tax status of gas lease on city-owned property. *Seward County*, 247 K. 609, 80 P.2d 1141 (1935).
 204. Natural gas owned and sold; exempt from taxation as real property. *Colorado Interstate Company Comm'r's*, 247 K. 654, 80 P.2d 1141 (1935).
 205. Personal property of company should be classified as

1-2

ASSESSMENT LEVELS IN CLASSIFICATION AMENDMENTS

(Article 11, Section 1—*Kansas Constitution*)

Property Class	(1986 Amendment) Tax Years 1989-1992	(1992 Amendment) Tax Years 1993 and Thereafter
Residential Real	12.0%	11.5% ^(a)
Agricultural Land	30.0% ^(b)	30.0% ^(b)
Vacant Lots	12.0%	12.0%
Commercial and Industrial Real	30.0%	25.0%
Agricultural Improvements	30.0%	25.0%
Certain Not-for-Profit Real	30.0%	12.0% ^(c)
Utility Real	30.0%	33.0% ^(d)
Other Real	30.0%	30.0%
Mobile Homes Used as Residences	12.0%	11.5%
Low Production Mineral Leaseholds	30.0%	25.0% ^(e)
All Other Mineral Leaseholds	30.0%	30.0%
Utility Personal	30.0%	33.0% ^(d)
Utility Inventories	exempt	33.0%
Motor Vehicles	30.0%	30.0%
Commercial and Industrial Machinery and Equipment Inventory	20.0% ^(f)	25.0% ^(f)
Merchants	exempt	exempt
Manufacturers	exempt	exempt
Livestock	exempt	exempt
Other Personal	30.0%	30.0% ^(g)

- a) Includes mobile home parks.
- b) Valued based on its agricultural income or productivity (use-value) rather than its market value.
- c) Includes only property owned and operated by those not-for-profit organizations included in this subclass by law.
- d) Railroad property at average of commercial and industrial.
- e) Oil leaseholds with average daily production of five barrels or less and gas leaseholds with average daily production of 100 mcf or less.
- f) Valued by retail cost when new, depreciated.
- g) Legislature may separately classify "recreational vehicles."

Statewide

Data provided to the Division of Property Valuation by county from the November abstract certification

U - Urban R - Rural

2004 Assessed Value and Tax Dollars

2005 Assessed Value, Tax Dollars and Appraised Value

Classification of Property	Rate %	2004 Assessed Value and Tax Dollars				2005 Assessed Value, Tax Dollars and Appraised Value					
		Assessed Value	% of Total	Tax Dollars	% of Total	Assessed Value	% of Total	Tax Dollars	% of Total	Appraised Value	% of Total
U - Personal Property											
2.1 Res. Mobile Homes	11.5	50,365,652	.20	5,916,958	.20	47,737,779	.18	5,663,400	.18	415,111,122	.26
2.2 Mineral Leasehold	25/30	3,775,348	.01	538,024	.02	4,001,827	.01	592,328	.02	14,064,049	.01
2.4 Motor Vehicles	30	71,312,602	.28	9,680,988	.33	76,718,060	.28	10,427,226	.33	255,726,867	.16
2.5 C/I Mach/Equipment***	25	1,384,413,342	5.44	180,116,145	6.07	1,435,518,489	5.30	188,125,214	5.91	5,742,073,956	3.54
2.6 Boat/Marine/Trailer	30	45,973,225	.18	6,092,190	.21	46,828,483	.17	6,242,617	.20	156,094,943	.10
2.6 All Other	30	34,064,540	.13	4,744,501	.16	31,512,582	.12	4,411,386	.14	105,041,940	.06
Penalty		34,511,458	.14	4,502,580	.15	29,866,924	.11	3,953,257	.12		.00
Total Urban Personal Property		1,624,416,167	6.38	211,591,387	7.12	1,672,184,144	6.18	219,415,428	6.90	6,688,112,876	4.13
R - Personal Property											
2.1 Res. Mobile Homes	11.5	21,685,334	.09	2,052,259	.07	21,353,738	.08	2,029,651	.06	185,684,678	.11
2.2 Mineral Leasehold	25/30	1,452,808,719	5.71	130,501,219	4.39	1,884,293,940	6.96	169,299,955	5.32	6,437,607,054	3.97
2.4 Motor Vehicles	30	66,694,514	.26	7,640,548	.26	70,064,757	.26	8,044,895	.25	233,549,190	.14
2.5 C/I Mach/Equipment***	25	391,310,233	1.54	43,830,171	1.48	409,478,853	1.51	46,029,606	1.45	1,637,915,412	1.01
2.6 Boat/Marine/Trailer	30	35,377,142	.14	4,004,530	.13	37,254,424	.14	4,271,646	.13	124,181,413	.08
2.6 All Other	30	29,598,375	.12	3,319,788	.11	31,805,682	.12	3,533,157	.11	106,018,940	.07
Penalty		14,836,859	.06	1,702,704	.06	15,759,687	.06	1,805,179	.06		.00
Total Rural Personal Property		2,012,311,176	7.91	193,051,220	6.50	2,470,011,081	9.13	235,014,089	7.39	8,724,956,688	5.38
Total U/R - Personal Property											
2.1 Res. Mobile Homes	11.5	72,050,986	.28	7,969,217	.27	69,091,517	.26	7,693,051	.24	600,795,800	.37
2.2 Mineral Leasehold	25/30	1,456,584,067	5.72	131,039,244	4.41	1,888,295,767	6.98	169,892,283	5.34	6,451,671,103	3.98
2.4 Motor Vehicles	30	138,007,116	.54	17,321,537	.58	146,782,817	.54	18,472,122	.58	489,276,057	.30
2.5 C/I Mach/Equipment***	25	1,775,723,575	6.98	223,946,315	7.54	1,844,997,342	6.82	234,154,820	7.36	7,379,989,368	4.55
2.6 Boat/Marine/Trailer	30	81,350,367	.32	10,096,720	.34	84,082,907	.31	10,514,263	.33	280,276,357	.17
2.6 All Other	30	63,662,915	.25	8,064,289	.27	63,318,264	.23	7,944,543	.25	211,060,880	.13
Penalty		49,348,317	.19	6,205,284	.21	45,626,611	.17	5,758,435	.18		.00
Total Personal Property		3,636,727,343	14.29	404,642,606	13.63	4,142,195,225	15.30	454,429,517	14.29	15,413,069,564	9.51
1.5 U - Public Utility Corp^											
		879,152,168	3.45	116,484,278	3.92	870,679,047	3.22	116,765,548	3.67	2,867,269,140	1.77
1.5 R - Public Utility Corp^											
		2,175,531,821	8.55	212,603,316	7.16	2,246,716,586	8.30	221,105,846	6.95	7,363,016,802	4.54
Total Public Utility		3,054,683,989	12.00	329,087,595	11.08	3,117,395,633	11.52	337,871,394	10.62	10,230,285,942	6.31
Totals for U - Property											
		16,921,090,825	66.49	2,078,427,048	69.99	17,871,474,070	66.03	2,221,876,358	69.85	119,028,132,479	73.42
Totals for R - Property											
		8,526,696,575	33.51	891,323,186	30.01	9,193,514,351	33.97	958,932,570	30.15	43,094,842,990	26.58
Total All Property		25,447,787,400	100.00	2,969,750,234	100.00	27,064,988,421	100.00	3,180,808,927	100.00	162,122,975,469	100.00

Average levies applied to the actual assessed values as reported by the county clerk

2004
Urban 0.12281495 Rural 0.10451541 County 0.11668217

2005
Urban 0.12431184 Rural 0.10428775 County 0.11751020

1-1

1-1

Statewide

Data provided to the Division of Property Valuation by county from the November abstract certification

Classification of Property	Rate %	2004 Assessed Value and Tax Dollars				2005 Assessed Value, Tax Dollars and Appraised Value					
		Assessed Value	% of Total	Tax Dollars	% of Total	Assessed Value	% of Total	Tax Dollars	% of Total	Appraised Value	% of Total
Urban Real											
1.1 Residential**	11.5	9,462,481,232	37.18	1,138,535,229	38.34	10,072,871,359	37.22	1,229,187,731	38.64	87,590,185,730	54.03
1.2 Agricultural*	30	7,992,860	.03	1,105,967	.04	7,942,494	.03	1,104,753	.03	474,980	.02
1.3 Vacant Lots	12	129,538,172	.51	16,582,686	.56	152,969,617	.57	19,627,373	.62	1,274,746,808	.7
1.4 Not-For-Profit	12	48,920,140	.19	5,797,918	.20	48,311,836	.18	5,890,876	.19	02,598,633	.25
1.6 Com/Industrial	25	4,754,746,632	18.68	586,424,793	19.75	5,031,372,556	18.59	627,786,016	19.74	20,125,490,224	12.41
1.6 Ag Improvement	25	4,028,302	.02	581,952	.02	4,166,045	.02	602,377	.02	16,664,180	.01
1.7 All Other	30	9,815,152	.04	1,322,838	.04	10,976,972	.04	1,496,256	.05	36,589,907	.02
Total Urban Real		14,417,522,490	56.66	1,750,351,383	58.94	15,328,610,879	56.64	1,885,695,382	59.28	109,472,750,463	67.52
Rural Real											
1.1 Residential**	11.5	2,004,057,807	7.88	216,733,359	7.30	2,133,871,021	7.88	232,517,604	7.31	18,555,400,183	11.45
1.2 Agricultural*	30	1,598,653,796	6.28	188,528,617	6.35	1,585,530,404	5.86	187,496,191	5.89	5,285,101,347	3.26
1.3 Vacant Lots	12	29,398,610	.12	3,211,704	.11	30,564,635	.11	3,368,317	.11	254,705,292	.16
1.4 Not-For-Profit	12	4,370,893	.02	499,142	.02	3,581,839	.01	404,003	.01	29,848,658	.02
1.6 Com/Industrial	25	513,063,557	2.02	55,179,524	1.86	528,344,808	1.95	56,852,801	1.79	2,113,379,232	1.30
1.6 Ag Improvement	25	171,980,533	.68	19,692,360	.66	178,182,298	.66	21,699,898	.68	712,729,192	.44
1.7 All Other	30	17,328,382	.07	1,823,944	.06	16,711,679	.06	473,822	.01	55,705,597	.03
Total Rural Real		4,338,853,578	17.05	485,668,650	16.35	4,476,786,684	16.54	502,812,635	15.81	27,006,869,500	16.66
Total U/R - Rural											
1.1 Residential**	11.5	11,466,539,039	45.06	1,355,268,588	45.64	12,206,742,380	45.10	1,461,705,335	45.95	106,145,585,913	65.47
1.2 Agricultural*	30	1,606,646,656	6.31	189,634,584	6.39	1,593,472,898	5.89	188,600,944	5.93	5,311,576,327	3.28
1.3 Vacant Lots	12	158,936,782	.62	19,794,390	.67	183,534,252	.68	22,995,690	.72	1,529,452,100	.94
1.4 Not-For-Profit	12	53,291,033	.21	6,297,060	.21	51,893,675	.19	6,294,879	.20	432,447,292	.27
1.6 Com/Industrial	25	5,267,810,189	20.70	641,604,317	21.60	5,559,717,364	20.54	684,638,817	21.52	22,238,869,456	13.72
1.6 Ag Improvement	25	176,008,835	.69	20,274,312	.68	182,348,343	.67	22,302,274	.70	729,393,372	.45
1.7 All Other	30	27,143,534	.11	3,146,782	.11	27,688,651	.10	1,970,079	.06	92,295,503	.06
Total Real		18,756,376,068	73.71	2,236,020,033	75.29	19,805,397,563	73.18	2,388,508,017	75.09	136,479,619,963	84.18

*Includes Ag Land Only

**Includes Farm Homesites

***Retail cost when new, less depreciation.

^Allocated value, not necessarily market value

1.2 Agricultural appraised value is use value, not market value

5

Estimated Tax Growth

	CI/ME Tax	
	Current	HB 2619
1995	159,900,137	159,900,137
1996	169,244,647	169,244,647
1997	174,423,681	174,423,681
1998	181,443,341	181,443,341
1999	199,811,307	199,811,307
2000	220,031,386	220,031,386
2001	226,229,597	226,229,597
2002	229,724,139	229,724,139
2003	226,215,963	226,215,963
2004	223,946,315	223,946,315
2005	234,154,820	234,154,820
2006	243,258,782	239,657,458
2007	252,716,708	205,916,444
2008	262,542,358	173,907,378
2009	272,750,031	150,077,678
2010	283,354,579	135,762,773
2011	294,371,433	128,974,635
2012	305,816,623	125,520,637

2005 is the base year.

Assumes 3.9% growth in taxes
under current law.

County Name	2005 CI/ME Tax	Commercial and Industrial Machinery and Equipment Assessed Value				
		2001	2002	2003	2004	2005
Allen	1,419,151	8,275,988	8,177,015	7,407,529	7,694,221	10,305,173
Anderson	189,248	1,419,899	1,423,658	1,412,641	1,260,456	1,332,858
Atchison	1,476,124	12,337,898	12,113,754	10,720,200	10,126,427	10,353,362
Barber	419,281	3,141,007	3,157,637	3,496,914	3,400,675	3,207,270
Barton	2,159,648	14,023,261	14,931,535	14,285,785	12,759,858	14,764,516
Bourbon	1,100,816	6,421,797	6,907,239	6,506,738	6,156,605	7,388,001
Brown	567,663	3,510,542	3,619,852	3,438,652	3,915,441	4,305,836
Butler	2,970,240	16,611,366	17,954,239	18,192,262	19,424,937	21,356,020
Chase	110,769	891,358	923,278	779,943	1,036,051	826,303
Chautauqua	132,872	531,066	785,313	812,916	848,894	837,393
Cherokee	1,184,202	11,713,336	10,217,114	10,449,894	13,793,585	11,207,823
Cheyenne	80,523	394,830	480,247	519,102	626,852	786,472
Clark	123,555	439,715	540,160	410,900	397,606	637,520
Clay	291,663	1,743,509	2,022,137	1,772,476	1,629,572	1,933,364
Cloud	480,107	3,033,242	3,030,580	3,178,168	2,898,263	2,877,952
Coffey	257,012	2,652,840	3,012,797	2,481,979	2,446,555	2,672,619
Comanche	72,142	513,144	643,213	530,676	546,831	415,111
Cowley	3,406,085	23,558,916	26,442,657	27,628,543	20,155,784	22,949,708
Crawford	2,989,964	19,778,563	22,079,104	23,069,368	22,903,578	22,902,875
Decatur	110,973	732,722	833,863	744,415	801,189	791,265
Dickinson	682,090	7,090,165	5,717,431	5,788,541	5,374,483	5,720,569
Doniphan	615,392	5,717,628	5,103,567	5,120,843	4,970,838	5,009,169
Douglas	6,690,150	66,568,765	63,075,290	61,403,485	56,243,155	60,909,205
Edwards	286,020	1,163,547	947,098	1,667,907	1,752,310	1,871,969
Elk	162,804	679,952	552,125	565,206	836,079	1,050,894
Ellis	1,448,812	11,524,376	12,735,244	11,559,490	12,055,602	12,971,587
Ellsworth	330,298	2,042,843	2,018,125	1,965,362	2,148,653	2,161,032
Finney	2,268,592	22,077,279	21,225,520	20,576,896	19,047,634	20,329,781
Ford	3,543,189	24,227,446	24,169,075	24,389,734	25,826,294	22,445,861
Franklin	1,102,294	8,378,527	8,169,133	7,582,013	7,176,421	7,312,314
Geary	1,487,908	7,349,644	8,371,073	8,896,564	9,944,437	10,419,568
Gove	142,004	990,018	985,995	1,191,005	1,087,317	1,045,051
Graham	86,147	625,934	603,630	576,213	574,722	559,464
Grant	307,362	3,785,454	3,796,149	3,127,435	3,174,318	3,308,296
Gray	216,780	2,288,306	2,718,100	2,222,348	2,192,637	1,628,129
Greeley	62,243	299,281	268,761	309,519	335,416	405,050
Greenwood	260,455	2,109,689	2,135,733	1,974,757	1,757,017	1,737,616
Hamilton	86,419	646,501	597,665	677,520	721,712	672,703
Harper	374,442	2,349,497	1,698,464	1,617,426	1,695,008	2,142,788
Harvey	1,848,530	17,330,235	15,805,144	14,856,720	15,044,790	14,245,316
Haskell	129,065	1,489,218	1,516,515	1,316,892	1,226,046	1,478,147
Hodgeman	65,852	283,145	322,340	792,610	226,632	403,859
Jackson	526,547	3,494,403	3,653,044	3,748,747	3,320,548	3,765,506
Jefferson	647,888	6,368,213	5,148,020	5,587,425	5,411,424	4,788,301
Jewell	73,952	588,364	573,963	489,633	447,942	460,581
Johnson	54,198,729	525,381,166	497,893,508	481,995,040	459,641,270	476,361,443
Kearny	128,360	2,141,453	2,398,613	1,685,055	1,713,437	1,577,850
Kingman	455,586	3,350,102	4,185,560	4,084,815	3,551,224	3,295,786
Kiowa	100,319	733,327	857,262	643,179	641,951	771,235
Labette	1,539,721	9,349,343	9,164,225	8,797,873	8,625,039	8,984,418
Lane	107,849	995,013	896,069	804,772	712,277	627,316
Leavenworth	2,758,104	17,909,251	17,420,783	19,092,596	18,875,431	21,316,537
Lincoln	193,108	1,163,382	1,327,561	1,435,942	1,303,949	1,180,593
Linn	322,719	3,137,625	3,539,289	3,368,303	3,216,617	3,150,372

1-7

County Name	2005 CI/ME Tax	Commercial and Industrial Machinery and Equipment Assessed Value				
		2001	2002	2003	2004	2005
Logan	115,398	1,007,932	883,318	855,635	750,399	744,955
Lyon	2,542,487	18,513,700	20,406,157	16,541,439	17,012,943	17,343,680
Marion	497,152	3,697,856	3,223,302	2,775,965	3,053,694	3,349,155
Marshall	921,890	6,126,005	6,067,148	7,392,430	6,907,825	6,710,553
McPherson	4,082,335	33,017,832	32,184,119	30,596,679	34,111,437	35,708,175
Meade	97,803	781,229	808,895	748,458	707,315	716,390
Miami	1,104,786	9,440,237	10,702,461	10,848,473	10,828,352	9,341,510
Mitchell	470,942	2,988,530	2,833,069	2,708,547	2,682,994	3,143,979
Montgomery	4,196,971	37,602,939	36,498,505	33,469,252	35,142,596	29,195,391
Morris	244,699	2,536,896	2,559,118	1,636,322	1,634,939	1,790,960
Morton	171,587	1,603,850	1,583,472	1,466,618	1,733,056	1,616,023
Nemaha	688,862	4,160,694	4,449,466	5,188,467	5,197,266	5,584,637
Neosho	1,663,667	8,802,504	7,299,728	9,391,684	9,110,882	9,711,305
Ness	91,979	723,129	722,647	689,608	631,740	666,659
Norton	282,170	1,214,041	2,088,281	2,003,718	1,865,287	1,945,883
Osage	465,395	2,532,597	2,920,327	2,299,200	3,045,697	3,857,519
Osborne	231,065	1,200,844	1,213,616	1,385,834	1,422,148	1,244,317
Ottawa	169,708	1,024,227	1,125,970	1,265,135	1,038,960	1,132,810
Pawnee	207,664	1,295,907	1,360,043	1,019,859	1,179,043	1,248,728
Phillips	368,210	2,675,640	2,563,204	2,285,924	2,288,234	2,411,006
Pottawatomie	1,150,296	11,143,899	12,003,002	11,140,821	10,727,889	11,278,498
Pratt	720,319	3,204,088	3,259,168	3,475,026	4,020,665	4,118,728
Rawlins	79,793	507,104	469,617	465,842	468,780	477,371
Reno	5,757,564	40,675,637	38,398,357	38,910,110	38,254,547	38,567,727
Republic	223,570	1,624,733	2,204,394	1,393,512	1,196,682	1,252,717
Rice	608,783	4,550,758	5,014,625	4,440,609	4,680,307	4,215,917
Riley	1,984,898	16,398,852	16,982,217	16,748,158	17,266,568	18,101,602
Rooks	193,175	1,409,230	1,162,136	1,186,315	1,149,835	1,217,220
Rush	304,708	1,473,200	1,677,650	1,575,249	1,500,127	2,145,084
Russell	464,310	1,820,284	5,274,834	2,108,251	2,748,871	2,563,072
Saline	5,363,289	42,572,923	47,569,303	46,046,056	49,210,630	51,926,310
Scott	170,665	1,293,326	1,316,683	1,285,381	1,265,119	1,204,465
Sedgwick	41,596,428	339,430,675	344,206,950	342,905,188	349,660,903	367,524,139
Seward	1,451,093	11,112,209	12,398,797	9,998,287	10,517,237	10,298,407
Shawnee	17,488,053	122,563,684	118,294,717	120,991,937	115,754,027	128,512,317
Sheridan	80,316	593,680	607,983	589,995	577,551	608,113
Sherman	388,843	2,953,607	2,997,120	3,002,176	3,126,956	3,097,984
Smith	164,454	825,519	830,663	772,460	766,980	778,510
Stafford	140,154	716,747	745,638	840,941	864,553	880,479
Stanton	73,094	635,421	799,915	776,246	733,200	685,289
Stevens	214,327	1,909,808	2,089,930	2,246,471	2,199,792	2,630,783
Sumner	1,721,475	9,726,227	9,959,443	10,543,993	9,985,869	10,207,979
Thomas	622,783	3,811,195	3,777,694	3,663,913	4,260,945	4,420,127
Trego	128,958	734,068	845,685	828,111	990,001	801,488
Wabaunsee	373,308	2,598,408	2,607,690	2,385,919	2,138,402	2,752,412
Wallace	46,793	347,541	324,137	280,179	270,445	321,875
Washington	166,209	1,135,412	1,312,677	1,238,132	1,107,713	1,019,488
Wichita	198,335	2,129,194	1,530,245	1,353,167	1,363,472	1,331,035
Wilson	842,626	5,828,979	7,665,792	7,568,320	7,064,207	6,693,062
Woodson	126,734	801,222	804,645	668,937	826,109	828,141
Wyandotte	29,902,930	173,818,143	185,813,636	190,016,754	176,984,376	181,113,621
Totals	234,154,821	1,844,646,453	1,843,323,655	1,811,766,670	1,775,723,575	1,844,997,342

1-8

SESSION OF 2006

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2619

As Amended by House Committee of the Whole

Brief*

HB 2619, as amended, would provide a property tax exemption for commercial and industrial machinery and equipment acquired by qualified purchase or lease after June 30, 2006 as the result of bona fide transactions not consummated for the purpose of avoiding taxation; and commercial and industrial machinery and equipment transported into the state after June 30, 2006 to expand existing businesses or create new businesses. Taxpayers receiving such exemptions would not be subject to annual filing requirements with the State Board of Tax Appeals (SBOTA) pursuant to KSA 2005 Supp. 79-213.

The bill would further expand, effective for tax year 2007, an existing exemption for certain "low-cost" items of machinery, equipment, materials, and supplies by removing from the tax rolls such property with a retail cost when new of greater than \$400 but equal to or less than \$1,000.

The bill also would create a new fund within the state treasury, the Business Machinery and Equipment Tax Reduction Assistance Fund (BMETRAF). The BMETRAF would provide a mechanism whereby taxing subdivisions would be reimbursed beginning in February, 2008 for certain property tax reductions assumed attributable to the exemptions. The Secretary of Revenue would be required to compute for each county an amount equal to the difference in business machinery and equipment property taxes levied in tax year 2005 and various future tax years (beginning with tax year 2007). Based upon this computation, county treasurers would receive 100 percent of the difference for tax year 2007; 80 percent for tax year 2008; 60 percent for tax year 2009; 40 percent for tax year 2010; and 20 percent for tax year 2011. (The transfers from the state to counties would be made during FY 2008-2012). County treasurers would be required to apportion the BMETRAF funds among taxing subdivisions (including the state) relative to their respective shares of property tax

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

levies. The Secretary also would be required to make an annual report to the standing tax committees on the BMETRAF computation methodology.

The bill also would expand the Homestead Property Tax Refund Act by increasing the income eligibility threshold for claimants age 65 and above from \$27,000 to \$50,000; and by increasing the amount of refunds such persons would receive who are eligible for the program under current law.

The bill further would expand the residential "homestead" property tax exemption relative to the mandatory school district general fund property tax levy from \$20,000 to \$30,000.

Background

The original bill would have provided that the exemptions for newly acquired property and property transported into the state not be effective until tax year 2008. The House Tax Committee amended the bill to make those exemptions applicable for property acquired or transported into the state after June 30, 2006, effectively creating a tax year 2007 impact; to authorize the adoption of rules and regulations by the Secretary of Revenue; to add the exemption from annual filing requirements at SBOTA; to add the provisions relating to the BMETRAF, which came to be characterized during discussion as the "slider" amendment; and to clarify that the exemption would not be applicable to property involved in certain transactions consummated for the purpose of avoiding taxation (as opposed to transactions consummated solely for the purpose of avoiding taxation).

The bill would have an impact on the state attributable to a reduction in motor carrier property tax receipts to the SGF. The reduction in assessed valuation attributable to the two new exemptions and the expanded "low-cost" exemption also would cause state property tax receipts to decline relative to the fixed levies associated with state building funds (1.5 mills) and the mandatory school district general fund property tax levy (20 mills). The state also would be responsible for new expenditures associated with funding the BMETRAF transfers. A portion of the BMETRAF transfers subsequently would be offset when county treasurers returned certain funds to the state relative to the state property tax levies. Finally, an income tax credit currently available to offset a portion of property taxes timely paid on business machinery and equipment would be expected to decrease over time relative to current law.

The House Committee of the Whole amended the bill to adjust the slider provisions such that the mitigation funds to taxing subdivisions would be reduced from six to five years and from a total of \$278.581 million to \$187.275 million.

The House Committee of the Whole also amended the bill to incorporate the provisions of HB 2857 relating to the expansion of the Homestead Property Tax Refund Act; to increase the school finance residential "homestead" exemption from \$20,000 to \$30,000; and to make certain technical amendments to the slider provisions.

Based on the latest information available, the bill would be expected to have the following fiscal impact:

Fiscal Impact of HB 2619
As Amended by House Committee of the Whole
(Dollars in Millions)

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Total Thru FY 2013</u>
Motor Carrier Property Taxes	\$ (0.743)	\$ (2.284)	\$ (3.903)	\$ (5.600)	\$ (7.376)	\$ (8.394)	\$ (28.300)
USD Local Effort (20 mills)	\$ (8.000)	\$ (14.946)	\$ (20.691)	\$ (25.031)	\$ (28.283)	\$ (31.112)	\$ (128.063)
St. Bldg. Funds (1.5 mills)	(0.600)	(1.121)	(1.552)	(1.877)	(2.121)	(2.333)	(9.605)
Slider Transfer (Initial)	\$ (28.238)	\$ (48.198)	\$ (50.446)	\$ (39.357)	\$ (21.036)	\$ 0.000	\$ (187.275)
Slider Returned to Local Effort	4.450	7.595	7.948	6.202	3.315	0.000	29.510
Slider Return to St. Bldg. Funds	0.334	0.570	0.596	0.465	0.249	0.000	2.214
Net State Slider Impact	\$ (23.454)	\$ (40.033)	\$ (41.902)	\$ (32.690)	\$ (17.472)	\$ 0.000	\$ (155.551)
Reduction in Inc. Tax Credit	\$ 10.530	\$ 17.976	\$ 24.239	\$ 28.786	\$ 31.831	\$ 34.228	\$ 147.590
USD Local Effort (30K)	\$ (18.818)	\$ (19.206)	\$ (19.402)	\$ (19.598)	\$ (19.794)	\$ (19.990)	\$ (116.808)
Additional Homestead to 65+	\$ (4.100)	\$ (4.200)	\$ (4.300)	\$ (4.400)	\$ (4.500)	\$ (4.600)	\$ (26.100)
Total Net State Impact	<u>\$ (45.185)</u>	<u>\$ (63.813)</u>	<u>\$ (67.511)</u>	<u>\$ (60.411)</u>	<u>\$ (47.715)</u>	<u>\$ (32.201)</u>	<u>\$ (316.837)</u>

SESSION OF 2006

**SUPPLEMENTAL NOTE ON
SUBSTITUTE FOR HOUSE BILL NO. 2525**

As Amended by House Committee of the Whole

Brief*

Sub. for HB 2525 would provide a property tax exemption for telecommunications machinery and equipment and railroad machinery and equipment acquired by qualified purchase or lease after June 30, 2006 as the result of bona fide transactions not consummated for the purpose of avoiding taxation; and telecommunications machinery and equipment and railroad machinery and equipment transported into the state after June 30, 2006 to expand existing businesses or create new businesses. Taxpayers receiving such exemptions would not be subject to annual filing requirements with the State Board of Tax Appeals (SBOTA) pursuant to KSA 2005 Supp. 79-213.

The bill also would create a new fund within the state treasury, the Telecommunications and Railroad Machinery and Equipment Tax Reduction Assistance Fund (TRMETRAF). The TRMETRAF would provide a mechanism whereby taxing subdivisions would be reimbursed beginning in February, 2008 for certain property tax reductions assumed attributable to the exemptions. The Secretary of Revenue would be required to compute for each county an amount equal to the difference in telecommunications and railroad machinery and equipment property tax levied in tax year 2005 and various future tax years (beginning with tax year 2007). Based upon this computation, county treasurers would receive 100 percent of the difference for tax year 2007; 80 percent for tax year 2008; 60 percent for tax year 2009; 40 percent for tax year 2010; and 20 percent for tax year 2011. (The transfers from the state to counties would be made during FY 2008-2012). County treasurers would be required to apportion the TRMETRAF funds among taxing subdivisions (including the state) relative to their respective shares of property tax levies. The Secretary also would be required to make an annual report to the standing tax committees on the TRMETRAF computation methodology.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Background

The original bill contained provisions dealing with sales tax authority for Neosho County which were enacted in another bill in 2005. The House Tax Committee in 2006 voted to recommend the substitute bill, which contains provisions for railroad and telecommunications machinery and equipment property taxes largely similar to provisions in HB 2619 relating to property taxes for commercial and industrial machinery and equipment.

The bill would have an impact on the state because of the reduction in assessed valuation attributable to the two new exemptions, which therefore would cause state property tax receipts to decline relative to the fixed levies associated with state building funds (1.5 mills) and the mandatory school district general fund property tax levy (20 mills). The state also would be responsible for new expenditures associated with funding the TRMETRAF transfers. A portion of the TRMETRAF transfers subsequently would be offset when county treasurers returned certain funds to the state relative to the state property tax levies. Finally, certain income tax credits currently available would be expected to decrease over time relative to current law.

The House Committee of the Whole amended the bill to adjust the slider provisions such that the mitigation funds to taxing subdivisions would be reduced from six to five years and from a total of \$23.289 million to \$15.376 million.

The House Committee of the Whole also amended the bill to make certain technical amendments to the slider provisions.

Based on the latest information available, the bill would be expected to have the following fiscal impact:

**Fiscal Impact of Substitute for HB 2525
As Amended by House Committee of the Whole
(Dollars in Millions)**

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Total Thru FY 2013</u>
TELECOMMUNICATIONS							
USD Local Effort (20 mills)	\$ (0.203)	\$ (0.404)	\$ (0.791)	\$ (1.160)	\$ (1.514)	\$ (1.851)	\$ (5.923)
St. Bldg. Funds (1.5 mills)	(0.015)	(0.030)	(0.059)	(0.087)	(0.113)	(0.139)	(0.443)
Slider Transfer (Initial)	\$ (1.782)	\$ (1.244)	\$ (1.620)	\$ (1.540)	\$ (1.002)	\$ 0.000	\$ (7.188)
Slider Returned to Local Effort	0.265	0.180	0.227	0.210	0.265	0.000	1.147
Slider Return to St. Bldg. Funds	0.020	0.130	0.017	0.016	0.020	0.000	0.203
Net State Slider Impact	\$ (1.497)	\$ (0.934)	\$ (1.376)	\$ (1.314)	\$ (0.717)	\$ 0.000	\$ (5.838)
Reduction in Inc. Tax Credit	\$ 0.423	\$ 0.858	\$ 1.715	\$ 2.571	\$ 3.426	\$ 4.283	\$ 13.276
Net State Impact Telecom	<u>\$ (1.292)</u>	<u>\$ (0.510)</u>	<u>\$ (0.511)</u>	<u>\$ (0.010)</u>	<u>\$ 1.082</u>	<u>\$ 2.293</u>	<u>\$ (1.072)</u>
RAILROADS							
USD Local Effort (20 mills)	\$ (0.246)	\$ (0.388)	\$ (0.628)	\$ (0.731)	\$ (0.802)	\$ (0.858)	\$ (3.653)
St. Bldg. Funds (1.5 mills)	(0.018)	(0.029)	(0.047)	(0.055)	(0.060)	(0.064)	(0.273)
slider transfer (initial)	\$ (1.424)	\$ (1.811)	\$ (2.249)	\$ (1.747)	\$ (0.957)	\$ 0.000	\$ (8.188)
Slider Returned to Local Effort	0.224	0.283	0.349	0.269	0.146	0.000	1.271
Slider Return to St. Bldg. Funds	0.017	0.021	0.026	0.020	0.110	0.000	0.194
Net State Slider Impact	\$ (1.183)	\$ (1.507)	\$ (1.874)	\$ (1.458)	\$ (0.701)	\$ 0.000	\$ (6.723)
Reduction in Inc. Tax Credit	\$ 0.390	\$ 0.621	\$ 1.012	\$ 1.188	\$ 1.313	\$ 1.417	\$ 5.941
Net State Impact Railroads	<u>\$ (1.057)</u>	<u>\$ (1.303)</u>	<u>\$ (1.537)</u>	<u>\$ (1.056)</u>	<u>\$ (0.250)</u>	<u>\$ (0.495)</u>	<u>\$ (4.708)</u>
Total Net State Impact	<u>\$ (2.349)</u>	<u>\$ (1.813)</u>	<u>\$ (2.048)</u>	<u>\$ (1.046)</u>	<u>\$ (0.832)</u>	<u>\$ 2.788</u>	<u>\$ (3.636)</u>