

Approved On: _____

Minutes of the House Committee on Assessment and Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on February 12, 1985 in room 519 South at the Capitol of the State of Kansas.

The following members were absent:

Representatives Ott

Committee staff present:

Tom Severn, Legislative Research
Melinda Hanson, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

Representative Wunsch, chairman of subcommittee on Property Tax, gave a subcommittee report which recommended the introduction of a variety of bills. Representative Wunsch moved, second by Representative Spaniol, that the report be adopted. The motion carried.

Mr. Victor Miller, director of Division of Property Valuation, spoke in support of HB-2211. He stated that the Division would prefer flexibility in designing the new form. (Attachment 1)

Representative Rolfs asked Mr. Miller to submit a recommended form. Mr. Miller agreed to submit a list that would include his suggestions.

Melinda Hanson, of Legislative Research, gave a brief explanation of HB-2119. She explained that the bill would attach a tax lien to personal property surrendered voluntarily.

Gerry Ray, representing Johnson County Board of Commissioners, spoke as a proponent of HB-2119 and stated that Johnson County loses around \$130,000 per year as a result of the loophole. (Attachment 2)

The minutes of February 8 were reviewed. There being no change, they were approved as presented.

There being no further business, the meeting was adjourned.



E. C. Rolfs, Chairman



Kansas
DEPARTMENT OF REVENUE

State Office Building
TOPEKA, KANSAS 66625

The Property Valuation Division (PVD) of the Department of Revenue supports HB 2211. The bill originated as a recommendation of the Legislative Post Audit Committee's work in reviewing the accuracy of the Assessment/Sales Ratio Study. As drafted, the bill would allow the Director to modify the statutory form for a certificate of value but would require that it remain substantially the same as presently prescribed.

PVD agrees with the findings of that report that recognize the difficulty in determining the existence of an "arm's-length" transaction when limited to information presently embodied in the certificate of value prescribed by statute. Information such as the relationship of the buyer and seller or special financing arrangements would be extremely beneficial in making this determination.

The inclusion of sales which are not "arm's-length" transactions affect the statistical integrity of the ratio study and should not be included. HB 2211 will assist in our goal of making the study as accurate as possible.

Victor W. Miller, Director
Division of Property Valuation
Department of Revenue

JOHNSON COUNTY KANSAS

Office of the Board of County Commissioners

JOHNSON COUNTY COURTHOUSE
OLATHE, KANSAS 66061
782-5000

HOUSE ASSESSMENT AND TAXATION COMMITTEE

HEARING ON HOUSE BILL NO. 2119

TUESDAY, FEBRUARY 12, 1985

TESTIMONY OF GERRY RAY, LEGISLATIVE LIAISON
JOHNSON COUNTY BOARD OF COMMISSIONERS

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE. MY NAME IS GERRY RAY, LEGISLATIVE LIAISON FOR THE JOHNSON COUNTY BOARD OF COMMISSIONERS. I APPEAR TODAY AS A PROPONENT OF HOUSE BILL NO. 2119.

DURING THE 1984 SESSION A BILL MUCH THE SAME AS THIS WAS REQUESTED BY OUR COMMISSIONERS. IT WAS INTRODUCED AS SENATE BILL 817. IT PASSED THE SENATE AND WAS REPORTED FAVORABLY OUT OF THE HOUSE ASSASSMENT & TAXATION COMMITTEE. UNFORTUNATELY TIME RAN OUT AND THE SESSION ENDED BEFORE THE BILL WAS BROUGHT UP ON THE HOUSE CALENDAR FOR CONSIDERATION.

THE SAME BILL WAS AGAIN INCLUDED IN THE COUNTY'S 1985 LEGISLATIVE PROGRAM. BASED ON INPUT FROM THE CHAIRMAN OF THE COUNTY DELEGATION AND SEVERAL CONCERNS EXPRESSED LAST YEAR, THE BILL WAS TO BE LIMITED TO BUSINESS PROPERTY SURRENDERED OR TRANSFERRED IN A REORGANIZATION OR OTHER COURT PROCEEDING, OR TAKEN BY A CREDITOR IN SATISFACTION OF A DEBT.

THE NEED FOR THIS TYPE OF LEGISLATION WAS BROUGHT ABOUT IN JOHNSON COUNTY DUE TO LOSS OF TAX ON PERSONAL PROPERTY INVOLVED IN BANKRUPTCY ACTIONS AMOUNTING TO OVER \$150,000 IN ONE YEAR. ONE CASE INVOLVED THE DISSOLUTION OF A CORPORATION AND THE DISAPPEARANCE OF THE OWNER RESULTING IN A \$100,000 LOSS TO THE COUNTY. IN ANOTHER INSTANCE A CORPORATION DECLARED BANKRUPTCY, CLOSING TWO DRUG STORES. THE PERSONAL PROPERTY WAS REPOSSESSED BY THE BANK, THEN AT A LATER DATE SOLD BACK TO THE SAME PEOPLE UNDER A DIFFERENT CORPORATE NAME. THE LOSS TO THE COUNTY WAS \$25,000.

THESE ARE ONLY TWO EXAMPLES, BUT EACH YEAR SEVERAL SUCH CASES ARE EXPERIENCED, ADDING UP TO THOUSANDS OF DOLLARS IN LOST REVENUE IN JUST ONE COUNTY. WE FEEL CONFIDENT IF WE ARE FACED WITH THESE LOSSES, THAT OTHER COUNTIES ARE ALSO ENCOUNTERING THE SAME PROBLEM. WE WOULD ASK YOUR SUPPORT OF HB 2119 TO ALLOW THOSE COUNTIES THE AUTHORITY TO ATTACH LIENS TO SUCH PROPERTY AND CLOSE A RATHER SIGNIFICANT TAX LOOPHOLE.