

Approved: 2/2/93
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Vice-Chairperson Kent Glasscock at 9:00 a.m. on February 1, 1993 in Room 519-S of the Capitol.

All members were present except:

Representative Crowell, excused
Representative Krehbiel, excused
Representative Lowther, excused
Representative Roe, excused

Representative Empson, excused
Representative Lahti, excused
Representative Rock, excused
Representative Wiard, excused

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Bill Edds, Revisor of Statutes
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Representative Garry Boston
Philip Kloster - City Manager, City of Newton
Craig Simons - Harvey County Administrator and member of the
Newton City-County Airport Commission

Others attending: See attached list

Vice-Chairperson Glasscock opened the hearing on HB 2027.

HB 2027 An act concerning taxation; relating to the exemption of
certain airport property.

Representative Garry Boston testified in support of HB 2027 and distributed copies of a *Newton Kansan* newspaper article (Attachment 1) and the Harvey County Resolution No. 1993-6 (Attachment 2), both in support of this bill.

Philip Kloster, Newton City Manager, testified in support of HB 2027 and requested that the Newton City-County Airport be exempted from ad valorem taxation. Mr. Kloster questioned why Newton was not included in previous legislation to exempt other airports in Kansas. Included in his testimony were copies of Resolution No. G-525, passed and adopted by the City of Newton (Attachment 3).

Craig Simons, Harvey County Administrator and a member of the Newton City-County Airport Commission, testified in support of HB 2027. Mr. Simons stated that all airports should be treated the same throughout Kansas and not treated differently from city to city (Attachment 4). Mr. Simons responded to questions and said that if this bill is passed there shouldn't be any revenue loss because nothing would be removed from the tax rolls.

Representative Wagon requested from staff information from the 1991 Interim Committee on Taxation regarding taxing authority at Kansas airports.

Vice-Chairperson Glasscock closed the hearing on HB 2027.

Minutes of the January 28, 1993, meeting were distributed for Committee review.

The meeting adjourned at 9:50 a.m.

The next meeting is scheduled for February 2, 1993.

Date: 2/1/93

GUEST REGISTER

HOUSE COMMITTEE ON
ASSESSMENT AND TAXATION

[illegible]

GARRY G. BOSTON
REPRESENTATIVE, SEVENTY-SECOND DISTRICT
14 CIRCLE DRIVE
NEWTON, KANSAS 67114-1411



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
ECONOMIC DEVELOPMENT
LABOR & INDUSTRY
LOCAL GOVERNMENT

City-County Airport officials unsure of tax status

Murky legislation affects facility

By Christine Paugh
Newton Kansan

The Newton City Commission Wednesday approved a resolution voicing support for a bill before the Kansas House of Representatives that would exempt the Newton City-County Airport from paying property taxes.

Legislation passed by the Kansas Legislature in 1992 stated that tax exemptions for airports be granted only for "purposes essential to the operation of the airport."

But the murky wording of the legislation has left local governments and airport officials across the state unsure what will and won't be taxed. Although Newton's airport is not paying prop-

erty taxes now, it may have to depending on how the legislation is defined.

City Manager Phil Kloster said the legislation passed last year exempts several airports in the state from paying property taxes. Newton was not among them.

A bill sponsored by 72nd District Rep. Garry Boston and 74th District Rep. Ellen Samuelson would add Newton to the list of tax-exempt airports.

"We don't know what is exempt and what is not exempt," Harvey County Administrator Craig Simons said. "This (new) legislation would clear up a lot of confusion. We don't know if it applies to the runways or people who work there or places that lease from us."

The Newton City-County Airport has 16 buildings and 59 hangars on its property that are currently not required to pay property taxes. Not all of its renters are airport-affiliated, such as Mennonite Press Inc. — a printing company — and although they support the airport indirectly through rental fees, may not be considered "essential" to the airport to gain tax-

exempt status.

The 1992 legislation does state that businesses with long-term leases will remain exempt until their leases expire. Airport authorities, such as those that operate the airports in Wichita and Topeka, also are exempt from paying property taxes.

"I think either tax everyone or not tax everyone and get them on a level playing field," Simons said. "We're competing with other airports and that will be hard if we can't offer tax incentives, and they can in Wichita."

Simons said he thinks the Kansas Board of Tax Appeals must define the 1992 legislation.

The commission also approved an ordinance that will give the city more control over the operation of the Newton Municipal Swimming Pool, which has been operated by the Newton Recreation Commission for several years.

The recreation commission has been responsible for setting admission costs, hours and hiring staff.

The city is in the process of a \$750,000 reconstruction project to



Kloster

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2/1/93

House Taxation Cmte
Attachment 1

*Poston*RESOLUTION NO. 1993-6

A RESOLUTION SUPPORTING HOUSE BILL NO. 2027 AND SENATE BILL 28 PROVIDING FOR THE EXEMPTION FROM AD VALOREM TAXATION OF CERTAIN MUNICIPAL AIRPORT PROPERTY.

WHEREAS, municipal airports operated for years throughout the State of Kansas under the understanding that all such municipal airport property was exempt from ad valorem taxation; and

WHEREAS, through several decisions rendered by the Kansas Supreme Court prior to 1991, uncertainty was created regarding the extent to which municipal airport properties were exempt from ad valorem taxation; and

WHEREAS, in 1991 the Kansas Legislature passed as an interim measure House Bill No. 2194 providing a temporary exemption of all property owned and primarily operated as a municipal airport, including such property as was leased for purposes not essential to the operation of an airport; and

WHEREAS, in 1992 the Kansas Legislature passed Senate Bill No. 629, in the form of more permanent legislation, which had the effect of limiting such exemption, as to the portion of municipal airport property that is leased to third parties, such that the exemption applies thereto only if such leased property is "essential to the operation of an airport" without defining such phrase; and

WHEREAS, as a part of such legislation, certain individual municipal airport authorities were given preferential treatment by making them totally exempt from the payment of all ad valorem taxes; and

WHEREAS, there exists no rational reason why some municipal airports should be entirely exempt from ad valorem taxation and others not; and

WHEREAS, to the extent there may be some basis for not excluding from taxation all municipal airports, such rationale would not apply to the Newton City-County Airport, which is a significant, peer facility to those granted complete exemption, serving all of the same purposes and functions as those exempt airports, and being an essential link in the state-wide network of airports as well as being an integral part of the organized economic development efforts serving the State of Kansas;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF HARVEY COUNTY KANSAS, that the Kansas Legislature is urged in the strongest manner possible to enact House Bill No 2027 and Senate Bill 28 to correct the inequity created through such prior legislation.

PASSED AND ADOPTED THIS 25th DAY OF JANUARY, 1993.

BOARD OF HARVEY COUNTY COMMISSIONERS OF
HARVEY COUNTY, KANSAS

Eugene Wendling
EUGENE WENDLING, CHAIRMAN

Charles Benjamin
CHARLES BENJAMIN, MEMBER

Ken Meier
KEN MEIER, MEMBER

ATTEST:

Margaret Wright
MARGARET WRIGHT, COUNTY CLERK

2/1/93

House Taxation Cmte
Attachment 2



the city of newton

120 east 7th street

p.o. box 426

newton, kansas 67114-0426

January 26, 1993

Representative Keith Roe
House Taxation Committee
State Capitol, Room 170-W
Topeka, KS 66612

Dear Chairman Roe:

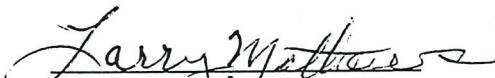
Attached you will find a Resolution unanimously passed by the Newton City Commission at their January 20, 1993 Commission Meeting supporting House Bill 2027 sponsored by Representatives Garry Boston and Ellen Samuelson of Newton covering the exemption of airport property at the Newton City-County Airport. We ask for your committee's support of this House Bill.

We have directed City Manager, Philip Kloster, and his staff to provide testimony and any information that you might request regarding this Bill.


We appreciate your efforts to facilitate committee review of this Bill and trust that you will support this equalization legislation for the City of Newton and the Newton City-County Airport.

Sincerely,


Beverly J. Gering
Mayor


Larry Mathews
Commissioner


Beulah E. Day
Commissioner


Bradley D. Jantz
Vice Mayor


Donald R. Anderson
Commissioner

mc: Representative Boston
Representative Samuelson
Philip Kloster, City Manager

2/1/93

House Taxation Cmte

Attachment 3

RESOLUTION NO. G-525

A RESOLUTION SUPPORTING HOUSE BILL NO. 2027 AND SENATE BILL NO. 28 PROVIDING EXEMPTION FROM AD VALOREM TAXATION FOR CERTAIN MUNICIPAL AIRPORT PROPERTY.

WHEREAS, municipal airports operated for years throughout the State of Kansas under the understanding that all such municipal airport property was exempt from ad valorem taxation; and

WHEREAS, through several decisions rendered by the Kansas Supreme Court prior to 1991, uncertainty was created regarding the extent to which municipal airport properties were exempt from ad valorem taxation; and

WHEREAS, in 1991 the Kansas Legislature passed as an interim measure House Bill No. 2194 providing a temporary exemption of all property owned and primarily operated as a municipal airport, including such property as was leased for purposes not essential to the operation of an airport; and

WHEREAS, in 1992 the Kansas Legislature passed Senate Bill No. 629, in the form of more permanent legislation, which had the effect of limiting such exemption, as to the portion of municipal airport property that is leased to third parties, such that the exemption applies thereto only if such leased property is "essential to the operation of an airport" without defining such phrase; and

WHEREAS, as a part of such legislation, certain individual municipal airport authorities were given preferential treatment by making them totally exempt from the payment of all ad valorem taxes; and

WHEREAS, there exists no rational reason why some municipal airports should be entirely exempt from ad valorem taxation and others not; and

WHEREAS, to the extent there may be some basis for not excluding from taxation all municipal airports, such rationale would not apply to the Newton City-County Airport, which is a significant, peer facility to those granted complete exemption, serving all of the same purposes and functions as those exempt airports, and being an essential link in the state-wide network of airports as well as being an integral part of the organized economic development efforts serving the State of Kansas;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF NEWTON, KANSAS, that the Kansas Legislature is urged in the strongest manner possible to enact House Bill No. 2027 and/or Senate Bill No. 28 to correct the inequity created through such prior legislation.

PASSED AND ADOPTED this 20th day of January, 1993.


Mayor

ATTEST:


City Clerk

Simon

TESTIMONY IN SUPPORT OF HOUSE BILL NO. 2027 AND SENATE BILL NO 28,
EXEMPTING THE NEWTON CITY-COUNTY AIRPORT FROM AD VALOREM TAXATION

On September 11, 1991, I testified before the Joint House-Senate Committee concerning the property taxation of municipal airport property. This testimony was prior to legislative approval in the 1992 session establishing the guidelines for the property taxation of municipally owned airports. At that time, I testified all municipal airports should be treated the same throughout Kansas and not treated differently from city to city. The legislation passed in 1992 did not treat the airports equally, as airport authorities such as Wichita, and airports such as the Pratt Municipal Airport and Strother Field, were granted property tax exemptions. The Newton City-County Airport directly competes with these airports for business, and we cannot compete on an even playing field if the businesses at our Airport have to pay property taxes, and businesses at these other airports are exempt from paying property tax. Therefore, this legislation would allow the Newton City-County Airport to compete with these airports on a fair and equal basis, and the legislation is identical to the legislation granted to Airport Authorities, Pratt, and Strother Field in 1992.

Secondly, the legislation approved in 1992 is confusing as to what will finally be exempted, and what will be taxed at municipal airports which were not exempted. For the remaining airports, the 1992 legislation states, "purposes essential to the operation of an Airport", were exempt. We do not know exactly what this means, and we cannot tell prospective businesses what it means. I believe the Board of Tax Appeals will have to define the meaning of this phrase. This could take years to define, especially with the number of cases facing the Board of Tax Appeals. As a result, prospective businesses are uncertain as to their future tax status, and may not be willing to locate at the Newton City-County Airport, or invest large amounts of monies at the Airport. This legislation would clear the confusion.

Thirdly, properties at the Newton City-County Airport will be paying a lease amount similar to a tax payment. This would provide fairness between Airport businesses, and other businesses in the County located away from the Airport. This lease payment lowers the amount of taxes which the City of Newton and Harvey County assess to operate the airport. In competing with other exempt airports, it becomes difficult for the Newton City-County Airport businesses to pay a property tax and a lease payment, a distinct disadvantage for the Newton City-County Airport unless this legislation is approved.

Fourthly, the impact on the present amount of taxes going to the school district and taxing entities in Harvey County would be minimal from previous years. Property owned by the Newton City-County Airport has not been taxed in previous years.

2/1/93
House Taxation Cmte
Attachment 4

This paper is presented by Craig Simons, who was employed by the City of Liberal, Kansas from June of 1978 to September of 1989 as Assistant City Manager. From September, 1989 to the present, Mr. Simons is the Harvey County Administrator and a member of the Newton City-County Airport Commission.