

Approved: February 9, 1993
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:03 a.m. on February 3, 1993 in Room 519-S of the Capitol.

Members present: Senator Langworthy, Senator Tiahrt, Senator Martin, Senator Bond, Senator Corbin, Senator Feleciano Jr., Senator Hardenburger, Senator Lee, Senator Reynolds, Senator Sallee, Senator Wisdom

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Bill Edds, Revisor of Statutes
Don Hayward, Revisor of Statutes
Elizabeth Carlson, Committee Secretary

Conferees appearing before the committee: Craig Grant, KNEA
Pat Baker, KASB
Jacque Oakes, Schools for quality education

Others attending: See attached list

Senator Langworthy opened the meeting by calling the members attention to some handouts that were passed out yesterday.

Requests for Introduction of Bills

Tim Hagemann, Kansas Legislative Policy Group, Inc. appeared to request a bill for county appraisers to not hold formal hearings when the protest is on illegal levies of property tax.

Senator Martin moved the introduction of this bill. Senator Reynolds seconded the motion. The motion carried.

Gordon Garrett, Commerical Property Association of Kansas, appeared to request the introduction of a bill to require counties to pay interest on investment of property taxes.

Senator Sallee moved the introduction of this bill. Senator Martin seconded the motion. The motion carried.

Senator Langworthy requested the introduction of a bill to clarify property tax exemptions for adult care homes.

Senator Martin moved the introduction of this bill. Senator Wisdom seconded the motion. The motion carried.

Senator Langworthy also requested the introduction of a bill regarding distribution of local sales tax.

Senator Wisdom moved the introduction of this bill. Senator Sallee seconded the motion. The motion carried.

SB 2--Property tax exemptions and abatements for economic development purposes Re Proposal No. 1

SB 69--School district property tax levy excluded from city and county economic developments purposes.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:03 a.m. on February 3, 1993.

Chris Courtwright, Research Department, briefed the committee on **SB 2**, which he said came from a study related to the IRB's and EDX's.

Senator Martin briefed the committee on **SB 69** which was introduced by Senators Martin and Rock. (Attachment 1) He said this bill is an effort to stop counties and cities from granting exemptions and/or abatements of ad valorem taxes when such taxes have been levied by or on behalf of a unified school district. Several questions were asked by the committee with Senator Martin answering the questions.

Craig Grant, KNEA, was the first proponent to appear on **SB 69**. He recommended some changes. He suggested that some state entity should be empowered to grant property tax exemptions which are passed for the state. (Attachment 2)

Pat Baker, KASB read from a prepared statement. (Attachment 3) She expressed support for **SB 69** and **SB 2**. She requested consideration that locally elected board of education members have a vital interest in economic development and that education funding is a statewide responsibility and issues like abatements and exemptions from school taxes should be judged on a statewide merit.

Jacque Oakes, Schools for Quality Education, appeared as a proponent of **SB 2** and with **SB 69**. She said with the new school finance formula there should be an equitable method in controlling abatements and exemptions. Also she believes the school board should be included in the process of making decisions to grant local exemptions and abatements. (Attachment 4)

Senator Langworthy called the committees attention to the fiscal note for **SB 2**.

The meeting adjourned at 12:00 noon.

The next meeting is scheduled for February 4, 1993.

GUEST LIST

COMMITTEE: Senate
ASSESSMENT & TAXATION

DATE: 2-3-73

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
<u>HAROLD PITTS</u>	<u>Topeka</u>	<u>AARP-CCTF</u>
<u>Tom RIEDERER</u>	<u>LONGA</u>	<u>2 Ambassador Commercial</u>
<u>BO WEINMEISTER</u>	<u>TOPEKA</u>	<u>KANSAS Industry Development Assoc.</u>
<u>Jack Miller</u>	<u>Topeka</u>	<u>City of Topeka</u>
<u>Christy Young</u>	<u>Topeka</u>	<u>Topeka Coy C</u>
<u>Nelsie Sweeney</u>	<u>Overland Park</u>	<u>OP Chamber</u>
<u>Laura Meyer</u>	<u>Overland Park</u>	<u>United Telephone</u>
<u>John W. Kaylor</u>	<u>Topeka</u>	<u>KASB</u>
<u>Mark Tallman</u>	<u>Topeka</u>	<u>KASB</u>
<u>Lee Metcalfe</u>	<u>Johnson Co.</u>	<u>Airport</u>
<u>Jarvis Oakes</u>	<u>Topeka</u>	<u>SOE</u>
<u>Wendy Stephens</u>	<u>Tulsa OK</u>	<u>Texaco Inc.</u>
<u>Bill Jancee</u>	<u>Wichita</u>	<u>Boeing</u>
<u>Stacey Wagner</u>	<u>Topeka</u>	<u>Washburn</u>
<u>Collette S. Fry</u>	<u>Topeka</u>	<u>Washburn Univ.</u>
<u>Karen France</u>	<u>TOPEKA</u>	<u>KAR</u>
<u>John T. Ganett</u>	<u>Topeka</u>	<u>CPAK</u>
<u>Bernie Koch</u>	<u>Wichita</u>	<u>Wichita Chamber</u>
<u>Craig Grant</u>	<u>Topeka</u>	<u>H-NEA</u>
<u>Jim Alley</u>	<u>"</u>	<u>KFLC</u>
<u>Randy Martin</u>	<u>Manhattan</u>	<u>Chamber</u>
<u>Bob Corkins</u>	<u>Topeka</u>	<u>KCCI</u>
<u>Catherine Holloman</u>	<u>Wichita</u>	<u>City of Wichita</u>
<u>Rebecca Rice</u>	<u>Topeka</u>	<u>Cessna Aircraft</u>
<u>Doug Smith</u>	<u>Topeka</u>	<u>SWKS Royalty Owners</u>

GUEST LIST

COMMITTEE: Senate ASSESSMENT & TAXATION.

DATE: Feb 3, 1993

[illegible]

BEFORE SENATE COMMITTEE ON ASSESSMENT & TAXATION

Testimony of Senator Phil Martin regarding S.B. 69

Mr. Chairman and distinguished Committee.

Senate Bill No. 69 is an effort to eliminate the right of counties or cities to grant exemptions and/or abatements of ad valorem taxes when such taxes have been levied by or on behalf of a unified school district.

This bill would have no effect on exemptions of ad valorem taxes levied for non--school debt purposes, by any municipal or county - or any other taxing unit - and there are approximately twenty other categories of local taxing units in Kansas.

I was somewhat amazed to learn that in Crawford County there are 31 and in Senator Rock's Cowley County there are 71 - distinct and autonomous entities that are - in fact - levying property taxes.

In order for us to understand the constitutional and statutory basis for such exemptions and for this proposed bill, I have attached hereto a copy of article 11, Section 13 of the Kansas Constitution - which grants to counties and cities the right to grant certain exemptions of ad valorem taxes - and which provides the legislature with the power to limit or prohibit such exemptions.

I have also attached a copy of KSA 79-251, which places certain specific limitations of the authority of counties and cities regarding such exemptions.

The circumstance that gives rise to this proposed legislation is the state wide ad valorem mill levy for school finance purposes. When that became law, the basic concept of local exemptions took on a new and disturbing prospect.

Senate Assessment + Taxation

February 3, 1993

attachment 1-1

The premise for local ad valorem exemptions in Kansas has always been that local units of government - sustained by local property tax levies enacted by local authority is controlled by the local citizenry who pay the price and gain the benefits. There is, consequently, a local quid pro quo. In other words, there is a local incentive to limit such exemptions except when the local benefit outweighs the inevitable shift of tax burden from those industries that are exempted to local citizens who must shoulder the consequent shift in Tax burden.

When the State levies a uniform and state wide tax on property - and to the extent that the State does so - that incentive does a 180 degree turn. A state wide levy becomes an instant incentive for counties and cities to lower their local tax base and send fewer local tax dollars to the state wide school finance fund.

This gives rise to two major problems in Kansas. The greater of these problems is the current status of appraisals in Kansas. There is a major - I repeat - major inconsistency among Kansas counties in the status of appraisals. I have no doubt that much more will need to be done to establish standards, educate, train and supervise appraisals in this State.

This bill speaks to the other problem. Cities and counties would have reason to grant local exemptions with impunity. Millions of dollars in potential school funding could be effectively avoided at a local level, particularly in urban areas. Such actions would be patently unfair to counties and communities that did not grant such exemptions.

Senator Rock and I have discussed two potential amendments to this bill that may be appropriate. I do not have balloons to offer, but I will explain the concept.

It may be wise to provide some manner of controlled "pin hole" in this bill for unusual local circumstances that may arise. If there is an unusual need for an exemption to retain a major industry, perhaps some means of local appeal to the Department of Revenue and within some established procedural standard should be provided. If so, such standards should be strictly construed and rarely given.

Secondly, I feel that a date certainly should be placed in this bill to become effective before this legislature adjourns, in order to avoid a plethora of exemptions prior to July 1, 1993.

et seq. to be special taxes. *Southeast Kansas Landowners Ass'n v. Kansas Turnpike Auth.*, 224 K. 357, 371, 582 P.2d 1123.

§ 11. Taxation of incomes; adoption of federal laws by reference. In enacting any law under section 2 of this article 11, the legislature may at any regular, budget or special session define income by reference to or otherwise adopt by reference all or any part of the laws of the United States as they then exist, and, prospectively, as they may thereafter be amended or enacted, with such exceptions, additions or modifications as the legislature may determine then or thereafter at any such legislative sessions.

History: L. 1966, ch. 14—Spec. Sess.; Nov. 8, 1966.

Cross References to Related Sections:

Taxation of income, see § 2 of this article.

CASE ANNOTATIONS

1. Mentioned in holding that 79-3290 does not constitute an unlawful delegation of legislative power. *Missouri Pacific Railroad Co. v. McDonald*, 207 K. 744, 747, 486 P.2d 1347. Affirmed: 208 K. 479, 493 P.2d 280.

§ 12. Assessment and taxation of land devoted to agricultural use. Land devoted to agricultural use may be defined by law and valued for ad valorem tax purposes upon the basis of its agricultural income or agricultural productivity, actual or potential, and when so valued such land shall be assessed at the same percent of value and taxed at the same rate as real property subject to the provisions of section 1 of this article. The legislature may, if land devoted to agricultural use changes from such use, provide for the recoupment of a part or all of the difference between the amount of the ad valorem taxes levied upon such land during a part or all of the period in which it was valued in accordance with the provisions of this section and the amount of ad valorem taxes which would have been levied upon such land during such period had it not been in agricultural use and had it been valued, assessed and taxed in accordance with section 1 of this article.

History: L. 1975, ch. 516, § 1; Nov. 2, 1976.

Law Review and Bar Journal References:

"Differential Assessment of Agricultural Land in Kansas: A Discussion and Proposal," 25 K.L.R. 215, 230 (1977).

"Comprehensive Land Use Control Through Differential Assessment and Supplemental Regulation," Clarence J. Malone and Mark Ayesh, 18 W.L.J. 432, 445, 453 (1979).

"The Kansas Property Tax: Understanding and Surviving

Reappraisal," P. John Brady, Brian T. Howes and Greg L. Musil, 57(3) J.K.B.A. 23, 24 (1988).

Attorney General's Opinions:

Valuation based on agricultural income or productivity. 85-135.

§ 13. Exemption of property for economic development purposes; procedure; limitations.

(a) The board of county commissioners of any county or the governing body of any city may, by resolution or ordinance, as the case requires, exempt from all ad valorem taxation all or any portion of the appraised valuation of: (1) All buildings, together with the land upon which such buildings are located, and all tangible personal property associated therewith used exclusively by a business for the purpose of: (A) Manufacturing articles of commerce; (B) conducting research and development; or (C) storing goods or commodities which are sold or traded in interstate commerce, which commences operations after the date on which this amendment is approved by the electors of this state; or (2) all buildings, or added improvements to buildings constructed after the date on which this amendment is approved by the electors of this state, together with the land upon which such buildings or added improvements are located, and all tangible personal property purchased after such date and associated therewith, used exclusively for the purpose of: (A) Manufacturing articles of commerce; (B) conducting research and development; or (C) storing goods or commodities which are sold or traded in interstate commerce, which is necessary to facilitate the expansion of any such existing business if, as a result of such expansion, new employment is created.

(b) Any ad valorem tax exemption granted pursuant to subsection (a) shall be in effect for not more than 10 calendar years after the calendar year in which the business commences its operations or the calendar year in which expansion of an existing business is completed, as the case requires.

(c) The legislature may limit or prohibit the application of this section by enactment uniformly applicable to all cities or counties.

(d) The provisions of this section shall not be construed to affect exemptions of property from ad valorem taxation granted by this constitution or by enactment of the legislature, or to affect the authority of the legislature to enact additional exemptions of property from ad va-

History: L. 1990, ch. 345, § 5; July 1.

79-222 to 79-249. Reserved.

79-251. Limitations upon authority to grant property tax exemptions pursuant to section 13 of article 11 of constitution. Prior to the granting of an exemption for any property from ad valorem taxation pursuant to the provisions of section 13 of article 11 of the Kansas constitution, the board of county commissioners of any county or the governing body of any city, as the case requires, shall be required to do the following:

(a) Develop and adopt official policies and procedures for the granting of such exemptions including:

(1) The required preparation of an analysis of the costs and benefits of each exemption prior to the granting of such exemption;

(2) a procedure for monitoring the compliance of a business receiving an exemption with any terms or conditions established by the governing body for the granting of the exemption; and

(b) conduct a public hearing on the granting of such exemption. Notice of the public hearing shall be published at least once seven days prior to the hearing in the official city or county newspaper, as the case requires, and shall indicate the purpose, time and place thereof. In addition to such publication notice, the city or county clerk, as the case requires, shall notify in writing the governing body of the city or county and unified school district within which the property proposed for exemption is located.

History: L. 1990, ch. 345, § 1; July 1.

79-252. Condition of granting property tax exemption for personal property pursuant to section 13 of article 11 of constitution. No board of county commissioners of any county or the governing body of any city shall exempt any tangible personal property of a business pursuant to section 13 of article 11 of the Kansas constitution, whether such personal property is in the state of Kansas and subject to ad valorem taxation or has been exempted from taxation pursuant to section 13 of article 11 of the Kansas constitution, except that, if the board of county commissioners or governing body of a city makes a factual determination that such an exemption is required to retain jobs in the state of Kansas, an exemption may be granted for such tangible personal property.

History: L. 1990, ch. 345, § 2; July 1.

Article 3.—LISTING PROPERTY FOR TAXATION

Law Review and Bar Journal References:

"Survey of Kansas Law: Taxation," Sandra Craig McKenzie and Eric B. Milstead, 37 K.L.R. 961, 981 (1989).

79-301.

Attorney General's Opinions:

Merchants' and manufacturers' inventory; recertifying valuations of public utility property; time for collection. 90-8.

Voluntary transfer of personal property before tax paid; lien. 90-121.

79-306.

Attorney General's Opinions:

Merchants' and manufacturers' inventory; recertifying valuations of public utility property; time for collection. 90-8.

79-335. Mobile and manufactured homes; listing for property taxation; forms; valuation and listing on rolls. The owner of each mobile home or manufactured home shall on forms prescribed or approved by the director of property valuation furnish a listing of each mobile home or manufactured home owned or possessed by such owner for property taxation and any other information required by the director of property valuation. Such listing shall be furnished to the county appraiser of the county in which the mobile home or manufactured home is situated.

History: L. 1970, ch. 47, § 2; L. 1982, ch. 391, § 25; L. 1991, ch. 33, § 38; July 1.

79-336. Owner, lessee or operator of park or land to notify assessor of all mobile and manufactured homes located in park or on land; forms. The owner, lessee or operator of any mobile home park, and the owner of any land which is not used as a mobile home park but where any one or more mobile homes or manufactured homes are located, shall furnish the county clerk or assessor of the county wherein said mobile home park or land is located a list of all mobile homes or manufactured homes located thereon as of January 1 of each year, and shall notify the county clerk or assessor of any mobile home or manufactured home moved onto such premises from any location outside the boundaries of such county after January 1 and before July 1 of each year. Such information shall be furnished in the manner and on forms prescribed by the director of property valuation.

History: L. 1970, ch. 47, § 3; L. 1991, ch. 33, § 39; July 1.



KANSAS NATIONAL EDUCATION ASSOCIATION / 715 W. 10TH STREET / TOPEKA, KANSAS 66612-1686

Craig Grant Testimony Before
Senate Assessment & Taxation Committee
Wednesday, February 3, 1993

Thank you, Madame Chairman. I am Craig Grant and I represent Kansas NEA. I appreciate this opportunity to speak to the committee about SB 69.

As this committee is certainly aware, property taxation for schools has taken a dramatic shift to a statewide levy to fund elementary and secondary schools. The 32 levy this year is levied by the state legislature and is considered, at least by the District Judge, a state, not a local tax.

Since it really is a state tax, SB 69, which limits cities and counties from exempting property in the future from unified school district tax, appears to be the proper policy for the state to take. Individual counties and cities seldom, if ever, ask local school boards to consult with them when tax exemptions are pending. They contact them as the law provides, but little real consulting goes on. I am confident that even with the provisions of SB 2, these local units will not really consult with the state before granting exemptions. They may receive the Revenue Secretary's opinion, but are likely to ignore what is said.

This testimony is not stating that property should no longer ever be exempted from school district property tax. Our suggestion is that some state entity--one which understands both the school finance and the economic picture of the entire--be empowered to grant property tax exemptions for situations which would be in the best interest of the state. The attraction or retention of business and industry is in the best interest of our state. If certain exemptions would assist Kansas in our economic plans, that exemption should and would be granted by that state entity.

Just as a local unit is not empowered to exempt a business from paying state corporate sales tax, a local unit should not be empowered to exempt a state property tax.

For the above reasons, Kansas NEA supports SB 69 and urges a further procedure to grant exemptions at the state level. Thank you for listening to the concerns of our 24,000 members.

Senate Assessment & Taxation

February 3, 1992

attachment 2



**Testimony on S.B. 2 and S.B. 69
before the
Senate Committee on Assessment and Taxation**

by

**Patricia E. Baker
Associate Executive Director/General Counsel
Kansas Association of School Boards**

February 3, 1993

Madam Chair and Committee members, I appreciate the opportunity to appear before you on behalf of our member school districts. We support, in concept, both Senate Bill 2 and Senate Bill 69.

Since the passage of the Constitutional Amendment in 1986, KASB has sought legislative recognition of the effect of tax abatements on funding public education. The adoption of the School District Finance and Quality Performance Act of 1992 has brought the issue to the forefront. Although tax abatements granted by cities and counties affected school finance under the SDEA, the effects were not as visible as they are with the new formula.

KASB and its member districts support economic development and the resulting positive effect on our financial well-being as a state. At a time when public schools are trying hard to meet the needs of business and industry by appropriate education of our young people, we believe that business must also be supportive of public education.

*Senate Assessment + Taxation
February 3, 1993
Attachment 3-1*

Senate Bill 69 directly addresses the need to ensure that everyone in the state supports public schools and recognizes such support as an important component of our shared commitment to education. Our preference, therefore, would be favorable passage of this bill.

Senate Bill 2 also addresses the issue of constitutional abatements as well as abatements for property developed with industrial revenue bonds. The bill provides that a cost/benefit analysis be completed and filed with the state. However, the conclusions of such a study are not determinative of whether an abatement will be granted. This, we believe, is a weakness in the proposal.

As you deliberate on Senate Bills 2 and 69 we request your consideration of the following:

1) That locally elected boards of education have a vital interest in economic development and are charged by the constitution with maintaining the public schools. Their input is vital in the decision making process which determines the finances available to fulfill their duties.

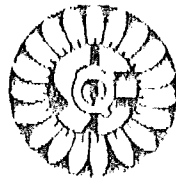
2) Education funding is a statewide responsibility and as such, issues like abatements and exemptions from school taxes should be judged on their statewide merits. Only if the benefits to the state exceed the costs to the state should such abatements be granted.

3) Care should be taken when using tax incentives for state economic development and not pit community against community; rural against urban; or school district against school district.

The recognition of quality education as a state responsibility give us a chance to see economic development as a state opportunity. The most important component of any economic development plan is a skilled and educated populace.

We ask your consideration and passage of legislation which puts tax abatements in a reasonable and equitable framework.

Thank you.



Schools for Quality Education

Blumont Hall Manhattan, KS 66506 (913) 532-5886

February 3, 1993

TO: SENATE COMMITTEE ON ASSESSMENT AND TAXATION

SUBJECT: SB 2 -- Property tax exemptions and abatements for economic development purposes.

FROM: Schools for Quality Education

Madam Chairperson and Members of the Committee:

I am Jacque Oakes, public relations representative for Schools for Quality Education, an organization of 103 small schools.

We are appearing today as proponents of SB 2.

We believe that with the present school finance formula there must be a more equitable method in controlling abatements and exemptions by the State of Kansas. Although we do also agree with SB 69, we do see that in some cases abatements and exemptions could be a necessary tool for economic development.

If abatements and exemptions are to be continued, we would recommend in New Section 2 of SB 2 that there be added some type of restriction by the Department of Revenue if the cost and benefit analysis does not show a great positive conclusion.

We believe that the school board rather than just receiving notification should be included in the process of making decisions to grant local exemptions and abatements. They would have a clear understanding of the full impact on their school district created by those abatements, and certainly, as elected officials, a good view as to the advantages of having abatements for the community. They could help make a more balanced decision.

These additions to SB 2 could alleviate exemptions and abatements in the future that possibly have been too freely given in the past.

Thank you for your time and attention to SB 2.

Senate Assessment + Taxation
February 3, 1993
attachment 4-1

"Rural is Quality"



MEMBERSHIP ROSTER*



NORTHWEST REGION

103 Bird City
212 Northern Valley
241 Sharon Springs
242 Weskan
274 Oakley
275 Triplains-Winona
280 West Graham-Morland
281 East Graham County
291 Grinnell
292 Grainfield
293 Quinter
294 Oberlin
295 Prairie Heights
301 Utica
302 Smoky Hill-Ransom
304 Bazile
314 Brewster
316 Golden Plains
317 Rawlins
468 Healy

SOUTH CENTRAL REGION

254 Barber County
255 Kiowa
300 Comanche County
327 Ellsworth
332 Cunningham
354 Claflin
355 Ellinwood
358 Oxford
359 Argonia
376 Sterling
411 Goessel
424 Mullinville
438 Skyline
444 Little River
474 Haviland
496 Pawnee Heights-Rozel
502 Lewis
509 South Haven
511 Attica

NORTH CENTRAL REGION

104 White Rock-Esbon
239 Minneapolis
269 Palco
270 Plainville
271 Stockton
273 Beloit
278 Mankato
279 Jewell
306 Southeast of Saline
307 Ell-Saline
324 Eastern Heights
326 Logan
334 Southern Cloud
395 LaCrosse
399 Paradise-Natoma
403 Otis-Bison
432 Victoria

SOUTHWEST REGION

209 Moscow
210 Hugoton
214 Ulysses
215 Lakin
216 Deerfield
217 Rolla
218 Elkhart
219 Minneola
220 Ashland
225 Fowler
228 Hanston
363 Holcomb
374 Sublette
452 Stanton
476 Copeland
477 Ingalls
494 Syracuse

NORTHEAST REGION

221 North Central-Haddam
222 Washington
223 Barnes
321 Kaw Valley
329 Mill Creek Valley-Alma
378 Riley County
380 Vermillion
384 Blue Valley
498 Valley Heights

SOUTHEAST REGION

244 Burlington
245 LeRoy-Gridley
251 North Lyon County
252 South Lyon Co.-Hartford
256 Marmaton Valley
258 Humboldt
285 Cedar Vale
286 Chautauqua Co.-Sedan
287 West Franklin
365 Garnett
366 Yates Center
387 Altoona-Midway
390 Hamilton
396 Douglass
397 Centre
398 Peabody-Burns
408 Marlon
410 Durham-Hillsboro-Lehigh
462 Burden
479 Crest-Kincaid
492 Flinthills

*Current as of December 21, 1992.

For more information contact: Schools for Quality Education Inc., 124 Bluemont Hall, Kansas State University, Manhattan, KS 66506 (913)532-5886.