

Approved: Dec. 23, 1993  
Date T.A.S.

## MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 9:10 a.m. on November 23, 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  
Don Hayward, Revisor of Statutes  
Elizabeth Carlson, Committee Secretary

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Conferees appearing before the committee:  
Charles Warren, President, Kansas, Inc.  
David Cunningham, Director of Property Valuation  
Tom Severn, Legislative Research Department

Others attending: See attached list

### Incentives for Kansas Service Industries

Charles Warren, President, Kansas, Inc., presented a paper on Incentives for Kansas Service Industries. (Attachment 1) He said the service sector of Kansas is a significant part of the economy, providing most of the new jobs and income. He spoke of the definition of the service sector and listed industries classified as service industries. Jobs have declined in mining and manufacturing sectors, but there has been a growth of 33.2% in service industries. Service industries bring in new wealth from out-of-state. The selling of Kansas products are the real wealth that brings in "new dollars" into the state and should be encouraged.

**Senator Martin made a motion to request a bill draft to provide incentives for the service industries. Motion seconded by Senator Bond. Motion carried.**

### Status of Post Audit Report Working Group

David Cunningham, Director of Property Valuation, spoke to the committee regarding the status of the Post Audit Working Group. (Attachment 2) He spoke about the 13 issues which have been discussed by this group.

Mr. Cunningham also discussed a letter written to Senator Langworthy and the committee comparing the Division of Property Valuation's substantial compliance criteria to the court ordered compliance criteria. (Attachment 3) He stated 13 counties would have met the court ordered criteria by September 15, 1993 and 87 counties would not have met the criteria by that date. In comparison, 65 counties were in substantial compliance while 35 counties were not. (5 counties were not reviewed.) Senator Martin suggested this information be made available to the counties and Mr. Cunningham said he would do so.

Mr. Cunningham stated that the ratio study would be mailed out to the counties this month although data from 12 counties is not included. Those counties will be updated during the ratio study next year.

Mr. Cunningham told the committee he would have a memo ready during the first week of the 1994 session regarding the lawsuit by the pipelines.

He also said he would have a memo for the committee during the first week of the 1994 session explaining the appraised valuation on depreciated machinery equipment.

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S  
Statehouse, at 9:10 a.m. on , 1993.

**Senator Bond made a motion to approve the minutes of September 30, 1993 and October 1, 1993. The motion was seconded by Senator Sallee. Motion carried.**

**Senator Martin made a motion to recommend favorably the appointment of Perl M. Bass to the Board of Tax Appeals to the full Senate for confirmation. The motion was seconded by Senator Lee. The motion carried.**

### Staff Reports

Tom Severn, Legislative Research Department, reported on the marginal income tax rates and the new versus the old Missouri law. (Attachment 4)

Income tax and government pensions based on the simulation model of 1988 was discussed by Mr. Severn. (Attachment 5) This is the most recent income tax simulation. 10,000 income tax returns were used and the estimate was based on the data taken from those returns.

He also reported on the Board of Tax Appeals in the surrounding states of Missouri, Nebraska, Oklahoma and Colorado. Because incorrect information was received from Colorado, this was not complete and a final memo will be attached to these minutes. (Attachment 6)

Chris Courtwright, Legislative Research Department, reported on **SB 171** which covers sales tax exemption for fees and charges for participation in certain recreational activities. Mr. Courtwright said this bill is still in the House Taxation Committee and it was not discussed during the interim meetings.

Senator Langworthy announced the next meeting of the Senate Assessment and Taxation Committee will probably be held on January 11, 1994.

The meeting adjourned at 11:35 a.m.

## GUEST LIST

COMMITTEE: Senate  
ASSESSMENT & TAXATION.

DATE: Nov 23, 1993

[illegible]

**The Kansas Service Sector:**  
**Proposed Eligibility Criteria for State Tax Incentives**

**Working Paper**

**by**

**Mikel Filter, Senior Research Analyst  
Charles Warren, President  
Kansas Inc.**

**Presented To:**

**Senate Committee on Taxation  
The Kansas Legislature**

**November 23, 1993**

*Senate Assessment & Tax  
November 23, 1993  
Attachment 1-1*

# WORKING PAPER

## The Kansas Service Sector

### Introduction

The service sector of Kansas is a significant part of the economy, providing most of the new jobs and income. Basic data on the composition, growth, and contribution of the service sector to the state's economy is presented in this paper. Much of the data used comes from a research report commissioned by Kansas Inc. and produced by the Institute for Public Policy and Business Research at the University of Kansas. The report, *Growth of the Service Sector in Kansas*, dated November, 1993 can be obtained from Kansas Inc. The paper is designed to help frame discussion of the question: *should the State of Kansas extend to the service sector, the same type of tax and non-tax incentives now enjoyed by the manufacturing sector?*

### Definition of the Service Sector

To begin this discussion, we must first define the service sector in Kansas. The broad definition we will use is driven in part by the availability and composition of data. Most data sources use a classification scheme based on the industry and its output, and are classified by Standard Industry Classification Code (SIC). We start with industries classified by the U.S. Department of Commerce as:

- 1) communications;
- 2) finance, insurance, and real estate; and
- 3) services.

Each of these sectors actually encompasses a sometimes diverse group of sub-industries that should be looked at individually when determining which industries should be considered for tax and non-tax economic development incentives. Attachment A provides a listing by 3-digit SIC code of those industries considered to be service oriented.

### The Growth of the Service Sector in Kansas

The growth of the service sector of the Kansas economy has imposed deep changes in the structure of the Kansas and U. S. economies. In 1992, services comprised 37% of the employment in the nation, over 34% of total private employment in Kansas, and provided the bulk of new employment opportunities. Nationally, service industries grew a total of 44.5% during the decade (1980-1990), in contrast to about 12% for all other industries combined. Kansas and

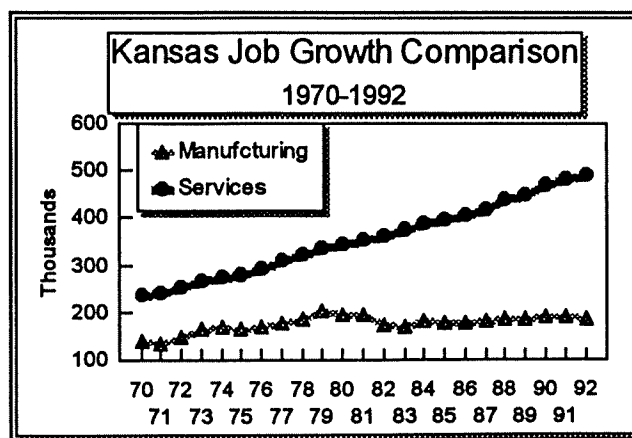


Figure 1

the region followed the nation's pattern of rapid growth in service industries coupled with declines in traditional industries (Figure 1). Overall, the Kansas service industries grew 35.3% in striking contrast to a 5.6% average growth rate in other industries. Services accounted for 123,000 of the 177,000 net new jobs created in Kansas during the 1980's.

### **Explaining the Growth**

The growth in business services has contributed significantly to the overall growth of the service sector. In terms of employment, the growth rate for all the service industries was 43% for Kansas during the 1980's. Business services (advertising, credit, maintenance, computer services, etc.) grew at a rate of 80.5% for Kansas. Miscellaneous professional services (engineering, accounting, public relations, etc.) also showed strong employment growth of 95.3%.

Several reasons are given in the literature for the growth of the service sector. New demands generated by businesses is one explanation. Part of this new demand comes from *externalization*, or the contracting out of services that were previously provided internally. For example, janitorial or legal services that were formerly provided by employees of a manufacturing firm may be contracted to an outside firm that can provide the services at a lower cost. There are many reasons why externalization is a desirable option for the manufacturer with the most obvious being cost savings. In addition, government regulations requiring services be performed by an outside firm may also be a source of service growth through externalization.

Other literature suggests that changes in methods of production and the types of goods produced have led to an increased demand for intermediate services. Design and computer services, data processing, communications, and financial services have all become more important. Service sector firms that are technologically advanced and streamlined in organization can provide these inputs at an affordable price, thus contributing to the manufacturer's productivity and competitiveness.

Personal consumption of services has also contributed to overall service sector growth. Most suggest this may be the natural consequence of rising per capita income and changing lifestyle patterns and household norms.

### **Wages and Skills in the Service Sectors**

Many concerns have been voiced about whether service sector jobs are good jobs. An appropriate comparison is the average wage per employee in the service sector to that of employees in the manufacturing sector. At least at the national level, the concerns may be unjustified. For example, 1990 real wages in the financial sector and communications sectors exceeded those in manufacturing. Although average wages in the general service sector (business services, personal services, etc.) fall short of those in manufacturing, they come very close to the wage and salary average of all sectors (\$16,255 versus \$17,712 in real 1982 dollars).

Table 1 shows wages and salaries for workers in Kansas and the U.S. adjusted for inflation.

**Table 1**  
**Real Wage and Salaries per Employee**

	Kansas 1980	Kansas 1990	% Change 80-90	U.S. 1980	U.S. 1990	% Change 80-90
Wage and Salary Average	15414	15132	-1.8	16974	17712	4.3
Other Industries	16201	15294	-4.5	17623	17665	0.2
Agriculture, Forestry, Fisheries	8451	11525	36.4	8945	10208	14.1
Mining	23304	19062	-18.2	27926	28415	1.7
Construction	20411	17234	-15.6	21231	20011	-5.7
Manufacturing	20181	20129	-0.3	21129	22058	4.4
Transportation	23310	25272	8.4	23966	20500	-14.5
Electric, Gas, Sanitary Services	22757	25667	12.8	25667	29426	14.6
Wholesale Trade	19787	19729	-.03	21845	22988	5.2
Retail Trade	9716	8713	-1.03	10668	10007	-6.2
Government	13821	14391	4.1	16409	18133	10.5
Service Type Industries	13471	N/A	N/A	15237	17809	16.9
Communication	21902	N/A	N/A	24588	26847	9.2
Finance, Insurance, Real Estate	16075	17599	9.5	18050	22813	26.4
Services	12184	13250	8.7	13844	16255	17.4

Source: Bureau of Economic Analysis, U.S. Department of Commerce

### Labor Force Requirements in the Service Industries

Service sector growth and prosperity depends on an appropriately trained labor force. In contrast to the misconception that service sector jobs are low skill and dead end, a surprising percentage of service workers are executives, managers, or technical workers (accountants, teachers, engineers, nurses, etc.). Nationally, between 30 and 44 percent of service workers fit into these categories, depending on the industry. In contrast, only 18 percent of manufacturing jobs are held by executives, managers, or technical workers. Kansas follows the national pattern (Table 2). The implications for the Kansas labor force are clear: as the service industries grow, they will require a high percentage of workers with a post-secondary education.

**Table 2**  
**Occupation of Work Force by Industry, 1986**

	Kansas Exec/Mang	Kansas Technical	Kansas Other	U.S. Exec/Mang	U.S. Technical	U.S. Other
Manufacturing	7.0%	11.9%	81.0%	6.3%	11.7%	82.0%
Other Non-Service	6.4%	7.3%	86.3%	6.8%	8.8%	84.4%
Communications	8.2%	18.5%	73.3%	9.0%	19.9%	71.1%
Finance, Insurance, Real Estate	13.1%	13.4%	73.5%	12.8%	14.4%	72.8%
Business & Professional Services	40.3%	25.5%	64.1%	8.4%	26.7%	64.9%
Other Services (including health)	6.0%	35.3%	58.7%	5.5%	39.2%	55.3%

Source: Kansas Department of Human Resources and the U.S. Bureau of Labor Statistics

## The Export-Oriented Service Industry

Clearly the service industries in Kansas are important to the state's continued employment growth. But, to what extent does the industry contribute to bringing new wealth into the state by exporting their services, and what type of firms are export-oriented?

Although little good data exists, a survey based input-output model constructed by M. Jarvin Emerson, Kansas State University, in 1989 includes export data for Kansas service firms and confirms the importance of service exports to the Kansas economy.

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**Table 3**  
**Kansas Exports as Percentage of Output, 1985**

Industry	Exports as % of Output
Communications	2.4
Banking	9.2
Other Finance	41.3
Insurance and Real Estate	39.0
Lodging	11.8
Personal Services	26.0
Business Services	23.9
Medical, Health	9.7
Other Services	11.0

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Source: Emerson (1989). Note: Exports include sales to federal government

An alternative approach to measuring regional trade is referred to as the location quotients method. The location quotient compares the share of an industry in the local economy with the share of the industry in the national economy. The assumption is that industries with a location quotient of greater than one are exporters. Industries with a share of less than one cannot supply all the demand in their region and therefore those goods and services are imported. Although there is some criticism of the location quotient method of measurement, it still gives a good overview of the export structure of a region.

It is also possible to estimate impact of exports in employment terms. Most of the service industries show some export activity. On average exports account for 12.1% of service employment. The Kansas export base includes some 37,000 service industry jobs. Financial industries and health services appear to account for the bulk of the export employment.

### Economic Development Policy on Incentives

When determining the allocation of economic resources, it is important to use a decision making process based on established theory. The basic industry theory has been used by Kansas lawmakers in the past to establish which firms qualify for economic development incentives. The concept of "basic industries" justifies targeting special economic



development incentives to the manufacturing sector in our state. The premise behind the basic industry theory is that firms that bring "new dollars" into the state through the sale of Kansas products are the real wealth producing activities within our economy and should be encouraged. This concept of bringing new dollars into the state has long been a major determinant of "industry value" when making public policy decisions. Kansas lawmakers have used this qualifier repeatedly when determining the industries to which economic development resources should be allocated. Those decisions have historically been based, at least to the extent that political pressures allow, on the state's statutory definition of a "Kansas Basic Industry," with the key component of that definition being the industry's ability to bring out-of-state dollars into the state (see statutory definition attached).

A second criterion for awarding incentives relates to the location decision of a firm. This theory proposes that the degree to which a firm's location is influenced by proximity to its market determines whether that firm should be offered incentives. For businesses whose market is local in nature, such as the retail and personal services industries, the firm's decision to locate will be determined by the geographical demand of its customers. (There are exceptions of course; i.e., retail catalog or mail order sales.) For example, movie theaters will only locate where demand for that form of entertainment exists in close proximity. In other words, these firms only locate where there is a market for the product or service they produce. If adequate demand for their product or service does not exist, the firm will not locate there.

Government incentives do not influence the location decision of firms whose viability depends on a local market and nearby customers. Granting incentives to these firms would be a misuse of scarce economic development resources.

In summation, when determining which industries should be targeted for economic development incentives, it is important to ask two questions about the industry:

- 1) Is the industry export-oriented, bringing new dollars into the state?
- 2) Is the individual firm's decision to locate significantly independent of the physical proximity of its market?

A third test should also be applied in the decision process.

- 3) Does the industry, as a whole, provide higher skill, higher wage, value-added jobs for Kansans?

Offering incentives to service sector industries that pass the above three tests with affirmative answers is in keeping with the overall objectives of the state's economic development strategy, "A Kansas Vision." The state's strategy advocates expanding existing incentives to include service sector firms that contribute to achieving the state's goal of creating and retaining higher wage, higher skill jobs for Kansans.

Accepted economic development theory would then suggest that industries qualifying on the basis of these three questions should be encouraged through the use of economic development incentives.

Attachment B provides a list of suggested service sector industries by Standard Industrial Classification Code (SIC) that could meet the tests of locational determinants and compatibility with the state strategy. The location quotient and export employment of these service sector industries are included.

### **Proposed Criteria for the Eligibility of Service Sector Firms**

For purposes of policy discussion, it is proposed that in order to qualify for incentives, a service sector firm must first meet the following criteria.

- 1)    a) Be on the list of eligible industries (Attachment B), and  
       b) demonstrate that 51% of its sales are made out-of-state.  
  
          or
- 2)    a) Be a corporate headquarters providing direction, management, or  
       administrative support for transactions made by a multi-state or international  
       enterprise, and  
       b) demonstrate that 51% of sales are made out-of-state.

**74-5056.** Loans to local governments for infrastructure improvement projects; powers and duties of secretary of commerce; project eligibility criteria; loan agreements, terms; rules and regulations; definitions. (a) In accordance with the provisions of this section, the secretary of commerce is hereby authorized to enter into loan agreements with cities and counties located in Kansas to provide assistance in financing public infrastructure improvement projects to aid the expansion, relocation and attraction of Kansas basic enterprises and to loan moneys in the Kansas partnership fund in accordance with such agreements.

(b) To be eligible for a loan under K.S.A. 74-5055 through 74-5057, a public infrastructure improvement project must be determined by the secretary of commerce to be a project that will directly result in the creation of private sector jobs in Kansas basic enterprises. Eligible projects may include the construction, reconstruction, rehabilitation, alteration, expansion or improvement of public facilities that support Kansas basic enterprises including, but not limited to roads, streets, highways, storm drains, water supply treatment facilities and distribution lines, wastewater collection lines and any related improvements. The secretary of commerce shall review and analyze all applications for loans under this section and shall develop criteria for the review and analysis of loan applications under this section.

(c) Each loan agreement entered into under this section shall fix the terms of repayment

and may provide for interest payable on the loan. Such interest, if any, may be at fixed or variable rates. Such terms of repayment shall be fixed to require equal annual repayments of principal and interest, if any, to the extent practicable over the term of the loan, which term shall be fixed for a period of not to exceed the anticipated life of the improvement project. All such agreements shall require the city or county to establish a dedicated source of revenue for repayment of the loans, and any interest thereon, as provided in K.S.A. 74-5057.

(d) The secretary of commerce may utilize the collection procedures provided in K.S.A. 75-6201 *et seq.*, and amendments thereto, to collect delinquent loan payments by deducting the delinquent amount from payments from state agencies to the local governmental entity that is delinquent in its loan repayment.

(e) The secretary of commerce is authorized to adopt any rules and regulations the secretary deems necessary for the proper administration of K.S.A. 74-5055 through 74-5057.

(f) As used in K.S.A. 74-5055 through 74-5057:

(1) "Kansas basic enterprise" means an enterprise which:

(A) Is or proposes to be located or principally based in Kansas; and

(B) can provide demonstrable evidence that:

(i) It is or will be primarily engaged in any one or more of the Kansas basic industries; or

(ii) it is or will be primarily engaged in the development or production of goods or the provision of services for out-of-state sales; or

(iii) it is or will be primarily engaged in the production of goods or the provision of services which will attract out-of-state buyers or consumers into the state; or

(iv) it is or will be primarily engaged in the production of raw materials, ingredients or components for other enterprises which export the majority of their products from the state; or

(v) it is a national or regional enterprise which is primarily engaged in interstate commerce; or

(vi) it is or will be primarily engaged in the production of goods or the provision of services which will supplant goods or services which would be imported into the state; or

(vii) it is the corporate or regional headquarters of a multistate enterprise which is pri-

marily engaged in out-of-state industrial activities.

(2) "Kansas basic industry" means:

(A) Agriculture;

(B) mining;

(C) manufacturing;

(D) interstate transportation;

(E) wholesale trade which is primarily engaged in multistate activity or which has a major import supplanting effect within the state;

(F) financial services which are primarily engaged in providing such services for interstate or international transactions;

(G) business services which are primarily engaged in providing such services in out-of-state markets;

(H) research and development of new products, processes or technologies; or

(I) tourism activities which are primarily engaged in for the purpose of attracting out-of-state tourists.

(3) "Primarily engaged" means engagement in an activity by an enterprise to the extent that not less than 51% of the gross income of the enterprise is derived from such engagement.

History: L. 1988, ch. 394, § 2; July 1.

Attorney General's Opinions:

Kansas partnership fund; rules and regulations. 88-86.

## ACHMENT A

### INDUSTRIES MAKING UP THE KANSAS SERVICE SECTOR

#### Communications

- 4812 Radiotelephone communications
- 4813 Telephone Communications, ex. radio
- 4820 Telegraph and other communications
- 4830 Radio and television broadcasting
- 4840 Cable and other pay TV services
- 4890 Communication services

#### Finance, Insurance, Real Estate

- 6010 Central reserve depository
- 6020 Commercial Banks
- 6030 Savings institutions
- 6060 Credit unions
- 6080 Foreign bank and branches and agencies
- 6090 Functions closely related to banking
- 6110 Federal and federally-sponsored credit
- 6140 Personal credit institutions
- 6150 Business Credit institutions
- 6160 Mortgage bankers and brokers
- 6210 Security brokers and dealers
- 6220 Commodity contracts brokers, dealers
- 6230 Security and commodity exchanges
- 6280 Security and commodity services
- 6310 Life insurance
- 6321 Accident and health insurance
- 6324 Hospital and medical service plans
- 6330 Fire, marine, and casualty insurance
- 6350 Surety insurance
- 6360 Title insurance
- 6370 Pension, health, and welfare funds
- 6390 Insurance carriers, nec
- 640Y Insurance agents, brokers service
- 6510 Real estate operators and lessors
- 6530 Real estate agents and managers
- 6540 Title abstract offices
- 6552 Subdividers and developers
- 6553 Cemetery subdividers and developers
- 679\ Administrative and auxiliary
- 6710 Holding offices
- 6720 Investment offices
- 6732 Educational, religious, etc. trusts
- 6733 Trusts, nec
- 6792 Oil royalty traders
- 6794 Patent owners and lessors
- 6798 Real estate investment trusts
- 6799 Investors, nec

#### Hotels and Motels

- 7010 Hotels, motels, and tourist courts
- 7020 Rooming and boarding houses
- 7032 Sporting and recreational camps
- 7033 Trailer parks for transients

## 7040 Memberships-basis organizations hotel

### Personal Services

- 7211 Power Laundries, family commercial
- 7212 Garment pressing and cleaners
- 7213 Linen supply
- 7215 Coin-operated laundries and cleaning
- 7216 Dry cleaning plants, except rug
- 7217 Carpet and upholstery cleaning
- 7218 Industrial launderers
- 7219 Laundry and garment services
- 7220 Photographic studios, portrait
- 7230 Beauty shops
- 7240 Barber shops
- 7250 Shoe repair and hat cleaning shops
- 7260 Funeral service and crematories
- 7291 Tax return preparation services
- 7299 Miscellaneous personal services

### Business Services

- 7311 Advertising agencies
- 7312 Outdoor advertising services
- 7313 Radio, TV, publisher representative
- 7319 Advertising, nec
- 7322 Adjustment and collection services
- 7323 Credit reporting services
- 7331 Direct mail advertising services
- 7334 Photocopying and duplicating service
- 7335 Commercial photography
- 7336 Commercial art and graphic design
- 7338 Secretarial and court reporting
- 7342 Disinfecting and exterminating
- 7349 Building maintenance services
- 7352 Medical equipment rental
- 7353 Heavy construction equipment rental
- 7359 Equipment rental and leasing
- 7361 Employment agencies
- 7363 Help supply services
- 7371 Computer programming services
- 7372 Prepackaged software
- 7373 Computer integrated systems design
- 7374 Data processing and preparation
- 7375 Information retrieval services
- 7376 Computer related services
- 7377 Computer rental and leasing
- 7378 Computer maintenance and repair
- 7379 Computer related services
- 7381 Detective and armored car services
- 7382 Security systems services
- 7383 News syndicates
- 7384 Photofinishing laboratories
- 7389 Business services

### Automobile Repair and Rental

- 7513 Truck rental and leasing
- 7514 Passenger car rental

7515 Passenger car leasing  
7519 Utility trailer rental  
7520 Automobile parking  
7532 Top and body repair and paint shops  
7533 Auto exhaust system repair shops  
7534 Tire retreading and repair shops  
7536 Automotive glass replacement shops  
7537 Automotive transmission repair shops  
7538 General automotive repair shops  
7539 Automotive repair shops  
7542 Car washes  
7549 Automotive services

#### Repair and Rental

7622 Radio and television repair  
7623 Refrigeration service and repair  
7629 Electrical repair shops,  
7630 Watch, clock, and jewelry repair  
7640 Upholsters and furniture repair  
7692 Welding repair  
7694 Armature rewinding shops  
7699 Repair services

#### Motion Pictures

7812 Motion picture and video productions  
7819 Services allied to motion pictures  
7822 Motion picture and tape distribution  
7829 Motion picture distribution services  
7832 Motion picture theaters  
7833 Drive-in motion picture theaters  
7840 Video tape rental

#### Amusements

7910 Dance halls, studios, and schools  
7922 Theatrical producers and services  
7929 Entertainers and entertainment group  
7930 Bowling and billiard establishments  
7941 Sports clubs and promoters  
7948 Racing, including track operations  
7991 Physical fitness facilities  
7992 Public golf courses  
7993 Coin-operated amusement devices  
7996 Amusement parks  
7997 Membership sports and recreation  
7999 Amusement and recreation

#### Health Services

8010 Offices and clinics of medical doctors  
8020 Offices and clinics of dentists  
8030 Offices of osteopathic physicians  
8041 Offices of chiropractors  
8042 Offices of optometrists  
8043 Offices and clinics of podiatrists  
8049 Office of health practitioners  
8050 Nursing and personal care facilities  
8060 Hospitals

8071 medical laboratories  
8072 Dental laboratories  
8080 Home health care services  
8090 Health and allied services

**Legal Services**

810Y Legal Services

**Education Services (Non Government)**

8210 Elementary and secondary schools  
8220 Colleges and university  
8230 Libraries and information centers  
8240 Vocational schools  
8290 Schools and educational services

**Social and Membership Services**

8320 Individual and family services  
8330 Job training and related services  
8350 Child day care services  
8360 Residential care  
8390 Social services  
8410 Museums and art galleries  
8420 Botanical and zoological gardens  
8610 Business associations  
8620 professional organizations  
8630 Labor organizations  
8640 Civic and social associations  
8650 Political organizations  
8660 Religious organizations  
8690 Membership organizations

**Misc. Professional Services**

8711 Engineering services  
8712 Architectural services  
8713 Surveying services  
8720 Accounting, auditing, and bookkeeping  
8731 Commercial physical research  
8732 Commercial nonphysical research  
8733 Noncommercial research organization  
8734 Testing laboratories  
8741 Management services  
8742 Management consulting services  
8743 Public relations services  
8744 Facilities support services  
8748 Business consulting  
899\ Administrative and auxiliary  
890Y Services

Source: County Business Patterns, 1989. Suppressed data estimated by IPPBR.

ACHMENT B  
PROPOSED SERVICE SECTOR INDUSTRIES BY SIC CODE ELIGIBLE FOR INCENTIVES

Kansas			
	Location Quotient	Total Employment	Export Employment
Communications			
4812 Radiotelephone communications	2.38	638	57.8%
4813 Telephone Communications, ex. radio	1.19	9320	15.9%
4830 Radio and television broadcasting	1.23	2758	18.5%
4840 Cable and other pay TV services	<b>1.23</b>	1313	18.9%
4890 Communication services	0.83	243	0.0%
Finance, Insurance, Real Estate			
6160 Mortgage bankers and brokers	1.21	1767	17.5%
6280 Security and commodity services	0.4	256	0.0%
6310 Life insurance	<b>0.68</b>	<b>3653</b>	0.0%
6330 Fire, marine, and casualty insurance	1.24	6169	19.1%
6350 Surety insurance	0.52	69	0.0%
6360 Title insurance	0.47	250	0.0%
6370 Pension, health, and welfare funds	0.74	189	0.0%
6390 Insurance carriers, nec	0.79	57	0.0%
640Y Insurance agents, brokers service	1.38	9065	27.6%
6540 Title abstract offices	<b>2.32</b>	<b>564</b>	56.9%
679\ Administrative and auxiliary	0.3	621	0.0%
6710 Holding offices	1.12	2607	52.7%
6720 Investment offices	0.83	108	0.0%
6732 Educational, religious, etc. trusts	0.72	268	0.0%
6733 Trusts, nec	0.45	116	0.0%
6792 Oil royalty traders	1.21	30	16.7%
6794 Patent owners and lessors	0.1	14	0.0%
6798 Real estate investment trusts	0.17	11	0.0%
6799 Investors, nec	<b>1.96</b>	<b>332</b>	49.1%
Business Services			
7311 Advertising agencies	1.23	1717	18.6%
7312 Outdoor advertising services	0.54	70	0.0%
7313 Radio, TV, publisher representative	1.35	297	25.6%
7319 Advertising, nec	0.39	75	0.0%
7322 Adjustment and collection services	1.29	732	22.4%
7323 Credit reporting services	0.78	236	0.0%
7331 Direct mail advertising services	1.43	1183	30.3%
7334 Photocopying and duplicating service	1.02	442	1.8%
7335 Commercial photography	0.66	112	0.0%
7336 Commercial art and graphic design	0.64	320	0.0%
7338 Secretarial and court reporting	0.91	204	0.0%
7342 Disinfecting and exterminating	<b>1.05</b>	<b>686</b>	4.7%
7349 Building maintenance services	0.68	4636	0.0%
7352 Medical equipment rental	1.17	219	14.2%



7353 Heavy construction equipment rental	0.54	210	0.0%
7359 Equipment rental and leasing	1.09	1556	8.0%
7361 Employment agencies	0.33	659	0.0%
7363 Help supply services	0.76	8769	0.0%
7371 Computer programming services	0.43	873	0.0%
7372 Prepackaged software	0.14	93	0.0%
7373 Computer integrated systems design	1	704	0.0%
7374 Data processing and preparation	0.76	1660	0.0%
7375 Information retrieval services	0.03	4	0.0%
7376 Computer related services	1.87	415	46.5%
7377 Computer rental and leasing	0.54	60	0.0%
7378 Computer maintenance and repair	0.43	216	0.0%
7379 Computer related services	0.7	317	0.0%
7381 Detective and armored car services	0.26	1128	0.0%
7382 Security systems services	0.82	358	0.0%
7383 News syndicates	1.88	169	46.7%
7384 Photofinishing laboratories	0.92	659	0.0%
7389 Business services	0.76	3363	0.0%
Motion Pictures			
7812 Motion picture and video productions	0.12	67	0.0%
7819 Services allied to motion pictures	0.02	15	0.0%
7822 Motion picture and tape distribution	0.27	46	0.0%
Health Services			
8071 Medical laboratories	1.3	1360	23.3%
8072 Dental laboratories	1.41	519	28.9%
Legal Services			
8110 Legal Services	0.68	5765	0.0%
Misc. Professional Services			
8711 Engineering services	0.5	2986	0.0%
8712 Architectural services	0.75	1021	0.0%
8713 Surveying services	0.53	257	0.0%
8720 Accounting, auditing, and bookkeeping	0.95	4558	0.0%
8731 Commercial physical research	0.26	388	0.0%
8732 Commercial nonphysical research	0.65	589	0.0%
8733 Noncommercial research organization	0.23	135	0.0%
8734 Testing laboratories	0.71	368	0.0%
8741 Management services	1.19	3236	16.2%
8742 Management consulting services	0.75	1540	0.0%
8743 Public relations services	0.42	159	0.0%
8744 Facilities support services	0.06	38	0.0%
8748 Business consulting	2.25	1331	55.5%
899\ Administrative and auxiliary	0.61	1970	0.0%
890Y Services	0.88	1487	0.0%

Source: County Business Patterns, 1989. Suppressed data estimated by IPPBR.

STATE OF KANSAS

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915 S.W. Harrison St.  
Topeka, Kansas 66612-1585



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Department of Revenue  
Division of Property Valuation

MEMORANDUM

**To:** Senator Audrey Langworthy  
Chair, Senate Committee on  
Assessment and Taxation

**From:** David C. Cunningham, Director,  
Division of Property Valuation

**Date:** November 23, 1993

**Subject:** Status of a Post Audit Working Group  
Appraisal Issues

Thank you for the opportunity to up-date the committee on the activities of the Post Audit Working Group. Several individuals have participated and I appreciate their input.

The agenda was, in part, set by Representative Roe and the legislators who discussed forming this group. The initial agenda items centered around the Post Audit report while other items were added as time permitted. In all, approximately 13 issues, which I will briefly overview, have been discussed. They include:

1. Enacting certain minimum appraisal qualifications for members of SBOTA;
2. Enacting "recapture" legislation of other provisions designed to eliminate the ability of owners of undeveloped lots to have their land use-valued by planting crops;
3. Restricting the number of times a property owner can go through the appeals process for a given tax year;

*Senate Assessment + Tax*

*Nov. 23, 1993*

*attach 2-1*

4. Allowing county appraisers to conduct final reviews of only those properties for which the value has changed by more than a certain percentage;
5. Allowing a two-year appraisal cycle;
6. State compensation for education levels and/or designations;
7. Land improvement/value split;
8. Ratio study;
9. Electronic transfer bill (transfer of appraisal records to clerk electronically);
10. Exemption of governmental right-of-way without SBOTA application and order;
11. Abatement of value associated with five dollar tax bill;
12. Exclusion of penalty for late filing as part of tax base; and,
13. Mineral valuation issues.

The group has suggested legislation be introduced to address items 6, 7, 9 and 10. Other issues will be discussed today and may be included in the final recommendations for legislation. Additionally, regressivity of the property tax and assessment levels of not-for-profit organizations may also be discussed today if time permits.

I hope this brief overview has been helpful. I look forward to discussing these and other issues with you in the 1994 session.

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Department of Revenue  
*Division of Property Valuation*

November 12, 1993

Senator Audrey Langworthy  
c/• Mr. Tom Severn  
Legislative Research, 525 N  
State Capitol  
Topeka, Kansas 66612

Dear Senator Langworthy:

Enclosed is a copy of the chart requested by Senator Martin comparing the Division's substantial compliance criteria to the court ordered compliance criteria. Senator Martin also requested that I determine the number of counties that would meet the court ordered criteria (effective as of January 1, 1998) if it were in effect for 1993. This information is contained on the bottom of the chart.

The regressivity requirements contained in the court order have never been used to determine substantial compliance. The court recognized it would be unfair to use new criteria to measure compliance at this time and agreed to the delayed effective date thereby creating a transition period before the criteria becomes effective. First, the counties must be apprised of the criteria; second, the counties must evaluate what action is necessary to meet the criteria; and third, the counties must be given a reasonable time in which to accomplish the necessary work to meet the criteria. The Division's substantial compliance criteria is designed to identify areas within each county that need attention and ensure there is a plan to correct any deficiencies so the court ordered criteria can be met on or before January 1, 1998 and maintained thereafter.

*Senate Assessment & Tax*  
*Nov. 23, 1993*  
*attach 2-1*

Senator Langworthy  
November 12, 1993  
Page 2

I hope this information is helpful to the committee and should you or other members have further questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "David C. Cunningham". The signature is fluid and cursive, with the first name "David" being more prominent.

David C. Cunningham  
Director of Property Valuation

cc: Nancy Parrish  
encl.

# COMPARISON OF COURT ORDER AND SUBSTANTIAL COMPLIANCE

## COURT ORDER

Official ratio standards to be implemented for the 1998 study. (Court Order, Paragraph 5)

MEDIAN RATIO +/- 10%  
C.O.D.  $\leq 20$

*Coefficient of Deviation*  
REGRESSIVITY .98 TO 1.03

Confidence interval of 95% used on MEDIAN RATIO, but not on C.O.D.

Statistical measures will be applied to Residential and Commercial/Industrial.

There is no weighting of statistical measures. Residential and Commercial/Industrial are weighted equally regardless of property mix in the county.

## SUBSTANTIAL COMPLIANCE

Interim progress will be measured by Substantial Compliance Directive #92-002 and the mid-year and annual ratio studies. (Court Order, Paragraph 13)

### I. Statistical Compliance Review

MEDIAN RATIO +/- 10%  
C.O.D.  $\leq 20$  comm/ind  
C.O.D.  $\leq 15$  residential

NO REGRESSIVITY USED

Confidence interval of 95% used MEDIAN RATIO and C.O.D.

Statistical measures are applied to Residential, Commercial/Industrial. For the 1993 Ratio Study, vacant lots were also included.

Statistical measures are weighted by percent of assessed valuation by subclass.

As outlined in Directive #92-002, a procedural review counting for at least 50% of the total compliance will be included for the determination of Substantial Compliance.

### II. Procedures reviewed:

- A. Appraisal plan approved by the Director.
- B. Cost index analysis for both commercial and residential properties.
- C. Sales file both physical and computer.
- D. Depreciation documentation including neighborhood analysis.
- E. Income Approach.
- F. Comparable Sales Approach.
- G. 25% Maintenance Reinspection
- H. Land Valuation Model Calibration.
- I. Final Review Process.

### III. Agricultural Use Value.

### IV. Cadastral Mapping.

### V. Constitutional and Statutory Compliance:

- A. Published trend study.
- B. Informal hearings held within statutory time.
- C. Certification of values with in statutory time.
- D. Penalties applied to as required.
- E. Preservation of tax property tax records.

\*If the court ordered criteria were to be used to measure Substantial Compliance as of September 15, 1993, the results would be:

13 Counties in Substantial Compliance.  
87 Counties out of Substantial Compliance.

\*5 of the 105 counties were not reviewed.

\*This criteria was used for the September 15, 1993, Substantial Compliance determination results.

65 Counties in Substantial Compliance.  
35 Counties out of Substantial Compliance.

1992 FINAL CERTIFIED RATIOS

COUNTY NAME	RESIDENTIAL***						OTHER***						COMPLIANCE PER COURT ORDER
	MEDIAN	MED. C.I.95%	COD	COD C.I.95%	PRD	NO.	MEDIAN	MED. C.I.95%	COD	COD C.I.95%	PRD	NO.	
ALLEN	96.2	92.3 TO 100.0	25.4	22.4 TO 28.3	1.10	258	92.1	64.0 TO 106.0	22.8	16.0 TO 29.1	1.23	15	OUT
ANDERSON	95.8	91.9 TO 100.0	22.4	19.3 TO 25.5	1.05	144	87.9	61.0 TO 130.3	42.3	17.6 TO 67.0	1.10	13	OUT
ATCHISON	96.6	94.0 TO 99.1	17.7	15.7 TO 19.6	1.07	229	93.9	67.2 TO 114.6	17.0	9.9 TO 24.2	0.97	7	OUT
BARBER	119.3	109.1 TO 141.0	64.3	48.4 TO 80.1	1.51	86	84.3	65.6 TO 114.8	24.2	12.8 TO 35.7	0.99	10	OUT
BARTON	98.1	96.3 TO 99.5	10.5	9.6 TO 11.3	1.02	470	91.5	85.5 TO 101.6	20.6	14.4 TO 26.8	0.99	36	OUT
BOURBON	100.6	99.5 TO 104.2	19.2	17.1 TO 21.3	1.09	299	115.0	90.0 TO 169.6	40.8	28.1 TO 55.5	1.21	24	OUT
BROWN	96.8	92.1 TO 100.0	12.3	10.7 TO 13.8	1.02	139	87.3	67.1 TO 117.8	10.3	1.7 TO 18.9	1.01	8	OUT
*BUTLER	86.8	85.5 TO 88.4	15.7	14.9 TO 16.6	1.03	892	98.8	77.2 TO 103.6	35.0	27.9 TO 42.1	1.32	60	OUT
CHASE	100.7	87.5 TO 111.7	22.2	16.9 TO 27.6	1.07	46	90.5	80.1 TO 134.5	24.7	11.0 TO 38.5	1.11	9	OUT
CHAUTAUQUA	100.5	93.0 TO 107.8	19.2	15.0 TO 23.5	1.09	58	108.1	77.1 TO 126.0	23.2	13.8 TO 32.7	1.12	16	OUT
*CHEROKEE	90.1	87.1 TO 94.0	25.0	22.4 TO 27.6	1.08	267	101.8	87.6 TO 143.0	25.3	8.5 TO 42.1	1.01	12	OUT
CHEYENNE	98.3	86.1 TO 108.5	29.9	18.4 TO 41.4	1.26	29	96.7	50.0 TO 155.1	32.5	16.0 TO 48.9	1.28	10	OUT
CLARK	100.0	91.7 TO 106.5	9.7	5.7 TO 13.6	1.02	22	100.0	86.0 TO 160.3	26.2	4.0 TO 48.3	1.15	9	OUT
CLAY	95.1	91.6 TO 99.5	20.5	17.9 TO 23.0	1.09	189	106.8	99.6 TO 130.8	16.0	6.9 TO 25.1	1.05	13	OUT
CLOUD	97.2	94.1 TO 99.6	14.0	12.5 TO 15.6	1.04	228	91.8	81.8 TO 114.6	16.9	8.3 TO 25.4	1.09	14	OUT
COFFEY	97.6	94.9 TO 100.9	16.4	14.0 TO 18.7	1.05	137	105.3	87.5 TO 140.8	33.5	21.6 TO 45.4	1.14	26	OUT
COMANCHE	98.5	87.0 TO 120.0	20.7	10.9 TO 30.5	1.05	12	102.4	84.2 TO 128.5	10.9	5.2 TO 16.7	1.03	8	OUT
COWLEY	97.0	95.0 TO 98.0	15.2	14.1 TO 16.3	1.03	532	93.2	69.1 TO 134.6	26.8	15.0 TO 38.6	0.87	16	OUT
CRAWFORD	89.8	88.3 TO 91.9	17.6	16.6 TO 18.6	1.03	768	94.4	79.1 TO 105.5	25.2	18.2 TO 32.1	1.06	34	OUT
DECATUR	111.9	102.3 TO 127.3	29.3	20.4 TO 38.1	1.20	53	105.0	99.2 TO 143.0	17.6	3.6 TO 31.6	1.02	9	OUT
DICKINSON	87.5	84.3 TO 90.2	20.7	18.8 TO 22.6	1.07	358	98.4	72.5 TO 110.8	31.6	24.8 TO 38.5	1.17	35	OUT
DONIPHAN	96.5	91.8 TO 106.4	19.9	14.4 TO 25.3	1.08	55	150.7	88.4 TO 254.7	39.8	28.2 TO 51.4	1.18	8	OUT
*DOUGLAS	96.4	95.5 TO 97.0	9.0	8.6 TO 9.3	1.01	1390	91.7	80.5 TO 94.6	19.9	15.0 TO 24.8	1.09	51	OUT
EDWARDS	97.3	91.4 TO 111.3	19.1	14.3 TO 23.9	1.10	41	122.1	57.4 TO 161.2	30.5	18.9 TO 42.1	1.58	12	OUT
ELK	94.0	89.1 TO 100.0	13.9	10.4 TO 17.5	1.09	44	89.5	63.0 TO 196.1	43.9	11.5 TO 76.3	1.41	8	OUT
ELLIS	97.1	96.0 TO 98.8	10.9	10.0 TO 11.7	1.01	463	105.8	95.0 TO 120.3	24.5	16.6 TO 32.4	1.01	29	OUT
ELLSWORTH	89.0	80.0 TO 96.5	24.5	19.3 TO 29.7	1.08	72	168.6	67.7 TO 199.5	36.0	19.8 TO 52.1	1.02	10	OUT
FINNEY	94.9	93.5 TO 96.0	8.0	7.5 TO 8.6	1.01	520	96.1	88.9 TO 108.2	18.2	9.3 TO 27.0	0.98	17	OUT
FORD	98.4	97.4 TO 99.5	9.1	8.5 TO 9.8	1.02	453	124.6	103.3 TO 157.4	22.3	15.3 TO 29.3	1.06	18	OUT
FRANKLIN	96.6	94.6 TO 99.3	19.6	17.9 TO 21.2	1.04	377	104.4	88.0 TO 144.5	41.4	29.4 TO 53.4	1.23	33	OUT
GEARY	100.0	98.9 TO 100.00	7.2	6.6 TO 7.8	1.01	436	92.5	82.4 TO 100.0	17.1	10.5 TO 23.6	0.99	21	IN
GOVE	95.2	90.8 TO 107.7	13.0	9.3 TO 16.7	1.06	25	98.7	96.0 TO 117.8	8.0	3.7 TO 12.4	1.03	11	OUT
GRAHAM	100.8	90.9 TO 115.8	24.6	15.5 TO 33.8	1.15	32	105.9	96.0 TO 116.8	5.0	2.4 TO 7.6	1.02	8	OUT
GRANT	96.8	95.1 TO 101.2	8.8	7.1 TO 10.4	1.01	71	98.0	61.2 TO 100.0	9.1	0 TO 18.8	0.96	7	OUT
GRAY	91.5	88.2 TO 95.2	9.5	6.5 TO 12.4	0.99	33	102.7	91.4 TO 113.5	8.3	4.2 TO 12.3	1.00	9	IN
GREELEY	102.0	92.5 TO 108.5	8.6	4.3 TO 13.0	0.99	16	99.7	93.3 TO 110.2	7.3	3.3 TO 11.3	0.93	10	OUT
GREENWOOD	87.6	76.9 TO 93.5	34.7	29.6 TO 38.9	1.13	130	97.9	79.3 TO 187.3	43.6	16.7 TO 70.4	1.23	12	OUT
HAMILTON	96.9	91.9 TO 104.3	8.6	5.7 TO 11.5	1.03	24	96.2	70.0 TO 114.5	11.1	3.2 TO 19.0	0.99	8	IN
HARPER	94.3	91.0 TO 99.0	17.0	13.4 TO 20.5	1.03	79	100.4	97.8 TO 126.6	11.8	5.1 TO 18.5	0.96	11	OUT

1992 FINAL CERTIFIED RATIOS

COUNTY NAME	RESIDENTIAL***						OTHER***						COMPLIANCE PER	
	MEDIAN	MED. C.I.95%	COD	COD C.I.95%	PRD	NO.	MEDIAN	MED. C.I.95%	COD	COD C.I.95%	PRD	NO.	COURT ORDER	
HARVEY	96.8	96.0 TO 97.9	8.6	8.0 TO 9.3	1.01	502	94.1	77.4 TO 106.6	16.0	9.9 TO 22.2	0.99	18	IN	
HASKELL	92.4	87.7 TO 96.9	8.1	6.5 TO 9.8	1.03	44	88.9	75.7 TO 115.6	12.1	4.8 TO 19.5	1.03	7	OUT	
HODGEMAN	98.2	93.6 TO 103.3	11.5	7.2 TO 15.8	1.04	23	92.6	49.3 TO 99.1	19.2	2.9 TO 35.4	1.01	10	OUT	
JACKSON	96.2	94.8 TO 98.2	9.5	8.1 TO 10.9	1.01	135	91.7	78.1 TO 108.2	12.1	5.5 TO 18.7	1.03	11	IN	
JEFFERSON	98.9	95.7 TO 100.2	15.3	13.7 TO 17.0	1.00	273	97.3	74.5 TO 152.5	40.9	22.5 TO 59.3	1.32	17	OUT	
JEWELL	99.4	86.3 TO 126.2	59.6	36.2 TO 82.9	1.36	38	103.4	69.8 TO 137.0	30.5	7.6 TO 53.3	1.07	10	OUT	
JOHNSON	99.1	98.9 TO 99.4	7.7	7.5 TO 7.8	1.01	9638	88.1	81.5 TO 93.6	27.5	24.6 TO 30.4	1.11	185	OUT	
KEARNY	98.0	93.1 TO 103.4	7.8	5.8 TO 9.7	1.00	36	97.4	88.9 TO 102.5	4.9	2.3 TO 7.5	1.00	10	IN	
KINGMAN	97.9	95.6 TO 100.0	13.0	11.0 TO 15.0	1.05	132	86.7	48.0 TO 173.1	47.5	24.0 TO 71.0	1.16	11	OUT	
KIOWA	94.4	90.6 TO 104.0	13.8	10.2 TO 17.4	1.06	41	91.9	88.2 TO 104.0	8.6	4.6 TO 12.5	1.01	9	OUT	
*LABETTE	97.1	93.5 TO 100.2	33.0	30.0 TO 36.0	1.12	415	83.4	63.1 TO 104.6	50.3	35.1 TO 65.5	1.25	35	OUT	
LANE	95.1	87.1 TO 116.0	15.2	10.1 TO 20.3	1.00	16	108.5	83.3 TO 129.7	9.9	4.1 TO 15.8	0.97	8	OUT	
LEAVENWORTH	98.9	97.8 TO 99.6	7.9	7.5 TO 8.4	1.01	962	99.1	82.1 TO 105.8	26.8	17.8 TO 35.4	1.02	31	OUT	
LINCOLN	101.6	97.6 TO 104.6	9.9	7.9 TO 11.8	1.03	71	100.2	71.3 TO 112.3	15.5	10.1 TO 32.4	1.01	10	IN	
LINN	94.6	91.8 TO 99.4	25.3	21.8 TO 28.7	1.08	161	108.8	90.4 TO 158.8	20.3	8.4 TO 32.1	1.17	11	OUT	
LOGAN	97.2	93.8 TO 102.8	10.2	7.6 TO 12.8	1.00	44	96.9	91.8 TO 106.5	7.6	3.3 TO 11.8	1.00	10	IN	
LYON	98.8	97.7 TO 100.0	12.1	11.2 TO 13.0	1.03	579	102.7	97.4 TO 116.2	16.8	10.9 TO 22.8	1.02	29	IN	
MARION	89.9	86.9 TO 92.	21.6	19.3 TO 23.8	1.07	272	96.7	81.8 TO 122.3	32.2	23.8 TO 40.6	1.05	25	OUT	
MARSHALL	95.9	87.0 TO 99.6	30.2	26.3 TO 34.2	1.14	192	85.7	60.1 TO 103.2	34.5	25.6 TO 43.3	0.97	21	OUT	
MORPHERSON	96.5	95.1 TO 97.9	9.1	8.4 TO 9.8	1.02	470	96.0	79.4 TO 111.4	18.3	11.8 TO 24.7	1.01	17	IN	
MEADE	96.6	90.8 TO 100.6	12.9	9.6 TO 16.1	1.02	52	92.0	69.5 TO 163.8	38.1	16.1 TO 60.2	1.25	10	OUT	
*MIAMI	89.6	86.7 TO 91.8	15.3	14.0 TO 16.6	1.02	343	70.0	51.2 TO 100.0	41.3	30.5 TO 52.1	0.99	24	OUT	
MITCHELL	91.5	82.5 TO 97.8	23.7	20.1 TO 27.3	1.05	102	89.9	61.6 TO 121.2	25.3	16.1 TO 34.4	0.91	14	OUT	
MONTGOMERY	103.4	101.5 TO 105.6	22.5	20.8 TO 24.1	1.08	687	99.8	92.2 TO 125.1	39.6	30.8 TO 48.3	1.13	54	OUT	
MORRIS	100.0	99.2 TO 104.9	11.7	9.0 TO 14.4	1.01	64	85.6	69.1 TO 132.3	26.1	13.1 TO 39.1	1.20	9	OUT	
MORTON	99.6	93.8 TO 108.4	12.1	8.9 TO 15.3	1.02	39	103.1	67.2 TO 122.4	12.4	3.7 TO 21.1	0.97	7	OUT	
NEMAHA	94.8	92.3 TO 96.8	11.2	9.7 TO 12.7	1.02	163	98.1	75.4 TO 108.0	17.0	10.6 TO 23.5	0.96	19	OUT	
NEOSHO	93.5	90.3 TO 97.5	23.5	21.2 TO 25.7	1.10	305	90.0	80.9 TO 108.7	33.1	24.2 TO 41.9	0.95	38	OUT	
NESS	125.4	106.9 TO 162.0	35.4	21.6 TO 49.0	1.24	28	100.5	70.5 TO 109.1	16.2	7.6 TO 24.8	1.11	10	OUT	
NORTON	98.4	93.7 TO 102.6	18.0	14.8 TO 21.2	1.06	97	117.4	81.0 TO 132.1	17.6	9.0 TO 26.2	1.12	12	OUT	
OSAGE	94.8	91.7 TO 98.0	16.5	14.8 TO 18.2	1.03	256	103.7	91.4 TO 135.8	22.1	14.7 TO 29.5	1.05	21	OUT	
OSBORNE	87.2	80.3 TO 95.0	21.1	17.6 TO 24.5	1.03	86	99.3	85.6 TO 114.2	16.5	9.7 TO 23.4	1.03	14	OUT	
OTTAWA	97.2	91.1 TO 99.6	17.5	14.7 TO 20.2	1.03	124	106.4	60.1 TO 176.5	28.3	7.4 TO 49.2	1.08	10	OUT	
PAWNEE	99.1	92.2 TO 102.0	16.2	13.1 TO 19.3	1.07	72	97.6	89.9 TO 167.5	17.9	.9 TO 34.8	1.09	8	OUT	
PHILLIPS	106.0	102.8 TO 111.5	16.1	13.4 TO 18.8	1.08	116	105.0	91.8 TO 141.0	27.7	13.4 TO 42.0	1.20	12	OUT	
POTTAWATOMIE	86.8	84.9 TO 89.5	15.8	14.3 TO 17.4	1.01	269	83.2	51.5 TO 87.5	33.1	21.9 TO 44.4	1.06	15	OUT	
PRATT	97.2	94.1 TO 100.0	14.3	12.5 TO 16.1	1.03	170	107.2	101.5 TO 123.6	17.3	8.8 TO 25.7	1.05	15	OUT	
RAWLINS	96.2	87.5 TO 107.7	19.1	12.7 TO 25.6	1.07	27	105.1	96.8 TO 131.8	9.8	4.1 TO 15.5	1.04	11	OUT	
RENO	98.8	97.5 TO 99.7	14.6	13.7 TO 15.4	1.05	1069	115.5	103.4 TO 141.5	46.7	30.7 TO 62.6	1.13	46	OUT	

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1992 FINAL CERTIFIED RATIOS

COUNTY NAME	RESIDENTIAL***						OTHER***						COMPLIANCE PER COURT ORDER
	MEDIAN	MED. C.I.95%	COD	COD C.I.95%	PRD	NO.	MEDIAN	MED. C.I.95%	COD	COD C.I.95%	PRD	NO.	
REPUBLIC	101.8	92.4 TO 111.9	17.2	14.1 TO 20.3	1.08	64	111.8	91.5 TO 159.5	22.6	12.9 TO 32.4	1.03	6	OUT
RICE	96.0	93.7 TO 99.5	16.7	14.2 TO 19.3	1.03	121	92.2	83.4 TO 118.6	18.7	4.2 TO 33.3	1.01	9	IN
RILEY	93.4	92.9 TO 93.9	7.8	7.4 TO 8.2	1.01	1041	95.2	74.4 TO 105.3	14.8	7.7 TO 21.8	0.95	12	OUT
ROOKS	106.6	99.4 TO 125.7	25.5	17.3 TO 33.6	1.14	38	100.5	84.9 TO 130.3	22.1	8.8 TO 35.4	1.07	12	OUT
RUSH	122.1	110.0 TO 132.8	27.7	19.7 TO 35.7	1.17	48	100.4	84.4 TO 230.0	40.9	12.4 TO 69.3	1.25	11	OUT
RUSSELL	99.3	93.1 TO 108.0	32.3	26.3 TO 38.2	1.16	123	85.7	58.6 TO 95.0	18.0	9.1 TO 26.8	0.85	12	OUT
SALINE	95.2	94.3 TO 96.0	10.1	9.7 TO 10.5	1.01	1339	97.5	86.4 TO 105.6	25.9	17.6 TO 34.2	1.14	34	OUT
SCOTT	94.7	89.5 TO 98.8	11.0	9.0 TO 13.0	1.02	71	100.0	84.8 TO 137.3	20.9	11.5 TO 30.4	1.06	9	OUT
SEDGWICK	94.7	94.4 TO 95.1	9.4	9.1 TO 9.6	1.01	7271	102.4	100.0 TO 108.1	19.3	16.2 TO 22.4	1.11	117	OUT
SEWARD	97.4	96.1 TO 98.3	7.4	6.7 TO 8.1	1.01	279	92.9	88.6 TO 100.0	6.8	3.5 TO 10.0	0.99	11	IN
SHAWNEE	96.4	96.0 TO 96.8	8.8	8.5 TO 9.0	1.02	3154	97.8	92.2 TO 102.8	26.7	21.8 TO 31.5	1.04	97	OUT
SHERIDAN	97.9	89.6 TO 109.4	17.5	12.2 TO 22.9	1.09	32	85.7	53.5 TO 102.2	17.7	8.9 TO 26.5	1.05	10	OUT
SHERMAN	92.5	88.0 TO 95.4	16.8	14.6 TO 19.0	1.06	155	85.3	83.1 TO 98.2	9.4	2.2 TO 16.6	0.96	9	OUT
SMITH	91.8	87.2 TO 100.0	25.2	18.7 TO 31.6	1.12	62	111.3	89.8 TO 176.5	28.7	11.4 TO 46.0	1.26	10	OUT
STAFFORD	124.0	112.0 TO 144.55	31.3	25.5 TO 37.1	1.17	75	98.2	90.5 TO 108.3	9.3	3.8 TO 14.8	0.99	11	OUT
STANTON	103.6	97.6 TO 110.6	10.4	5.5 TO 15.3	1.02	15	110.8	92.3 TO 120.7	12.8	6.3 TO 19.3	1.08	9	OUT
STEVENS	97.3	93.6 TO 105.7	9.4	6.4 TO 12.3	1.02	28	100.0	93.1 TO 128.7	16.2	4.6 TO 27.8	0.94	9	OUT
SUMNER	97.2	95.8 TO 99.6	14.9	13.6 TO 16.2	1.04	358	104.8	87.6 TO 117.2	17.2	12.3 TO 22.1	1.09	20	OUT
THOMAS	95.1	92.9 TO 97.0	11.4	9.8 TO 13.0	1.02	158	98.7	66.3 TO 141.7	35.4	18.5 TO 52.3	1.15	14	OUT
TREGO	99.0	92.8 TO 104.9	17.5	13.4 TO 21.6	1.02	56	97.2	71.4 TO 134.4	21.1	11.2 TO 31.1	1.24	10	OUT
WABAUNSEE	96.2	89.6 TO 99.0	13.6	11.4 TO 15.7	1.02	102	98.5	68.9 TO 129.4	29.5	14.4 TO 44.6	0.97	9	OUT
WALLACE	107.0	93.7 TO 137.1	19.9	13.5 TO 26.4	1.11	22	105.9	100.0 TO 122.0	8.1	4.5 TO 11.7	1.01	9	OUT
WASHINGTON	102.6	97.8 TO 108.3	21.1	16.8 TO 25.4	1.15	77	108.9	94.5 TO 138.4	15.4	9.2 TO 21.6	1.06	11	OUT
WICHITA	100.8	96.3 TO 106.8	13.2	8.9 TO 17.5	1.02	29	100.8	83.2 TO 115.1	13.2	7.9 TO 18.5	0.99	9	IN
WILSON	115.7	108.5 TO 124.1	31.9	27.8 TO 36.0	1.18	178	104.0	95.6 TO 156.9	27.4	14.6 TO 40.3	1.13	18	OUT
WOODSON	112.0	100.9 TO 121.3	44.5	39.6 TO 55.3	1.29	73	95.4	81.1 TO 118.5	15.8	5.6 TO 26.1	1.03	10	OUT
WYANDOTTE	101.4	100.9 TO 102.1	13.5	12.8 TO 14.3	1.03	1649	101.0	97.6 TO 107.1	20.6	16.6 TO 24.6	1.03	79	OUT

SHADED AREAS DID NOT MEET STATISTICAL MEASURES

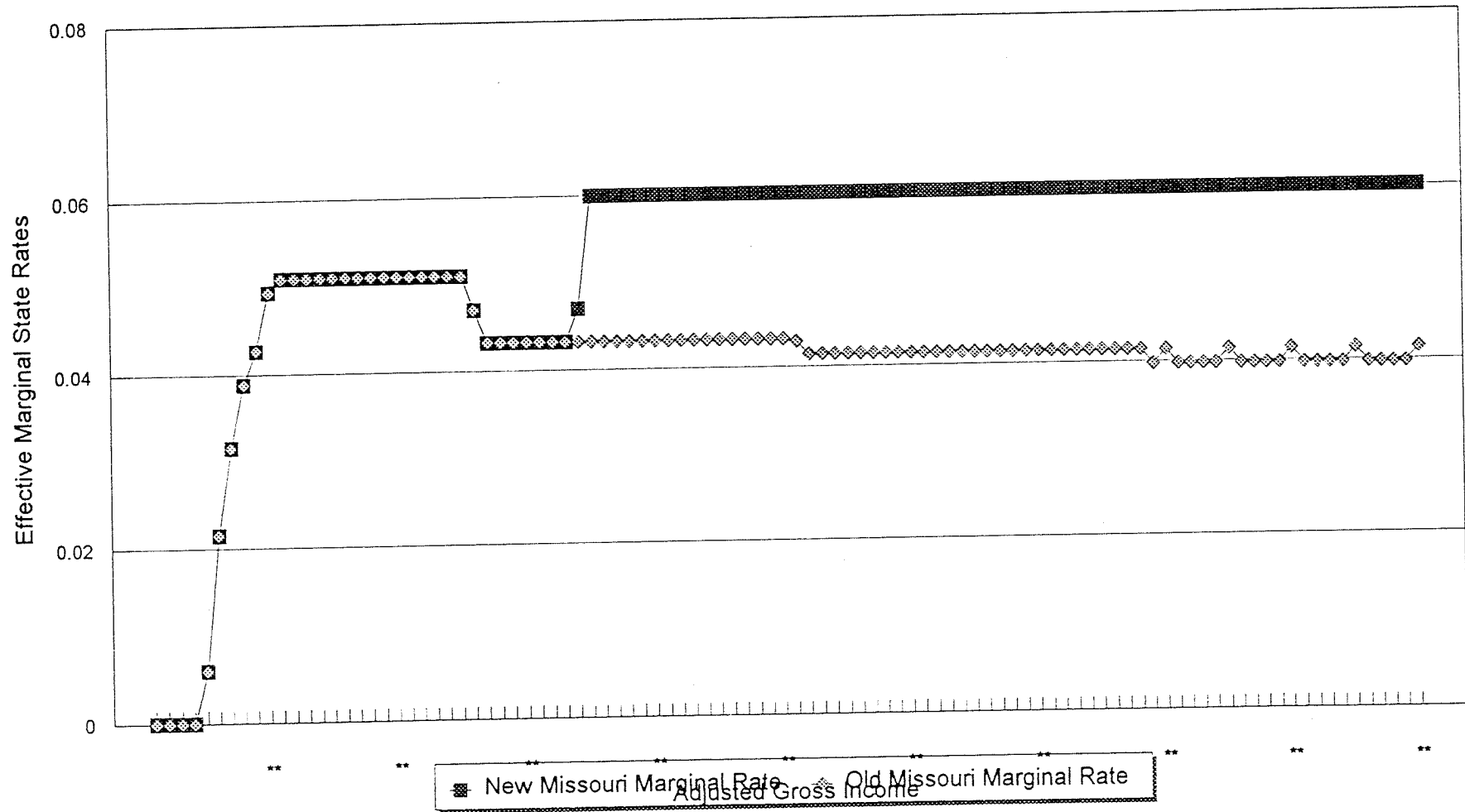
\* COUNTY HAD VALUE FREEZE

ONLY 1 SALE - NO COD

TRIMMED SALES BY INDIVIDUAL COUNTIES

# Effective Marginal Income Tax Rates

Married Couple filing Jointly, 2 Children, Standard Deduction, 1992 Federal Law



Senate Assessment + Taxation  
Nov. 23, 1993  
Attach. 4-1

# STATE OF KANSAS

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## Department of Revenue *Research & Revenue Analysis*

To: Senator Dan Thiessen, Chairman  
Special Committee on Assessment and Taxation

From: Steve Stotts  
Research and Revenue Analysis Bureau

Date: September 15, 1992

Subject: Taxable Pensions and Annuities

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The information on private and government pensions is taken from the department's individual income tax simulation model of tax year 1988 returns. The dollar figures represent an estimate of federal taxable retirement amounts in tax year 1988. The retirement amounts are the amounts listed on the taxable annuities and pension (17b), taxable IRA distributions (16b) and taxable social security (21b) lines of the federal 1040 form.

Not included in these figures are interest, dividends, and capital gain income that some retired taxpayers will have as part or all of their retirement income.

### Information from the Federal Form 1040:

Federal Adjusted Gross Income	\$28,204,564,706
Taxable Annuities and Pensions	\$1,247,313,789
Taxable IRA distributions	\$124,388,526
Taxable Social Security Benefits	\$187,406,211
Total Taxable Pensions	\$1,559,108,526

The next set of figures are also from the 1988 simulation model, and represent an estimate of the amount of Federal civil service and Kansas pension income included in Federal adjusted gross income and excluded from Kansas adjusted gross income. In tax year 1988, military pensions were not excluded from Federal adjusted gross income for Kansas income tax purposes. The figure for military pensions is not from the Kansas form K40, but is the amount of military pensions benefits paid to Kansas beneficiaries as reported by the Department of Defense.

### Information from Kansas form K40:

Kansas Federal Civil Service Pensions	\$243,757,474
Kansas Pensions Plans	\$127,399,474
Kansas Military Pensions	\$181,351,000
Total excluded from F.A.G.I.	\$552,507,948

*Senate Assessment & Taxation*  
*Nov 23, 1993*  
*attach 5-1*

If these exempt government pensions were fully taxable, income tax liability in tax year 1993 would be increased about \$28.2 million. This estimate assumes a 5% growth per year in retirement benefits and a tax year 1993 average tax rate of 4%.

The difference between taxable annuities, pensions, IRA distributions and social security benefits from the federal form and the amount of government pensions excluded on the Kansas form is the amount of non-government pensions which were taxable in tax year 1988:

Total Taxable Pensions	\$1,559,108,526
Government pensions excluded	\$552,507,948
Taxable non-government pensions	\$1,006,607,578

If non-government pensions had been excluded from Kansas income tax in tax year 1988, at an average tax rate of 4%, income tax liability would have been reduced by about \$40.3 million. If the growth in pension income averages about 5% per year, the fiscal impact in tax year 1993 would be a reduction of about \$51.5 million in income tax liability.

#### Alternatives for taxing retirement pensions:

Keep in mind that it is acceptable for state governments to discriminate between government and non-government pensions.

1. Tax all retirement income to the extent it has not previously been taxed.

Fiscal Impact: \$28.2 million increase

This alternative would treat all retirement income the same.

2. Exclude all retirement income to the extent it is included in federal adjusted gross income.

Fiscal Impact: (\$51.5) million decrease

This is the opposite of the first alternative. There are at least two major problems with this alternative. The first is how to handle those taxpayers whose retirement income consists of interest, dividends, and capital gains. The second is the reduction in revenues from exempting all retirement income.

3. Exclude a certain amount of retirement income from income tax.

Fiscal Impact: Neutral (\$10,000 threshold is estimated to be revenue neutral)

This alternative was used in several bills which would have exempted the first \$10,000 of government pensions. Any threshold amount could be used and could apply to all pensions or to government pensions only.

4. Exclude pension income for taxpayers above a certain age.

Fiscal Impact: Positive (If the age requirement was set at 62 years of age, the impact is positive. Most KPERS retirees would not be subject to taxation. Approximately 50% of military benefits would be subject to taxation. Some federal civil

service benefits would be taxable, but we do not have any age data for federal civil service retirees.)

This alternative could be applied to all pensions or to government pensions only.

5. Exclude pension income, based on whether the pension is contributory or non-contributory.

This method of distinction has recently been upheld in the Massachusetts supreme court. The U. S. supreme court has not opined on this method.

## MEMORANDUM

To: Senate Committee on Assessment and Taxation

From: Tom Severn, Legislative Research Department

Re: Property Tax Appeal Process in Neighboring States

At the committee's request I looked into the property tax appeal process in neighboring state, concentrating on the final state review process. After reviewing Commerce Clearing House, State Tax Guide, 2d Edition, I reviewed the state statutes. I then called each state to verify the information. I called a second time to obtain training requirements, which were difficult to find in the statutes.

Missouri. Appeal from the county board of equalization (BOE) may be to the Tax Commission or to the courts. The Tax Commission may appoint hearing officers, and decisions of the hearing officers may be appealed to the full Commission, but the Commission need not re-hear the case. Further appeal is to the courts. The Tax Commission also values certain properties and exercises general supervision over assessing officers and county BOEs. There are no requirements other than being a qualified voter, taxpayer, and resident of the state for five years. Members are appointed by the Governor with the consent of the Senate, to staggered six-year terms. There is not requirement for schooling, but most members have had or are taking IAAO courses 1 and 2, and attend conferences and seminars on appraisal.

Nebraska. Appeal from county BOE is to district court. Nebraska's State Board of Equalization consists of the Governor, Secretary of State, auditor of Public Accounts, State Treasurer, and Tax Commissioner. The Board has blanket authority to adjust valuations, but not authority over individual parcels.

Oklahoma. Review of county BOE decisions was for many years to purview of the Board of Property Tax Review; however, since 1989 review has been to the district court of the county.

Colorado. Appeal from the county BOE may be to the court, to arbitration, or to the Board of Assessment Appeals. There is no appeal from the decision of the arbitrator. The Board of Assessment Appeal has three members appointed by the Governor and confirmed by the Senate. One member must within the past five years been actively engaged in agriculture. Beginning July 1 of this year, all must be certified, registered of licensed under colorado law, and must be experienced in property valuation. The Legislature my authorize up to 6 additional temporary member for terms of one fiscal year. These temporary members were to minimize the backlog during a recent statewide reappraisal, and currently there are no temporary members. There is no training requirement following appointment.

*Senate Assessment + Tax  
Nov 23, 1993  
attach 6-1*