

Approved: 1/27/94
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Keith Roe at 9:00 a.m. on January 25, 1994 in Room 519-S of the Capitol.

All members were present except: Representative Glasscock, excused

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

Others attending: See attached list

The minutes of January 18, 19 and 20, 1994, were approved as read.

Chairperson Roe announced that the Department of Revenue requested introduction of four bills:

- (1) Authorizes the Department of Revenue to enjoin any person who is operating a business in violation of the Kansas tax acts,
- (2) Conforms the period of execution on tax warrants for income and withholding taxes to the same period (90 days) as all other types of taxes administered by the Department of Revenue;
- (3) Authorizes the Director of Property Valuation to differentiate between counties based upon parcel count and population when maintaining lists of eligible appraisers;
- (4) Amends the Kansas Real Estate Ratio Study Act to clarify that only valid sales are to be included in the sales-ratio study; and establish a cut-off date for sales that can be included in the sales-ratio study.

A motion was made by Representative Lowther, seconded by Representative Empson, to introduce the four bills requested by the Department of Revenue. The motion carried.

Chris Courtwright, Legislative Research Department, reviewed charts showing 1991 and 1992 countywide average levies for automobile property taxes. He explained that car taxes will go down in most areas of the state in 1994 due to 1992 school finance legislation. Also reviewed was data showing motor vehicle tax estimates for 1993, 1994, and 1995 (Attachment 1).

Representative Gwen Welshimer explained her concerns with the mapping portion of reappraisal in Sedgwick County. She explained the many uses for accurate maps and said that, after nine years, there are no maps for any purpose, including reappraisal, in Sedgwick County. Representative Welshimer also voiced her concern that requests for maps in Sedgwick County were being ignored. Other items of concern to Representative Welshimer are also shown in (Attachment 2).

Chris Courtwright, Legislative Research Department, reviewed a staff memorandum regarding information on the earnings tax in Kansas City, Missouri, and how it compares to the earnings tax proposal in HB 2642. He said the KCMO tax is similar to the tax that cities in Kansas would be authorized to impose if HB 2642 were to be enacted. Also touched on by Mr. Courtwright were the issues of apportionment of earnings, credits and deductions, and policy issues for cities (Attachment 3).

The Chair announced that there would be no Committee meeting on Wednesday, January 25, 1994.

The meeting adjourned at 10:25 a.m.

The next meeting is scheduled for January 27, 1994.

DATE 1/25/94

DATE _____

REPRESENTING

[illegible]

Sorted by Change in mills	Countywide 1991 Avg Mill Levy	Citywide 1991 Avg Mill Levy	1991-92 Change in Mills	1991-92 Percent Change
SMITH	152.519	110.229	-42.290	-27.73%
RAWLINS	147.754	107.465	-40.289	-27.27%
ELLSWORTH	137.501	98.484	-39.017	-28.38%
SEDGWICK	144.071	105.659	-38.413	-26.66%
NEOSHO	169.041	130.739	-38.302	-22.66%
LABETTE	161.700	125.017	-36.683	-22.69%
RILEY	143.918	107.503	-36.415	-25.30%
SHAWNEE	166.475	132.086	-34.389	-20.66%
SALINE	127.726	94.135	-33.591	-26.30%
FORD	154.788	122.993	-31.795	-20.54%
LEAVENWORTH	134.431	103.594	-30.837	-22.94%
HARVEY	149.178	118.477	-30.701	-20.58%
DICKINSON	133.965	103.389	-30.577	-22.82%
McPHERSON	134.918	105.393	-29.525	-21.88%
COWLEY	159.838	130.341	-29.497	-18.45%
ATCHISON	143.881	114.967	-28.913	-20.10%
ALLEN	144.012	115.103	-28.909	-20.07%
JEWELL	140.506	111.642	-28.863	-20.54%
RENO	152.547	124.477	-28.070	-18.40%
BROWN	139.548	111.914	-27.634	-19.80%
MARSHALL	134.176	107.004	-27.172	-20.25%
LOGAN	120.476	93.463	-27.014	-22.42%
CLOUD	180.347	153.454	-26.893	-14.91%
WICHITA	132.720	106.785	-25.935	-19.54%
WALLACE	110.036	84.149	-25.886	-23.53%
DOUGLAS	128.827	103.097	-25.730	-19.97%
BOURBON	153.004	127.784	-25.219	-16.48%
SHERIDAN	129.916	105.181	-24.735	-19.04%
NORTON	143.418	118.866	-24.552	-17.12%
FRANKLIN	137.288	112.736	-24.552	-17.88%
KINGMAN	117.110	92.575	-24.535	-20.95%
BUTLER	137.630	113.287	-24.343	-17.69%
MIAMI	139.278	114.962	-24.316	-17.46%
MONTGOMERY	158.861	136.095	-22.766	-14.33%
SCOTT	118.120	95.379	-22.740	-19.25%
CHEYENNE	103.840	81.781	-22.060	-21.24%
ELLIS	125.978	104.034	-21.943	-17.42%
JACKSON	124.638	103.707	-20.931	-16.79%
SUMNER	144.092	123.319	-20.773	-14.42%
MORRIS	123.845	103.443	-20.401	-16.47%
ANDERSON	134.717	114.524	-20.193	-14.99%
PAWNEE	127.964	107.790	-20.173	-15.76%
LYON	147.246	127.192	-20.054	-13.62%
WABAUNSEE	114.017	94.297	-19.720	-17.30%
DECATUR	129.198	109.506	-19.692	-15.24%
PHILLIPS	138.650	119.040	-19.610	-14.14%
REPUBLIC	130.954	111.351	-19.603	-14.97%
LINCOLN	143.645	124.367	-19.278	-13.42%
HARPER	129.839	110.703	-19.135	-14.74%
THOMAS	124.152	105.096	-19.056	-15.35%
BARTON	142.735	123.695	-19.040	-13.34%
SHERMAN	120.343	102.852	-17.491	-14.53%
SEWARD	109.650	92.374	-17.276	-15.76%
WILSON	136.835	119.945	-16.890	-12.34%
OSAGE	114.986	98.244	-16.742	-14.56%
WASHINGTON	131.872	115.275	-16.597	-12.59%
CHEROKEE	108.080	91.485	-16.595	-15.35%
GRAY	123.225	106.681	-16.545	-13.43%
PRATT	139.967	123.473	-16.494	-11.78%
GREENWOOD	160.377	144.046	-16.331	-10.18%
FINNEY	114.633	98.407	-16.226	-14.15%
GOVE	115.217	99.369	-15.848	-13.76%
MITCHELL	139.516	123.691	-15.826	-11.34%
RICE	125.912	110.454	-15.459	-12.28%
OTTAWA	134.272	119.091	-15.181	-11.31%
CLAY	136.828	122.065	-14.763	-10.79%
LANE	139.839	125.504	-14.335	-10.25%
DONIPHAN	139.250	125.394	-13.856	-9.95%
MARION	117.396	103.578	-13.818	-11.77%
OSBORNE	130.664	117.718	-12.946	-9.91%
EDWARDS	125.513	112.695	-12.817	-10.21%
JEFFERSON	122.001	109.204	-12.797	-10.49%
BARBER	114.054	101.325	-12.729	-11.16%
CHASE	120.201	107.599	-12.602	-10.48%
WOODSON	125.624	113.043	-12.582	-10.02%
WYANDOTTE	169.387	156.837	-12.550	-7.41%
KIOWA	97.765	85.298	-12.467	-12.75%
RUSSELL	124.567	113.046	-11.521	-9.25%
CRAWFORD	127.246	115.751	-11.495	-9.03%
CHAUTAUQUA	126.423	115.083	-11.340	-8.97%
NEMAHA	113.563	102.347	-11.216	-9.88%
GEARY	125.536	114.657	-10.879	-8.67%
STAFFORD	115.762	104.925	-10.836	-9.36%
GRAHAM	131.730	121.076	-10.654	-8.09%
NESS	113.400	107.600	-10.800	-9.51%
HODGEMAN	136.422	126.065	-10.357	-7.59%
TREGO	128.142	118.548	-9.594	-7.49%
CLARK	123.255	113.986	-9.269	-7.52%
RUSH	124.943	116.790	-8.153	-6.53%
ELK	133.139	125.490	-7.649	-5.74%
MEADE	108.910	102.779	-6.131	-5.63%
COMANCHE	120.736	114.755	-5.980	-4.95%
GREELEY	101.305	96.069	-5.237	-5.17%
ROOKS	117.910	113.715	-4.195	-3.56%
LINN	77.788	76.621	-1.168	-1.50%
HASKELL	69.826	69.427	-0.398	-0.57%
HAMILTON	101.628	101.468	-0.160	-0.16%
POTTAWATOMIE	79.171	79.934	0.762	0.96%
JOHNSON	118.308	121.153	2.845	2.40%
KEARNY	60.349	66.712	6.363	10.54%
STANTON	81.391	88.052	6.661	8.18%
GRANT	62.321	72.580	10.260	16.46%
MORTON	70.875	82.436	11.561	16.31%
COFFEY	47.308	69.128	21.820	46.12%
STEVENS	39.893	61.821	21.928	54.97%

1/25/94
House Taxation Comte
Attachment 1

Sorted by Percent change	Countywide 1991 Avg Mill Levy	Countywide 1992 Avg Mill Levy	1991-92 Change in Mills	1991-92 Percent Change
ELLSWORTH	137.501	98.484	-39.017	-28.38%
SMITH	152.519	110.229	-42.290	-27.73%
RAWLINS	147.754	107.465	-40.289	-27.27%
SEDGWICK	144.071	105.659	-38.413	-26.66%
SALINE	127.726	94.135	-33.591	-26.30%
RILEY	143.918	107.503	-36.415	-25.30%
WALLACE	110.036	84.149	-25.886	-23.53%
LEAVENWORTH	134.431	103.594	-30.837	-22.94%
DICKINSON	133.965	103.389	-30.577	-22.82%
LABETTE	161.700	125.017	-36.683	-22.69%
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LOGAN	120.476	93.463	-27.014	-22.42%
McPHERSON	134.918	105.393	-29.525	-21.88%
CHEYENNE	103.840	81.781	-22.060	-21.24%
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HARVEY	149.178	118.477	-30.701	-20.58%
JEWELL	140.506	111.642	-28.863	-20.54%
FORD	154.788	122.993	-31.795	-20.54%
MARSHALL	134.176	107.004	-27.172	-20.25%
ATCHISON	143.881	114.967	-28.913	-20.10%
ALLEN	144.012	115.103	-28.909	-20.07%
DOUGLAS	128.827	103.097	-25.730	-19.97%
BROWN	139.548	111.914	-27.634	-19.80%
WICHITA	132.720	106.785	-25.935	-19.54%
SCOTT	118.120	95.379	-22.740	-19.25%
SHERIDAN	129.916	105.181	-24.735	-19.04%
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RENO	152.547	124.477	-28.070	-18.40%
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MIAMI	139.278	114.962	-24.316	-17.46%
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BARTON	142.735	123.695	-19.040	-13.34%
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WILSON	136.835	119.945	-16.890	-12.34%
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OTTAWA	134.272	119.091	-15.181	-11.31%
BARBER	114.054	101.325	-12.729	-11.16%
CLAY	136.828	122.065	-14.763	-10.79%
JEFFERSON	122.001	109.204	-12.797	-10.49%
CHASE	120.201	107.599	-12.602	-10.48%
LANE	139.839	125.504	-14.335	-10.25%
EDWARDS	125.513	112.695	-12.817	-10.21%
GREENWOOD	160.377	144.046	-16.331	-10.18%
WOODSON	125.624	113.043	-12.582	-10.02%
DONIPHAN	139.250	125.394	-13.856	-9.95%
OSBORNE	130.664	117.718	-12.946	-9.91%
NEMAHA	113.563	102.347	-11.216	-9.88%
STAFFORD	115.762	104.925	-10.836	-9.36%
RUSSELL	124.567	113.046	-11.521	-9.25%
CRAWFORD	127.246	115.751	-11.495	-9.03%
CHAUTAUQUA	126.423	115.083	-11.340	-8.97%
NESS	118.433	107.886	-10.547	-8.91%
GEARY	125.536	114.657	-10.879	-8.67%
GRAHAM	131.730	121.076	-10.654	-8.09%
HODGEMAN	136.422	126.065	-10.357	-7.59%
CLARK	123.255	113.986	-9.269	-7.52%
TREGO	128.142	118.548	-9.594	-7.49%
WYANDOTTE	169.387	156.837	-12.550	-7.41%
RUSH	124.943	116.790	-8.153	-6.53%
ELK	133.139	125.490	-7.649	-5.74%
MEADE	108.910	102.779	-6.131	-5.63%
GREELEY	101.305	96.069	-5.237	-5.17%
COMANCHE	120.736	114.755	-5.980	-4.95%
ROOKS	117.910	113.715	-4.195	-3.56%
LINN	77.788	76.621	-1.168	-1.50%
HASKELL	69.826	69.427	-0.398	-0.57%
HAMILTON	101.628	101.468	-0.160	-0.16%
POTTAWATOMIE	79.171	79.934	0.762	0.96%
JOHNSON	118.308	121.153	2.845	2.40%
STANTON	81.391	88.052	6.661	8.18%
KEARNY	60.349	66.712	6.363	10.54%
MORTON	70.875	82.436	11.561	16.31%
GRANT	62.321	72.580	10.260	16.46%
COFFEY	47.308	69.128	21.820	46.12%
STEVENS	39.893	61.821	21.928	54.97%

1-2

KANSAS COUNTY NAME	Actual CY92 Taxes	Projected CY93 Taxes	Projected CY94 Taxes	Projected CY95 Taxes
ALLEN	1,493,592	1,560,673	1,266,379	1,334,026
ANDERSON	645,620	797,277	683,175	695,104
ATCHISON	1,582,500	1,639,363	1,350,050	1,354,260
BARBER	586,953	648,888	594,264	662,277
BARTON	3,177,365	3,512,592	3,008,289	3,267,417
BOURBON	1,343,880	1,534,331	1,312,750	1,394,984
BROWN	949,017	1,046,260	842,803	863,667
BUTLER	5,638,959	6,283,000	5,359,839	5,809,663
CHASE	263,898	277,191	247,330	250,906
CHAUTAUQUA	380,812	419,952	378,198	408,046
CHEROKEE	1,545,618	1,668,347	1,454,927	1,357,099
CHEYENNE	326,379	348,048	277,495	311,307
CLARK	267,495	274,585	245,846	252,423
CLAY	838,681	913,017	818,474	872,400
CLOUD	1,234,773	1,383,669	1,201,181	1,215,257
COFFEY	387,196	434,850	679,310	653,760
COMANCHE	264,832	268,170	243,717	251,101
COWLEY	3,873,204	4,347,351	3,677,610	3,821,717
CRAWFORD	3,099,294	3,357,366	3,146,696	3,229,710
DECATUR	376,238	438,723	377,011	368,928
DICKINSON	1,725,281	1,970,352	1,581,915	1,659,137
DONIPHAN	688,528	761,174	698,660	710,949
DOUGLAS	7,226,542	7,739,384	6,226,604	6,796,433
EDWARDS	410,029	420,549	369,042	390,776
ELK	282,873	318,656	303,036	309,494
ELLIS	2,348,302	2,741,312	2,295,381	2,410,495
ELLSWORTH	664,360	747,090	559,692	601,326
FINNEY	2,625,490	2,816,611	2,431,445	2,782,294
FORD	2,737,816	3,015,280	2,358,770	2,403,724
FRANKLIN	2,092,135	2,178,006	1,791,190	1,842,949
GEARY	1,525,277	1,826,342	1,740,588	1,852,414
GOVE	337,436	389,800	346,701	362,546
GRAHAM	381,475	384,884	352,525	361,277
GRANT	446,048	547,579	670,513	684,422
GRAY	637,837	641,494	554,594	610,694
GREELEY	170,871	172,624	167,893	175,508
GREENWOOD	797,499	896,562	802,270	771,449
HAMILTON	240,832	239,200	239,015	241,595
HARPER	761,523	806,134	696,605	778,686
HARVEY	3,341,191	3,468,710	2,863,339	2,913,319
HASKELL	268,016	310,139	306,315	313,427
HODGEMAN	292,099	282,508	259,049	275,017
JACKSON	1,057,540	1,028,793	873,899	1,036,728
JEFFERSON	1,566,961	1,665,919	1,520,581	1,538,262
JEWELL	431,338	464,307	369,216	392,522
JOHNSON	50,728,391	55,055,254	57,476,847	57,256,578
KEARNY	208,618	278,557	318,062	322,041
KINGMAN	849,100	918,743	754,659	798,887
KIOWA	358,005	371,181	331,472	387,470
LABETTE	2,221,105	2,477,007	1,942,088	2,109,401
LANE	327,861	352,663	322,018	356,812
LEAVENWORTH	5,066,011	5,779,964	4,667,519	4,880,613
LINCOLN	376,044	399,898	352,558	411,492
LINN	509,775	594,243	618,037	600,364
LOGAN	320,314	363,512	294,656	338,768
LYON	3,326,148	3,405,941	2,979,863	3,074,032
MARION	1,091,936	1,191,265	1,081,430	1,096,931
MARSHALL	1,189,898	1,173,312	930,742	1,058,115
McPHERSON	2,853,406	2,735,664	1,903,500	2,025,950
MEADE	383,592	484,703	475,958	457,943
MIAMI	2,545,115	2,833,439	2,375,208	2,532,414
MITCHELL	790,232	876,538	798,344	856,882
MONTGOMERY	3,737,998	4,033,947	3,476,633	3,561,463
MORRIS	595,139	624,039	522,773	569,984
MORTON	281,056	290,537	344,057	329,883
NEMAHA	919,391	991,682	891,061	952,824
NEOSHO	2,001,846	2,095,762	1,639,148	1,701,005
NESS	450,384	473,994	438,273	462,777
NORTON	568,990	626,105	524,071	539,194
OSAGE	1,382,678	1,512,595	1,349,332	1,394,795
OSBORNE	491,592	542,524	507,269	547,650
OTTAWA	588,115	613,122	553,066	578,173
PAWNEE	729,275	829,898	717,149	815,246
PHILLIPS	631,208	702,213	609,267	624,213
POTTAWATOMIE	1,050,549	1,243,165	1,334,557	1,393,811
PRATT	1,118,406	1,247,916	1,120,308	1,149,360
RAWLINS	378,062	384,979	277,471	309,301
RENO	6,637,102	7,086,341	5,764,952	5,906,062
REPUBLIC	708,387	712,388	615,203	642,200
RICE	984,111	1,054,275	930,870	979,050
RILEY	4,028,884	4,523,628	3,502,594	3,873,066
ROOKS	616,391	637,963	617,654	640,111
RUSH	363,182	411,006	398,129	431,037
RUSSELL	772,873	916,461	836,937	877,352
SALINE	5,185,104	5,533,015	4,228,778	4,309,782
SCOTT	656,363	630,664	500,094	552,573
SEDGWICK	44,676,096	52,397,740	40,340,845	42,366,544
SEWARD	1,593,098	1,683,555	1,414,364	1,477,305
SHAWNEE	19,361,547	21,606,235	17,559,857	19,164,513
SHERIDAN	349,487	394,423	335,580	381,219
SHERMAN	678,565	717,510	625,338	736,665
SMITH	547,331	591,150	426,549	465,958
STAFFORD	471,684	472,294	405,904	443,398
STANTON	229,467	243,964	260,324	245,429
STEVENS	224,235	269,824	438,287	419,471
SUMNER	2,631,013	2,784,167	2,474,499	2,929,885
THOMAS	833,497	899,076	774,361	887,082
TREGO	344,284	388,442	372,364	375,046
WABAUNSEE	584,598	650,350	560,778	576,845
WALLACE	194,090	191,512	142,041	172,593
WASHINGTON	618,269	660,647	583,685	600,634
WICHITA	319,371	328,618	266,234	308,501
WILSON	895,583	1,039,942	952,826	1,015,098
WOODSON	339,985	380,242	345,066	349,575
WYANDOTTE	14,867,184	15,156,205	13,632,827	14,838,224
State Totals	259,115,626	284,853,062	248,778,520	260,044,083

	Mfg Sugg Retail Price	Orig Val for KS Car Tax		91 avg levy 92 avg levy	Neosho County 169.041 130.739	Montg'y County 158.861 136.095	Johnson County 118.310 121.153	Coffey County 47.310 69.128	Labette County 161.700 125.017
1992 Mercury Grand Marquis Sedan 4D LS	\$20,644	\$17,000	1993 Taxes (91 levy)		\$724.17	\$680.56	\$506.84	\$202.68	\$692.72
			1994 Taxes (92 levy)		\$470.47	\$489.75	\$435.98	\$248.76	\$449.88
			1994 Taxes (HB 2003)		\$392.06	\$408.12	\$363.31	\$207.30	\$374.90
			1993 Taxes – w 92 levy		\$560.09	\$583.03	\$519.02	\$296.14	\$535.57
1993 Toyota Tercel Sedan 2D	\$6,998	\$5,625	1993 Taxes (91 levy)		\$285.26	\$268.08	\$199.65	\$79.84	\$272.87
			1994 Taxes (92 levy)		\$185.32	\$192.91	\$171.73	\$97.99	\$177.21
			1994 Taxes (HB 2003)		\$154.44	\$160.76	\$143.11	\$81.66	\$147.68
			1993 Taxes – w 92 levy		\$220.62	\$229.66	\$204.45	\$116.65	\$210.97
1989 Ford Ranger Pickup 5–speed Half–Ton	\$7,693	\$7,500	1993 Taxes (91 levy)		\$189.36	\$177.96	\$132.53	\$53.00	\$181.14
			1994 Taxes (92 levy)		\$123.02	\$128.06	\$114.00	\$65.05	\$117.64
			1994 Taxes (HB 2003)		\$102.52	\$106.72	\$95.00	\$54.21	\$98.03
			1993 Taxes – w 92 levy		\$146.46	\$152.46	\$135.72	\$77.44	\$140.05
1984 Chevrolet Pickup El Camino	\$8,522	\$7,500	1993 Taxes (91 levy)		\$79.19	\$74.42	\$55.43	\$22.16	\$75.75
			1994 Taxes (92 levy)		\$51.45	\$53.56	\$47.68	\$27.20	\$49.20
			1994 Taxes (HB 2003)		\$42.87	\$44.63	\$39.73	\$22.67	\$41.00
			1993 Taxes – w 92 levy		\$61.25	\$63.76	\$56.76	\$32.39	\$58.57
1993 Lexus LS 400	\$42,200	\$35,000	1993 Taxes (91 levy)		\$1,774.93	\$1,668.04	\$1,242.26	\$496.76	\$1,697.85
			1994 Taxes (92 levy)		\$1,153.12	\$1,200.36	\$1,068.57	\$609.71	\$1,102.65
			1994 Taxes (HB 2003)		\$960.93	\$1,000.30	\$890.47	\$508.09	\$918.87
			1993 Taxes – w 92 levy		\$1,372.76	\$1,429.00	\$1,272.11	\$725.84	\$1,312.68
1993 Cadillac El Dorado	\$32,470	\$27,000	1993 Taxes (91 levy)		\$1,369.23	\$1,286.77	\$958.31	\$383.21	\$1,309.77
			1994 Taxes (92 levy)		\$889.55	\$925.99	\$824.33	\$470.35	\$850.62
			1994 Taxes (HB 2003)		\$741.29	\$771.66	\$686.94	\$391.96	\$708.85
			1993 Taxes – w 92 levy		\$1,058.99	\$1,102.37	\$981.34	\$559.94	\$1,012.64
1993 Olds Regency Elite	\$26,195	\$25,000	1993 Taxes (91 levy)		\$1,267.81	\$1,191.46	\$887.33	\$354.83	\$1,212.75
			1994 Taxes (92 levy)		\$823.66	\$857.40	\$763.26	\$435.51	\$787.61
			1994 Taxes (HB 2003)		\$686.38	\$714.50	\$636.05	\$362.92	\$656.34
			1993 Taxes – w 92 levy		\$980.54	\$1,020.71	\$908.65	\$518.46	\$937.63
1990 Ford Taurus LX 4–Dr Sedan	\$16,000	\$15,000	1993 Taxes (91 levy)		\$450.86	\$423.71	\$315.55	\$126.18	\$431.28
			1994 Taxes (92 levy)		\$292.91	\$304.91	\$271.43	\$154.88	\$280.09
			1994 Taxes (HB 2003)		\$244.09	\$254.09	\$226.19	\$129.06	\$233.41
			1993 Taxes – w 92 levy		\$348.70	\$362.99	\$323.14	\$184.38	\$333.44

GWEN WELSHIMER
 REPRESENTATIVE, EIGHTY-EIGHTH DISTRICT
 SEDGWICK COUNTY
 6103 CASTLE
 WICHITA, KANSAS 67218
 316-685-1930
 DURING SESSION
 LEGISLATIVE HOTLINE
 1-800-432-3924



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HOUSE OF
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS

MEMBER: TAXATION
 INSURANCE
 LOCAL GOVERNMENT
 ADMINISTRATIVE RULES & REGULATIONS

January 25, 1994

TO: Members of the House Taxation Committee
 Chairman, Rep. Keith Roe

FROM: Representative Gwen Welshimer

SUBJECT: Reappraisal's Computerized Mapping

Gwen Welshimer

When Chairman Roe was gracious enough to grant Legislators the opportunity to testify before this Committee on their concerns about reappraisal in their counties, I asked him if I might have the opportunity to apprise you of my observations also. He agreed.

The State of Kansas has a big, big, problem on its hands. Major dollars are being wasted within the mapping portion of reappraisal. It's like a cancer, and it's going to grow unless we correct it, now.

I would like to get this into a simple format of just a few words, but considering the technical nature of the subject and nine years of growing complications, that is not possible.

With the millions of dollars we have spent and the technology we have, we should be plotting out maps to demonstrate whatever we want right now on our own computers in our own offices. Reappraisal was a \$100 million dollar original investment in information technology. Kansas could have been a leader among states both in economic development and in improving the lives of Kansans. We did not oversee or administer the technology, therefore we lost jobs and income to Kansas. We could have given some real "breaks," not just "tax breaks" to Kansans.

At the onset of reappraisal in 1985, the City of Wichita, for one, was approaching a serious problem with drainage after heavy rains. If a conclusive, constantly updated map of who owned what was in existence and made available to the cities, a drainage plan could have been implemented.

A new technology was being developed for a 911 guidance system in emergency vehicles that could save time and lives. To implement, it also needed parcel maps so that occupancy and phone numbers could be integrated.

Also at that time the fire departments needed maps to identify and constantly update the locations of hazardous materials and other obstacles.

1/25/94

House Taxation Cmte

Attachment 2

The utility companies needed maps with constant updates to keep track of lines and transformers.

The State needed ownership maps with continual update in order to design and implement a flood control program.

Oil companies, engineering firms, real estate and appraisal offices are just a small few of the private professions who constantly needed parcel ownership maps.

Numerous research studies such as legislative research and economic development efforts would have been possible if counties would provide accurate parcel ownership maps with a continual stream of daily updates to the users.

Only the counties can do this. Other government and private entities do not register the deeds. Counties are not eager to supply large requests for information, they drag their feet, make it cost prohibitive, the the information is outdated the next day.

Most Kansas counties completed a set of parcel ownership maps by the reappraisal deadline of January 1, 1989. These meet reappraisal requirements for appraiser routing purposes, a far cry from what we need for fire departments and flood control.

After nine years, we have no maps for any purpose, including reappraisal, in Sedgwick County and Johnson is only now beginning to produce far too late and after the fact. Other counties who completed their maps by hand are now purchasing equipment for computerized mapping. The most probable amount of tax dollars we have wasted in trying to computerize parcel mapping in the state is \$20 million. This estimate does not include the worth of the benefits we did not receive.

Most of the observations I will attempt to relay to you through this testimony concern Sedgwick County, however, very similar problems have existed in Johnson County.

In 1985, the first step of reappraisal was to appraise the land. The land appraisal was to be done by producing new maps that would be maintained with constant updates on parcel splits and combinations and their respective changes in ownership. The parcels were to be numbered uniformly across the state to accommodate routing of appraisers in the field. The procedure began with PVD contracting a fly over for aerial photographs of all counties. The counties were then supposed to draw (digitize) the outlines of their parcels so that not only would they have, for

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example, "Mr. Smith's" farm outlined and acreage calculated, but his house and commercial building site in town would be identified as well. This was called the "ownership map" which, on clear mylar, could be displayed over the aerial photograph to visualize the buildings underneath.

Johnson and Sedgwick Counties seized the opportunity to enter the world of high-tech, and purchased complicated software with the capability of plotting out the aerial photograph in one layer, the ownership parcel map in another, and the parcel numbers for appraiser routing in the field in another. They also had the capability of creating numerous other layers of information that could be applied to the map in any assortment. Therefore, the map could be plotted without the aerial and with colored areas for different soil types instead.

However, in 1987, the appraiser field routing maps were not done, nor were they able to be finished, in spite of three shifts per day of working mappers. As it turned out, "noone was watching the store," and few understood the situation enough to search for solutions. The clerical workers in the Appraiser's office gathered up outdated Clerk's maps and did a makeshift job of putting routing numbers on them so the appraisers could go to the field and find the properties they were to measure in an efficient manner.

The computerized mapping departments were relieved of reappraisal duties by authorities within the county and allowed to continue on as usual to accomplish "better things."

On January 1, 1989, Sedgwick County received a resolution from the Legislature commending them for being the first county to finish reappraisal. However, there were still no maps and no capability of providing them in the foreseeable future, so only the improvements had actually been reappraised. This was my particular moment of great concern because a generous portion of the \$100 million spent from 1985 to 1989 was used for mapping. There were none in Sedgwick nor in Johnson.

All reappraisal records subject to the Kansas Open Records Act and the public began to request maps for all the purposes that they use maps and for tax appeal evidence as well. Their request were denied and they were referred to the outdated plat maps in the Clerks offices. A plea to the Assistant County Manager of Sedgwick County was made by me to comply with the Open Records Act and give me any map in any state of completion so that I could use it in my reappraisal seminars for Realtors and appraisers. My request was denied.

2-3

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I asked an employee of PVD to inquire if Johnson County was complying with requests for maps. After a few days, I received my answer, it was no. I called county commissioners to look into the matter. No interest was taken of which I am aware. I enlisted the services of an attorney who set up a meeting with the Sedgwick County Counselor, Appraiser, Clerk, and Mapping Supervisor. It was determined at that meeting by the County Counselor that I must be given a map. Three weeks later, my attorney was invited to the County Counselor's office and given a map of the most rural area of Sedgwick County. It was an aerial of very poor quality with outlines of five parcels drawn on, no roads, no routing numbers, and no map legend.

What had gone wrong? Five years had passed, there were still no maps. The cities were getting impatient. All entities and people who had so looked forward to the solution of computerized maps expressing concern. Money was being spent, on what? How much?

District attorneys were being asked to sue for the release of maps and for the map database on disk for evaluation. The counties reacted by introducing a bill that would relieve them of having to comply with the KORA. The reason, they said, is that private business could make fortunes off of their work. However, the counties failed to advise the Legislature that private business would not have the daily updating capability in the control of the counties; therefore, the database was worthless to business for any reason other than to evaluate the quality and state of total project completion the counties had reached.

Johnson and Sedgwick successfully kept their computerized mapping under lock and key. In 1991, I requested an investigation through PVD of the expenditures to date for computerization of maps in each county. The responses are attached to this testimony. The response from Sedgwick County is not as thorough as the one from Johnson and is difficult to properly analyze. However, accepting the documents as correct, \$7,133,349 in tax dollars was spent on computerized mapping as of January 27, 1991 with no maps produced for appraisal routing or any other purpose in either county.

The taxpayers and entities who were waiting on the map technology were beginning to organize and protest. They were concerned that tax money spent would produce nothing usable for their needs and the secretiveness and outright contempt for their needs displayed by the counties was unacceptable.

In the midst of this discontent, several facts were uncovered. The aerial photography contracted by PVD in the beginning was not of good enough quality for computer reading. Sedgwick County

2-4

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contracted their own the second time and the result was the same. The lesson learned is, it takes an expert in the field to set the standards for the photography. A lot of money was wasted on the photography and, subsequently, the mapping work done did not fit. All was a loss.

Another misfortune is that the counties purchased different computer software for the mapping, therefore they did not speak the same language. PVD was helpless as an interpreter.

In addition, the software was new and unproven in a reappraisal environment. As this became apparent, there was little chance to be financed for new software or updates by county commissioners who had set their budgets within the tax lid. Sedgwick County went right on working three shifts per day under these circumstances, producing inferior quality work. The more pressure that was put on them to correct the situation from the private sector, the tighter they enclosed themselves with repetitious statements from managers that "nobody will get their hands on MY database, I've got too much money into it; they'll have to sue me, they'll have to reimburse me all of my costs."

PVD audited Johnson county two years ago and gave them an ultimatum to produce the maps as required for reappraisal either by hand or computer but to have it done within 18 months. Johnson bought new software and hired new expertise. In January of this year, I was privileged to view what appeared to be a finished map meeting reappraisal requirements. Of course, this does not mean they can tackle a flood project or send maps to other computers.

In the winter of 1993, A private engineering firm in Wichita went through the county attorney to force compliance with the Kansas Open Records Act and received the map data base on disk. The evaluation proved the database for Sedgwick County maps to be of a quality unusable for professional map layer products. PVD also audited the mapping process and issued a similar ultimatum to Sedgwick as had been done to Johnson, to complete maps as required for reappraisal.

In the meantime, the city of Wichita has run out of patience. They and a utility company are going to work together to obtain accurate, computer-readable aerial photographs. They are not in the mood to share these with the appraiser's mapping department in the county. Also, in the meantime, Sedgwick County Appraiser mapping is purchasing new equipment to start all over to try to meet reappraisal requirements. I am not aware of any changes planned in staff or administration.

25

Also, in the meantime, the Sedgwick County Clerk is trying to accommodate the City and the utility by purchasing computerized mapping equipment to begin all over from scratch a computerized parcel ownership map system that she wants to share and share alike. There is a glimmer of hope for the drainage plan for Wichita in this effort, but other projects in the future are not secured. Then, too, we have the expense of two computerized mapping projects running up tax dollars side-by-side.

Who is to blame for this situation? Probably the Legislature. How do we stop this waste and confusion? We've got to take a look at it, understand the administrative overview, make good legislative decisions. I hope we will not let any political subdivision lock up this technology so that nothing can be accomplished. I also hope we can put people and a structure in charge with vision and expertise.

Our constituents can see that we need to get a grip on this and many other situations like it. Our constituents use government services. They shake their heads. They get angry. They say "no more tax increases, cut government waste."

A group people met in Wichita this summer. This included representatives from PVD, Sedgwick County, software developers and private business. A plan was drafted to accomplish the following:

(1) Remove all computerized mapping efforts and geographic information system efforts from political and departmental entities. Perhaps a State Department of Land Information should be formed.

(2) Recreate the G.I.S. Policy Board in the statutes. This board is now appointed only at the choice of the Governor and works with computerized mapping products that do not require parcel ownership maps.

(3) Set uniform standards for mapping statewide.

(4) Organize land information county units under this administration, perhaps including the registers of deeds.

(5) Create the ability to work hand-in-hand with a Land Information Association of public and private sectors. This would include all levels of government, universities, community colleges, utilities, private industry and others who can contribute and share informational map layers and funding.

(7)

A bill to create this structure has been drafted and will be submitted to the Local Government Committee for approval as a committee bill. This is a complicated issue that could easily be misunderstood and abandoned or made significantly worse. One more year of things the way they are may very well result in "no turning back."



SEDGWICK COUNTY, KANSAS

OFFICE OF THE APPRAISER

PAT ISMERT
SEDGWICK COUNTY APPRAISER

JIM POWELL
CHIEF DEPUTY APPRAISER

COUNTY COURTHOUSE • SUITE 227 • WICHITA, KANSAS 67203-3795 • TELEPHONE (316) 383-7461

DATE: January 27, 1991
TO: Russ Gibbs, Property Valuation Division
FROM: Pat Ismert, Sedgwick County Appraiser *PI*
RE: Reappraisal Mapping Costs

Below is an estimate of costs related to the Reappraisal Mapping Project from January 1, 1986 through December 31, 1990. Please do not hesitate to contact me if you should have further questions.

Salaries & Wages	826,153
Contracts	354,456
(Includes:	
Lawrence & Associates	
M. J. Harden	
Surdex)	
Training	18,128
Equipment	209,717
(Includes:	
Data Processing Hardware	
Xerox Machines	
Drafting Stations	
Digitizers)	
Xerox Maintenance	1,900
Supplies	45,616
Grand Total	1,455,970

PI/sc

2-8

*Johnson County***AIMS BUDGET**

Tasks	Estimated Expend.	Related to Reappraisal	
1 Reappraisal Map Program Development (PGI)	23,000	23,000	
2 Aerial Photo Specifications (PGI)	7,753	7,753	
3 Aerial Photog. & Geodetic Control (AS&D)	132,000	132,000	
4 Analytical Triangulation (AS&D)	42,000	42,000	
5 Aerial Photo Enlargements (AS&D)	25,281	25,281	
6 Mapping Database & GIS Specifications (PGI)	26,000	26,000	
7 Planimetric Vendor Selection & Quality Control (PGI)	18,000	10,000	
8 Planimetric Map Database Compilation (ASI)	1,786,000	600,000	Incl 5000 for addl translation
9 Parcel Vendor Selection & Quality Control (PGI)	25,000	25,000	
10 Parcel Boundary Map Compilation (UAM)	1,748,175	1,748,175	Paid \$1,165,225 thru 12/31/90
11 GIS Vendor Selection & Assistance (PGI)	18,000	12,000	
12 Engineering Design Study (PGI)	13,000	0	
13 System Design Assistance (PGI)	23,000	15,000	
14 Purchase/Install GIS (ESRI)	600,672	200,000	
15 Purchase IBM workstations, Phase 1 (IBM)	53,116	6,000	
16 Purchase/Install Phase 2 GIS equipment	200,000	20,000	
17 Source Document Collection (misc. vendors)	39,482	39,482	
18 Database Design-Coord., & Pricing Policies (PGI)	83,500	95,000	
19 Maintenance, Training & Technical Services	89,000	0	
20 Map Edit Staffing	60,000	0	
21 Misc. direct expenses	20,000	10,000	
22 Transp., Shipping, Supplies, Copies, Minor Equip.	48,000	18,000	
23 Miscellaneous Equipment	44,000	25,000	
24 Soil Survey Automation (MLI)	58,000	58,000	
25 Ag Data Procedures (MLI)	2,500	2,500	
26 Ag Data Production Program (Hill)	2,000	2,600	
27 Ag Value Calculation Programs (ESRI)	5,000	5,000	
28 Communications Equipment, local	34,000	17,000	Conduit & wiring to Courthouse
29 Communications Equipment, NE	11,000	0	T-1 to NE Courthouse, AIMS share
30 Communications Equipment, Reapp & PW	38,000	19,000	T-1 to Reapp. & Public Works
31 Digitize Sewer Line Maps	58,000	0	not yet RFP & bid
subtotal	5,229,379	3,119,791	
Financing costs	448,000	150,000	
Total	5,677,379	3,269,791	

Vendors:

PGI - PlanGraphics, Inc.

AS & D - Air Survey & Design

ASI - Analytical Surveys, Inc.

UAM - UAM, Inc.

ESRI - Environmental Systems Research Institute, Inc.

MLI - Martel Laboratories, Inc.

IBM - IBM, Inc.

2-9

El Dorado

Huddleston, Darlene, 88, homemaker, died Thursday, Nov. 11, 1993. Service 2 p.m. Monday, Carlson Funeral Home.

Survivors: son, Robert of Overland Park; two grandchildren; three great-grandchildren. Memorial has been established with First Baptist Church.

Rayburn, Donald J., 97, retired El Dorado fire chief, died Wednesday, Nov. 10, 1993. Service 10:30 a.m. Monday, Carlson Funeral Home.

Survivors: daughter, Sarah Margaret Simonton of El Dorado; two grandchildren. Memorial has been established with Knights Templar Eye Foundation.

Hutchinson

Lessin, Dr. Dianna Lynn, 38, Hutchinson Clinic neurologist, was found dead Wednesday, Nov. 10, 1993. Service 2 p.m. today, Elliott Mortuary.

Survivors: mother and stepfather, Nancy and Skip Kendrick of Wichita; father and stepmother, Roger and Lee of Austin, Texas; brothers, Mike of Wichita, Tom of Minneapolis; grandparents, Jacob Walz of Sioux Falls, S.D., Ruby of Prague, Minn. Memorial has been established with the Hutchinson Humane Society.

Parsons

Brenner, Ellis, 85, retired Parsons State Hospital & Training Center grounds superintendent and greenhouse operator, former Potwin, Newton, Eureka and Ottawa resident, died Thursday, Nov. 11, 1993. Services 10 a.m. Monday, Burris-Carson-Wall Funeral Home, Parsons; 2:30 p.m., Blankenship Cemetery, Rosalia.

Survivors: wife, Lela; sons, Bob of Ottawa, Stan of Tucson; daughters, Jean Miller of Lake Havasu City, Ariz., Judy of Parsons; brothers, Bill of Douglass, Roy of El Dorado; sister, Letha of El Dorado; eight grandchildren; 11 great-grandchildren; two great-great-grandchildren. Memorial has been established with First Christian Church.

County gets deadline to fix property maps

By Julie Wright

The Wichita Eagle

The state Property Valuation Division has ordered Sedgwick County to come up with a plan to correct problems with the county appraisal office's mapping program by Jan. 14.

An audit of the county's mapping program, conducted in July and August, revealed that the county does not have completed property ownership maps that meet minimum state mapping specifications.

David Cunningham, director of the Property Valuation Division, has ordered Appraiser Pat Ismert to devise a plan to allocate the employees and money necessary to develop a complete set of property ownership maps that meet state specifications by July 31, 1995.

Two Sedgwick county commissioners said they want to give Ismert a chance to explain the situation. Ismert wasn't available for comment Friday.

"The appraiser's office should be able to ascertain what they need to do to get this job done," said Commissioner Andy Bias. "We will then respond to that plan once it's presented to us."

Commissioner Betsy Gwin said she, too, wants to talk to Ismert about the PVD order.

"I'm not going to get overly concerned about comments from PVD, because this wouldn't be the first time that the property appraiser and the Property Valuation Division differed on how this county's doing its work," Gwin said.

However, both Gwin and Commissioner Bill Hancock said that commissioners have begun talking among themselves about the need to learn more about how the appraiser's office operates.

Property appraisals generate more taxpayer telephone calls than any issue besides roads, Gwin said. She wants to learn more about how Ismert's office functions.

"I think we need to get some input from the employees ... their

opinion of the department," Gwin said.

Commissioners also want to learn more about the possibility of employee discontent in the office.

"I don't know whether there's like five employees ... who are just not happy in their jobs or somehow frustrated, or if there's 105," Gwin said. "I think that's just what I want, to find out, by having somebody visit with them."

Hancock said commissioners are trying to define issues of concern in the appraiser's office. For example, he thinks the county probably should spend more time appraising property and less time defending the appraisals in valuation hearings.

The commission reappointed Ismert to a four-year term earlier this year, several months before her term was set to expire.

Officials from PVD are set to visit Ismert's office next week to monitor her progress toward meeting their Jan. 14 deadline.

Cunningham also has ordered Ismert to review property descriptions by comparing them to the most recent deeds of record.

Cunningham said the absence of a complete set of maps that meet his division's specifications probably does not signal a wholesale problem in the way taxpayers' property is appraised.

"I wouldn't see — at this juncture anyway — ... any major impact on taxpayers," he said.

However, the maps would be crucial for another project the county is considering. Commissioners are talking about investing in a Geographic Information System, a sophisticated computer system that would allow them to display different kinds of data — ranging from crime statistics to political party affiliations — on the maps.

"The maps are an integral part of any future computer or information system that we may want to put together," Gwin said.

Many wanted a private word with him, many more just wanted to pat him on the shoulder or shake his hand. Curt Meyer, the chief execu-

Lowest prices on all caskets.
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TO: Rep Keith Roe
FROM: Chris W. Courtwright, Principal Analyst
RE: Information on Earnings Tax in Kansas City, Missouri and HB 2642

This memo is in response to your request for information on the Kansas City, Missouri earnings tax and on the earnings tax proposal in HB 2642.

KCMO Earnings Tax -- Revenue

According to the city finance department, the one percent earnings tax imposed by Kansas City raised approximately \$106.7 million during the city's fiscal year 1993 (May of 1992 through April of 1993). Of this amount, about \$14.2 million was collected from the tax on businesses and corporations, and \$92.5 million was collected from the earnings tax on individuals employed in or residing in the city.

Their tax, of course, is similar to the tax that cities in Kansas would be authorized to impose if HB 2642 were to be enacted. Kansas City's tax generally is imposed on the gross earnings of resident individuals, the gross earnings of other individuals for work or services performed in the city, and on the "net profits" of businesses and corporations attributable to work done, services performed or rendered, and business activities conducted within the city.

KCMO Earnings Tax -- Apportionment of Earnings

City staff assured me that there were numerous complex issues involved in apportioning the earnings of businesses and corporations attributable to the earnings-activities occurring within the city limits. The methodologies used in making such a determination have resulted in ongoing litigation.

Though Kansas City does rely on Missouri state officials to help provide data on the earnings of certain corporations, city officials are seeking new legislation that would amend state income tax confidentiality requirements to allow additional reciprocity arrangements between the state and the city.

With respect to the apportionment of the earnings of individuals, you may recall that the question came up in Committee regarding the application of earnings taxes to the salaries of professional athletes. Kansas City does in fact tax the earnings of professional athletes based on the number of days they appear in uniform in their professional capacity divided by their number of "duty days" in a year. For baseball players, the city usually assumes 220 "duty days" in one year (based on the start of spring training through the end of the season). For football players, the city usually uses between 150 and 170 duty days.

By way of example, if the Red Sox play in Kansas City six days in a given calendar year, the city would attempt to apply its earnings tax to 6/220 of each of the annual salaries of the players, managers and coaches appearing in an official capacity with the team. So if Roger Clemens earns \$4 million per year in salary, his Kansas City earnings tax liability would be one percent times 6/220ths of \$4 million, or approximately \$1,091. (City staff tells me that Clemens is taxed based on the number of games that the Red Sox play in Kansas City, regardless of how many of those games he pitches.)

(more)

1/25/94

House Taxation Cmte

Attachment 3

TO Earnings Tax Appraisal (Continued)

With respect to the compliance of other transient performers and merchants, the city has taken proactive steps to notify all promoters and booking agents that their clients are subject to the tax.

Earnings Taxes -- Policy Issues for Cities

One thing to keep in mind is that because of the differences between an income tax base and an earnings tax base, imposition of the latter by cities in Kansas may tend to raise some equity and economic development issues.

If Topeka were to impose an earnings tax authorized under the provisions of HB 2642, the city would not receive any revenue if a resident of the city won a multi-million dollar lottery jackpot. Such a windfall would, of course, be subject to state and federal income tax.

Interest and dividend income from investments taxable under the state and federal income tax would not be subject to the earnings tax. Cities do have the power to impose intangibles taxes now, and could face equity arguments if they sought to impose only earnings taxes.

Imposition of earnings taxes by cities also could raise a number of economic development issues. The tax would apply to things like honoraria paid to guest speakers.

Based on my reading of the bill, it looks as though a tax imposed by Topeka would apply to the \$62 per diem received by legislators pursuant to KSA 46-137a and the annual salaries received by legislative leaders pursuant to KSA 46-137b. Payments to legislators for subsistence and mileage probably would not be subject to the tax. (The bill defines earnings of individuals to include wages, salaries, commissions, fees, and other forms of compensation for labor or services rendered. The bill further stipulates that a person would be considered employed within a city if such person's "primary" place of business is located within the city.)

Earnings Taxes -- Credits and Deductions

Since the earnings tax would be imposed on individuals who work or reside in a city, the question came up about the credit mechanism in the bill. Residents of a city imposing an earnings tax would be allowed a credit against their home city's tax for earnings taxes paid to other cities. By way of example, consider someone living in Lawrence and working in Topeka if both cities imposed a one percent earnings tax. This individual would pay the Topeka tax and would be allowed to claim the entire amount paid as a credit against the Lawrence tax, wiping out any liability in Lawrence (assuming all of the earnings were derived within Topeka). If the Topeka rate were to be 1.5 percent and the Lawrence rate 1.0 percent, this individual would pay Topeka's 1.5 percent tax and have no liability in Lawrence. If, on the other hand, Topeka's rate were to be 1.0 percent and Lawrence's 1.5 percent, the individual would pay Topeka's tax and owe Lawrence an additional 0.5 percent.

With respect to the deductibility of earnings taxes from federal and state income taxes, persons itemizing deductions would be eligible to deduct earnings taxes from their federal income taxes. But the majority of all Kansas taxpayers, who cannot itemize deductions at the federal level, would not be able to deduct earnings tax liability.

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ings Taxes -- Crea and Deductions (Continued)

Regardless of whether an individual is able to itemize and deduct city earnings taxes at the federal level, it appears that earnings taxes would NOT qualify as a deduction with respect to the Kansas income tax. KSA 1993 Supp 79-32,117 (b) (ii) provides that all taxes on or measured by income or fees imposed by this state or any other taxing jurisdiction must be added back in when computing Kansas adjusted gross income to the extent that such taxes were deductible in determining federal adjusted gross income.

Comparing Missouri Law and HB 2642

Besides the similarity in the way the earnings tax is imposed on both residents and non-resident workers, another important similarity between the Missouri law authorizing city earnings taxes and HB 2642 is the fact that the taxes cannot be imposed without a mandatory election.

One major difference relates to the Missouri law's restriction of the earnings tax authorization to only three cities -- Kansas City, St Louis, and St Joseph. (Kansas City and St Louis have imposed earnings taxes for a number of years. Missouri added the authorization for St Joseph in 1990, but that city has not yet imposed the tax.) HB 2642, of course, would authorize all cities in Kansas to levy earnings taxes.

Another major difference involves the administration and collection of the earnings taxes. The Missouri cities are required to administer the tax on their own and are authorized to impose various collection and withholding requirements on employers pursuant to city ordinances. HB 2642, on the other hand, would require all Kansas cities imposing earnings taxes to utilize the services of the Kansas Department of Revenue for administration, enforcement, and collection. The Department would be authorized to promulgate rules and regulations providing for withholding by employers.

Yet another distinction involves the maximum authorized rate. Missouri law allows the three cities to impose taxes up to 1 percent. HB 2642 would authorize Kansas cities to impose earnings tax rates as high as 2 percent.

Other differences I have been able to identify deal with the tax base. While Missouri law specifically exempts certain kinds of income from being subject to the city earnings taxes, it gives the city governing bodies flexibility to determine additional "deductions, exemptions, and credits". HB 2642 provides persons or organizations exempt from the Kansas income tax would be exempt from city earnings taxes and does not allow cities to provide for any further adjustments to the tax base.

Since KSA 79-32,113 exempts Kansas financial institutions and insurance companies from our income tax act (they are subject to separate privilege taxes), cities imposing earnings taxes pursuant to HB 2642 would not be taxing such entities. The Kansas City, Missouri earnings tax is imposed on financial institutions but not on insurance companies, according to city staff.

Kansas City is currently involved in litigation over the imposition of the earnings tax on deferred compensation. Though deferred compensation contributions are exempt from state and federal income tax, the earnings tax is applied by Kansas City. (Though exempt from the state income tax, deferred compensation is not specifically included on the list of items that the three Missouri cities are prohibited from taxing.) City officials argue that since payments from annuities are subject to income taxes but exempt from earnings

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Comparing Missouri Law and HB 2642 (Continued)

taxes "on the way out" of the system, it is appropriate for the earnings tax to apply to the deferred compensation contributions "on the way in". This is a policy decision that cities in Kansas levying earnings taxes would not be making, since cities could not tax the deferred contributions of persons or organizations exempt from the state income tax.

I hope this discussion has proved useful to you. If you have any further questions, please let me know.