

Approved: 2/9/94  
Date

## MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Keith Roe at 9:00 a.m. on February 8, 1994 in Room 519-S of the Capitol.

All members were present except: Representative Grotewiel, excused

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

Conferees appearing before the committee:

Representative Les Donovan  
Representative Rocky Nichols  
Representative Jim Garner  
Representative Ed McKechnie  
Melody Rebenstorf - for Jerry McCoy, Sedgwick County Treasurer  
Don McNeely - Kansas Automobile Dealers Association  
Tommy McGeeney - Kansas Independent Automobile Dealers Association  
Ron Smith - Kansas Bar Association

Others attending: See attached list

The minutes of February 7, 1994, were approved. as read.

Chairperson Roe opened the hearing on motor vehicle tax bills HB 2003, HB 2724, HB 2793, HB 2878, HB 2888, and HB 2889.

Staff distributed fiscal data on HB 2793 (Attachment 1), HB 2878 (Attachment 2), and HB 2888, (Attachment 3).

Representative Les Donovan testified in support of HB 2888 and said that he wants more fairness in the way we tax automobiles in the state of Kansas. He stated that one of the benefits of this bill is the fact that it is revenue neutral statewide. Representative Donovan said that this bill could be even more than revenue neutral because tax evaders may decide to pay taxes if this bill is passed (Attachment 4).

Melody Rebenstorf testified for Jerry McCoy, Sedgwick County Treasurer in support of HB 2888. She said that replacing a county-wide average mill levy with a state-wide average mill levy will provide a more equitable basis for taxing vehicles (Attachment 5).

Representative Rocky Nichols testified in support of HB 2878 and said this bill would provide over \$33 million in motor vehicle tax relief statewide. He also said this bill offers replacement revenue which would come from eliminating the sales tax exemption on attorney's fees. The bill also would reduce the motor vehicle tax by reducing the first \$1500 of value off all classes of vehicles (Attachment 6).

Representative Jim Garner testified in support of HB 2878 and said that they are not locked in stone as to where the replacement revenue is distributed, but their goal is to return the money from where it would be lost - the local units of government. He said that he believes property taxes to be the most regressive and outdated modes of funding government and other alternatives should be considered.

Ron Smith, Kansas Bar Association, testified that they oppose the part of HB 2878 that would impose a gross receipts tax on the sale of legal services and said that it would be replacing one regressive tax with another (Attachment 7).

## CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on February 8, 1994.

Representative Ed McKechnie testified in support of HB 2793. He said that any bill that has hopes of reducing motor vehicles taxes should provide genuine tax relief and have a phased-in plan. Representative McKechnie said there is little doubt that if there is any significant reduction in automobile taxes people will go out and buy newer cars (Attachment 8).

Don McNeely, Kansas Automobile Dealers Association, testified in support of the reduction and restructuring of the property tax on motor vehicles. He said that although the implementation of the school finance formula will reduce the tax burden for residents in most counties, Association members believe there are serious problems with the way Kansas taxes motor vehicles (Attachment 9).

Tommy McGeeney, Kansas Independent Automobile Dealers Association, testified that his Association is in favor of any bill which will lower the property tax on vehicles. He said that the property tax on vehicles is counter-productive to the general public and to the automobile industry (Attachment 10).

Chairperson Roe announced that the hearing would continue Wednesday, February 9, 1994, on the motor vehicle tax bills.

The meeting adjourned at 10:15 a.m.

The next meeting is scheduled for February 9, 1994.

# HOUSE TAXATION COMMITTEE

DATE 2/8/94

NAME

ADDRESS

REPRESENTING

Dan Finch	Topeka	KWIC
Don Smith	"	Ks Bar Assoc
Chris McKenry	"	League of Ks Muns
Glen Freil	Topeka	John Klopfer
DON MCNEELY	TOPEKA	KADA
KEVIN FORESTSON	TOPEKA	BANKER ASSOC.
Norm Humphrey	Topeka	KMHA & RV Council
Edna McFarland	Overland Park	DPC Chamber of Commerce
Bernie Koch	Wichita	Wichita Chamber of Commerce
GERRY RAY	Overland PK	City of Overland PK Johnson Co. Comm.
Jacque Enke	Topeka	KIADA
Beth McBride	Topeka	KDOR
Michelle Chinn	Topeka	attn: Jon Small
Don Siefert	Olathe	City of Olathe
Barbara Butts	Topeka	Dept of Admin
Rocky Nichols	Topeka	
RICHARD RODENWALD	EUDORA	TAXPAYERS
Melody Rubenstein	Wichita	Ind. Co. Treasurer's Office
James Burroughs	Topeka	Western Resources
Ellie Devine	Topeka	Ks Livestock Assoc.

## MEMORANDUM

TO: Ms. Gloria M. Timmer, Director  
Division of Budget

DATE: February 4, 1994

FROM: Kansas Department of Revenue

RE: House Bill 2793  
As Introduced

### BRIEF OF BILL:

House Bill 2793, as introduced, amends K.S.A. 1993 Supp. 79-5105 modifying the formula for the calculation of motor vehicle property tax. In calendar year 1995 the 30% assessment rate drops to 29%. That rate continues to drop, at the rate of one additional percent per year until the year 2009 when it stabilizes at 15%.

The effective date of this bill would be January 1, 1995.

### FISCAL IMPACT:

The fiscal impact in calendar year 1995 of the proposed changes contained in this bill is estimated to be a decrease of approximately \$8.1 million at the county level.

The Department of Revenue has constructed a data base that is essentially a snap shot of the Vehicle Information Processing System (VIPS) mainframe files as of the end of December 1993. These records are then manipulated, using the new parameters contained in this bill, and a new tax is figured. The provisions of this bill would result in an estimated 3.26% decrease in vehicle tax revenues State-wide, at the county level, over the estimated \$249 million that should be collected in 1995 under the present method of taxation. See attachment 1 for county by county and state-wide comparisons.

It is estimated that each additional 1% decrease in assessed value over the next 15 years will result in about \$8 million in lost revenue to the counties.

### ADMINISTRATIVE IMPACT:

The Department of Revenue's Information Systems Bureau (IS) is currently evaluating their anticipated costs, in programming and analysis resources, to implement this legislation. Because of the complexity in calculating refunds and transfers of tax credit from one vehicle to another when differing assessment rates are involved, those costs have not yet been totally identified. It is expected that when complete those costs could well run in excess of \$20,000 in one-time costs in Fiscal Year 1995.

### ADMINISTRATIVE COMMENTS:

To facilitate the equal taxation of taxpayers for similar periods and the Department's computation of refunds and transfers of tax credit from one vehicle to another, in subsection (d), lines 7 and 8 should be changed from "calendar years" to "registration years". Additionally, the schedule should begin with "1996" and end with "2010". These changes should keep the State out of possible future litigation similar to the Zarda case of a few years ago which involved the depreciation rate which was being applied on a calendar year basis and had to be changed to a registration year basis.

APPROVED BY:

\_\_\_\_\_  
Nancy Parrish  
Secretary of Revenue

2/8/94  
House Taxation Cmte  
Attachment 1



## 94BaselineHB2793Intro

COUNTY	94 BASELINE	HB2793 INTRO	Difference	% Change
ALLEN	\$1,269,682	\$1,228,719	(\$40,963)	(3.23%)
ANDERSON	\$678,855	\$657,066	(\$21,789)	(3.21%)
ATCHISON	\$1,250,124	\$1,209,940	(\$40,184)	(3.21%)
BARBER	\$588,955	\$569,887	(\$19,068)	(3.24%)
BOURBON	\$1,335,275	\$1,292,159	(\$43,116)	(3.23%)
BROWN	\$846,205	\$819,069	(\$27,136)	(3.21%)
BARTON	\$3,269,789	\$3,163,410	(\$106,379)	(3.25%)
BUTLER	\$5,356,136	\$5,182,000	(\$174,136)	(3.25%)
CLARK	\$270,171	\$261,421	(\$8,750)	(3.24%)
CLOUD	\$1,153,088	\$1,115,803	(\$37,285)	(3.23%)
COFFEY	\$557,152	\$539,532	(\$17,620)	(3.16%)
CHEROKEE	\$1,297,402	\$1,256,534	(\$40,868)	(3.15%)
COWLEY	\$3,446,480	\$3,335,003	(\$111,477)	(3.23%)
COMANCHE	\$269,620	\$260,865	(\$8,755)	(3.25%)
CHEYENNE	\$295,928	\$286,519	(\$9,409)	(3.18%)
CHAUTAUQUA	\$402,530	\$389,648	(\$12,882)	(3.20%)
CRAWFORD	\$3,030,263	\$2,932,371	(\$97,892)	(3.23%)
CHASE	\$251,980	\$243,933	(\$8,047)	(3.19%)
CLAY	\$849,804	\$822,374	(\$27,430)	(3.23%)
DECATUR	\$340,610	\$329,721	(\$10,889)	(3.20%)
DOUGLAS	\$6,771,602	\$6,550,067	(\$221,535)	(3.27%)
DICKINSON	\$1,518,554	\$1,469,989	(\$48,565)	(3.20%)
DONIPHAN	\$671,646	\$650,010	(\$21,636)	(3.22%)
EDWARDS	\$399,411	\$386,528	(\$12,883)	(3.23%)
ELK	\$298,438	\$288,912	(\$9,526)	(3.19%)
ELLIS	\$2,369,822	\$2,292,858	(\$76,964)	(3.25%)
ELLSWORTH	\$530,636	\$513,610	(\$17,026)	(3.21%)
FINNEY	\$2,872,079	\$2,778,736	(\$93,343)	(3.25%)
FORD	\$2,488,140	\$2,407,273	(\$80,867)	(3.25%)
FRANKLIN	\$1,832,538	\$1,773,599	(\$58,939)	(3.22%)
GEARY	\$1,644,838	\$1,591,323	(\$53,515)	(3.25%)
GRAHAM	\$347,843	\$336,669	(\$11,174)	(3.21%)
GREELEY	\$171,440	\$165,983	(\$5,457)	(3.18%)
GOVE	\$329,860	\$319,330	(\$10,530)	(3.19%)
GRANT	\$611,286	\$591,509	(\$19,777)	(3.24%)
GREENWOOD	\$755,844	\$731,610	(\$24,234)	(3.21%)
GRAY	\$622,864	\$602,615	(\$20,249)	(3.25%)
HODGEMAN	\$284,877	\$275,681	(\$9,196)	(3.23%)
HAMILTON	\$238,789	\$231,155	(\$7,634)	(3.20%)
HARPER	\$732,227	\$708,582	(\$23,645)	(3.23%)
HASKELL	\$316,326	\$306,140	(\$10,186)	(3.22%)
HARVEY	\$2,674,361	\$2,587,946	(\$86,415)	(3.23%)
JACKSON	\$993,087	\$961,198	(\$31,889)	(3.21%)
JEFFERSON	\$1,508,961	\$1,460,376	(\$48,585)	(3.22%)
JOHNSON	\$56,091,750	\$54,235,486	(\$1,856,264)	(3.31%)
JEWELL	\$391,688	\$379,198	(\$12,490)	(3.19%)
KEARNY	\$288,614	\$279,462	(\$9,152)	(3.17%)
KINGMAN	\$722,116	\$698,985	(\$23,131)	(3.20%)

## 94BaselineHB2793Intro

COUNTY	94 BASELINE	HB2793 INTRO	Difference	% Change
KIOWA	\$357,789	\$346,200	(\$11,589)	(3.24%)
LABETTE	\$2,044,148	\$1,978,325	(\$65,823)	(3.22%)
LINCOLN	\$386,884	\$374,429	(\$12,455)	(3.22%)
LANE	\$335,257	\$324,407	(\$10,850)	(3.24%)
LOGAN	\$298,385	\$288,887	(\$9,498)	(3.18%)
LINN	\$529,267	\$512,685	(\$16,582)	(3.13%)
LEAVENWORTH	\$4,427,272	\$4,283,393	(\$143,879)	(3.25%)
LYON	\$2,986,220	\$2,889,056	(\$97,164)	(3.25%)
MITCHELL	\$770,594	\$745,727	(\$24,867)	(3.23%)
MEADE	\$422,406	\$408,772	(\$13,634)	(3.23%)
MONTGOMERY	\$3,470,179	\$3,358,136	(\$112,043)	(3.23%)
MIAMI	\$2,453,628	\$2,374,065	(\$79,563)	(3.24%)
MARION	\$1,021,283	\$988,575	(\$32,708)	(3.20%)
MCPHERSON	\$2,549,418	\$2,466,830	(\$82,588)	(3.24%)
MORRIS	\$562,618	\$544,532	(\$18,086)	(3.21%)
MARSHALL	\$1,051,636	\$1,017,804	(\$33,832)	(3.22%)
MORTON	\$296,493	\$286,949	(\$9,544)	(3.22%)
NEMAHA	\$943,146	\$912,648	(\$30,498)	(3.23%)
NEOSHO	\$1,651,730	\$1,598,348	(\$53,382)	(3.23%)
NESS	\$432,196	\$418,373	(\$13,823)	(3.20%)
NORTON	\$526,280	\$509,379	(\$16,901)	(3.21%)
OSBORNE	\$495,433	\$479,533	(\$15,900)	(3.21%)
OSAGE	\$1,271,476	\$1,230,782	(\$40,694)	(3.20%)
OTTAWA	\$553,477	\$535,753	(\$17,724)	(3.20%)
PHILLIPS	\$605,571	\$586,058	(\$19,513)	(3.22%)
PAWNEE	\$766,788	\$741,982	(\$24,806)	(3.24%)
PRATT	\$1,102,796	\$1,066,995	(\$35,801)	(3.25%)
POTTAWATOMIE	\$1,194,437	\$1,156,420	(\$38,017)	(3.18%)
RAWLINS	\$320,670	\$310,424	(\$10,246)	(3.20%)
RICE	\$960,124	\$929,106	(\$31,018)	(3.23%)
RUSH	\$382,872	\$370,609	(\$12,263)	(3.20%)
RILEY	\$3,643,004	\$3,523,802	(\$119,202)	(3.27%)
RENO	\$5,877,905	\$5,687,198	(\$190,707)	(3.24%)
ROOKS	\$606,459	\$586,940	(\$19,519)	(3.22%)
REPUBLIC	\$610,305	\$590,668	(\$19,637)	(3.22%)
RUSSELL	\$846,280	\$818,976	(\$27,304)	(3.23%)
SALINE	\$4,030,321	\$3,900,428	(\$129,893)	(3.22%)
SCOTT	\$572,745	\$554,159	(\$18,586)	(3.25%)
SHERIDAN	\$338,945	\$328,040	(\$10,905)	(3.22%)
STAFFORD	\$512,906	\$496,340	(\$16,566)	(3.23%)
SEDGWICK	\$37,996,837	\$36,756,748	(\$1,240,089)	(3.26%)
SHERMAN	\$715,233	\$692,191	(\$23,042)	(3.22%)
SMITH	\$471,122	\$456,002	(\$15,120)	(3.21%)
SHAWNEE	\$18,338,522	\$17,738,323	(\$600,199)	(3.27%)
STANTON	\$239,532	\$231,803	(\$7,729)	(3.23%)
SUMNER	\$2,700,287	\$2,613,043	(\$87,244)	(3.23%)
STEVENS	\$365,444	\$353,751	(\$11,693)	(3.20%)
SEWARD	\$1,531,248	\$1,481,602	(\$49,646)	(3.24%)

## 94BaselineHB2793Intro

<u>COUNTY</u>	<u>94 BASELINE</u>	<u>HB2793 INTRO</u>	<u>Difference</u>	<u>% Change</u>	
THOMAS	\$863,686	\$835,701	(\$27,985)	(3.24%)	
TREGO	\$365,158	\$353,522	(\$11,636)	(3.19%)	
WALLACE	\$184,361	\$178,496	(\$5,865)	(3.18%)	
WABAUNSEE	\$532,098	\$515,114	(\$16,984)	(3.19%)	
WICHITA	\$305,045	\$295,131	(\$9,914)	(3.25%)	
WILSON	\$904,870	\$875,855	(\$29,015)	(3.21%)	
WOODSON	\$340,753	\$329,845	(\$10,908)	(3.20%)	
WASHINGTON	\$580,163	\$561,583	(\$18,580)	(3.20%)	
WYANDOTTE	\$15,107,683	\$14,614,303	(\$493,380)	(3.27%)	
TOTAL	\$248,991,071	\$240,875,550	(\$8,115,521)	(3.26%)	



HB 2876 m Veh Tax I only

## 94Baseline\$1500exempt

(Not including sales tax

COUNTY	94 BASELINE	\$1500 EXEMPT	Difference	% Change	on legal services for replacement revenue)
ALLEN	\$1,269,682	\$1,081,195	(\$188,487)	(14.85%)	
ANDERSON	\$678,855	\$576,703	(\$102,152)	(15.05%)	
ATCHISON	\$1,250,124	\$1,059,669	(\$190,455)	(15.23%)	
BARBER	\$588,955	\$507,689	(\$81,266)	(13.80%)	
BOURBON	\$1,335,275	\$1,138,340	(\$196,935)	(14.75%)	
BROWN	\$846,205	\$721,413	(\$124,792)	(14.75%)	
BARTON	\$3,269,789	\$2,818,210	(\$451,579)	(13.81%)	
BUTLER	\$5,356,136	\$4,590,803	(\$765,333)	(14.29%)	
CLARK	\$270,171	\$234,159	(\$36,012)	(13.33%)	
CLOUD	\$1,153,088	\$990,091	(\$162,997)	(14.14%)	
COFFEY	\$557,152	\$477,129	(\$80,023)	(14.36%)	
CHEROKEE	\$1,297,402	\$1,091,188	(\$206,214)	(15.89%)	
COWLEY	\$3,446,480	\$2,938,517	(\$507,963)	(14.74%)	
COMANCHE	\$269,620	\$235,100	(\$34,520)	(12.80%)	
CHEYENNE	\$295,928	\$255,468	(\$40,460)	(13.67%)	
CHAUTAUQUA	\$402,530	\$343,245	(\$59,285)	(14.73%)	
CRAWFORD	\$3,030,263	\$2,589,193	(\$441,070)	(14.56%)	
CHASE	\$251,980	\$214,133	(\$37,847)	(15.02%)	
CLAY	\$849,804	\$726,681	(\$123,123)	(14.49%)	
DECATUR	\$340,610	\$292,489	(\$48,121)	(14.13%)	
DOUGLAS	\$6,771,602	\$5,813,522	(\$958,080)	(14.15%)	
DICKINSON	\$1,518,554	\$1,290,884	(\$227,670)	(14.99%)	
DONIPHAN	\$671,646	\$571,420	(\$100,226)	(14.92%)	
EDWARDS	\$399,411	\$344,168	(\$55,243)	(13.83%)	
ELK	\$298,438	\$253,521	(\$44,917)	(15.05%)	
ELLIS	\$2,369,822	\$2,039,041	(\$330,781)	(13.96%)	
ELLSWORTH	\$530,636	\$454,568	(\$76,068)	(14.34%)	
FINNEY	\$2,872,079	\$2,488,486	(\$383,593)	(13.36%)	
FORD	\$2,488,140	\$2,142,394	(\$345,746)	(13.90%)	
FRANKLIN	\$1,832,538	\$1,549,125	(\$283,413)	(15.47%)	
GEARY	\$1,644,838	\$1,408,712	(\$236,126)	(14.36%)	
GRAHAM	\$347,843	\$297,478	(\$50,365)	(14.48%)	
GREELEY	\$171,440	\$147,678	(\$23,762)	(13.86%)	
GOVE	\$329,860	\$283,905	(\$45,955)	(13.93%)	
GRANT	\$611,286	\$533,291	(\$77,995)	(12.76%)	
GREENWOOD	\$755,844	\$642,821	(\$113,023)	(14.95%)	
GRAY	\$622,864	\$539,106	(\$83,758)	(13.45%)	
HODGEMAN	\$284,877	\$245,142	(\$39,735)	(13.95%)	
HAMILTON	\$238,789	\$206,623	(\$32,166)	(13.47%)	
HARPER	\$732,227	\$631,930	(\$100,297)	(13.70%)	
HASKELL	\$316,326	\$277,132	(\$39,194)	(12.39%)	
HARVEY	\$2,674,361	\$2,275,241	(\$399,120)	(14.92%)	
JACKSON	\$993,087	\$840,454	(\$152,633)	(15.37%)	
JEFFERSON	\$1,508,961	\$1,279,653	(\$229,308)	(15.20%)	
JOHNSON	\$56,091,750	\$49,446,423	(\$6,645,327)	(11.85%)	
JEWELL	\$391,688	\$335,244	(\$56,444)	(14.41%)	
KEARNY	\$288,614	\$250,002	(\$38,612)	(13.38%)	
KINGMAN	\$722,116	\$616,585	(\$105,531)	(14.61%)	

2/8/94

House Taxation Committee  
Attachment 2



## 94Baseline\$1500exempt

COUNTY	94 BASELINE	\$1500 EXEMPT	Difference	% Change
KIOWA	\$357,789	\$310,925	(\$46,864)	(13.10%)
LABETTE	\$2,044,148	\$1,744,497	(\$299,651)	(14.66%)
LINCOLN	\$386,884	\$331,257	(\$55,627)	(14.38%)
LANE	\$335,257	\$291,507	(\$43,750)	(13.05%)
LOGAN	\$298,385	\$256,396	(\$41,989)	(14.07%)
LINN	\$529,267	\$450,005	(\$79,262)	(14.98%)
LEAVENWORTH	\$4,427,272	\$3,766,226	(\$661,046)	(14.93%)
LYON	\$2,986,220	\$2,561,300	(\$424,920)	(14.23%)
MITCHELL	\$770,594	\$665,836	(\$104,758)	(13.59%)
MEADE	\$422,406	\$366,098	(\$56,308)	(13.33%)
MONTGOMERY	\$3,470,179	\$2,965,561	(\$504,618)	(14.54%)
MIAMI	\$2,453,628	\$2,093,308	(\$360,320)	(14.69%)
MARION	\$1,021,283	\$868,607	(\$152,676)	(14.95%)
MCPHERSON	\$2,549,418	\$2,192,365	(\$357,053)	(14.01%)
MORRIS	\$562,618	\$480,781	(\$81,837)	(14.55%)
MARSHALL	\$1,051,636	\$901,128	(\$150,508)	(14.31%)
MORTON	\$296,493	\$258,604	(\$37,889)	(12.78%)
NEMAHA	\$943,146	\$812,536	(\$130,610)	(13.85%)
NEOSHO	\$1,651,730	\$1,415,713	(\$236,017)	(14.29%)
NESS	\$432,196	\$371,875	(\$60,321)	(13.96%)
NORTON	\$526,280	\$452,591	(\$73,689)	(14.00%)
OSBORNE	\$495,433	\$426,771	(\$68,662)	(13.86%)
OSAGE	\$1,271,476	\$1,077,123	(\$194,353)	(15.29%)
OTTAWA	\$553,477	\$472,060	(\$81,417)	(14.71%)
PHILLIPS	\$605,571	\$520,472	(\$85,099)	(14.05%)
PAWNEE	\$766,788	\$659,820	(\$106,968)	(13.95%)
PRATT	\$1,102,796	\$953,737	(\$149,059)	(13.52%)
POTTAWATOMIE	\$1,194,437	\$1,019,816	(\$174,621)	(14.62%)
RAWLINS	\$320,670	\$274,117	(\$46,553)	(14.52%)
RICE	\$960,124	\$823,575	(\$136,549)	(14.22%)
RUSH	\$382,872	\$327,224	(\$55,648)	(14.53%)
RILEY	\$3,643,004	\$3,135,005	(\$507,999)	(13.94%)
RENO	\$5,877,905	\$5,054,933	(\$822,972)	(14.00%)
ROOKS	\$606,459	\$518,994	(\$87,465)	(14.42%)
REPUBLIC	\$610,305	\$524,699	(\$85,606)	(14.03%)
RUSSELL	\$846,280	\$732,822	(\$113,458)	(13.41%)
SALINE	\$4,030,321	\$3,461,259	(\$569,062)	(14.12%)
SCOTT	\$572,745	\$495,457	(\$77,288)	(13.49%)
SHERIDAN	\$338,945	\$292,627	(\$46,318)	(13.67%)
STAFFORD	\$512,906	\$442,755	(\$70,151)	(13.68%)
SEDGWICK	\$37,996,837	\$32,890,134	(\$5,106,703)	(13.44%)
SHERMAN	\$715,233	\$617,997	(\$97,236)	(13.60%)
SMITH	\$471,122	\$406,223	(\$64,899)	(13.78%)
SHAWNEE	\$18,338,522	\$15,805,325	(\$2,533,197)	(13.81%)
STANTON	\$239,532	\$209,297	(\$30,235)	(12.62%)
SUMNER	\$2,700,287	\$2,301,986	(\$398,301)	(14.75%)
STEVENS	\$365,444	\$320,334	(\$45,110)	(12.34%)
SEWARD	\$1,531,248	\$1,330,502	(\$200,746)	(13.11%)

## 94Baseline\$1500exempt

<u>COUNTY</u>	<u>94 BASELINE</u>	<u>\$1500 EXEMPT</u>	<u>Difference</u>	<u>% Change</u>	
THOMAS	\$863,686	\$745,123	(\$118,563)	(13.73%)	
TREGO	\$365,158	\$311,514	(\$53,644)	(14.69%)	
WALLACE	\$184,361	\$158,086	(\$26,275)	(14.25%)	
WABAUNSEE	\$532,098	\$452,225	(\$79,873)	(15.01%)	
WICHITA	\$305,045	\$265,286	(\$39,759)	(13.03%)	
WILSON	\$904,870	\$769,944	(\$134,926)	(14.91%)	
WOODSON	\$340,753	\$291,469	(\$49,284)	(14.46%)	
WASHINGTON	\$580,163	\$494,609	(\$85,554)	(14.75%)	
WYANDOTTE	\$15,107,683	\$12,897,538	(\$2,210,145)	(14.63%)	
TOTAL	\$248,991,071	\$215,123,938	(\$33,867,133)	(13.60%)	



## 94BaselineDonovan

2488 Not included  
pull-trailers

COUNTY	94 BASELINE	DONOVAN	Difference	% Change	
ALLEN	\$1,269,682	\$1,344,468	\$74,786	5.89%	
ANDERSON	\$678,855	\$760,278	\$81,423	11.99%	
ATCHISON	\$1,250,124	\$1,432,014	\$181,890	14.55%	
BARBER	\$588,955	\$635,214	\$46,259	7.85%	
BOURBON	\$1,335,275	\$1,283,820	(\$51,455)	(3.85%)	
BROWN	\$846,205	\$949,428	\$103,223	12.20%	
BARTON	\$3,269,789	\$3,014,964	(\$254,825)	(7.79%)	
BUTLER	\$5,356,136	\$5,521,416	\$165,280	3.09%	
CLARK	\$270,171	\$280,842	\$10,671	3.95%	
CLOUD	\$1,153,088	\$958,314	(\$194,774)	(16.89%)	
COFFEY	\$557,152	\$1,018,614	\$461,462	82.83%	
CHEROKEE	\$1,297,402	\$1,928,532	\$631,130	48.65%	
COWLEY	\$3,446,480	\$3,267,090	(\$179,390)	(5.21%)	
COMANCHE	\$269,620	\$265,914	(\$3,706)	(1.37%)	
CHEYENNE	\$295,928	\$385,710	\$89,782	30.34%	
CHAUTAUQUA	\$402,530	\$407,712	\$5,182	1.29%	
CRAWFORD	\$3,030,263	\$3,224,442	\$194,179	6.41%	
CHASE	\$251,980	\$301,740	\$49,760	19.75%	
CLAY	\$849,804	\$842,610	(\$7,194)	(0.85%)	
DECATUR	\$340,610	\$391,320	\$50,710	14.89%	
DOUGLAS	\$6,771,602	\$7,508,454	\$736,852	10.88%	
DICKINSON	\$1,518,554	\$1,785,498	\$266,944	17.58%	
DONIPHAN	\$671,646	\$709,851	\$38,208	5.69%	
EDWARDS	\$399,411	\$408,948	\$9,537	2.39%	
ELK	\$298,438	\$308,622	\$10,184	3.41%	
ELLIS	\$2,369,822	\$2,697,798	\$327,976	13.84%	
ELLSWORTH	\$530,636	\$626,400	\$95,764	18.05%	
FINNEY	\$2,872,079	\$3,123,504	\$251,425	8.75%	
FORD	\$2,488,140	\$2,456,646	(\$31,494)	(1.27%)	
FRANKLIN	\$1,832,538	\$2,092,890	\$260,352	14.21%	
GEARY	\$1,644,838	\$1,698,048	\$53,210	3.23%	
GRAHAM	\$347,843	\$362,280	\$14,437	4.15%	
GREELEY	\$171,440	\$205,332	\$33,892	19.77%	
GOVE	\$329,860	\$393,666	\$63,806	19.34%	
GRANT	\$611,286	\$937,752	\$326,466	53.41%	
GREENWOOD	\$755,844	\$722,100	(\$33,744)	(4.46%)	
GRAY	\$622,864	\$646,758	\$23,894	3.84%	
HODGEMAN	\$284,877	\$266,694	(\$18,183)	(6.38%)	
HAMILTON	\$238,789	\$282,006	\$43,217	18.10%	
HARPER	\$732,227	\$739,380	\$7,153	0.98%	
HASKELL	\$316,326	\$501,690	\$185,364	58.60%	
HARVEY	\$2,674,361	\$2,905,212	\$230,851	8.63%	
JACKSON	\$993,087	\$1,090,938	\$97,851	9.85%	
JEFFERSON	\$1,508,961	\$1,778,250	\$269,289	17.85%	
JOHNSON	\$56,091,750	\$51,853,128	(\$4,238,622)	(7.56%)	
JEWELL	\$391,688	\$421,812	\$30,124	7.69%	
KEARNY	\$288,614	\$498,258	\$209,644	72.64%	
KINGMAN	\$722,116	\$920,862	\$198,746	27.52%	

2/8/94  
House Taxation Cmte  
Attachment 3

## 94BaselineDonovan

COUNTY	94 BASELINE	DONOVAN	Difference	% Change
KIOWA	\$357,789	\$423,390	\$65,601	18.34%
LABETTE	\$2,044,148	\$1,976,802	(\$67,346)	(3.29%)
LINCOLN	\$386,884	\$340,848	(\$46,036)	(11.90%)
LANE	\$335,257	\$293,346	(\$41,911)	(12.50%)
LOGAN	\$298,385	\$341,784	\$43,399	14.54%
LINN	\$529,267	\$909,222	\$379,955	71.79%
LEAVENWORTH	\$4,427,272	\$5,132,754	\$705,482	15.93%
LYON	\$2,986,220	\$2,928,054	(\$58,166)	(1.95%)
MITCHELL	\$770,594	\$731,118	(\$39,476)	(5.12%)
MEADE	\$422,406	\$508,974	\$86,568	20.49%
MONTGOMERY	\$3,470,179	\$3,228,390	(\$241,789)	(6.97%)
MIAMI	\$2,453,628	\$2,588,148	\$134,520	5.48%
MARION	\$1,021,283	\$1,257,462	\$236,179	23.13%
MCPHERSON	\$2,549,418	\$2,857,422	\$308,004	12.08%
MORRIS	\$562,618	\$640,530	\$77,912	13.85%
MARSHALL	\$1,051,636	\$1,126,836	\$75,200	7.15%
MORTON	\$296,493	\$438,072	\$141,579	47.75%
NEMAHA	\$943,146	\$1,110,588	\$167,442	17.75%
NEOSHO	\$1,651,730	\$1,568,922	(\$82,808)	(5.01%)
NESS	\$432,196	\$464,082	\$31,886	7.38%
NORTON	\$526,280	\$543,174	\$16,894	3.21%
OSBORNE	\$495,433	\$484,068	(\$11,365)	(2.29%)
OSAGE	\$1,271,476	\$1,642,002	\$370,526	29.14%
OTTAWA	\$553,477	\$568,518	\$15,041	2.72%
PHILLIPS	\$605,571	\$632,730	\$27,159	4.48%
PAWNEE	\$766,788	\$769,986	\$3,198	0.42%
PRATT	\$1,102,796	\$1,062,636	(\$40,160)	(3.64%)
POTTAWATOMIE	\$1,194,437	\$1,818,138	\$623,701	52.22%
RAWLINS	\$320,670	\$339,366	\$18,696	5.83%
RICE	\$960,124	\$1,043,268	\$83,144	8.66%
RUSH	\$382,872	\$393,168	\$10,296	2.69%
RILEY	\$3,643,004	\$3,777,534	\$134,530	3.69%
RENO	\$5,877,905	\$5,864,322	(\$13,583)	(0.23%)
ROOKS	\$606,459	\$647,682	\$41,223	6.80%
REPUBLIC	\$610,305	\$662,622	\$52,317	8.57%
RUSSELL	\$846,280	\$869,388	\$23,108	2.73%
SALINE	\$4,030,321	\$5,180,544	\$1,150,223	28.54%
SCOTT	\$572,745	\$635,214	\$62,469	10.91%
SHERIDAN	\$338,945	\$356,616	\$17,671	5.21%
STAFFORD	\$512,906	\$545,838	\$32,932	6.42%
SEDGWICK	\$37,996,837	\$41,733,762	\$3,736,925	9.83%
SHERMAN	\$715,233	\$717,468	\$2,235	0.31%
SMITH	\$471,122	\$505,464	\$34,342	7.29%
SHAWNEE	\$18,338,522	\$15,975,594	(\$2,362,928)	(12.89%)
STANTON	\$239,532	\$325,146	\$85,614	35.74%
SUMNER	\$2,700,287	\$2,380,626	(\$319,661)	(11.84%)
STEVENS	\$365,444	\$669,924	\$304,480	83.32%
SEWARD	\$1,531,248	\$1,894,440	\$363,192	23.72%



COUNTY	94 BASELINE	DONOVAN	Difference	% Change
THOMAS	\$863,686	\$872,856	\$9,170	1.06%
TREGO	\$365,158	\$387,468	\$22,310	6.11%
WALLACE	\$184,361	\$222,078	\$37,717	20.46%
WABAUNSEE	\$532,098	\$707,022	\$174,924	32.87%
WICHITA	\$305,045	\$294,492	(\$10,553)	(3.46%)
WILSON	\$904,870	\$935,538	\$30,668	3.39%
WOODSON	\$340,753	\$375,558	\$34,805	10.21%
WASHINGTON	\$580,163	\$649,614	\$69,451	11.97%
WYANDOTTE	\$15,107,683	\$11,803,950	(\$3,303,733)	(21.87%)
TOTAL	\$248,991,071	\$253,311,780	\$4,320,709	1.74%

## PROPERTY TAX REDUCTION PLAN FOR RECREATIONAL VEHICLES

### Statement of Problem:

R. V. taxes (personal property) in Kansas are excessive and approximately the highest in the country. This excessive tax is causing our citizens to violate the law to avoid these taxes by registering out of state or leaving the state.

### Rationale for Action:

- \* 50% Of Kansas residents that own R.V.s register out of state. (Percentage based on R. V. dealer reports & camping club reports.)
- \* 70% of Kansas residents owning R.V.s with a value of \$40,000 and over register out of State. (Percentage based on R.V. dealer reports & camping club reports)
- \* When Kansas motor home owners tag and register out of State - State and local governments also lose sales tax.
- \* The Kansas property tax system is not only the highest in the nation, but motorized R.V.'s and towable R.V.'s fall under different taxing systems and towables are taxed at a higher level. Motorized R.V.'s fall under tax and tag law. Towables are appraised according to NADA value by the appraiser.
- \* Excessive personal property tax on R.V.'s is hurting the Kansas R.V. Industry dramatically. New R. V. sales have declined to recent years and customers report that the excessive tax dissuades them from buying.
- \* The Kansas R.V. Industry is important to the Kansas economy. In Kansas there are four R.V. manufacturing plants and many suppliers and retailers.

### Who is the RV Traveler?

- \* Approximately one out of every 10 vehicle-owning families owns an R.V.
- \* RV owners are closely divided among empty nesters aged 55 and up and 35-54 year old couples raising families.
- \* The average RV owner is 49 years old, owns his own home, has a household income just under \$40,000.
- \* Average RVer purchases 4 units during his camping life, indicating three of those units are trade-ups.

2/8/94  
House Taxation Committee  
Attachment 4





# EDITORIAL

#1306

March 1, 1992

George Logan, General Manager, WIBW-TV

## THE COST OF BEING NUMBER ONE

Sometimes being number one is not the most desirable thing in the world. Especially when, like Kansas, you're the nation's leading state in automobile taxes.

On a typical car registered in Shawnee County, the property taxes and fees are 36% higher than on that same car in the next highest state. They're 350% higher than the average of all states. That's why you see so many cars with out-of-state license plates driven by people who live right here.

It's also a big factor in declining car sales. In 1979, there were 11,000 new cars and trucks sold in Topeka. Last year, the number was 4810.

The Legislature is considering ways to solve the problem. However, their goal seems to be to keep any changes "revenue neutral." That's government talk for "change the mix to make it sound better, but collect the same amount of taxes".

What's really needed is a way to bring the taxes and fees down to a level where we are competitive with other states. That would remove the incentive for registering a vehicle somewhere else and Kansas would see an increase in registrations, getting both taxes and fees on more vehicles.

It would also increase the sale of new and late model vehicles and that would bring a flow of new sales taxes to state and local governments.

Cars and trucks are a necessity in today's society so they are an easy target for taxes. Not many people can afford to give up their transportation because taxes are too high. So they drive older vehicles and look for cheaper places to register them.

We urge the Legislature to find a practical and fair solution to this problem. Surely there is a way to reduce the load on Kansas vehicle owners without bankrupting the state.

\*\*\*\*\*

4-2

WIBW invites responsible groups and individuals to reply to our editorials.

Additional copies are available on written request. Write WIBW-TV-Radio-FM, Box 119, Topeka, Kansas 66601

October 26, 1993

The Honorable Les Donovan  
State Representative  
110 South Rainbow Lake  
Wichita, Kansas 67235

Subject: Automobile Registration Tax

Dear Mr. Donovan,

I just read your Capitol Update and felt compelled to respond on an issue which you identified as one of your concerns.

As a responsible, well educated Kansas citizen I understand the concepts of taxation and the necessity of providing certain government services and functions. I am willing to pay my fair share for this burden. Fairness however seems to be in question when it comes to personal property taxes on automobiles.

Having just purchased and registered a 1993 Nissan Quest minivan, I was outraged, but not surprised, when the annualized property tax bill exceeded \$650. This tax bill is in addition to the \$275 I paid to register my 1990 Honda Accord last April. The combined value of both vehicles is less than \$28,000. The rate of taxation applied to automobiles seems extremely inequitable compared to that applied to other property, specifically real estate. The tax on my \$115,000 house was \$1,400 last year.

While I am not suggesting a shift in the tax burden to real property owners, it would seem a major revision is necessary. For starters, I believe the State should clearly define and disseminate the purpose and use of the tax. If for general fund expenditures, it would seem a tax based on income or expenditures (sales tax) would be much more equitable. If for infrastructure relating to highways and bridges, a use tax (gasoline excise) would be much more equitable. It appears the State views automobile ownership as a luxury and taxes accordingly.

I currently own land and hold business interests in South Dakota; a State which does not have an automobile property tax. I would register both vehicles in South Dakota except for two major factors: 1) its illegal, and 2) its unfair to my fellow citizens who don't have such opportunities.

Please vigorously pursue a fair and equitable solution to this unjust tax.

Sincerely,



Randall C. Doerksen, MBA  
11707 W. 1st  
Wichita, Kansas 67212  
(316) 721-0674

4-3



Minimum Motor Vehicle Tax Indexed by CPI-U (1982-84 = 100)

Year	CY Avg	Min Tax
1978	65.2	\$12.00
1979	72.6	13.35
1980	82.4	15.16
1981	90.9	16.73
1982	96.5	17.75
1983	99.6	18.32
1984	103.9	19.11
1985	107.6	19.79
1986	109.6	20.16
1987	113.6	20.90
1988	118.3	21.75
1989	124.0	22.80
1990	130.7	24.04
1991	136.2	25.05
1992	140.3	25.81
1993	144.5	26.58

KC Star 2-4-94

4-5

JO

**Johns**

**AROUND K**

### **ILLEGAL REGISTRATION**

## **Vehicle scofflaws charged**

■ Prosecutors filed charges this week against 15 Johnson County residents or businesses for illegally registering vehicles in other states to avoid paying higher personal property taxes in the county.

District Attorney Paul Morrison said his office files such charges in batches two to three times a year in Johnson County District Court.

The county loses thousands of dollars each year in tax revenue because of such violators, Morrison said.

"It's not fair to those of us who pay our taxes," he said.

The charge is a misdemeanor with a maximum sentence of six months in jail and a \$2,500 fine. Summonses will be sent stating court dates.

**UNIVERSITY SYSTEM**

## We're No. 1 — for auto tags (and woe is us)

**G**ood morning, all you happy taxpayers. Today I have some good news and some bad news. First, the bad news.

Kansas is No. 1.

Yes, finally, our beloved state ranks No. 1 in something other than the Deepest Hand-dug Holes in the Ground standings.

Unfortunately, what Kansas ranks *Número Uno* in, according to a chart based on the Commerce Clearing House's 1991 State Tax Guide, is highest vehicle registration taxes and fees.

And we're not merely No. 1.

On this particular chart, which is circulating widely and wildly throughout the state these days, no other state is even close to us.

What this chart does is compare the

rates you'd pay in the capital cities of every state for tags for a \$16,000 '90 Taurus.

If you have a weak heart, you might want to pop a nitro tablet before going on.

Kansas, dear Kansas, with our whopping personal property taxes on our dream machines, ranks No. 1 at \$691.20.

No. 2 Mississippi is almost \$200 lower, at \$506.

No. 3 Maine is at \$406 for the Taurus.

As for our friendly surrounding hunks of America, Colorado is 10th at \$336 (less than half ours), Nebraska 11th at \$295, Oklahoma 18th at \$215, and Missouri 20th at \$179.

One catch, with this chart. While it's clear and confirmable that Kansas is indeed far and away higher than most other states, some other states charge more for tags than the chart indicates.

Some states, asked their fees, obviously reported only their basic fees of \$20 or \$40, failing to include other fees and taxes that also must be paid before tags are handed over.

However, some states do — start packing your bags — have incredibly low tag rates, confirmed by phone calls I made and an American Automobile Association Motor Club reference book I bought.

Oregon (not Utah, as the chart says) probably can boast, "We're No. 51! We're No. 51!"

Registration rates there are \$15 a year. That's it. Period. I phoned and confirmed it. That's 15 bucks for tags, regardless whether you tool around in a '90 Taurus, a flashy '92 Mercedes or a rusted-out '73 Dodge Charger. There's no personal property tax on vehicles.



**BOB GETZ**

Overall, no matter how you cut, slice or dice it, Kansas' tag rates appear to be at least double and triple those of other states.

Now the good news.

Seems some of our higher-minded legislators, among them two Topeka Democrats, Joan Wagnon and Anthony Hensley, are going to push for major changes in our tag costs.

Wagnon and Hensley want to repeal the personal property tax on vehicles, wipe it out completely, and replace it with an annual registration fee that Wagnon hopes

will range from a low of around 50 bucks to around \$200, tops, for newer and brand new driving machines.

I phoned Wagnon, who has the clout of being head of the House Taxation Committee, on Wednesday.

She's seen the "Taurus chart."

I asked her if she's had any research of this nature done herself.

"Yes," she said. "Legislative research said we're probably second or third highest (in tag rates in the country)."

"But any way you compute it, we are excessively high, particularly if you look at surrounding states. I think we have to find a solution."

"Our proposal is still being shaped," Wagnon said. "I don't know what will finally pass, but I'm planning on running this fairly early."

Let's hope something's done fairly fast.

Before everybody in No. 1 Kansas hops in his expensively tagged car or pickup and roars off to No. 51 Oregon.



# SEDGWICK COUNTY, KANSAS

## TREASURER

Jerry McCoy  
SUITE 107

COUNTY COURTHOUSE, WICHITA, KANSAS

MAILING ADDRESS: P.O. BOX 2909, WICHITA, KANSAS 67201-2909

PERSONAL PROPERTY TAXES/VEHICLE REFUNDS  
REAL ESTATE TAXES

383-7651  
383-7414

FAX  
DISTRIBUTION AND BONDS  
CASHIER

316-383-7113  
383-7561  
383-7345

February 7, 1994

To: Chairman Keith Roe and members of the House Tax Committee

As Sedgwick County Treasurer, I support the provisions of H.B. 2888, an Act pertaining to the taxation of certain vehicles.

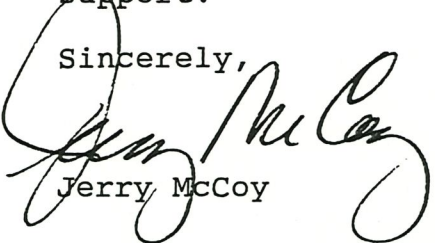
Over recent years, I have become increasingly concerned with the effects of "bracket creep" which results in higher taxes as vehicles become more expensive each year. H.B. 2888 is the first legislation I have seen since the "tax and tag law of 1979 (H.B. 2605)" which addresses most of the shortcomings of the original legislation. H.B. 2888 substantially, but fairly, reduces taxes on most newer vehicles registered in Kansas.

The failure of some drivers to register vehicles in Kansas results in an estimated 5% shortfall in registration fees and taxes. The penalties provided in H.B. 2888 should provide sufficient incentive for law enforcement to prioritize ticketing of Kansas-domiciled vehicles still registered out-of-state.

Replacing a county-wide average mill levy with a state-wide average mill levy will provide a more equitable basis for taxing vehicles. The state-wide average mill levy would eliminate the current county-to-county shopping for lower vehicle taxes and provide revenue to the counties that are providing services for vehicle registrants.

H.B. 2888 has been well-researched and deserves your support.

Sincerely,

  
Jerry McCoy

2/8/94  
House Taxation Cmte  
Attachment 5



**ROCKY NICHOLS**

STATE REPRESENTATIVE  
58TH DISTRICT  
SHAWNEE COUNTY

HOME:

2329 S.E. VIRGINIA  
TOPEKA, KANSAS 66605  
(913) 357-6262

STATE OF KANSAS



TOPEKA

HOUSE OF  
REPRESENTATIVES

**JIM D. GARN**  
REPRESENTATIVE, 11TH  
601 EAST 12TH  
P.O. BOX 538  
COFFEYVILLE, KS 67337  
(316) 251-1864  
(316) 251-5950  
TOPEKA ADDRESS:  
STATE CAPITOL, RM 284-W  
TOPEKA, KS 66612-1504

February 8, 1994

Mr Chairman and members of the House Taxation Committee:

Thank you for this opportunity to testify in favor of House Bill 2878, which would provide over \$33 million dollars in motor vehicle tax relief statewide. Attached is an overview of the county by county impact of motor vehicle tax reductions resulting from HB 2878. These estimated reductions are based information from the Department of Revenue. Also attached is a copy of a memo prepared by Mr. Courtwright detailing key features of the bill.

We believe that HB 2878 is different from some of the other motor vehicle tax relief proposals in the following ways:

1. HB 2878 offers real and significant motor vehicle tax relief to the people of Kansas. The bill would result in \$33.9 million of tax relief across the state. Every car owner in every county would benefit under this proposal.
2. HB 2878 offers replacement revenue (\$34.3 million) which would come from eliminating the sales tax exemption on attorneys fees. To be fiscally honest, any proposal calling for real and significant reductions in motor vehicle taxes must include a way for local units of government to continue to fund their operations. In our bill, we maintain our obligation to be fiscally responsible.
3. HB 2878 introduces an element of progressive fair tax policy in our personal property tax system. This bill would reduce the motor vehicle tax by reducing the first \$1500 of value off all classes of vehicles.

We in Kansas have had an over-reliance on motor vehicle taxes for much too long. We all know of our dubious honor of having the largest motor vehicle taxes in the nation. HB 2878 significantly reduces our reliance on this form of taxes in a responsible manner. We support any efforts that provide legitimate and significant motor vehicle tax relief. HB 2878 is our contribution to achieving this end result.

Again, we thank you for the opportunity to appear and testify in support of HB 2878.

2/8/94  
House Taxation Cmte  
Attachment 6

TO: Rep Jim Garner, Rep Rocky Nichols  
FROM: Chris W. Courtwright, Principal Analyst  
RE: Information on Motor Vehicle Tax Plan in HB 2878

This memo is in response to your request for information on the motor vehicle tax proposal embodied in HB 2878.

### Reduction in Motor Vehicle Tax Values

Starting in 1995, the bill would reduce the motor vehicle tax valuation by reducing the midpoint of all value classes by \$1,500 for each vehicle. In other words, a new 1995 vehicle which under current law would be valued at \$15,000 (the midpoint of class 17 vehicles) instead would be valued at \$13,500. The taxable valuation of the vehicle (30 percent) would be reduced from \$4,500 to \$4,050. If the countywide average mill levy from the second preceding year were 100 mills, the tax on this vehicle would be reduced from \$450 to \$405. The only motor vehicles not affected by this bill would be those already at the minimum tax (\$12 for automobiles; \$6 for motorcycles).

The Department of Revenue's simulation model estimates that this change would cause a reduction in all 1995 motor vehicle tax receipts of about \$33.9 million.

### Sales Tax on Legal Services

The bill also would extend the sales tax to the gross receipts from the sale of legal services, effective January 1, 1995. Based on data provided to the tax committees in 1992 and allowing for growth and adjusting for the rate increase, I have calculated that the sales tax on legal services would raise about \$34.3 million.

### Replacement Revenues

As you know, the bill also provides that the Secretary of Revenue would be required to certify the amount of revenue from the sales tax on legal services, which would be earmarked for transfer from the SGF. The money would be transferred four times each year from the SGF as follows:

50% to the State School District Finance Fund (SSDFF)  
25% to the Local Ad Valorem Tax Reduction Fund (LAVTRF)  
25% to the County and City Revenue Sharing Fund (CCRSF)

While there is no way to guarantee that this money would be distributed to local units of government in exactly the same proportion relative to the reduction in motor vehicle tax receipts, this replacement revenue formula was designed as a rough way to neutralize the impact.

Assuming that the Legislature would NOT reduce the appropriation for general state aid to school districts because of the new money in the SSDFF, the transfer of 50 percent of the tax on legal services would help offset the loss of motor vehicle tax receipts experienced by most USDs. (But remember that not all USDs are eligible for distributions of state aid from the SSDFF.)

(more)

### placement Revenues (Continued)

Since LAVTRF funds are distributed to all local taxing units except USDs, the transfer of 25 percent of the money attributable to the legal services sales tax also would help offset the reduction in motor vehicle tax receipts for all such taxing entities (including cities and counties).

The 25 percent of the legal services tax distributed to the CCRSF would, of course, be distributed exclusively to cities and counties.

Of the \$259 million in 1992 motor vehicle tax receipts (1993 data are not yet available), \$146 million, or about 56 percent, was distributed to USDs. (This percentage is expected to decline starting in 1994 as a result of the 1992 school finance legislation.) Also included within this amount are taxes distributed to community colleges, who would not receive any of the money from the SSDFF, though they would receive a share of the new LAVTRF distributions.

Counties received \$52 million, or about 20 percent of 1992 motor vehicle tax receipts. Cities received \$48 million, or about 19 percent. All other other taxing units (including the state) received \$13 million, or 5 percent.

### Sales Tax on Legal Services -- Other States

According to the 1990 study by the Federation of Tax Administrators, five states were levying some form of sales or gross receipts taxes on legal services.

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



94Baseline\$1500exempt

COUNTY	94 BASELINE	\$1500 EXEMPT	Difference	% Change
ALLEN	\$1,269,682	\$1,081,195	(\$188,487)	(14.85%)
ANDERSON	\$678,855	\$576,703	(\$102,152)	(15.05%)
ATCHISON	\$1,250,124	\$1,059,669	(\$190,455)	(15.23%)
BARBER	\$588,955	\$507,689	(\$81,266)	(13.80%)
BOURBON	\$1,335,275	\$1,138,340	(\$196,935)	(14.75%)
BROWN	\$846,205	\$721,413	(\$124,792)	(14.75%)
BARTON	\$3,269,789	\$2,818,210	(\$451,579)	(13.81%)
BUTLER	\$5,356,136	\$4,590,803	(\$765,333)	(14.29%)
CLARK	\$270,171	\$234,159	(\$36,012)	(13.33%)
CLOUD	\$1,153,088	\$990,091	(\$162,997)	(14.14%)
COFFEY	\$557,152	\$477,129	(\$80,023)	(14.36%)
CHEROKEE	\$1,297,402	\$1,091,188	(\$206,214)	(15.89%)
COWLEY	\$3,446,480	\$2,938,517	(\$507,963)	(14.74%)
COMANCHE	\$269,620	\$235,100	(\$34,520)	(12.80%)
CHEYENNE	\$295,928	\$255,468	(\$40,460)	(13.67%)
CHAUTAUQUA	\$402,530	\$343,245	(\$59,285)	(14.73%)
CRAWFORD	\$3,030,263	\$2,589,193	(\$441,070)	(14.56%)
CHASE	\$251,980	\$214,133	(\$37,847)	(15.02%)
CLAY	\$849,804	\$726,681	(\$123,123)	(14.49%)
DECATUR	\$340,610	\$292,489	(\$48,121)	(14.13%)
DOUGLAS	\$6,771,602	\$5,813,522	(\$958,080)	(14.15%)
DICKINSON	\$1,518,554	\$1,290,884	(\$227,670)	(14.99%)
DONIPHAN	\$671,646	\$571,420	(\$100,226)	(14.92%)
EDWARDS	\$399,411	\$344,168	(\$55,243)	(13.83%)
ELK	\$298,438	\$253,521	(\$44,917)	(15.05%)
ELLIS	\$2,369,822	\$2,039,041	(\$330,781)	(13.96%)
ELLSWORTH	\$530,636	\$454,568	(\$76,068)	(14.34%)
FINNEY	\$2,872,079	\$2,488,486	(\$383,593)	(13.36%)
FORD	\$2,488,140	\$2,142,394	(\$345,746)	(13.90%)
FRANKLIN	\$1,832,538	\$1,549,125	(\$283,413)	(15.47%)
GEARY	\$1,644,838	\$1,408,712	(\$236,126)	(14.36%)
GRAHAM	\$347,843	\$297,478	(\$50,365)	(14.48%)
GREELEY	\$171,440	\$147,678	(\$23,762)	(13.86%)
GOVE	\$329,860	\$283,905	(\$45,955)	(13.93%)
GRANT	\$611,286	\$533,291	(\$77,995)	(12.76%)
GREENWOOD	\$755,844	\$642,821	(\$113,023)	(14.95%)
GRAY	\$622,864	\$539,106	(\$83,758)	(13.45%)
HODGEMAN	\$284,877	\$245,142	(\$39,735)	(13.95%)
HAMILTON	\$238,789	\$206,623	(\$32,166)	(13.47%)
HARPER	\$732,227	\$631,930	(\$100,297)	(13.70%)
HASKELL	\$316,326	\$277,132	(\$39,194)	(12.39%)
HARVEY	\$2,674,361	\$2,275,241	(\$399,120)	(14.92%)
JACKSON	\$993,087	\$840,454	(\$152,633)	(15.37%)
JEFFERSON	\$1,508,961	\$1,279,653	(\$229,308)	(15.20%)
JOHNSON	\$56,091,750	\$49,446,423	(\$6,645,327)	(11.85%)
JEWELL	\$391,688	\$335,244	(\$56,444)	(14.41%)
KEARNY	\$288,614	\$250,002	(\$38,612)	(13.38%)
KINGMAN	\$722,116	\$616,585	(\$105,531)	(14.61%)

6-4



## 94Baseline\$1500exempt

COUNTY	94 BASELINE	\$1500 EXEMPT	Difference	% Change
KIOWA	\$357,789	\$310,925	(\$46,864)	(13.10%)
LABETTE	\$2,044,148	\$1,744,497	(\$299,651)	(14.66%)
LINCOLN	\$386,884	\$331,257	(\$55,627)	(14.38%)
LANE	\$335,257	\$291,507	(\$43,750)	(13.05%)
LOGAN	\$298,385	\$256,396	(\$41,989)	(14.07%)
LINN	\$529,267	\$450,005	(\$79,262)	(14.98%)
LEAVENWORTH	\$1,427,272	\$3,766,226	(\$661,046)	(14.93%)
LYON	\$2,986,220	\$2,561,300	(\$424,920)	(14.23%)
MITCHELL	\$770,594	\$665,836	(\$104,758)	(13.59%)
MEADE	\$422,406	\$366,098	(\$56,308)	(13.33%)
MONTGOMERY	\$3,470,179	\$2,965,561	(\$504,618)	(14.54%)
MIAMI	\$2,453,628	\$2,093,308	(\$360,320)	(14.69%)
MARION	\$1,021,283	\$868,607	(\$152,676)	(14.95%)
MCPHERSON	\$2,549,418	\$2,192,365	(\$357,053)	(14.01%)
MORRIS	\$562,618	\$480,781	(\$81,837)	(14.55%)
MARSHALL	\$1,051,636	\$901,128	(\$150,508)	(14.31%)
MORTON	\$296,493	\$258,604	(\$37,889)	(12.78%)
NEMAHA	\$943,146	\$812,536	(\$130,610)	(13.85%)
NEOSHO	\$1,651,730	\$1,415,713	(\$236,017)	(14.29%)
NESS	\$432,196	\$371,875	(\$60,321)	(13.96%)
NORTON	\$526,280	\$452,591	(\$73,689)	(14.00%)
OSBORNE	\$495,433	\$426,771	(\$68,662)	(13.86%)
OSAGE	\$1,271,476	\$1,077,123	(\$194,353)	(15.29%)
OTTAWA	\$553,477	\$472,060	(\$81,417)	(14.71%)
PHILLIPS	\$605,571	\$520,472	(\$85,099)	(14.05%)
PAWNEE	\$766,788	\$659,820	(\$106,968)	(13.95%)
PRATT	\$1,102,796	\$953,737	(\$149,059)	(13.52%)
POTTAWATOMIE	\$1,194,437	\$1,019,816	(\$174,621)	(14.62%)
RAWLINS	\$320,670	\$274,117	(\$46,553)	(14.52%)
RICE	\$960,124	\$823,575	(\$136,549)	(14.22%)
RUSH	\$382,872	\$327,224	(\$55,648)	(14.53%)
RILEY	\$3,643,004	\$3,135,005	(\$507,999)	(13.94%)
RENO	\$5,877,905	\$5,054,933	(\$822,972)	(14.00%)
ROOKS	\$606,459	\$518,994	(\$87,465)	(14.42%)
REPUBLIC	\$610,305	\$524,699	(\$85,606)	(14.03%)
RUSSELL	\$846,280	\$732,822	(\$113,458)	(13.41%)
SALINE	\$4,030,321	\$3,461,259	(\$569,062)	(14.12%)
SCOTT	\$572,745	\$495,457	(\$77,288)	(13.49%)
SHERIDAN	\$338,945	\$292,627	(\$46,318)	(13.67%)
STAFFORD	\$512,906	\$442,755	(\$70,151)	(13.68%)
SEDGWICK	\$37,996,837	\$32,890,134	(\$5,106,703)	(13.44%)
SHERMAN	\$715,233	\$617,997	(\$97,236)	(13.60%)
SMITH	\$471,122	\$406,223	(\$64,899)	(13.78%)
SHAWNEE	\$18,338,522	\$15,805,325	(\$2,533,197)	(13.81%)
STANTON	\$239,532	\$209,297	(\$30,235)	(12.62%)
SUMNER	\$2,700,287	\$2,301,986	(\$398,301)	(14.75%)
STEVENS	\$365,444	\$320,334	(\$45,110)	(12.34%)
SEWARD	\$1,531,248	\$1,330,502	(\$200,746)	(13.11%)

## 94Baseline\$1500exempt

<u>COUNTY</u>	<u>94 BASELINE</u>	<u>\$1500 EXEMPT</u>	<u>Difference</u>	<u>% Change</u>	
THOMAS	\$863,686	\$745,123	(\$118,563)	(13.73%)	
TREGO	\$365,158	\$311,514	(\$53,644)	(14.69%)	
WALLACE	\$184,361	\$158,086	(\$26,275)	(14.25%)	
WABAUNSEE	\$532,098	\$452,225	(\$79,873)	(15.01%)	
WICHITA	\$305,045	\$265,286	(\$39,759)	(13.03%)	
WILSON	\$904,870	\$769,944	(\$134,926)	(14.91%)	
WOODSON	\$340,753	\$291,469	(\$49,284)	(14.46%)	
WASHINGTON	\$580,163	\$494,609	(\$85,554)	(14.75%)	
WYANDOTTE	\$15,107,683	\$12,897,538	(\$2,210,145)	(14.63%)	
TOTAL	\$248,991,071	\$215,123,938	(\$33,867,133)	(13.60%)	





***Legislative Information  
for the Kansas Legislature***

**TO:** *House Taxation Committee*  
**FROM:** *Ron Smith, General Counsel, KBA*  
**SUBJ:** *HB 2878*

**February 8, 1994**

**SUMMARY:**

**The Kansas Bar Association opposes those 18 words on page 7 of this bill which impose a gross receipts tax on the sale of legal services. Our reasons for opposition are as follows:**

1. You have a privileges and immunities problem. The Page 7 language is unclear whether the act applies only to Kansas licensed lawyers or all lawyers handling legal business in Kansas. There are many out of state lawyers who provide legal services to Kansans (or others) which affect Kansas property or rights. How will the Department collect this tax? Compensating use taxes are useless in Missouri since the Missouri department gets no reciprocal benefit from the Kansas side.

2. A gross receipts tax on attorneys is simply passed along to the client. Who is the client? *The vast majority of legal services in this state comes from small businesses.* Thus small business will pay this tax. It would be easier to adminis-

ter an increase in the state income tax for small businesses than the convoluted means of imposing a gross receipts tax on attorneys.

3. Big businesses with corporate paid lawyers may not pay this tax. The language is unclear. If the lawyer is paid a corporate salary, to impose a sales tax on that salary becomes an indirect income tax. Yet NOT to impose the tax on big business means small businesses are the only businesses paying the tax.

4. In Kansas, a third of the population of this state resides within fifteen minutes of our four borders. If a company can save \$590 on taking \$10,000 in legal fees out of state, they may well do it. Certainly Kansas attorneys remaining in Kansas would have a 5.9% disadvantage in pricing their services to Kansas clients. Certainly no Missouri client would use a Kansas lawyer or firm. Thus Kansas attorneys in the border area would be

*This legislative analysis is provided in a format easily inserted into bill books. We hope you find this convenient.*

*2/8/94  
House Taxation Cmte  
attachment 7*



forced to locate in other states just to protect their competitive relationship.

5. Only four states have a form of this tax.

(a) Delaware has a gross receipts tax on legal services, but it is 4% and there is a large exemption of \$5,000 per lawyer per month in gross fees. The Delaware Tax is imposed on all professions, not just lawyers, including medical care. As of 1991 Delaware has no state or local sales tax.

(b) New Mexico, South Dakota and Hawaii have gross receipts taxes on legal fees. Again, either their state is quite small and their population centers geographically isolated from competition from nearby states, or the states have no income or sales taxes.

Clearly geography plays an important role in a sales tax on professional services. Kansas is not geographically isolated.

6. The biggest problems you will have are administrative in nature.

South Dakota, I'm told, does not audit their attorneys because they do not want to get into attorney-client privilege problems. I doubt that would be the position of the Kansas Department of Revenue, which has a reputation for aggressiveness.

Audits are a major concern. There are ethics rules which prohibit lawyers from discussing or disclosing client confidences or secrets unless the client consents in writing, or "to comply with the requirements of law or orders of any tribunal." [MRPC 1.6(b)(2)].

These rules are minimums of conduct; counsel complying with the rules are not disciplined.

As a practical matter, in the myriad of actions a lawyer takes on behalf of representing a client, certain transactions may be subject to the tax, and others are not subject. For example, time spent researching and giving investment advice as part of handling an estate is not necessarily legal services, although it may be billed as such. The lawyer, not the client, ordinarily knows whether the tax should apply to a transaction. It is the lawyer's workproduct on behalf of the client that contains notes as to whether the transaction is taxed. It is those notes that may be important to the Department in determining whether the lawyer collected or remitted the appropriate amount.

However, no one but the client has a right to what's in the file, and even the client is not allowed access to everything in the file. Law students are taught that rule 1.6 means when someone other than the client seeks information about a client, or the lawyer's representation of the client, the lawyer is to claim attorney-client privilege and notify the client of the claim. If client consents, the information is revealed only so far as necessary to comply with the informational request. [MRPC 1.6(b). MRPC 1.2(a) requires lawyers to abide by client decisions concerning the "lawful objectives of representation."]

If the client does not or cannot consent, the agency request for information from the law practice

must be denied and if denied, the DOR must seek a subpoena. Subpoenas of this sort are not routine. They are contested. Lawyers will argue the subpoenaed information is too broad. Perhaps the agency is wanting to look into confidential records that are beyond the scope of the tax inquiry.

If the court signs the subpoena compelling production, a lawyer can still refuse to abide by the order, which of course is contempt of court but is also a requisite to appealing the order to a higher court. [*Cobbledick v. U.S.*, 309 U.S. 323 (1940)]

The upshot is that this procedure is required by the Ethics Code of all attorneys in Kansas every time the Department wants audit information. Some clients will consent to the procedure. Some will not. Attorneys cannot assume they will. The point is the administration of this service tax on law firms is not the same as the audit of the corner grocery store.

7. How will interstate legal matters be apportioned between exempt and nonexempt legal services. Apportionment issues are enormous. Past legislators have hinted that in order to keep Kansas attorneys competitive with out of state lawyers that legal work on out of state clients of Kansas lawyers should be exempt. That solves nothing. It accelerates and heightens the incentive to move "need" for legal services out of state.

8. In addition to nexus problems of an interstate nature (e.g. whether Missouri legal services are taxed in Kansas), we have intra-

state situs problems. To the extent local county or city taxes are allowed, a Topeka lawyer involved in a six week trial in Westmoreland, Topeka having a 1 cent local sales tax and Westmoreland having no local sales tax, is there a local sales tax collected on the fee portion of that six week trial? Or does Topeka get a windfall for legal services that take place in Westmoreland?

9. Further, as this committee will get to hear when SB 480 and SB 503 come over from the Senate, the Department has current law of 18% interest and 25% penalties that can be imposed on failure to pay sales taxes. Yet if later it turns out that the sales tax was not owed, the state does not need to pay any interest on the refund.

10. Laypersons providing legal services, such as when laypersons help elderly persons draw invalid trust documents but nevertheless are "practicing law" are exempt from this bill. The Kansas Supreme Court has deemed such services to be "legal Services," but because laypersons are doing it, it is the unauthorized practice of law. Some of these trust fees by laypersons exceed what licensed attorneys charge for the same work. Yet are they going to escape the tax?

For all these reasons, those 18 words are not good public policy.

KBA has no position on Section 1 of this bill.



ED McKECHNIE  
REPRESENTATIVE, THIRD DISTRICT  
224 W. JEFFERSON  
PITTSBURG, KANSAS 66762  
(316) 231-1669



TOPEKA

HOUSE OF  
REPRESENTATIVES

February 8, 1994

COMMITTEE ASSIGNMENTS  
CHAIRMAN OF THE DEMOCRATIC CAUCUS  
MEMBER: EDUCATION  
INTERSTATE COOPERATION  
LEGISLATIVE POST AUDIT  
NCSL TASK FORCE ON  
DEVELOPMENTAL DISABILITIES

Testimony of Rep. Ed McKechnie  
To The House Committee on Taxation  
H.B. 2793

Mr. Chairman, members of the committee thank you for the opportunity to testify in support of House Bill 2793 and on the general topic of reducing motor vehicle taxes in Kansas.

H.B. 2793 reduces the current 30% assessment rate on automobiles by 1% a year for the next 15 years to cut the taxes government collects in half. I offer this drawn out solution from the experience of offering and supporting previous bills and amendments whose fiscal notes have been their demise. The reduction to all funds is about \$8.1 million annually.

Neither the Division of the Budget fiscal note or the Kansas Department of Revenue memo - which I have attached - make any assumptions of the positive economic impact any relief in automobile taxes will have on the current fleet of automobiles. There is little doubt that if there is any significant reduction in automobile taxes people will go out and buy newer cars. If you take into consideration the up-grading of the fleet, then the negative impact reflected in the fiscal note on the state general fund and on city and local governments will lessen.

I do believe, in the general discussion of reducing motor vehicle taxes, that any bill that has hopes of becoming law should encompass two concepts:

1. Genuine tax relief. Simply re-arranging the burden will not stimulate the economy or meet Kansans expectations of lower property taxes on automobiles; and
2. A phased in plan. While many of the proposals before you today offer greater instant tax relief, in tough fiscal times these proposals are probably not feasible. We need a realistic solution to cut automobile property taxes that can be signed into law.

I know your time is limited today, and I appreciate your consideration of H.B. 2793 and the general topic of reduction of automobile property taxes. I will stand for any questions.

2/8/94  
House Taxation Committee  
Attachment 8





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DIVISION OF THE BUDGET

Room 152-E  
State Capitol Building  
Topeka, Kansas 66612-1504  
(913) 296-2436  
FAX (913) 296-0231

Joan Finney  
Governor

Gloria M. Timmer  
Director

February 4, 1994

The Honorable Keith Roe, Chairperson  
House Committee on Taxation  
Statehouse, Room 170-W  
Topeka, Kansas 66612

Dear Representative Roe:

SUBJECT: Fiscal Note for HB 2793 by Representative McKechnie

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2793 is respectfully submitted to your committee.

HB 2793 would reduce the assessment rate of taxation of motor vehicles from 30 percent to 15 percent by one percentage point each year beginning in calendar year 1995. The rate of 15 percent would be achieved in calendar year 2009. The assessment rate is the percentage applied to the calculated value of the motor vehicle to determine the taxable value of the motor vehicle. This is multiplied by the county average tax rate as specified in KSA 1993 Supp. 79-5105 to determine the tax liability.

The bill would have the effect of reducing receipts to all property tax levying entities, including local school districts compared to current law. Local school receipts from motor vehicle taxes are a component of "local effort" as defined in the School District Finance and Quality Performance Act. Any reduction in local effort results in a corresponding increase in the state obligation to fund the school finance formula. The following table details projections of motor vehicle taxes generated to local school districts from the uniform statewide mill levy as local effort based on both current law and the provisions of HB 2793. The table also presents the annual increase in the State General Fund obligation required above current law. All dollars are in millions.

<u>Fiscal Year</u>	<u>Current Law</u>	<u>HB 2793</u>	<u>Annual Increased State Obligation</u>
1995	\$73.1	\$72.0	\$1.1
1996	78.7	74.8	2.7
1997	83.7	76.8	3.0
1998	86.2	76.2	3.1
1999	88.7	75.6	3.3
2000	91.4	74.8	3.4
2001	94.1	73.9	3.6
2002	97.0	72.9	3.8
2003	99.9	71.7	4.1
2004	102.9	70.4	4.3
2005	106.0	69.0	4.5
2006	109.1	67.5	4.7
2007	112.4	65.7	5.0
2008	115.8	63.8	5.3
2009	119.3	61.8	5.5

The above projections are based on a 35 uniform statewide mill levy and annual growth in the value of motor vehicles in the state of 3.0 percent.

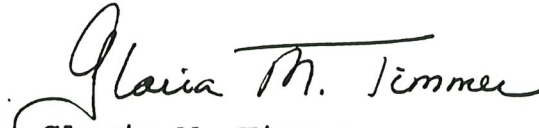
Motor vehicle tax receipts to other taxing entities, including cities, counties, townships and special taxing districts, would be impacted similarly. Also impacted would be receipts to local option budget funds of school districts that levy such a tax. The following table provides projections of the reduction in receipts based on provisions of the bill and the additional annual reduction from the amounts that would be received compared to current law.

<u>Calendar Year</u>	<u>Current Law</u>	<u>HB 2793</u>	<u>Additional Annual Reduction in Receipts</u>
1995	\$185.6	\$179.4	\$ 6.2
1996	195.0	182.0	6.8
1997	204.9	184.4	7.5
1998	215.3	186.6	8.2
1999	226.2	188.5	9.0
2000	237.6	190.1	9.8
2001	249.6	191.4	10.7
2002	262.2	192.3	11.7
2003	275.5	192.9	12.7
2004	289.5	193.0	13.8
2005	304.1	192.6	15.0
2006	319.5	191.7	16.3
2007	335.7	190.2	17.7
2008	352.6	188.1	19.1
2009	370.5	185.2	20.7

The Honorable Keith Roe, Chairperson  
February 4, 1994  
Page 3

In addition to the assumptions used in the previous table, the projections assume an annual increase in the applicable mill levy rates of 2.0 percent. Dollars are again in millions.

Sincerely,

A handwritten signature in cursive script that reads "Gloria M. Timmer". The signature is written in dark ink and is positioned above the printed name and title.

Gloria M. Timmer  
Director of the Budget

cc: Steve Stotts - Revenue



# MEMORANDUM

TO: Ms. Gloria M. Timmer, Director  
Division of Budget

DATE: February 4, 1994

FROM: Kansas Department of Revenue

RE: House Bill 2793  
As Introduced

## BRIEF OF BILL:

House Bill 2793, as introduced, amends K.S.A. 1993 Supp. 79-5105 modifying the formula for the calculation of motor vehicle property tax. In calendar year 1995 the 30% assessment rate drops to 29%. That rate continues to drop, at the rate of one additional percent per year until the year 2009 when it stabilizes at 15%.

The effective date of this bill would be January 1, 1995.

## FISCAL IMPACT:

The fiscal impact in calendar year 1995 of the proposed change contained in this bill is estimated to be a decrease of approximately \$8.1 million at the county level.

The Department of Revenue has constructed a data base that is essentially a snap shot of the Vehicle Information Processing System (VIPS) mainframe files as of the end of December 1993. These records are then manipulated, using the new parameters contained in this bill, and a new tax is figured. The provisions of this bill would result in an estimated 3.26% decrease in vehicle tax revenues State-wide, at the county level, over the estimated \$249 million that should be collected in 1995 under the present method of taxation. See attachment 1 for county by county and state-wide comparisons.

It is estimated that each additional 1% decrease in assessed value over the next 15 years will result in about \$8 million in lost revenue to the counties.

## ADMINISTRATIVE IMPACT:

The Department of Revenue's Information Systems Bureau (IS) is currently evaluating their anticipated costs, in programming and analysis resources, to implement this legislation. Because of the complexity in calculating refunds and transfers of tax credit from one vehicle to another when differing assessment rates are involved, those costs have not yet been totally identified. It is expected that when complete those costs could well run in excess of \$20,000 in one-time costs in Fiscal Year 1995.

## ADMINISTRATIVE COMMENTS:

To facilitate the equal taxation of taxpayers for similar periods and the Department's computation of refunds and transfers of tax credit from one vehicle to another, in subsection (d), lines 7 and 8 should be changed from "calendar years" to "registration years". Additionally, the schedule should begin with "1996" and end with "2010". These changes should keep the State out of possible future litigation similar to the Zarda case of a few years ago which involved the depreciation rate which was being applied on a calendar year basis and had to be changed to a registration year basis.

APPROVED BY:

\_\_\_\_\_  
Nancy Parrish  
Secretary of Revenue

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## 94BaselineHB2793Intro

COUNTY	94 BASELINE	HB2793 INTRO	Difference	% Change
ALLEN	\$1,269,682	\$1,228,719	(\$40,963)	(3.23%)
ANDERSON	\$678,855	\$657,066	(\$21,789)	(3.21%)
ATCHISON	\$1,250,124	\$1,209,940	(\$40,184)	(3.21%)
BARBER	\$588,955	\$569,887	(\$19,068)	(3.24%)
BOURBON	\$1,335,275	\$1,292,159	(\$43,116)	(3.23%)
BROWN	\$846,205	\$819,069	(\$27,136)	(3.21%)
BARTON	\$3,269,789	\$3,163,410	(\$106,379)	(3.25%)
BUTLER	\$5,356,136	\$5,182,000	(\$174,136)	(3.25%)
CLARK	\$270,171	\$261,421	(\$8,750)	(3.24%)
CLOUD	\$1,153,088	\$1,115,803	(\$37,285)	(3.23%)
COFFEY	\$557,152	\$539,532	(\$17,620)	(3.16%)
CHEROKEE	\$1,297,402	\$1,256,534	(\$40,868)	(3.15%)
COWLEY	\$3,446,480	\$3,335,003	(\$111,477)	(3.23%)
COMANCHE	\$269,620	\$260,865	(\$8,755)	(3.25%)
CHEYENNE	\$295,928	\$286,519	(\$9,409)	(3.18%)
CHAUTAUQUA	\$402,530	\$389,648	(\$12,882)	(3.20%)
CRAWFORD	\$3,030,263	\$2,932,371	(\$97,892)	(3.23%)
CHASE	\$251,980	\$243,933	(\$8,047)	(3.19%)
CLAY	\$849,804	\$822,374	(\$27,430)	(3.23%)
DECATUR	\$340,610	\$329,721	(\$10,889)	(3.20%)
DOUGLAS	\$6,771,602	\$6,550,067	(\$221,535)	(3.27%)
DICKINSON	\$1,518,554	\$1,469,989	(\$48,565)	(3.20%)
DONIPHAN	\$671,646	\$650,010	(\$21,636)	(3.22%)
EDWARDS	\$399,411	\$386,528	(\$12,883)	(3.23%)
ELK	\$298,438	\$288,912	(\$9,526)	(3.19%)
ELLIS	\$2,369,822	\$2,292,858	(\$76,964)	(3.25%)
ELLSWORTH	\$530,636	\$513,610	(\$17,026)	(3.21%)
FINNEY	\$2,872,079	\$2,778,736	(\$93,343)	(3.25%)
FORD	\$2,488,140	\$2,407,273	(\$80,867)	(3.25%)
FRANKLIN	\$1,832,538	\$1,773,599	(\$58,939)	(3.22%)
GEARY	\$1,644,838	\$1,591,323	(\$53,515)	(3.25%)
GRAHAM	\$347,843	\$336,669	(\$11,174)	(3.21%)
GREELEY	\$171,440	\$165,983	(\$5,457)	(3.18%)
GOVE	\$329,860	\$319,330	(\$10,530)	(3.19%)
GRANT	\$611,286	\$591,509	(\$19,777)	(3.24%)
GREENWOOD	\$755,844	\$731,610	(\$24,234)	(3.21%)
GRAY	\$622,864	\$602,615	(\$20,249)	(3.25%)
HODGEMAN	\$284,877	\$275,681	(\$9,196)	(3.23%)
HAMILTON	\$238,789	\$231,155	(\$7,634)	(3.20%)
HARPER	\$732,227	\$708,582	(\$23,645)	(3.23%)
HASKELL	\$316,326	\$306,140	(\$10,186)	(3.22%)
HARVEY	\$2,674,361	\$2,587,946	(\$86,415)	(3.23%)
JACKSON	\$993,087	\$961,198	(\$31,889)	(3.21%)
JEFFERSON	\$1,508,961	\$1,460,376	(\$48,585)	(3.22%)
JOHNSON	\$56,091,750	\$54,235,486	(\$1,856,264)	(3.31%)
JEWELL	\$391,688	\$379,198	(\$12,490)	(3.19%)
KEARNY	\$288,614	\$279,462	(\$9,152)	(3.17%)
KINGMAN	\$722,116	\$698,985	(\$23,131)	(3.20%)

## 94BaselineHB2793Intro

COUNTY	94 BASELINE	HB2793 INTRO	Difference	% Change
KIOWA	\$357,789	\$346,200	(\$11,589)	(3.24%)
LABETTE	\$2,044,148	\$1,978,325	(\$65,823)	(3.22%)
LINCOLN	\$386,884	\$374,429	(\$12,455)	(3.22%)
LANE	\$335,257	\$324,407	(\$10,850)	(3.24%)
LOGAN	\$298,385	\$288,887	(\$9,498)	(3.18%)
LINN	\$529,267	\$512,685	(\$16,582)	(3.13%)
LEAVENWORTH	\$4,427,272	\$4,283,393	(\$143,879)	(3.25%)
LYON	\$2,986,220	\$2,889,056	(\$97,164)	(3.25%)
MITCHELL	\$770,594	\$745,727	(\$24,867)	(3.23%)
MEADE	\$422,406	\$408,772	(\$13,634)	(3.23%)
MONTGOMERY	\$3,470,179	\$3,358,136	(\$112,043)	(3.23%)
MIAMI	\$2,453,628	\$2,374,065	(\$79,563)	(3.24%)
MARION	\$1,021,283	\$988,575	(\$32,708)	(3.20%)
MCPHERSON	\$2,549,418	\$2,466,830	(\$82,588)	(3.24%)
MORRIS	\$562,618	\$544,532	(\$18,086)	(3.21%)
MARSHALL	\$1,051,636	\$1,017,804	(\$33,832)	(3.22%)
MORTON	\$296,493	\$286,949	(\$9,544)	(3.22%)
NEMAHA	\$943,146	\$912,648	(\$30,498)	(3.23%)
NEOSHO	\$1,651,730	\$1,598,348	(\$53,382)	(3.23%)
NESS	\$432,196	\$418,373	(\$13,823)	(3.20%)
NORTON	\$526,280	\$509,379	(\$16,901)	(3.21%)
OSBORNE	\$495,433	\$479,533	(\$15,900)	(3.21%)
OSAGE	\$1,271,476	\$1,230,782	(\$40,694)	(3.20%)
OTTAWA	\$553,477	\$535,753	(\$17,724)	(3.20%)
PHILLIPS	\$605,571	\$586,058	(\$19,513)	(3.22%)
PAWNEE	\$766,788	\$741,982	(\$24,806)	(3.24%)
PRATT	\$1,102,796	\$1,066,995	(\$35,801)	(3.25%)
POTTAWATOMIE	\$1,194,437	\$1,156,420	(\$38,017)	(3.18%)
RAWLINS	\$320,670	\$310,424	(\$10,246)	(3.20%)
RICE	\$960,124	\$929,106	(\$31,018)	(3.23%)
RUSH	\$382,872	\$370,609	(\$12,263)	(3.20%)
RILEY	\$3,643,004	\$3,523,802	(\$119,202)	(3.27%)
RENO	\$5,877,905	\$5,687,198	(\$190,707)	(3.24%)
ROOKS	\$606,459	\$586,940	(\$19,519)	(3.22%)
REPUBLIC	\$610,305	\$590,668	(\$19,637)	(3.22%)
RUSSELL	\$846,280	\$818,976	(\$27,304)	(3.23%)
SALINE	\$4,030,321	\$3,900,428	(\$129,893)	(3.22%)
SCOTT	\$572,745	\$554,159	(\$18,586)	(3.25%)
SHERIDAN	\$338,945	\$328,040	(\$10,905)	(3.22%)
STAFFORD	\$512,906	\$496,340	(\$16,566)	(3.23%)
SEDGWICK	\$37,996,837	\$36,756,748	(\$1,240,089)	(3.26%)
SHERMAN	\$715,233	\$692,191	(\$23,042)	(3.22%)
SMITH	\$471,122	\$456,002	(\$15,120)	(3.21%)
SHAWNEE	\$18,338,522	\$17,738,323	(\$600,199)	(3.27%)
STANTON	\$239,532	\$231,803	(\$7,729)	(3.23%)
SUMNER	\$2,700,287	\$2,613,043	(\$87,244)	(3.23%)
STEVENS	\$365,444	\$353,751	(\$11,693)	(3.20%)
SEWARD	\$1,531,248	\$1,481,602	(\$49,646)	(3.24%)



## 94BaselineHB2793Intro

<u>COUNTY</u>	<u>94 BASELINE</u>	<u>HB2793 INTRO</u>	<u>Difference</u>	<u>% Change</u>	
THOMAS	\$863,686	\$835,701	(\$27,985)	(3.24%)	
TREGO	\$365,158	\$353,522	(\$11,636)	(3.19%)	
WALLACE	\$184,361	\$178,496	(\$5,865)	(3.18%)	
WABAUNSEE	\$532,098	\$515,114	(\$16,984)	(3.19%)	
WICHITA	\$305,045	\$295,131	(\$9,914)	(3.25%)	
WILSON	\$904,870	\$875,855	(\$29,015)	(3.21%)	
WOODSON	\$340,753	\$329,845	(\$10,908)	(3.20%)	
WASHINGTON	\$580,163	\$561,583	(\$18,580)	(3.20%)	
WYANDOTTE	\$15,107,683	\$14,614,303	(\$493,380)	(3.27%)	
TOTAL	\$248,991,071	\$240,875,550	(\$8,115,521)	(3.26%)	



# kansas automobile dealers association

800 Jackson, Suite. 1110 • Topeka, Kansas 66612-1216 • (913) 233-6456 • FAX (913) 233-1462

February 8, 1994

To: The Honorable Keith Roe  
Chair, House Taxation Committee  
Members of the Committee

From: Don McNeely, Executive Vice-President  
Kansas Automobile Dealers Association

Re: Personal Property Tax Proposals on Motor Vehicles  
HB 2888; HB 2878; HB 2003; HB 2724; HB 2793

Good morning Mr. Chairman and members of the Committee. I am Don McNeely, Executive Vice-President of the Kansas Automobile Dealers Association. On behalf of the 300 franchised new car dealers in the state, thank you for the opportunity to appear before you today in support of the reduction and restructuring of the property tax on motor vehicles.

Although the implementation of the school finance formula will reduce the tax burden for residents in most counties of the state, our members continue to believe there are serious problems with the way Kansas taxes motor vehicles. I can stand before you and affirm that fact not due to any scientific data, but rather due to the fact that over 50% of the registered automobiles and trucks in this state are 10 years old or older. Once again, Kansas surpasses the national average by almost 20%. I have attached a copy of the R.L. Polk survey for your review.

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House Taxation Cmte  
Attachment 9

In regard to the proposals before you, I will address each one briefly.

HB 2888 - As I understand the components of the bill, this proposal is revenue neutral, creates 11 classes of vehicles, with the highest class created for vehicles \$100,000 and over. In addition the proposal raises the minimum tax in a graduated form based on vehicle value. The bill also creates a fairly severe penalty provision for failure to register which we support.

HB 2878 - Creates a \$1,500 reduction, and loss of revenue is made up by taxing receipts for legal services. We cannot support the legal services provisions because our association has consistently opposed any repeal of taxes on services.

HB 2003 - Decreases the assessed valuation from 30% to 25% and increases the minimum tax from \$12 to \$20. We believe the minimum tax should be raised on older vehicles to more accurately reflect the cost of operating a vehicle on the state's highways.

HB 2724 - This proposal has been before you in previous years and is similar to HB 2888, although there are fewer classes. Previous discussion on this proposal would indicate the committee's dislike due to the mid-range vehicle taking a larger shift than newer vehicles. Our association however, supports a class type structure in order to answer customers questions on what their property tax might be on a given vehicle.



HB 2793 - Reduces the assessed valuation one percentage point each year for 15 years. Our association believes this proposal may not do enough for the taxpayer in a timely fashion, but we certainly believe the current assessed valuation is entirely too high.

In closing Mr. Chairman, granting personal property tax relief to the residents of this state is long past due. There are many, many times dealers lose sales because of the tax situation on vehicles. We are not here to state there will be an influx of new vehicle sales, but rather we do believe individuals will find it easier to purchase newer vehicles as their need arises.

Again, thank you for the opportunity to appear. I will be happy to answer any questions the committee may have.

COMPARISON OF MOTOR VEHICLE POPULATIONS 10 MODEL YEARS & OLDER  
BY STATE

BASED ON R. L. POLK 07/01/92 VEHICLES IN OPERATION REPORT

## TRUCKS -- ALL GVWs

TRUCKS - ALL GVWS							TOTAL 10 YRS+	TOTAL ALL YR MODELS	VEHICLE POPULATION 10 YRS+
STATE	MODEL YEAR								
	1982	1981	1980	1979	1978 PRIOR TO 78				
NATIONAL	1815843	1649643	1564038	2725790	2373744	11555634	21684692	61172404	35.4%
ARIZONA	30562	29173	27016	46486	43049	257016	433302	1057522	41.0%
COLORADO	34195	34365	32516	52379	48033	309979	511467	1154911	44.3%
IOWA	28917	26307	30165	58719	46122	263006	453236	975095	46.5%
KANSAS	33144	31289	32301	54974	44533	393309	589550	1055589	55.9%
KENTUCKY	32102	29029	29182	60907	55609	224773	431602	1043455	41.4%
MISSOURI	41096	34504	37898	72865	60324	296425	543112	1412691	38.4%
NEBRASKA	18437	17791	18872	34920	24955	188424	303399	605926	50.1%
OKLAHOMA	54468	47068	35424	56761	49997	297304	541022	1182319	45.8%
OREGON	29171	30603	30713	51348	54941	351518	548294	1150604	47.7%
S.CAROLINA	23729	23982	22992	36061	32936	194635	334335	892783	37.4%

Table reads: 55.9% of the trucks in operation in Kansas are 10 or more model years old, compared to 35.4% across the nation.  
Nebraska has the second largest sub-population of trucks 10 or more model years old --- 50.1% of the total state truck population.

## PASSENGER CARS

PASSENGER CARS							TOTAL 10 YRS+	TOTAL ALL YR MODELS	VEHICLE POPULATION 10 YRS+
STATE	MODEL YEAR								
	1982	1981	1980	1979	1978 PRIOR TO 78				
NATIONAL	5077121	4887408	4447916	4806320	4024184	13072487	36315436	120346746	30.2%
ARIZONA	64671	63902	62643	71025	62258	262916	587415	1605401	36.6%
COLORADO	73636	74875	71160	71373	61740	279271	558419	1652991	33.8%
IOWA	68448	72141	67612	83277	70853	261322	623653	1583127	39.4%
KANSAS	67697	72349	72564	87219	78563	426608	805000	1609347	50.0%
KENTUCKY	75942	74427	67961	82668	71094	191826	563918	1752486	32.2%
MISSOURI	91659	91444	82460	101158	85061	267411	719193	2347890	30.6%
NEBRASKA	34097	35997	33856	42029	33861	132040	311880	793101	39.3%
OKLAHOMA	75011	71648	59063	67490	59513	216580	549305	1444891	38.0%
OREGON	58778	68101	67251	70304	66690	299346	630470	1484242	42.5%
S.CAROLINA	70205	68958	62123	69281	59567	195827	525961	1704549	30.9%

Table reads: 50% of the cars in operation in Kansas are 10 or more model years old, compared to 30.2% across the nation.  
Oregon has the second largest sub-population of cars 10 or more model years old --- 42.5% of the total state car population.

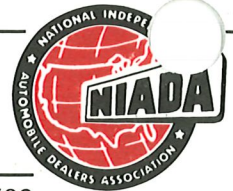
R. L. POLK & CO.  
AUTOMOTIVE DATA  
SERVICES DIVISION1155 Brewery Park Blvd.  
Detroit, MI 48207-2697**R. L. POLK & CO.**

(313) 393-0880





# KANSAS INDEPENDENT AUTOMOBILE DEALERS ASSOCIATION



Citizens Bank & Trust Building • 6th & Humboldt • Manhattan, Kansas 66502  
Phone: 913-776-0044 FAX: 913-776-7085

February 8, 1994

TO: HOUSE COMMITTEE ON TAXATION

SUBJECT: HB 2003, HB 2724, HB 2793, HB 2878, HB 2888,  
and HB 2889--MOTOR VEHICLE TAX

FROM: KANSAS INDEPENDENT AUTOMOBILE DEALERS ASSOCIATION

Mr. Chairman and Members of the Committee:

I am Tommy McGeeney, President of the Kansas Independent Automobile Dealers Association, representing 216 used car dealers.

Instead of testifying separately on all of the bills before the Committee today, we would like to ask to be allowed to testify in favor of all of the bills being presented to this Committee. We are in favor of any bill which will lower the property tax on vehicles. We believe that this tax is counter productive to the general public and to our industry. Let me give you some examples:

1. A wealthy citizen, who has the capital to buy the true luxury automobile, does not. Even though he can afford it, he knows he is the one being gouged the most with the luxury tax and the Kansas personal property tax on that vehicle.
2. The comfortable, average citizen, who would like to buy another car and who has the cash or good credit to afford the opportunity to buy another car, decides to drive the car he now owns for another year or two. This is because he hates the thought of the property tax on vehicles, and he views property tax on vehicles as a penalty for being frugal and/or a responsible citizen who pays bills in a prudent and timely manner.
3. The citizen who lives part time in Kansas and part time in another state decides to register his vehicle in another state because of "you know what."
4. The future citizen of Kansas, who is transferring here from another state, checks ahead to see what it costs to register a car in Kansas. After finding the cost, he registers that car in the state he is leaving in order to circumvent the tax for

2/8/94

*Individually we struggle to be heard—Collectively we cannot be ignored.*

*House Taxation Cmte*

*Attachment 10*



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Motor Vehicle Tax

that vehicle for at least a year.

Please do everything you can to lower vehicle property tax in Kansas. Thank you for your time and attention.