

Approved: 2/11/94
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 9, 1994 in Room 519-S of the Capitol.

All members were present except: Representative May, excused
Representative Pottorff, 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:

Don Christman - Wilcox RV Center and Recreational Vehicle Council of the Kansas
Manufactured Housing Association
Chris McKenzie - League of Kansas Municipalities
Bev Bradley - Kansas Association of Counties
Glen Freel

Others attending: See attached list

Chairperson Roe announced that there were requests for introduction of three bills: 1) to amend the definition of resident trust relating to taxation of income, 2) to amend the statute requiring a county appraiser to collect back taxes on property missed in the appraisal process, and 3) relating to public utilities; concerning the application of surcharges relating to property tax increases or decreases.

A motion was made by Representative Adkins, seconded by Representative Wilk, to introduce the three bills as shown above. The motion carried.

Chairperson Roe announced that the hearings on the motor vehicle tax bills which began yesterday, February 8, 1994, would now be continued: HB 2003, HB 2724, HB 2793, HB 2878, HB 2888, HB 2889.

Don Christman, Wilcox RV Center and Recreational Vehicle County of the Kansas Manufactured Housing Association, said that the Committee might find HB 2888 is the preferred solution to the exorbitant taxes on motor vehicles. He also said that SB 191 is the solution to the R.V. tax and registration problems faced by the R.V. industry in Kansas (Attachment 1).

Chris McKenzie, League of Kansas Municipalities, commented on all six bills before the Committee and said that any adjustment should occur gradually over a number of years. He also said that the combined effects of reappraisal and administrative changes to address the "alphabet inequity" caused local units to sustain a \$65 million actual loss in motor vehicle tax collections in 1991 (Attachment 2).

Bev Bradley, Kansas Association of Counties, said that the Association does not have a position of each of these vehicle tax bill but their concern is the loss of revenue to counties and cities (Attachment 3).

Glen Freel, said that one out of five Kansas jobs is related to the auto industry and with the help of a fairer tax law, our state could benefit even more (Attachment 4).

Chairperson Roe concluded the hearing on HB 2003, HB 2724, HB 2793, HB 2878, HB 2888, and HB 2889.

CONTINUATION SHEET

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

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

The Chair directed the Committee to turn to HB 2789.

HB 2789 - property tax statement mailing date.

A motion was made by Representative Wagon, seconded by Representative Larkin, to amend HB 2789 by adopting Substitute HB 2789 proposed by the Shawnee County Clerk on February 7, 1994, to use October 1 as the deadline for any changes in assessed valuation with respect to the setting of property tax levies by county clerks. The motion carried.

A motion was made by Representative Wagon, seconded by Representative Wilk, to pass the Substitute for HB 2789 as amended favorably.

A substitute motion was made by Representative Krehbiel, seconded by Representative Rock to amend the Substitute for HB 2789 to change the date for filing oil and gas renditions from March 15 to April 1. The motion carried.

A motion was made by Representative Lowther, seconded by Representative Larkin to pass Substitute for HB 2789 favorable as amended. The motion carried.

The Chair directed the Committee to turn to HB 2621.

HB 2621 - electronic transmission of appraisals.

A motion was made by Representative Lowther, seconded by Representative McKinney to report HB 2621 favorable for passage. The motion carried.

The minutes of February 8, 1994, were approved as read.

Representative Adkins requested information on the impact on school finance if any of the motor vehicle tax bills are passed.

Representative Wempe requested data on how much money would be raised by increasing the minimum property tax on motor vehicles to \$24.00.

The meeting adjourned at 9:45 a.m.

The next meeting is scheduled for February 10, 1994.

DATE 2/9/94

DATE 2/9/84

ADDRESS

REPRESENTING

[illegible]



HOMES & RV CENTER, INC.

835 Northeast Highway 24 • Topeka, Kansas 66608 • 913 357-5111

TO: House Taxation Committee
Rep. Keith Roe, Chairperson

FROM: Don Christman, President
Wilcox Homes & RV Center, Inc.

DATE: February 9, 1994

RE: HB 2888

Chairman Roe and Members of the Committee

My name is Don Christman, I represent the Recreational Vehicle Council of the Kansas Manufactured Housing Association, I am also the 2nd generation owner of Wilcox RV Center in Topeka, a 45 year old sales and service organization.

As a taxpayer I commend your early attention and persistence in seeking a solution to the exorbitant vehicle taxes paid by Kansans when compared to other States. During this hearing process you may find HB 2888 is the preferred solution to the exorbitant taxes on motor vehicles.

Most R.V.s however, are not motorized vehicles. Pick up campers, pop up tent trailers, travel trailers and fifth wheels all rely on another vehicle for transport. Motorhomes are self propelled but certainly not used in the same way as our neighbors car or truck.

Recreational vehicles are unique, they are primarily a 2nd home, not a mode of transportation. R.V.s are recognized as a 2nd home by Federal tax law where the 2nd home mortgage deduction is allowed for interest paid in the purchase of an R.V.

R.V. taxes also must be equal to, competitive with surrounding states and more importantly recreational destinations of choice. Many examples could be cited of our older citizens who are retired, mobile and living the R.V. lifestyle, where they learn in a matter of days upon arrival in Texas that they can escape Kansas tax. Some of the methods are legal some may not be but the revenue and citizen are lost just the same!

2/9/94
House Taxation Cmte
Attachment 1

I believe this Committee has already helped formulate the appropriate solution to the R.V. tax and registration problems we face. That solution is HB 191. HB 191 was developed in this committee and addresses:

- 1) The uniqueness of the RV
- 2) The loss of personal property and sales taxes lost due to out of State registration
- 3) The issue of being equal to and competitive with Texas that must be a significant part of any solution.

In closing I would urge you to address the motor vehicle tax problem soon. I would urge you to address the unique R.V. tax problem soon, but address them as the separate issues they in fact are.

As always I appreciate the opportunity to share my views with regard to R.V. taxation in Kansas. I'll be happy to stand for questions.

Cordially,



Don Christman, President
Wilcox Homes & RV Center, Inc.



League of Kansas Municipalities

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 112 S.W. 7TH TOPEKA, KS 66603-3896 (913) 354-9565 FAX (913) 354-4186

TO: House Committee on Taxation

FROM: Chris McKenzie, Executive Director *Chris McKenzie*

DATE: February 9, 1994

SUBJECT: League Comments on Motor Vehicle Tax Bills--HB 2003, HB 2724, HB 2793, HB 2878, HB 2888, and HB 2889

Thank you for this opportunity to comment on the six bills before the Committee concerning the change in the rate of taxation on motor vehicles. I want to compliment the sponsors of many of the bills before the Committee, especially Representatives Nichols, Garner, Donovan and McKechnie, who have recognized either explicitly or implicitly in their proposals that any change in the motor vehicle tax laws should not impose a revenue loss on cities and other local units of government who deliver services at the community level. It is easy for those of us who serve the public in Topeka to lose sight of the fact that it takes financial resources to fight crime, suppress fires and maintain streets, and the assumptions underlying these proposals of revenue neutrality are critical.

For those of you who are not aware, the combined effects of reappraisal and administrative changes by the Department of Revenue to address the so-called "alphabet inequity" caused local units to sustain a \$65 million actual loss in motor vehicle tax collections in 1991. Cities sustained a loss of \$15 million (or 23% reduction) of that \$65 million loss. This translated in to lower resources for police protection, fire suppression, street maintenance, park and recreation programs, etc. This is revenue that was removed from the motor vehicle tax base that will never be returned. Some may take comfort in that reduction as a victory for the taxpayers, but we believe it had tangible effects on the ability of cities to deliver local services. Even if this is not the case, it certainly weakened the fund balances of cities across the state and made them susceptible to fiscal crisis in future years. When this is combined with the estimated \$7 million in state aid to cities and counties that has been lost since it was not appropriated to local units according to existing formulas for FY 1991 - FY 1994, perhaps you can understand our concern about the revenue impacts of legislative proposals.

For this reason we are understandably suspicious of plans to change the motor vehicle tax system. Notwithstanding these concerns, I would respectfully make the following observations for your consideration as you deliberate on these measures:

- (1) Any plan should not only not decrease the existing fiscal year base, but it should provide

2/9/94
House Taxation Cmte
Attachment 2

for reasonable revenue growth. State government regularly sees its own revenue base expand by a rate in excess of 5% each year. This allows the state to keep pace with inflation and have a little bit more to improve services. Local units should receive no less than their state government partner.

- (2) If the plan enacted by the Committee does not allow for revenue growth of at least 5% each year, any difference should be made up in state aid payments through the existing LAVTRF and CCRS state aid programs similar to that proposed by Representatives Garner and Nichols in HB 2878. I honestly don't know if this will require removal of an existing exemption. It will depend, in part, on how deep a reduction occurs.
- (3) Any adjustment should occur gradually over a number of years. This will allow us to avoid the experience of 1991 and monitor the performance of the tax system to see if it is working. Representative McKechnie's proposal in HB 2793 has this advantage, but it may not allow a reasonable rate of revenue growth (see (2) above). It also may be desirable to end the phase out at the 25% assessment rate. One way this measure could be revised to address this concern would be to do a phased reduction to 25% over an 8 year period of .625% per year. If it is the Committee's desire to do it faster, the revenue loss could be offset with state aid as described in (2) above.
- (4) Any change should retain the advantages of the current system, such as registration and tax payment off of the regular property tax cycle.

Thank you for this opportunity to address the Committee. I appreciate your consideration of our concerns, and I look forward to working with you on this matter this session.



"Service to County Government"

215 S.E. 8th
Topeka, Kansas 66603-3906
(913) 233-2271
FAX (913) 233-4830

EXECUTIVE BOARD

President

Barbara Wood
Bourbon County Clerk
210 S. National
Fort Scott, KS 66701
(316) 223-3800, ext. 54

Vice-President

Dudley Feuerborn
Anderson County Commissioner
100 E. 4th
Garnett, KS 66032
(913) 448-5411

Past President

Murray Nolte
Johnson County Commissioner
9021 W. 65th Dr.
Merriam, KS 66202
(913) 432-3784

Roy Patton
Harvey County Weed Director
P.O. Box 687
Newton, KS 67114
(316) 283-1890

Nancy Hempen
Douglas County Treasurer
110 Massachusetts
Lawrence, KS 66044
(913) 832-6275

DIRECTORS

Mary Bolton
Rice County Commissioner
101 W. Commercial
Lyons, KS 67554
(316) 257-2629

Ethel Evans
Grant County Commissioner
108 S. Glenn
Ulysses, KS 67880
(316) 356-4678

Frank Hempen
Douglas County Director of
Public Works
1242 Massachusetts
Lawrence, KS 66044
(913) 832-5293

Mary Ann Holsapple
Nemaha County Register of Deeds
607 Nemaha
Seneca, KS 66538
(913) 336-2120

Eldon Hoyle
Geary County Commissioner
106 Bunker Hill Road
Junction City, KS 66441
(913) 762-4748

NACo Representative

Marjory Scheufler
Edwards County Commissioner
312 Massachusetts
Kinsley, KS 67547
(316) 995-3973

Darrell Wilson
Saline County Sheriff
300 W. Ash
Salina, KS 67401
(913) 826-6500

Executive Director

John T. Torbert, CAE

February 9, 1994

To: Representative Keith Roe, Chairman
Members House Taxation Committee

From: Bev Bradley, Deputy Executive Director
Kansas Association Of Counties

Re: Motor Vehicle Tax Bills

I am Bev Bradley representing the Kansas Association of Counties. Thank you for allowing me to testify today.

We do not have a position on each of these vehicle tax bills. Our major concern is the loss of revenue to counties and cities. Our convention adopted policy states:

The Kansas Association of Counties recommends that any legislation include the following criteria:

(a) Retain a staggered system of issuing the licenses and collecting the motor vehicle tax.

(b) Be fair and equitable to all taxpayers, no matter what month in which their vehicle is registered.

(c) Result in no revenue loss to local governments.

Thank you for your consideration.

2/9/94
House Taxation Cmte
Attachment 3

Mr. Chairman and Members of the Committee, I'm Glen Freel.

Three years ago, a personal property tax bill was introduced. Several people testified and explained to you we were the highest in the nation. This was sidelined by the school finance bill. Then it was noted we still had the problem, but nothing has been corrected. One out of five Kansas jobs is related to the auto industry. Even though sales were up last year, it was because of low interest rates to get the economy going. With the help of a fairer tax law, our state could benefit even more.

2/9/94
House Taxation Cmte
Attachment 4