Approved: 3/9/94
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

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

All members were present except:

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:
Tim O'Sullivan, Kansas Bar Association
Steve Stotts, Department of Revenue
Terry Leatherman, Kansas Chamber of Commerce & Industry

Others attending: See attached list

A motion was made by Representative Crowell, seconded by Representative Larkin, to introduce a bill which would increase the transfer from $390,000 to $600,000 for the elderly and handicapped and make it a demand transfer. The motion carried.

The minutes of February 24, February 25, and March 3, 1994, were approved as read.

Chairperson Roe opened the hearing on SB 494.

SB 494 - technical amendments to inheritance tax relating to terminable interest.

Tim O'Sullivan, Kansas Bar Association, testified in support of SB 494 and said that this bill is an effort to conform Kansas statutes on Qualified Terminable Interest Property to federal law. Mr. O'Sullivan said this bill would make technical changes to: 1) affixing class of heirs for QTIP elections, 2) fractional QTIP elections, and 3) recoupment of taxes on QTIP property.

Chairperson Roe concluded the hearing on SB 494.

The Chair directed the Committee to return to the motion made on March 3, 1994, to amend HB 2782 to add a requirement that taxpayers whose taxes are mailed to an escrow agent may obtain a copy of the tax information from the county treasurer at no cost and free of any mailing charge. The publication requirement in Section 1 also would be required to inform the public about the availability of the information. A vote was taken and the motion to amend carried.

After considerable Committee discussion, a motion was made by Representative Welshimer, seconded by Representative Adkins, to report HB 2782 adversely. The motion carried.

A motion was made by Representative Mays, seconded by Representative Krehbiel, to strike the provisions of SB 253 and to insert in this bill the contents of HB 2782 as amended. The motion carried. Representatives Adkins, Wagle and Welshimer requested to be recorded as voting no.

A motion was made by Representative Mays, seconded by Representative McKinney, to report SB 253 favorably as amended. The motion carried.

CONTINUATION SHEET

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

Chairperson Roe directed the Committee to turn to HB 2933.

HB 2933 - individual medical accounts.

Representative Wagle reviewed a balloon with amendment for HB 2933 and said that the annual $2000 per person or $5000 per family would be adequate to purchase insurance. Also in the balloon were changes regarding who can hold a trust account and the option of choosing an individual or family account. The money in the account must be used to purchase medical insurance with a $5000 to $10,000 deductible (Attachment 1).

Steve Stotts, Department of Revenue, reviewed two spreadsheets, one for a married person filing jointly and one for a single taxpayer at different income levels either using or not using a medical IRA (Attachment 2).

Terry Leatherman, Kansas Chamber of Commerce & Industry, reviewed information requested by the Committee on potential applications of the health insurance concept advanced in HB 2933 (Attachment 3). He distributed information on tax considerations relevant to the HB 2933 medical savings account proposal (Attachment 4).

A motion was made by Representative Wagle, seconded by Representative Crowell, to conceptually amend HB 2933 with several changes to be prepared by the Revisor of Statutes. After Committee discussion, no action was taken on the motion to amend.

The Chair directed the Committee to turn to SB 494.

A motion was made by Representative Empson, seconded by Representative Shriver, to report SB 494 favorably. The motion carried.

The Chair directed the Committee to turn to SB 447.

SB 447 - eliminating tax levy mill rate limitations for certain governmental units.

Representative Adkins reviewed the subcommittee report on SB 447 and stated the subcommittee recommended it be passed without amendments (Attachment 5).

A motion was made by Representative Adkins, seconded by Representative McKinney, to report SB 447 favorably.

A substitute motion was made by Representative Lowther, seconded by Representative Wiard to amend SB 447 to include language that revenues derived from property taxes levied for mental health programs or for programs for people with disabilities, whether deposited in special funds of the general funds of the several counties, shall be spent exclusively for such purposes. The substitute motion to amend failed.

Returning to the original motion by Representative Adkins to pass SB 447, a vote was taken and the motion carried. Representatives Lowther and Wagnon requested to be recorded as voting no.

The meeting adjourned at 11:45 a.m.
The next meeting is scheduled for March 9, 1994.

HOUSE TAXATION COMMITTEE

DATE 3/8/94

NAME	ADDRESS	REPRESENTING
Alan Steppat	TOPEKA	PETE McGill & Assoc.
Bob Corkins	"	KCCI
BEV BRADLEY	TOPEKA	KS Assoc of Counties
ART BROWN	--	KS. Lbr Dealers
Debbie Hernandez	Lawrence	Intern - Tomlinson
Kathy Taylor	Topeka	KS Bankers Assn.
Chuck Stones	"	"
LARRY MAGILL	"	KS. ASSN. OF INS. AGENTS
Ron Smith	"	Ks Bar Assoc
TC Anderson	"	KSCPA
Bill Ervin	✓	Dept of Admin
Michelle Clum	"	atty. Jon Small
TERRY LEATHERMAN	"	KCCI

Session of 1994

HOUSE BILL No. 2933

By Representatives Wagle, Boston, Bradley, Bryant, Chronister, Cornfield, Cox, Crowell, Donovan, Empson, Farmer, Flower, Freeborn, Gatlin, Haulmark, Hayzlett, Jennison, Kejr, King, Phill Kline, Lawrence, Lowther, Mason, Mayans, Mead, Mollenkamp, Morrison, Myers, Neufeld, O'Neal Packer, Pottorff, Samuelson, Scott, Shallenburger, M. Smith, Snowbarger, Toplikar, Vickrey, E. Wells and Wilk

2-4

AN ACT relating to individual medical accounts; amending K.S.A. 1993 Supp. 79-32,117 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

New Section 1. This act may be cited as the individual medical account act.

New Sec. 2. For the purposes of this act:

(a) "Account holder" means the individual on whose behalf the individual medical account is established.

(b) "Dependent child" means any person under the age of 21 years or any person who is legally entitled or subject to a court order for the provision of proper and necessary subsistence, education, medical care or any other care necessary for their health, guidance or well-being, and who is not otherwise emancipated, married or a member of the armed forces of the United States, or who is mentally or physically incapacitated.

(c) "Individual medical account" means a trust created or organized to pay the eligible medical, dental and long-term care expenses of the account holder.

(d) "Trustee" means a chartered state bank or trust company authorized to act as a fiduciary, a national banking association or savings and loan association authorized to act as a fiduciary, or an insurance company.

New Sec. 3. (a) For taxable years beginning on or after the effective date of this act, a resident shall be allowed to deposit contributions to an individual medical account. The amount of deposit for the first taxable year subsequent to the effective date of this act shall not exceed:

(1) $2,000 for the account holder; or

(2) $2,000 for the account holder and $1,000 for each dependent

the spouse of the account holder and any child of the account holder who is: (1)

; (2)

; (3)

or the account holder and the account holder's dependents

: (1) A national or state chartered bank, a federal or state chartered savings and loan association, or a federal or state chartered credit union;

(2) A trust company authorized to act as a fiduciary;

(3) An insurance company or health maintenance organization authorized to do business in this state;

(4) A broker-dealer, commodity issuer, investment advisor, or agent registered pursuant to article 12 of chapter 17 of the Kansas Statutes Annotated, and amendments thereto;

(5) A third party administrator registered pursuant to article 38 of chapter 40 of the Kansas Statutes Annotated, and amendments thereto;

(6) A certified public accountant licensed to practice in this state;

(7) An attorney licensed to practice in this state; or

(8) An employer that contributes to an employee's individual medical account.

An individual

if the individual medical account is for the sole benefit of the

3/8/94
House Taxation Cmte
Attachment 1

child of the account holder

(b) The maximum allowable amount of deposit for subsequent years shall be increased annually by a percentage equal to the previous year's increase in the national consumer price index.

(c) Interest earned on an individual medical account shall be exempt from state income taxation as adjusted gross income in this state.

(d) Upon agreement between an employer and employee, an employer may contribute to the employee's individual medical account or continue to make contributions under the employee's existing health insurance policy or program, subject to the restrictions in subsection (f)(1).

(e) The individual medical account shall be established as a trust under the laws of this state and placed with a trustee. The trustee shall:

(1) Purchase major medical coverage for each account holder/to cover all medical, ~~dental and long-term~~ care expenses in excess of $10,000; and

(2) utilize the trust assets solely for the purpose of paying the medical, dental and long-term care expenses of the account holder.

(f) Individual medical account funds may be withdrawn by the account holder at any time for any purpose, subject to the following restrictions and penalties:

(1) There shall be a distribution penalty for withdrawal of individual medical account funds by the account holder. Such penalty shall be 10 percent of the amount of interest earned as of the date of withdrawal on the account and, upon such withdrawal, the interest earned during the tax year in which withdrawal occurs shall be subject to state income taxation;

(2) after an account holder reaches 60 years of age, withdrawals shall be permitted for medical, dental or long-term care expenses only, and may be withdrawn without penalty.

(g) Upon the death of the account holder, the account principal, as well as any interest accumulated thereon, shall be distributed to the decedent's estate and taxes as part of the estate.

Sec. 4. K.S.A. 1993 Supp. 79-32,117 is hereby amended to read as follows: 79-32,117. (a) The Kansas adjusted gross income of an individual means such individual's federal adjusted gross income for the taxable year, with the modifications specified in this section.

(b) There shall be added to federal adjusted gross income:

(i) Interest income less any related expenses directly incurred in the purchase of state or political subdivision obligations, to the extent that the same is not included in federal adjusted gross income, on

$5,000 if the individual medical account is for the benefit of the account holder and the account holder's dependents

and dependents of the account holder

an amount equal to or greater than $5,000 but not to exceed $10,000

and dependents of the account holder

provisions

for use for other than medical, dental and long term care expenses

equal to 10% of the amount withdrawn

the amount withdrawn and

taxed

	Married 1 dep	Married 1 dep	Married 1 dep	Married 1 dep	Married 3 dep	Married 3 dep
KAGI	$30,000	$30,000	$50,000	$50,000	$100,000	$100,000
Standard Ded.	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000
Pers. Exemp	$6,000	$6,000	$6,000	$6,000	$10,000	$10,000
Med.IRA	$0	$5,000	$0	$5,000	$0	$5,000
Taxable Inc	$19,000	$14,000	$39,000	$34,000	$85,000	$80,000
Tax	$665	$490	$1,613	$1,300	$4,538	$4,215
		Married - 1dep		Married - 1dep		Married - 3dep
KAGI		$30,000		$50,000		$100,000
Tax Savings	one year	($175)		($313)		($323)
	five years	($875)		($1,563)		($1,613)
Med IRA Total	Five years	$25,000		$25,000		$25,000
	Interest 10%/yr	$5,526		$5,526		$5,526
	Total	$30,526		$30,526		$30,526
Withdraw	Penalty 10%	$3,053		$3,053		$3,053
	Taxable Inc.	$44,526		$64,526		$110,526
	Regular Tax	$1,958		$3,217		$6,184
	Total Tax	**$5,010**		**$6,269**		**$9,236**
	Effective Rate	8.28%		7.79%		7.08%

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Attachment 2

	Single 0 dep	Single 0 dep	Single 0 dep	Single 0 dep	Single 1 dep	Single 1 dep
KAGI	$15,000	$15,000	$30,000	$30,000	$40,000	$40,000
Standard Ded.	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
Pers. Exemp	$2,000	$2,000	$2,000	$2,000	$4,000	$4,000
Med.IRA	$0	$2,000	$0	$2,000	$0	$2,000
Taxable Inc	$10,000	$8,000	$25,000	$23,000	$33,000	$31,000
Tax	$440	$352	$1,255	$1,105	$1,863	$1,708
		Single 0 dep		Single 0 dep		Single 0 dep
KAGI		$15,000		$30,000		$40,000
Tax Savings	one year	($88)		($150)		($155)
	five years	($440)		($750)		($775)
Med IRA Total	Five years	$10,000		$10,000		$10,000
	Interest 10%/yr	$2,210		$2,210		$2,210
	Total	$12,210		$12,210		$12,210
Withdraw	Penalty 10%	$1,221		$1,221		$1,221
	Taxable Inc.	$20,210		$35,210		$43,210
	Regular Tax	$896		$2,034		$2,621
	Total Tax	**$2,117**		**$3,255**		**$3,842**
	Effective Rate	7.78%		7.71%		7.36%

2-2

Kansas Chamber of Commerce and Indu[illegible]ry
A consolidation of the Kansas State Chamber of Commerce, Associated Industries of Kansas, Kansas Retail Council

KCCI

835 SW Topeka Blvd.
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(913) 357-6321
Fax (913) 357-4732

March 3, 1994

TO: House Taxation Committee

FROM: Terry Leatherman, KCCI

RE: HB 2933

As per the Committee's request, the following reviews potential applications of the health insurance concept advanced in HB 2933.

THE UNINSURED (self-employed individuals and employees of businesses which do not provide health insurance)

A. A high deductible insurance policy makes insurance more affordable.

	$350 DEDUCTIBLE	$5,000 DEDUCTIBLE
A FAMILY SICKNESS/ACCIDENT MAJOR MEDICAL INSURANCE POLICY ($2 million maximum)	$3,000 a year/ $250 a month	$1,024 a year $85 a month

B. The premium reduction is ineffective unless the policyholder has the financial discipline to meet their insurance deductible. The medical savings account creates the vehicle to meet the deductible challenge, with the state tax treatment in HB 2933 providing further incentive.

C. The example illustrates potential insurance premiums for a "healthy" family. Individual insurance policies can be much more expensive for families with pre-existing conditions," making application of the benefits of HB 2933 less attractive.

THE EMPLOYER WHO DOES NOT CONTRIBUTE TO AN EMPLOYEE HEALTH CARE PLAN

A. National and KCCI surveys indicate a small employer is less likely to insure their employees than a large employer. The cost of group health insurance appears to be the principal reason why some employers do not offer a health insurance program.

B. There appears to be limited application of high deductible insurance programs in today's group health insurance market. However, no current Kansas law precludes the use of a high deductible.

C. The employer is encouraged to participate in an employee health care plan because of tax advantages.

(Over, please)

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House Taxation Cmte
Attachment 3

(AMPLE: An employer o. 10 contributes $250 a month per employee towards health car plan with a $350 deductible. Total employer contribution is $30,000.

Federal Tax Savings (36% rate)	$10,800
State Tax Savings (7.35% rate)	2,205
FICA Savings (7.65% rate)	2,295
TOTAL	$15,300 (51% of $30,000)

EXAMPLE: An employer of 10 contributes $140 a month per employee towards health care plan with a $1,000 deductible. Total employer contribution is $16,800.

Federal Tax Savings (36% rate)	$ 6,048
State Tax Savings (7.35% rate)	1,235
FICA Savings (7.65% rate)	1,285
TOTAL	$ 8,568 (51% of $16,800)

D. For tax reasons, it is likely the employer would want to contribute to an employee's insurance premiums, rather than their medical savings account.

ALTERNATIVE EMPLOYER SPONSORED INSURANCE ARRANGEMENTS

Employer use of the medical savings account concept could be realized if permitted by alternative to state regulated group health insurance plan. For instance, the 1989 session of the Kansas Legislature authorized creation of "small employer health care plans" where employers of 25 or fewer employees could band together for the purpose of insuring employees. The law exempted these plans from state mandated coverage. In addition, SB 612, which is currently pending action by the Kansas Senate, expands the application of the "small employer health care plans."

KCCI

Kansas Chamber of Commerce and Industry

A consolidation of the Kansas State Chamber of Commerce, Associated Industries of Kansas, Kansas Retail Council

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March 3, 1994

To: House Taxation Committee
From: Bob Corkins, KCCI
Re: HB 2933

Tax Considerations Relevant to HB 2933
Medical Savings Account (MSA) Proposal

I. Federal Tax Treatment

A. Employer may deduct full health insurance premiums as a business expense; employees may exclude the cost of such premiums from their taxable income.

B. Self-employment does not qualify the taxpayer as an "employee", presumably to preclude double deduction. Otherwise, that taxpayer could get both a deduction for the business expense as an employer and an equivalent income exclusion as an employee. Consequently, if a self-employed person were able to deduct premium costs, he would then have to add that amount back in as taxable income (for no net effect).

II. Interplay of HB 2933 Incentives

A. There is no employer rationale for providing double coverage. An MSA program would duplicate business costs for those currently providing health insurance coverage.

B. There would be a strong disincentive to scrapping an existing health insurance plan for employees, with its current state <u>and</u> <u>federal</u> tax incentives, in order to gain a relatively modest MSA state tax benefit.

C. For the employer currently providing a limited health insurance contribution, a state MSA incentive might encourage broadened insurance coverage. Keeping his existing insurance program in place, he might then contribute toward employees' MSAs for dental coverage or for the addition of other family members.

D. HB 2933 would provide a good incentive for the self-employed (who get very little incentive now).

E. HB 2933 would provide a good incentive for employers who currently offer no insurance benefits. Although the MSA tax incentive would be much weaker than that currently possible for him under federal law, the appeal of the MSA is in limiting his aggregate insurance premium cost (e.g. MSA contribution plus premium for excess coverage).

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Attachment 4

II. Unlikely Tax Haven

A. Medical withdrawals from MSA can be made at any time, so MSA rate of return would be less than other (more time bound) investments.

B. MSA corpus would be invested in the same manner as any other comparable non-MSA fund.

C. Key question: will the taxes avoided (over time) on the amount withdrawn for non-medical uses ever exceed the 10% penalty plus tax owed at the time of withdrawal?

D. Taxpayer can circumvent the intent of HB 2933 for financial gain if the state income tax rate quickly escalates, remains high, then drops substantially just before the non-medical withdrawal.

Example: Taxpayer (married, paying in top bracket) contributes $3,000 to MSA each year for 10 years, then withdraws $30,000 for non-medical uses. Assuming the $30,000 is his only taxable income for that year, taxpayer "wins" if tax rates average 15% annually over 9 years and then drop back to 3.5% just before his withdrawal.

$3,000 X 15% X 9years = $4,050 cumulative tax savings

10% penalty + 3.5% tax on $30,000 = $4,050 due at withdrawal

State of Kansas
House of Representatives

State Capitol
Room 448-N
Topeka, Kansas 66612-1504
(913) 296-7693

Committee Assignments

Taxation
Judiciary

David Adkins
Representative, 28th District

March 7, 1994

Subcommittee Report on S.B. 447

TO: Chairman Keith Roe, House Committee on Taxation

FROM: David Adkins, Subcommittee Chairman on S.B. 447

1. PURPOSE OF THE BILL

The two main puposes of S.B. 447 are to (1) respond to concerns over disruption which would occur if the tax lid law were repealed and numerous fund levy limits were reactivated, and (2) simplify accounting and budgeting for cities, counties and townships affected by the tax lid law by cutting down the number of tax levies. S.B. 447 would abolish most fund levy limits applying to cities, counties and townships. Specific authority would be enacted for cities, counties and townships to levy for their general funds and other governmental purposes. Today both cities and counties have at least 125 statutorially authorized funds. Of these authorized funds, cities can levy on 84 and counties can levy on 96. S.B. 447 repeals the fund levy limits in 26 of the county fund levies, 15 of the township fund levies and 6 of the city fund levies. Most cities have only a general fund tax levy under the current tax lid and, therefore, this legislation would have only a minor effect on these.

2. SUBCOMMITTEE RECOMMENDATION

On a voice vote the Subcommittee recommends S.B. 447 to the full Committee favorably without amendment.

3. ACTIVITIES OF THE SUBCOMMITTEE

Your subcommittee met twice to consider S.B. 447. Subcommittee members Brown, Mollenkamp, Grotewiel and Larkin attended both sessions. In its first meeting the subcommittee considered additional testimony from Bill Ervin and Barbara Butts of Municipal Accounting Section. At the request of the subcommittee, Mr. Ervin and Ms. Butts prepared and distributed to the subcommittee a listing of all fund levy limits for counties, townships and cities. This listing is attached to this subcommittee report as an exhibit. The fund levy limits specifically repealed by S.B. 447 are indicated on the exhibit.

3/8/94
House Taxation Cmte
Attachment 5

Residence: 8021 Belinder Road • Leawood, Kansas 66206 • (913) 341-1232

The subcommittee's specific attention focused on a suggested amendment received from the Kansas Association of Rehabilitation Facilities. That group is concerned that funds raised from mental health and mental retardation mill levy limits will no longer be "earmarked"if such funds are absorbed into the general fund. The Association had suggested that the following language be added to the bill. "Revenues derived from property taxes levied for mental health programs or for programs for people with disabilities, whether deposited in special funds or the general funds of the several counties, shall be spent exclusively for such purposes." Representative Grotewiel, seconded by Representative Larkin, moved to include this language in the bill. The motion failed 3-2.

The subcommittee also considered what treatment libraries should receive in the bill. The Senate Committee amended S.B. 447 to include new Section 9 which essentially maintains current library mill levy limits. To assist the subcommittee in its study of this issue, staff prepared a memorandum which more fully explains the treatment of libraries under current tax levy laws and as proposed in S.B. 733 which recently passed the Senate. (A copy is attached.) The subcommittee considered whether we wanted to remove all language regarding libraries in S.B. 447 and defer action until S.B. 733 regarding library mill levy limits was considered.

Representative Larkin moved to recommend S.B. 447 (as passed by the Senate) favorably to the full Taxation Committee. Representative Grotewiel seconded the motion and the motion carried on a voice vote.

-0-

4. CONCLUSION:

I wish to acknowledge the members of the Subcommittee for their attention to this issue. Should you desire any additional information regarding the deliberations or actions of the subcommittee, please feel free to contact me.

Respectfully submitted

David Adkins

David Adkins

County Tax Levies

Fund	K.S.A.	S.B. 477
General	79-1946	X
Aged, Home	19-2106	
Airport	3-310	
Airport	3-121	X
Airport	3-307	
Airport Capital Outlay	3-316	
Alcohol & Drug Program	65-4060	
Ambulance	65-6113	
Appraisal	19-436	
Bond & Interest	10-113	
Bridge	68-1103	
Bridge, Special	68-1135	
Building	19-1572c	
Building	19-1573	
Building	19-15,124	
Building, 4-H	19-1561	
Building, Special	19-15,116	
Cemetery	15-1015	
Cemetery Maintenance	19-3105	X
Cemetery, Abandoned	19-3106	
Cemetery, Abandoned	19-3107	
Child Care Center	12-4801	
Civil Defense	19-236a	
Conservation District	2-1907b	
Depository Bank Failure	19-2636	X
Drainage Maint & Repair	24-302	
Economic Development	19-4102	X
Elderly, Home	19-2106a	
Elderly, Home	19-2106e	
Elderly, Home	19-2122	
Elderly, Home	19-2106	
Elderly, Home	19-2106b	
Election	25-120	
Election	19-3435a	
Election, Direct	25-2201a	
Emergency Expense	19-236	
Employee Benefits	12-16,102	
Extension Council	2-160	X
Fair	2-131a	
Fair	2-129	
Fair	2-132	
Fair Building	2-145a	
Fair Building	2-131b	
Fair Premiums	2-301	
Flood Control	19-3305	X
Garbage & Trash Removal	65-204	
Geological Survey	76-326a	X
Golf Course	19-27,156	
Grasshopper Control	19-2412	
Handicapped Services	19-2698	
Health & Sanitation	65-208	
Historical Society	19-2651	
Hospital	19-4601	X
Hospital, Indigent	39-416	

County Tax Levies

Fund	K.S.A.	S.B. 477
Juvenile Facility	38-536	
Juvenile Farm	38-513	
Juvenile Farm	38-523	
Juvenile Farm/Detention	38-533	
KPERS	74-4920	
KP&F	74-4967	
Lake & Park Impr, City	19-2833a	X
Law Enforcement	12-11a01	
Law Enforcement Agency	19-4485	
Law Enforcement Agency	19-4443	
Law Enforcement Agency	19-4421	
Liability Expense	75-6110	
Library	12-1234	
Library	12-1220	
Library, Building	12-1257	
Library, Improvement	79-4001	
Lighting, Highway	68-166	X
Memorials	73-401	X
Memorials	73-407	X
Mental Health	19-4007	X
Mental Health	19-4004	X
Mental Health	19-4011	X
Mental Health Clinic	65-212	X
Mental Health Clinic	65-215	
Mental Health Clinic	65-211	
Mental Retardation	19-4007	X
Mental Retardation	19-4004	X
Mental Retardation	19-4011	X
Noxious Weed	2-1318	X
Parental Home	38-507	
Parks & Recreation	19-2801	X
Reappraisal	79-1482	
Road & Bridge	68-5,101	
Road & Bridge	79-1947	X
Road & Bridge, Special	68-559a	
Roads	68-5,100	
Roads, Connecting Links	68-582	X
Roads, Rural Highway	68-596	
Road, Special	68-709	
Salary	28-716	
Social Security	40-2305	
Soil Conservation	2-1907b	
Soil Drifting	2-2007	X
Steam Maintenance	82a-308	X
Transportation, KC Area	12-2535	
Tuition, Out-District	71-301	
Tuition, Out-District	13-13a26	
Unemployment Compensation	44-710e	
Voting Machines	25-1315	
Voting Machines	25-4407	
Weather Modification	82a-1425	
Workmens Compensation	44-505c	
Youth Camp/Home	38-546	
Youth Ctr, Recr Grounds	19-3901	
Youth Residential Fac	38-555	
Youth Service Bureau	19-3905	
WSU Development		

Township Tax Levies

Fund	K.S.A.	S.B. 477
Noxious Weed	2-1318	X
Deficiency levy for chemicals	2-1318	X
Bond and Interest	10-113	
Library	12-1220	
Library	12-1230	
Cemetery	12-1403	X
Cemetery	12-1405	X
Employee Benefits	12-16,102	
Washburn Out-district Tuition	13-13a26	
Fire Protection and Street Lights	19-2717	
Social Security	40-2305	
Workmen's Compensation	44-505c	
Special Highway Improvement (includes Machinery)	68-141g	
Road	68-518c	X
Special Liability Expense	75-6110	X
Parks/Cemetery Acquisition	79-1962	
Parks/Cemetery Maintenance	79-1962	
Fire Protection	79-1962	
General	79-1962	X
Library	79-1962	
Prairie Dog Extermination	79-1962	
No-Fund Warrants (Shortages in Revenue)	79-2938	
No-Fund Warrants (Emergencies)	79-2939	
Township Hall	80-115	X
Park & Cemeteries Maintenance	80-903	X
Cemeteries	80-932	X
Transfer Authorization	80-1406b	
Special Road (election required)	80-1413	
Ambulance Fund	65-6113	X
Fire Protection	80-1503	
Fire Department	80-1537	X
Fire Department	80-1546	
Fire Department	80-1903	X
Fire Department	80-1916	X
Fire Department	80-1921	X

City Tax Levies

The city General Fund has no statutory mill levy limit. The mill levy limits which would be deleted by S.B. 447 are:

Fund	K.S.A.
Airport	3-121
Connecting Link	68-582
Industrial Development	12-1617h
Noxious Weed	2-1318
Memorial Building	74-407
Refuse Collection	12-2104

Most cities have only a general fund tax levy under the tax lid. This legislation will have only a minor effect on cities.

5-6

3/7/94

Under current law, most libraries can effectively "force–feed" their levies to the governing bodies of cities, counties, and townships. Levy limits generally range from 1.5 to 3 mills. Some libraries may be levying different amounts because of charter ordinances and/or the operation of the aggregate dollar limitation (tax lid). Cities, counties, and townships generally do not have authority to NOT accept whatever levy the library board wants (Jo Co is an exception). Other exceptions include Topeka, Leavenworth, Salina, Hutch, and Shawnee County.
The current system is politically controversial, since most library board members apparently are appointed and not elected.
According to Municipal Accounting, libraries are the only entity that can dictate mill levies to another governing body.

Under SB 447, cities, counties, and townships could charter into different fund levy limits for libraries other than those currently prescribed by statute. THIS EFFECTIVELY WOULD GIVE ALL CITIES, COUNTIES, AND TOWNSHIPS AUTHORITY OVER THE LIBRARY LEVIES, SINCE THEY COULD CHARTER INTO LEVY LIMITS OF ZERO MILLS. Unless the people of the city, county, or township were successful with a protest petition and subsequent election to block the action, the cities, counties, and townships would thus have the power of life and death over the library levies.

Under SB 733, libraries would be able to go up to 6 mills, with increases over current levies in annual increments up to 0.5 mills, subject to protest petition (the whole levy would not be subject to protest petition, just the increase). There would be no real change in the governance issue relative to current law, in that most libraries could continue to force–feed their levies to the cities, counties, and townships. Exceptions under current law would be maintained for Jo Co, Topeka, Salina, Hutch, Shawnee Co, and Leavenworth. Those library boards still would not have power to set any levies the cities or counties did not agree to.

It may be unclear what would happen if both 447 and 733 pass. . .

In anticipation of working SB 733, now in House Tax Committee, should the section in 447 relative to libraries be taken out of the bill, leaving the governance issue aside? The governance issue could be dealt with in SB 733, which relates specifically to libraries.

If the governance issue is to be dealt with in SB 447, should the bill be returned to its original form with respect to libraries (repealing all fund levy limits and giving cities, counties, and townships immediate authority over library levies without requiring them to pass charter resolutions)?

5-7