

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard at 3:35 p.m. on March 7, 2011, in Room 783 of the Docking State Office Building.

All members were present except:

Representative Denning-excused
Representative Kelley-excused

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Chris Courtwright, Kansas Legislative Research Department
Michael Wales, Kansas Legislative Research Department
Marla Morris, Committee Assistant
Allen Jeffus, Office Assistant

Conferees appearing before the Committee:

Senator Jeff King
Representative Sharon Schwartz
Kent Craft, Past President, Kansas BASS Chapter Federation Nation
Randall Allen, Kansas Association of Counties
Gayla Shields, Miami County Treasurer
Linda Coon, Wabaunsee County Treasurer, representing the Kansas County Treasurer Association
Jamie Shew, Douglas County Clerk, for the Kansas County Clerk Associations

Conferees providing written testimony only:

Joe Grisolano, Crawford County Treasurer and President, Kansas County Treasurer Association

Others attending:

See attached list.

Bill Introductions:

Representative Carlson moved to introduce a bill to be known as the March to Economic Growth Act or the MEGA bill, wherein increased revenues in the future will buy down the income tax rate in the state of Kansas. The motion was seconded by Representative Kleeb. The motion carried unanimously.

Chairman Carlson opened the hearing on:

HCR 5017-Constitutional amendment authorizing the legislature to provide classification and taxation of watercraft

Chairman Carlson directed the Committee to their daily packet containing the Fiscal Note for **HCR 5017**, prepared by Richard Cram, Kansas Department of Revenue (Attachment 1)

Chris Courtwright, Kansas Legislative Research Department, briefed the Committee on **HCR 5017**. **HCR 5017** is a proposed constitutional amendment which would go on the November 2012, general election ballot submitted to the people of Kansas. If passed, it would amend the property tax classification amendment to the Kansas Constitution, authorizing legislature to establish a separate system for watercraft. Mr. Courtwright circulated a 2008 document prepared by the Kansas Legislative Research Department containing recommendations from the Special Committee on Assessment and Taxation, providing a history on proposed constitutional amendments concerning watercraft taxation (Attachment 2). He stood for questions.

Senator Jeff King spoke in support of **HCR 5017**, testifying to the need for reformation of the property tax system on boats. He stated many boat owners are registering their watercrafts in neighboring states, generating a substantial revenue loss to the State of Kansas. He urged support of **HCR 5017**, and responded to questions from the Committee.

Representative Sharon Schwartz, spoke in support of **HCR 5017**. Kansas is losing revenue, possibly as much as \$3 million, as owners chose to store their boats in surrounding states where the tax policy is more equitable (Attachment 3). She urged support of **HCR 5017**, and suggested that action be taken this year to make a difference in the method of taxing watercraft in the State of Kansas. She stood for questions.

CONTINUATION SHEET

The minutes of the House Taxation Committee at 3:31 p.m. on March 7, 2011, in Room 783 of the Docking State Office Building.

Kent Craft, Past President, Kansas BASS Chapter Federation Nation, testified in support of **HCR 5017**. He presented examples of the much lower watercraft personal property taxes imposed by the neighboring states of Nebraska, Colorado, Oklahoma and Missouri (**Attachment 4**). He believes passage of **HCR 5017** is a step in the right direction. Mr. Craft suggested an explanatory statement of the amendment would be helpful if presented on a ballot.

Neutral testimony on **HCR 5017**, from Randall Allen, Kansas Association of Counties, was provided in written-only form (**Attachment 5**).

Chairman Carlson closed the hearing on **HCR 5017**.

Chairman Carlson opened the hearing on:

SB 108 – Recording of plats, payment of estimated taxes

He directed the Committee to the Fiscal Note for **HCR 5017**, prepared by Richard Cram, Kansas Department of Revenue (**Attachment 6**).

Scott Wells, Office of the Revisor of Statutes, presented a briefing on **SB 108**. **SB 108**, as amended, would provide a statutory formula for calculating and collecting existing property taxes and assessments on certain land legally described in plats filed with county registers of deeds. Property taxes and assessments levied against an original “parent” parcel will be collected prior to the recording of the plat by a register of deeds. When the amount of property tax levied by a taxing subdivision has not yet been certified, an estimated tax formula utilizing the most recent year's mill levy plus 10 percent would be established for purposes of the collection prerequisite relative to having plats recorded. After the tax roll has been certified, refunds of any excess collections under the estimated tax formula subsequently would be funded, or additional liability would be assessed in the case. He stood for questions.

Gayla Shields, Miami County Treasurer, testified in support of **SB 108**. She identified the procedures that must be followed by counties, and stated that **SB 108** provides a statutory basis for the County Treasurer in each county to collect all taxes and assessments levied against the “parent” parcel (parcel as a whole), up to and including the tax year prior to the first tax year affected by the plat recording, before such plat can be recorded by the Register of Deeds (**Attachment 7**).

Linda Coon, Wabaunsee County Treasurer, representing the Kansas County Treasurer Association, testified in support of **SB 108**. She described the complicated and time-consuming processes involved in the process of dividing the delinquent taxes of the “parent” parcels into all parcels created by the plats. She described the benefits of passage of the bill (**Attachment 8**). Ms. Shields and Ms. Coon stood for questions.

Jamie Shew, Douglas County Clerk, testified in opposition to **SB 108** on behalf of the Kansas County Clerk Association. He understands the intent behind **SB 108**, but opposes the bill because the estimating of taxes and the ability to communicate an accurate amount to the taxpayer places the county in a position of uncertainty to the taxpayer (**Attachment 9**).

Written-only testimony in support of **SB 108** was submitted by Joe Grisolano, Crawford County Treasurer (**Attachment 10**).

Chairman Carlson closed the hearing on **SB 108**.

The next meeting is scheduled for 3:30 p.m., March 8, 2011, in Room 783 of the Docking State Office Building for the purpose of hearing:

HB 2348-Requiring social security numbers on Kansas income tax returns

HB 2349-Requiring social security numbers in support of dependent care expenses

HB 2355-Requiring social security numbers in support of claims for food sales tax refunds

SB 193-Requiring social security numbers in support of claims for food sales tax refunds

The meeting was adjourned at 4:45 p.m.

HOUSE TAXATION COMMITTEE

DATE: 3/7/11

| NAME | REPRESENTING |
|-----------------------|----------------------------|
| Scott Craft | K's Bass Federation Nation |
| Colin Curtis | Sandstone Group |
| Pate Kauthier | Hein law Firm |
| Michelle Butler | Cap. Strategico |
| Jamie Shaw | KCCED |
| Bob Col | BA |
| Spicer Coon | KCTA |
| Shyla Shields | KCTA |
| Linda Weber | KCTA |
| Jamie Young | KCTA |
| Paula Gerhart | KCTA |
| Mary Underwood | KCTA |
| Shirley Wilson | KCTA |
| Kelly Nannally-Wenzel | Kearney & Assoc. |
| Chris Tymen | KDWP |
| Robin Jensen | KDWP |
| Melissa Wegmann | KAC |
| | |
| | |

Marla Morris

From: Richard.Cram@kdor.ks.gov
Sent: Friday, March 04, 2011 9:36 AM
To: Chris Courtwright; Marla Morris; Gordon Self; sean.tomb@budget.ks.gov
Subject: Fiscal Note HCR 5017
Attachments: pic09829.jpg

----- Forwarded by Richard Cram/Revenue/KDOR on 03/04/2011 09:34 AM -----

2011 House Bill 5017b Fiscal Note
Introduced as a House Bill

Fiscal Note Development

Bill Assigned: 02/18/2011

Responses Due: 02/22/2011

Note Due to Budget: 02/23/2011

Status: Sent to Budget

Prepared By: Yi Geng

Preliminary Completed: 02/18/2011

Reviewed by P&R: 02/20/2011

Approved by Secretary: 02/21/2011

Sent to Budget: 02/21/2011

Fiscal Impact: Passage of this bill could potentially reduce the state school finance fund, educational building fund and institutions building fund by \$1.90 million, \$0.09 million, and 0.05 million, respectively, for FY 2014.

Administrative Impact: None.

M E M O R A N D U M

House Taxation
Date: 3-7-11
Attachment: 1

To:
Division of Budget

From: Kansas Department of Revenue

Date: 02/21/2011

Subject: House Bill 5017
Introduced as a House Bill

Brief of Bill

2011 House Concurrent Resolution 5017, as introduced, amends Section 1 of Article 11 of the Kansas Constitution. The amendment would be in effect beginning January 1, 2013, and each year thereafter and would allow the legislature to classify and tax watercraft upon a basis different from other property and to exempt watercraft from property taxation and impose taxes in lieu thereof.

This resolution must be approved by two-thirds of the members of the House of Representatives and the Senate and will then be submitted to the electors of the state at the general election to be held in November 6, 2012.

Fiscal Impact

Since the amendment would provide that the legislature may provide the manner in which watercraft are classified and taxed, we do not know what the effect would be on state revenues until such manner of taxation is prescribed by the legislature. The assessed and appraised value of watercraft in Kansas was as follows (numbers in tax year 2010 through 2014 are estimates):

Table: Valuation and Property Tax amount for watercraft:

| Tax year | Appraised Value (millions) | Assessed Value (millions) | Statewide Tax (millions) | School Finance Levy (millions) | Education Building Levy | Institution s Building Levy |
|-------------|----------------------------------|-------------------------------------|------------------------------------|---|-------------------------------|-----------------------------------|
| 2006 | \$289.70 | \$86.96 | \$10.92 | \$1.74 | \$0.09 | \$0.04 |
| 2007 | \$288.90 | \$86.68 | \$10.95 | \$1.73 | \$0.09 | \$0.04 |
| 2008 | \$296.30 | \$88.89 | \$11.43 | \$1.78 | \$0.09 | \$0.04 |
| 2009 | \$292.20 | \$87.65 | \$11.61 | \$1.75 | \$0.09 | \$0.04 |
| 2010 | \$298.04 | \$89.40 | \$11.84 | \$1.79 | \$0.09 | \$0.04 |
| 2011 | \$304.00 | \$91.19 | \$12.08 | \$1.82 | \$0.09 | \$0.05 |
| 2012 | \$310.08 | \$93.01 | \$12.32 | \$1.86 | \$0.09 | \$0.05 |
| 2013 | \$316.29 | \$94.88 | \$12.57 | \$1.90 | \$0.09 | \$0.05 |

Assuming 2% growth rate, this amount of assessed value would generate \$1.90 million in state school finance fund, \$0.09 million in educational building fund and \$0.05 million for institutions building fund for FY 2014.

Passage of this bill could potentially reduce the state school finance fund, educational building fund and institutions building fund by \$1.90 million, \$0.09 million, and 0.05 million, respectively, for FY 2014, if the legislature chooses to exempt watercraft from property taxation.

Administrative Impact

Depending on how the legislature would structure the classification and taxation of watercraft there may be additional procedures required by PVD staff. However, we believe such procedures would be handled with current staff and budget.

Administrative Problems and Comments

None.

Taxpayer/Customer Impact

None.

Legal Impact

None.

Approved By:

(Embedded image moved to file: pic09829.jpg) Nick Jordan Secretary of Revenue

Special Committee on Assessment and Taxation

TAXATION OF WATERCRAFT

CONCLUSIONS AND RECOMMENDATIONS

The Committee agrees with concerns expressed by several legislators and conferees indicating that Kansas may need to restructure boat taxes on a basis other than fair market value. The Committee therefore recommends introduction of a constitutional amendment similar to HCR 5015, to be placed on the August ballot in 2010.

The Committee further encourages Secretary Wagon to work with the standing tax committees regarding the development of a potential new tax system with an eye towards being able to administer any such system on the new Vehicle Information Processing System (VIPS) program.

Proposed Legislation: The Committee recommends introduction of one proposed constitutional amendment on this topic.

BACKGROUND

During the 2008 Session, the House approved and sent to the Senate a proposed constitutional amendment, HCR 5015, that, if adopted by the voters, would have authorized the Legislature to classify watercraft on a different basis from other property. (Watercraft is currently assessed as "all other" personal property at 30 percent of its fair market value.) The authorization would have been effective as early as tax year 2009.

HCR 5015 was referred to the Senate Committee of the Whole in early April but subsequently was not acted on by the Senate.

Representative Bowers asked the Legislative Coordinating Council (LCC) for an interim study on the issue, and the LCC agreed, charging the Special Committee on Assessment and Taxation with reviewing the property tax burden on watercraft and the policy implications associated with HCR 5015. The Special Committee is further

charged with making any recommendations deemed appropriate to the 2009 Legislature.

During a 1998 interim study, staff of the Property Valuation Division of the Department of Revenue (PVD) conducted a survey of 85 counties and reported that there was about \$48.6 million in assessed valuation attributable to watercraft; and about \$5.5 million in property tax liability. The Secretary of Wildlife and Parks also reported at that time there were over 100,000 watercraft registered in Kansas, a figure far in excess of the amount actually on the property tax rolls.

After a legislative authorization for a new tax system for "recreational vehicles" was adopted as part of a constitutional amendment in 1992, the Legislature in 1994 availed itself of this constitutional prerogative and enacted a new system for such vehicles under which liability since January 1, 1995, has been based on the weight and the age of the vehicles (rather than on fair market value.)

Proponents of a similar system for boats saw another constitutional amendment narrowly defeated at the polls in 2000 (SCR 1629) that would have authorized new tax treatment for both boats and aircraft. The Kansas Secretary of State's office indicates that the amendment had been defeated by less than 12,000 votes (433,499 "no" to 421,621 "yes").

COMMITTEE ACTIVITIES

At the September meeting, staff outlined the issue and explained that one key question that would need to be addressed before reintroducing the latest version of the amendment in 2009 would be whether to wait until 2010 to place it on the ballot or to seek a special election in 2009.

Among the conferees appearing in support of HCR 5015 was Representative Sharon Schwartz, who noted that Kansas may be losing revenue to the extent that boat owners have chosen to move their boats to surrounding states where taxes are lower. She also observed that under a new tax system, watercraft could be more easily registered and taxed by counties using the Vehicle Information Processing System (VIPS), as opposed to the current fair market value methodology.

Representative Dale Swenson also reminded the Committee that the amendment would have no immediate fiscal impact unless and until the Legislature passed a law that changed the tax treatment of watercraft.

Representative Lee Tafanelli said that passing the amendment and lowering boat taxes would help stimulate the Kansas economy.

A representative of the Department of Wildlife and Parks explained that federal matching funds are made available to states based on boats being registered in the "state of principal use". The

definition of "state of principal use" generally is the state in which that boat will be during most of a calendar year and does not necessarily relate directly to residency of the owners. The Committee asked the conferee to return at the October meeting to provide an update relative to his study of the extent to which Kansas residents have boats registered in surrounding states.

At the October meeting, Secretary Wagon noted that it would be helpful to know prior to May of 2009 what sort of tax system the Legislature might choose to design as an alternative and whether such system could be incorporated within the new VIPS program.

A representative of Wildlife and Parks reminded the Committee that boat owners pay a boat registration tax in addition to property tax. He also said that 64 percent of the registered boats in Kansas are 13 years old or more, indicating that this could be a result of the property tax situs issue.

CONCLUSIONS AND RECOMMENDATIONS

The Committee agrees with concerns expressed by several legislators and conferees indicating that Kansas may need to restructure boat taxes on a basis other than fair market value. The Committee therefore recommends introduction of a constitutional amendment similar to HCR 5015, to be placed on the August ballot in 2010.

The Committee further encourages Secretary Wagon to work with the standing tax committees regarding the development of a potential new tax system with an eye towards being able to administer any such system on the new VIPS program.

STATE OF KANSAS
HOUSE OF REPRESENTATIVES

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March 7, 2011

HCR 5017

Chairman Carlson and Committee Members,

I appear today in support of **HCR 5017** which would allow the legislature to provide for separate classification and taxation of watercraft and to exempt such property from the property taxation and impose taxes in lieu of.

I have been contacted by several of my constituents who have voiced their concerns over the current structure of taxing watercraft in Kansas. In fact one man explained to me that the tax on his small boat was higher than his motor home that he used to pull the boat to the parks. Furthermore, they indicate that they soon noticed that many of the boats at the lake were not registered in Kansas but instead were registered in states that adjoin Kansas.

Kansas is losing revenue under the current tax policy as owners choose to move their boats to surrounding states for storage where the tax policy is more equitable. It certainly appears to me that it is time that we address the current policy. I ask for your support of this resolution that I believe will resolve the issue and actually bring the revenue back to the State of Kansas.

Attached is a reprint of an article from the Topeka Capital dated January 15, 2011, which relates to owning a boat in Kansas.


Sharon Schwartz

House Taxation
Date: 3-7-11
Attachment: 3

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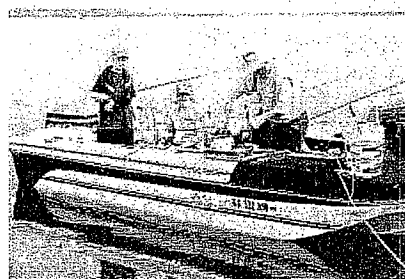
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Owning boat in Ks. a taxing proposition

Posted: January 15, 2011 - 1:37pm



MARC MURRELL/SPECIAL TO THE CAPITAL-JOURNAL

Anglers and pleasure boaters pay more personal property taxes on their boats than they do their vehicles or campers. Boats are taxed at a much higher rate and new boat personal property taxes are outrageous. According to officials, this causes about 10,000 boat owners to register their boats, many illegally, in other states.

By Marc Murrell

SPECIAL TO THE CAPITAL-JOURNAL

Two things in life they say are absolute ... death and taxes. While many don't like either the latter is the easier of the two to deal with.

However, if you own a boat and live in Kansas you almost get a two-for-one. You open your personal property tax statement for your boat and nearly die when you see how much you'll pay in taxes.

Anyone who owns a boat in Kansas knows the feeling and I'm betting there isn't a single boat owner who feels this tax is equitable or fair. Personal property taxes on boats are nothing short of outrageous.

Don't get me wrong. I have no problem whatsoever paying my fair share of taxes, and I do. After all, taxes pay for the public works of our country in roads, schools, city, state and federal government and their programs, the military and the list goes on and on. Most citizens pay their fair share.

However, in the case of boats, the equality in taxation seems to get lost.

So what's the reason?

Boats are taxed at a much higher rate than vehicles, real estate, campers and other personal property. Each county uses a marine blue book to get an appraised value of the boat. This value is taxed at 30 percent to give you the assessed value. That figure is then multiplied by the local mill levy and this is the amount of taxes you pay.

Some say boats are a "luxury" item but I guess I don't buy it. I know guys with boats that are 15 years old or cost \$500 and the taxes paid on these are still way too high comparatively. Boats are lumped in with helicopters, hot air balloons, airplanes and other property. If a guy had his own helicopter, I guess I could consider that a luxury. But you wouldn't catch many fish out of it or pull the kids tubing.

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These exorbitant taxes are causing some boat owners to skirt or break the law according to officials with the Kansas Department of Wildlife and Parks (KDWP).

"We've got boat owners registering their boats in other states to avoid paying property taxes in Kansas," said Dan Heskett, assistant director of law enforcement for the KDWP. "Boats must be registered where they are used the MAJORITY of the time, so if an individual uses their boat in Missouri, Nebraska, Oklahoma or wherever they register it more than Kansas, then that's fine. But if that boat is used in Kansas more, they're breaking the law."

Heskett said the KDWP has only written a handful of tickets on improper boat registrations over the years.

"We asked a couple guys with boats registered in Oklahoma when the last time they used their boat in that state and they said, 'Never,' so those were pretty easy," Heskett said.

KDWP enforcement officers have no way to prove where a boat owner uses their boat, and as long as it's properly registered when checked, it's fine, according to Heskett.

"We can't do anything about it," he said. "Several of our surrounding states don't have any personal property taxes on boats, so apparently it's easy to do."

The KDWP officials estimate about 10,000 boats are registered to other states. Oklahoma has nearly half of these. This costs Kansas' counties hundreds of thousands of dollars in taxes. Even assuming a modest figure of \$300 per boat, that's \$3 million.

The KDWP loses money, too, in boat registrations to the tune of about \$300,000. This money would be available for matching money from federal funding sources also, increasing this figure dramatically. Hundreds of thousands of dollars could be used to improve boat ramps, docks, restroom facilities, law enforcement and boating education.

Is it right Kansas boat owners register their boats in other states?

No.

Do you blame them?

Not really.

I blame the high rate of taxation on boats. If personal property taxes on boats were more in line with vehicles, campers and other personal property, it would alleviate many of these problems. Granted, there will always be those who don't want to pay ANY taxes, but that isn't the problem. This inequity in taxation on boats causes normally law abiding citizens to find a loophole.

So what's the answer?

"It's got to be changed legislatively," Heskett said. "We've tried in the past but failed. Boat owners need to get organized and talk to their senators and representatives and tell them they want to see it changed."

With the 2011 session of the Kansas Legislature kicking off last week, here's a place to start.

You often hear politicians talk about wanting to help the "Average Joe" but in many cases their hands are tied. Not in this one. Someone could introduce a bill that could lower taxes for boat owners, while at the same time generating more money for counties and the KDWP. In addition, 70 percent of registered Kansas boats are 13 years or older. Bringing the property tax into reason may spur an economic boost to the Marine Boat Dealer industry and allow boaters to be in modern, updated vessels that are safer and more practical for the environment.

Individuals wouldn't be as inclined to break the law and money would be distributed where it should be if boats were taxed in a more equitable manner, or at least on par with campers and vehicles. It might encourage more families to get outside and enjoy Kansas waters fishing and boating. Boat owners aren't asking for a free ride, just one that doesn't sink them every year when they pay their personal property taxes.

Kansas State Capitol
State House Committee on Taxation
Topeka, Kansas
March 2011

RE: HCR 5017

Mr. Chairman and distinguished members of this committee.

My name is Kent Craft. I am a past president of the Kansas BASS Chapter Federation Nation, a 40-year boat owner in Kansas and a life long resident of Kansas. The president of the Kansas BASS Federation Nation is a Kansas Highway Patrolman in Liberal and due to his assignments is unable to be here today and has asked me to speak in his behalf. I appreciate the opportunity to be here today to speak in behalf of HCR 5017. I am hoping this resolution will open the doors to reducing the extremely high personal property tax on Kansas's watercraft.

I have enjoyed fishing and being on the water all my life. Our first boat was a 12-foot aluminum boat with a very old Johnson motor in 1968. Today that old motor would be worth a lot of money as an antique. We didn't have a trailer so; we transported the boat on the top of my car. Through out 40 years of marriage, we have owned eleven boats and engines.

In the early years, boats and engines were relatively simple and inexpensive. Since we could not afford a new boat the personal property tax did not seem outrageously high. Since that time, the cost of new boats, engines, trailers and accessories have sky rocketed, but the method used in Kansas to tax them has remained the same. Thus placing a tremendous tax burden on boat owners and a selling dilemma on marine dealers.

Recently, Shady Creek Marine on El Dorado Lake held its annual early Spring Open House. As always, Mike Morgan and staff did an excellent job displaying the 2011 models of watercraft and equipment. One bass boat caught my eye. It was a Ranger Z119 with a 200 hp. Mercury OptiMax engine sitting on a RangerTrail tandem axle trailer. Of course, it had all the other necessary equipment. The list price was \$51,100.00, but on sale for only \$41,995.00.

I called Ernestine, the Sedgwick County watercraft appraiser, and asked her what my annual tax would be on the boat, engine and trailer. Since Ranger's boat, engine and trailer come as a package deal, the trailer is not taxed separately. I found that my personal property tax would be roughly \$1,533.00 a year without including the mill levy. This would mean a monthly personal property tax payment of \$127.75. This amount added to a monthly loan payment places it well out of our price range.

Last year I did some research on our neighboring states regarding personal property tax on watercraft, I found that Nebraska does not charge a personal property tax

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Date: 3-7-11
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on watercraft unless it is used for commercial purposes and I received the same response from the Department of Revenue in Colorado.

In Missouri I was told that the personal property tax on watercraft varied from county to county, township to township and the county's mill levy. However, to take advantage of Missouri's tax benefits, I had to either be a resident or own property there and my family's cemetery plots do not count. In a previous inquiry regarding the tax on a 2007 Triton with a 225 Mercury EFI engine, the personal property tax on Truman Lake in Benton County would be \$360.00. The tax levy there is 5.1.

In visiting with the County Appraiser in Newkirk, Oklahoma, I found that boats are taxed on a rate of \$1.00 per every \$100.00 of the boat's manufacture's retail selling price up to \$150.00 with a maximum of \$151.00. Boat engines are taxed exactly the same way. Boat trailers are not taxed in Oklahoma, but if the tax payer wants a trailer tag, it can be purchased for \$7.00. Therefore, my annual personal property tax on the \$51,100.00 Ranger rig would cost only \$352.00 and would be reduced by 10% per year up to 11 years. That would be a tax savings of \$1,181.00 by registering in Oklahoma.

Without a doubt, I believe it is time for Kansas to make a change in the method used to tax watercraft. As you know, Kansas boat owners are registering out of state so they can afford to upgrade or purchase a new boat and marine dealers are helping in the process just so they can continue to do business. With the excessively high price of gas and the out of date personal property tax on watercraft, it presents a tremendous burden for the average wage earner to go fishing, pleasure boating and/or skiing with his family.

For the past 20 years or so, I have fished many bass tournaments in Kansas and in neighboring states. Of course, most anglers do not share fishing secrets, but will talk about the cost of boats and related items. During one conversation, the statement was made by one of Kansas's BASS Federation Officers, that he pays more in Kansas personal property tax on his boat and engine than he does for both his relatively new family car and truck.

I retired a year ago. During my retirement, I had hoped to do some volunteer work, hunt and fish. Taking my grandchildren fishing is a thrill. I have a 7 year of grand daughter and a three year old grandson who enjoy fishing and being outdoors. Being on a fixed income and paying high taxes will greatly limit our outings. I want my grand children to learn to enjoy fishing, boating, skiing and, in the process, learn the proper use of watercraft as I taught my sons. The taxes are becoming very prohibitive. Personal property tax on watercraft is only one. I think it is embarrassing that Kansas is so far behind that the average Kansan has to go out of state for a tax savings. All boaters know that we will be required to pay a tax on our watercraft and we all would much rather see our tax money used in Kansas rather than neighboring states, but the difference in tax savings is too great and we are welcomed with open arms not only not only at the registration offices, but on their lakes as well.

I believe, along with several thousand other Kansas boat owners; the passage of HCR 5017 is a step in the right direction. I believe a significant reduction in personal property tax on watercraft will not only keep boater registration in Kansas;

- It will help marine dealers in selling new/used watercraft,
- Promote and encourage boat owners to upgrade their watercraft,
- Increase family outings and usage of Kansas waters,
- Increase State moneys through increased boat registrations,
- Decrease problems for KDWF officials and county appraisers and
- Help many of us spend more time enjoying what Kansas has to offer.

I realize that a few years ago, a similar opportunity was presented to the Kansas voters, but failed. I believe there were several reasons for its failure, the inclusion of aircraft, the complex wording of the amendment posted at the voting places and lack of understanding the purpose of the amendment.

Thank you for your consideration.

Kent Craft

Kansas Bass Chapter Federation Nation and The Bass Federation of Kansas Legislative Liaison



TESTIMONY OF THE KANSAS ASSOCIATION OF COUNTIES
TO THE HOUSE TAXATION COMMITTEE
ON HCR 5017
MARCH 7, 2011

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to submit written testimony concerning HCR 5017, a constitutional amendment proposal that changes the way that boats are taxed in Kansas. At various times over the past several years, our Association has weighed-in on this issue. At this time we are neutral on this proposal and are not taking a position on the relative policy merits of the basis for taxing boats in Kansas.

HCR 5017 would potentially eliminate: 1) the need for watercraft owners to file an annual rendition form with the county appraiser; 2) the need for the Appraiser's office to track all boats, match them with registrations provided by the Department of Wildlife and Parks, value them, and place them on the tax roll; and 3) the need for the County Treasurer to mail tax bills for boats.

Our major concern is that the any substitute method of taxation be *revenue neutral*, so as to encourage compliance with the law while at the same time ensuring that revenues are still collected from boats and watercraft in an amount, at minimum, equal to what is currently generated. Otherwise, we would be further narrowing the tax base and shifting the tax burden to other types of property. It is our understanding that the new Vehicle Information Processing System (VIPS) developed by the Kansas Department of Revenue anticipated the possibility of assessing taxes or fees on a similar basis to how motor vehicle taxes are imposed and collected. If this is indeed the case, then there is a mechanism (or there will be one shortly) to implement such a new methodology for taxing boats without having to create a whole new system.

We think that our tax policy concerning watercraft should encourage boat owners to register their boats in Kansas, and not move them elsewhere to escape taxation. As such, the ultimate success of HCR 5017 would depend entirely on the willingness of the Legislature to craft legislation that both encourages compliance with the tax law while providing a fair basis for determining how taxes are computed. These objectives can be met, but will obviously require separate legislation, when and if HCR 5017 is adopted by the voters of Kansas.

Thank you for the opportunity to provide comments on HCR 5017.

Randall Allen, Executive Director

300 SW 8th Avenue
3rd Floor
Topeka, KS 66603-3912
785•272•2585
Fax 785•272•3585

House Taxation
Date: 3-7-11
Attachment: 5

Marla Morris

From: Richard.Cram@kdor.ks.gov
Sent: Friday, March 04, 2011 9:37 AM
To: Chris Courtwright; Marla Morris; Gordon Self; sean.tomb@budget.ks.gov
Subject: Fiscal Note SB 108
Attachments: pic26477.jpg

----- Forwarded by Richard Cram/Revenue/KDOR on 03/04/2011 09:35 AM -----

2011 Senate Bill 108c Fiscal Note
Amended by Senate Committee

Fiscal Note Development

Bill Assigned: 02/18/2011

Responses Due: 02/22/2011

Note Due to Budget: 02/23/2011

Status: Sent to Budget

Prepared By: Yi Geng

Preliminary Completed: 02/18/2011

Reviewed by P&R: 02/18/2011

Approved by Secretary: 02/18/2011

Sent to Budget: 02/18/2011

Fiscal Impact: None.

Administrative Impact: None.

M E M O R A N D U M

To:
Division of Budget

House Taxation
Date: 3-7-11
Attachment: 6

From: Kansas Department of Revenue

Date: 02/18/2011

Subject: Senate Bill 108
Amended by Senate Committee

Brief of Bill

2011 Senate Bill 108, as amended by Senate Committee, amends 2010 K.S.A. Supp. 19-1207 to codify a formula for calculating real estate taxes and assessments on land legally described in plats filed with the register of deeds. As amended, any ad valorem taxes to be levied by a taxing subdivision that have not been certified to the county treasurer shall be calculated by using the county appraiser's latest certified valuation multiplied by the current year's tax levy rate, plus 10%, prior to recording the plat. After the tax roll has been certified to the county treasurer, the treasurer shall allocate so much of the estimate collected as will be necessary to pay the taxes and assessments on the property. In the event of a surplus, the county treasurer shall return the excess to the depositing party. In the event the amount deposited is insufficient, the county treasurer shall notify the owner of record of the balance due and unpaid. Any unpaid portion shall become due in full on or before December 20 and any amount remaining due and unpaid after that date shall draw interest at the rate prescribed by K.S.A. 79-2968.

The amendment by Senate Committee on Assessment and Taxation corrected a misprint in the previous bill and is technical in nature.

The bill is effective from and after its publication in the statute book.

Fiscal Impact

None.

Administrative Impact

There exists in the office of county treasurer an account and procedure for depositing, refunding and re-billing advance taxes paid on personal property. This account and procedure can be adapted to handle remitted taxes collected under this statute.

Administrative Problems and Comments

The current year's tax levy rate may not be known when the plat is presented for recording. Since the tax must be calculated before the plat is recorded, perhaps the prior year's levy rate should be used in instances where the current year's levy rate is unknown.

Taxpayer/Customer Impact

None.

Legal Impact

The current year's tax levy rate may not be known when the plat is presented for recording. Since the tax must be calculated before the plat is recorded, perhaps the prior year's levy rate should be used in instances where the current year's levy rate is unknown.



KANSAS COUNTY TREASURERS ASSOCIATION

TESTIMONY

House Taxation Committee

Senate Bill No. 108

March 7, 2011

Chairman and members of the Committee, my name is Gayla Shields, Miami County Treasurer. Thank you for the opportunity to come before you today. I am testifying in favor of Senate Bill 108 on behalf of the Kansas County Treasurer's Association.

This bill amends current legislation (K. S. A. 19-1207) and provides statutory basis for the County Treasurer in each county to collect all taxes and assessments levied against the "parent" parcel (the parcel as a whole), up to and including the tax year prior to the first tax year affected by the plat recording, before such plat can be recorded by the Register of Deeds.

Current law allows for plats to be recorded without all taxes and assessments being paid, depending upon the date presented. Ramifications of the wording in the current law include the potential of an unsuspecting buyer purchasing a real estate parcel with undetected, unpaid taxes. This can occur because the unpaid taxes are levied against the "parent" parcel. After the plat is recorded, the "parent" parcel no longer exists in its original description and subsequent parcel descriptions are not that of the "parent" parcel. Therefore, when a tax status search is conducted on a "child" parcel (one created from the plat), no prior taxes are obvious. Delinquencies, however, follow the parcel or now many parcels. Plat recordings result in one parcel being divided into a minimum of two parcels and in many cases, being divided into many parcels.

Under the current law, procedurally, counties have to monitor the tax payment status of the original parcel after plat filings. In the situation that a tax is not paid in full when the steps are being taken to generate the next tax roll, county offices must process transactions to reallocate the delinquency among all parcels that comprise the original parcel. This results in an unsuspecting new property owner acquiring a delinquent tax on their property.

Calculating and collecting the estimated tax and assessment is applicable to those counties that have implemented a filing cutoff date to accommodate balancing and generation steps for the next tax roll, either by Resolution, policy, or practice. At the point the tax roll is certified, the Treasurer would apply the collected estimated tax and assessments to the actual tax statement generated. Any amount paid over and above the actual tax and assessments, would be returned to the depositing party; any amount left unsatisfied would be billed.

The end result in all counties is that all taxes on the original parcel are satisfied prior to changing its physical description and conveying any part to another party.

Thank you, again, for allowing me this opportunity. I stand before you and respectfully ask for your support of this bill and will be happy to answer any questions.

Respectfully,

Gayla Shields, Miami County Treasurer

House Taxation
Date: 3-7-11
Attachment: 7



KANSAS COUNTY TREASURERS ASSOCIATION

Testimony

House Taxation Committee

Senate Bill 108

March 7, 2011

Chairman Carlson & House Taxation Committee Members, I am Linda Coon, Wabaunsee County Treasurer. As a representative of the Kansas County Treasurers Association and Wabaunsee County I would like to thank you for allowing me to testify in favor of Senate Bill 108.

As K.S.A. 19-1207 currently reads, landowners can have land parcels divided into plats and have them recorded with the Register of Deeds without having all taxes paid on these parcels. The current requirements are that taxes only be paid current. This means that, depending of the timing of the division of parcels and where it falls in the current tax cycle, there is a possibility that the originating tax for the parcel may only be paid in half or, possibly not at all if we are between tax year cycles. We are then required to link all delinquent taxes on the original parcel to the parcels that were formed from that one for the new tax year.

The end result is that unknowing buyers of the newly created parcels could purchase these properties between the tax cycles and have delinquent taxes, with interest and penalties, due when the tax statements are sent out for the new tax year. We believe this bill would alleviate that problem.

SB 108 could save the counties the expense of processing these delinquent taxes, including the cost of publishing such taxes. The County Treasurers are required to publish a listing of delinquent taxes annually and the publication is required to be run for three consecutive weeks.

It can, also, be a very complicated and time-consuming process to divide the delinquent taxes of the parent parcels in to all parcels created by the plats. The Register of Deeds, County Appraiser, County Clerk and County Treasurer are all involved in the process to assure that we are allocating the correct amounts of tax to the correct parcels.

As you all know, taxes are levied so that taxing entities have money to operate on. It is our hope that this bill would be approved and that we could rely on collection of these taxes for the counties, the State of Kansas, school districts, etc. in these very difficult financial times.

Once again, thank you for allowing me to testify on the advancement of this bill and for your consideration of my testimony.

Respectfully submitted,

Linda Coon, Wabaunsee County Treasurer

House Taxation
Date: 3-7-11
Attachment: 8

To: Honorable Richard Carlson, Chairman
House Committee on Taxation

From: Jamie Shew, Douglas County Clerk

Date: March 7, 2011

RE: Senate Bill 108

Good Afternoon Chairman Carlson and Members of the House Committee on Taxation.

I am Jamie Shew, Douglas County Clerk here on behalf of the Kansas County Clerk's Association speaking in opposition to Senate Bill 108. As you know, the County Clerks are the county agent to prepare tax levies, calculate taxes and certify taxes for collections by the County Treasurer. The procedures for determining the levy and calculating the tax are clearly defined in Kansas statutes. One thing that we have all learned in our duty to calculate tax is that the taxpayer wants to know the exact amount and how it was calculated. While we agree with the Treasurer's that our goal is to calculate, bill and collect all taxes, we disagree with the notion that in a certain situation, we should estimate taxes.

Senate Bill 108 seeks to require the Clerk to estimate future taxes for property that is involved in a plat filed late in the year. There is an inherent risk that any land record instrument that is recorded late in the tax year but before certification to the Treasurer for collection may be confusing for both counties and property owners.

All Kansas counties record and process new plats throughout the year. Johnson County, for example, averaged 155 new plats in the past 4 years and ended up with only 5 instances of delinquent taxes in all 4 years. They addressed the issue of delinquency directly with the original property owners. Similar plat recording situations in both Riley and Douglas counties have also resulted in very few instances of delinquency.

The County Clerk's Association does not feel that "estimating" taxes is a good idea. It places the county in a position of uncertainty to the tax payer and it requires the taxpayer to pay an inaccurate amount of money for taxes. We don't feel it is a best practice to seek tax payment on estimated amounts. The practice of using estimated taxes will require additional processing to certify and collect the correct tax amount, resulting in either a refund for an excessive estimation or an additional billing for an inferior estimation. Senate Bill 108 also proposes estimating the taxes by using the current year mill levy plus 10%. Given the current economy and the fluctuation of levies by many taxing authorities, the proposed addition of 10% to obtain an estimated tax is really without basis.

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There is not a groundswell of demand for such a significant and drastic statutory change. The idea of requiring payment of taxes in advance of certification on an unfounded estimate is not professional, is not an ideal business practice and will lead to unnecessary confusion for the taxpayer.

We ask that you strongly oppose Senate Bill 108.

Thank you for your attention in this matter. I am available for any questions you may have on this matter.

House Taxation
Date: _____
Attachment: _____



KANSAS COUNTY TREASURERS ASSOCIATION

March 7, 2011

TO: Kansas House Committee on Taxation

From: Joe Grisolano, Crawford County Treasurer
President, Kansas County Treasurers Association

SUBJECT: SB 108

Chairman Carlson and Committee Members:

On behalf of the Kansas County Treasurers Association and Crawford County, please accept this written testimony in favor of SB 108. This bill allows County Treasurer's to collect all taxes and assessments against the original "parent" parcel prior to the tax year affected when it is divided into several parcels with the filing of a new plat.

The Kansas County Treasurers Association supports this consumer protection legislation. Property Taxes levied against a parcel of real estate follow that parcel. Under current statutes, depending on the timing of when a plat is filed and tax rolls have to be generated, there is the possibility that an unsuspecting new property owner could acquire a delinquent tax on a property they just purchased.

This legislation provides Counties a reasonable avenue to collect taxes in full on the original "parent" parcel when a new plat is filed, protecting the new property owner from being assessed a delinquent tax that on property they just purchased.

I know that Miami County Treasurer Gayla Shields will be testifying on this bill in person today and she will be happy to answer any questions that committee members may have. Thank you for accepting my written testimony and for your consideration of SB 108.

House Taxation
Date: 3-7-11
Attachment: 10