



# Testimony

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## SB 317

### Defining Real and Personal Property

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Senate Assessment and Taxation Committee

The Unified Government of Wyandotte County/Kansas City opposes SB 317 because no one, including appraisers and State Revenue Department officials can assess exactly what the bill will do nor how much it will cost in lost tax revenues to local units of government. Extreme caution should be exercised before this bill moves forward.

This legislation is based on one case in Montgomery County. The disagreement over how the county classified trade fixtures went to the Court of Tax Appeals and was resolved with COTA finding in favor of the county. Does one case involving one taxpayer in one county warrant a major change in State law?

SB 317 proposes to make all trade fixtures taxed as personal property. While proponents argue the language of SB 317 as expressed in the newest version of the bill only clarifies what is already law. The Unified Government is not convinced that is the case. This legislation could broaden the machinery and equipment property tax exemption approved in 2006, taking even more property off the tax rolls. .

The 2006 decision to repeal the property tax on commercial and industrial machinery and equipment been positive for business, but it is taking a devastating toll on Unified Government revenues. Since 2006, Wyandotte County has lost \$100-million in assessed value from machinery and equipment, reducing Unified Government property taxes by more than \$7-million. Those dollars were once used to pay for police and fire protection, street repairs and general operations.

The Legislature's decision to renege on its commitment to assist local communities by reimbursing a portion of tax losses through the so-called "slider" formula has increased the financial distress.

SB 317 could result in more property coming off the tax rolls. SB 317 could create confusion in the property appraisal process by changing current standards and methods. SB 317 could lead to a flood of cases before the Court of Tax Appeals as businesses challenge the way their property was classified.

Until the effects of this legislation can be better defined and until a more definitive fiscal note can be calculated, SB 317 should not be advanced.

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Attachment # 9