

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Vice-Chairman Richard Carlson at 9:05 A.M. on January 30, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Richard Cram, Department of Revenue
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Representative Bill Wolf
John Federico, The Home Builders Association of Greater Kansas City
Representative Tom Holland
Representative Arlen Siegfroid
Art Hall, Executive Director, Center for Applied Economics, KU School of Business

Others attending:

See attached list.

The Vice-Chair called for bill introductions.

Representative Wolf requested a bill introduction for an exemption for the Golden Belt Community Concert Association in Great Bend, KS. Representative Dillmore moved the introduction. Representative Owens seconded. The motion carried.

John Federico, The Home Builders Association of Greater Kansas City, requested a bill introduction related to an inventory tax bill. Representative Owens moved the introduction, seconded by Representative Whitham. The motion carried.

Representative Holland requested a bill introduction for a tax credit for organ donors to offset the procedural costs. Representative Siegfroid moved the introduction, seconded by Representative Menghini. The motion carried.

Representative Holland requested a bill introduction for Riley County to establish that a portion of the sales tax collection would be dedicated to road, bridges and infrastructure needs. Representative Owens moved the introduction. Representative Whitham seconded. The motion carried.

Representative Holland requested a bill introduction that would change statute language regarding uniformity standards of appraisal practices and procedures. Representative Owens moved the introduction and seconded by Representative Rardin. The motion carried.

Representative Siegfroid requested a bill introduction that would reduce the 20 mill school levy to 16 by school year 2008-09. Representative Owens moved the introduction, seconded by Representative Peck. The motion carried.

It was noted that the minutes from January 9, 11, 17, and 18, 2007 were sent electronically to the committee on January 22 and, by consensus, approved on January 29, 2007.

The Chairman introduced Dr. Art Hall, from the Center for Applied Economics, School of Business, University of Kansas. Dr. Art Hall briefed the Committee on two research reports completed by the Center for Applied Economics for Kansas Inc.

Economic Perspectives on the Kansas Property Tax

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on January 30, 2007 in Room 519-S of the Capitol.

Dr. Hall said this report provides a history lesson, and, in his opinion, the important lesson is the property tax reforms initiated in 1985 caused serious damage to the Kansas economy ([Attachment 1](#)). The legacy of those reforms continues today and probably is an impediment to growth. He explained the legislation that passed in 1985 mandated the re-evaluation of all property. Associated with that legislation was the introduction of a constitutional amendment, which for the first time in Kansas history, assessed different classes of property at different rates. Those reforms, made in 1985, and the new classification system, became effective January 1989. Based on tax policy research in other areas, when these major reforms became effective, businesses essentially froze investment until they could see the final outcome.

The final outcome was dramatic and he explained various charts and tables that traced results from 1970 to 2005. He concluded by offering 4 key points:

- For businesses, Wichita is a relatively high property tax locality among large cities. But Wichita is a relatively low property tax locality in Kansas.
- Tax on tangible property funds about 75% of local government activity. On a per capita basis, Kansas has the third largest local government sector (employment) among the states.
- Under current law, businesses property tax liabilities (value-for-value and locality-by-locality) exceed homestead liabilities by a minimum of 117 percent.
- Do businesses receive more than twice the value from local government services as residences do? A misalignment of costs and benefits creates a poor business operating environment.

A philosophical discussion followed regarding other possible tax strategies for Kansas.

County-to-County Migration Patterns of Kansas Taxpayers

Dr. Hall said this report focused on individual taxpayers and shows migration patterns in Kansas from 1985 - 2005. He said it was fascinating to see just how dynamic the population is in Kansas, as well as across the United States. He gave statistics based on migration patterns of Kansas taxpayers which included: Table 1 - Taxpayer migration statistics; Table 2 - Migration-Related adjusted gross income (1996 - 2004); Table 3 - Migration-Related adjusted gross income per taxpayer (1996-2004); Table 4 - Migration of Kansas taxpayers and adjusted gross income (1996-2004) for Inter-state, Intra-state and Net Flow, per county; and Table 5 and 6 - Top-10 Out-of-state origins and destinations for Kansas taxpayers, 1985-2004 & 1996-2004. He suggested that there are many people moving into the state and Kansas should concentrate on how to retain them ([Attachment 2](#)). He advised the committee that on their website there was additional information on each county for their perusal.

Chairman Wilk thanked Dr. Hall for his presentation.

The meeting was adjourned at 10:30 a.m. The next meeting is January 31, 2007.