

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:05 a.m. on February 3, 2000, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department  
April Holman, Legislative Research Department  
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Erik Sartorius, Johnson County Board of Realtors, Inc.  
Rebecca Swanwick, City of Lenexa  
Robert J. Watson, City of Overland Park  
Bud Burke, Issues Management Group, Inc.  
Bob Best, Kansas Boaters Association  
Pack St. Clair, Cobalt Boats  
Andy Woodward, Kansas Boaters Association  
Ken Berg, New Century Airport  
Steve Williams, Secretary, Department of Wildlife & Parks  
Kelly Miller, Crestview Marine  
Lyle D. Bighley, Kansas Aviation Council

Others attending: See attached list.

Continued hearing on: **SB 474—Enacting the city and county development activity excise tax act**

Erik Sartorius, Johnson County Board of Realtors, Inc., testified in support of **SB 474**. The Board supports the bill because it extends important analysis requirements for instituting impact fees to the imposition of excise taxes. He discussed ways he believes the current governance of excises is lacking. He noted that excise taxes not developed through sound analysis hamper economic activity and arbitrarily punish individuals seeking to purchase a new home. (Attachment 1)

Senator Langworthy called attention to written testimony in support of **SB 474** submitted by Karen France, Kansas Association of Realtors (KAR). Ms. France states that KAR believes that it is a reasonable request of taxpayers to have rules regarding the utilization of a tax assessed by a city or county. (Attachment 2)

Rebecca Swanwick, Assistant City Attorney for the City of Lenexa, testified in opposition to **SB 474**. She feels the bill is unnecessary because cities are already empowered to enact excise taxes. Further, enacting statewide legislation on a matter of local concern runs contrary to cities' powers of home rule and may lead to confusion. In addition, she believes that **SB 474** confuses excise taxes with impact fees, an important distinction which has been heavily litigated. (Attachment 3)

Robert Watson, City Attorney for the City of Overland Park, followed with further testimony in opposition to **SB 474**. Mr. Watson endorsed Ms. Swanwick's testimony. He noted that the problem with the excise tax enacted in Derby, Kansas, was handled through the political process in Derby, which, in his opinion, is the proper way to handle the problem. He contended that there is no need for the bill. In addition, he believes that more research regarding the effects of the bill should be conducted. (Attachment 4)

Senator Langworthy announced that the hearing on **SB 474** was not closed as Don Moler, League of Kansas Municipalities, was unable to present his testimony in opposition to the bill due to another commitment.

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE  
Room 519-S, Statehouse, at 11:05 a.m. on February 3, 2000.

**SCR 1629–A proposition to amend section 1 of article 11 of the constitution of the state of Kansas, relating to the classification and taxation of aircraft and watercraft**

Bud Burke, appearing on behalf of the Kansas Boaters Association and Cessna Aircraft Company, testified in support of **SCR 1629**. He directed the Committee's attention to a copy of K.S.A. 79-201k which exempts business aircraft from the personal property tax. He noted that the statement of purpose outlined in that statute accurately describes the need to pass a constitutional amendment for non-business aircraft and watercraft. (Attachment 5)

Bob Best testified in support of **SCR 1629** as a representative of the Kansas Boaters Association and as the owner of Lake Perry Yacht and Marina, Inc. In his opinion, the extremely high level of taxes placed on recreational boating in Kansas has created an impression that Kansas is not interested in recreational boating or its related industries. As a result, a large percentage of available recreational income is going to the neighboring states of Oklahoma and Missouri. After studying the problem, he believes that a new method of collection could result in significantly lower labor costs for every entity involved and generate greater total net revenue. (Attachment 6)

Pack St. Clair, CEO of Cobalt Boats in Neodesha, Kansas, testified in support of **SCR 1629**. He does business in almost every state and on a regular basis sees Kansans going to neighboring states to buy, register, and use their boats. Cobalt has dealers in the four surrounding states, and Kansas dealers are at a disadvantage because of the tax advantage neighboring states have. He maintained that a change in the personal property taxes on boats would bring Kansas boaters back and increase revenue for the state through sales tax and registration fees. (Attachment 7)

Andy Woodward testified in support of **SCR 1629** on behalf of the Cheney Lake Association and on behalf of Bob Winkler, President the Kansas Boaters Association. Mr. Woodward said he currently owns a 1979 sail boat and pays \$601 a year in taxes. He agreed with other conferees that the high tax rate on boats is a burden that causes Kansans to register their boats in other states. In order to compete with surrounding states, he feels it is imperative that the taxation on boats in Kansas be lowered. Mr. Woodward distributed copies of a letter in support of **SCR 1629** submitted by Mark A. Ladd, Jim's Imports of Wichita. (Attachment 8) For the Committee's information, he distributed copies of testimony and related data regarding taxation of boats in Kansas and in the five-state area submitted on behalf of Bob Winkler. (Attachment 9)

Ken Berg, testified in support of **SCR 1629** as a volunteer pilot for Angel Flight Central, formerly called Wings Over Mid-America. He noted that during the past year, Angel Flight Central volunteer pilots donated 2,400 hours of their personal time to fly patients in need of medical treatment. Of the 183 active pilots, approximately one-third are from Kansas. The pilots own and operate aircraft which are small, single-engine planes. They are subject to personal property assessed on their aircraft based on the appraised value of the aircraft in today's market and assessed at a 30 percent rate. Mr. Berg pointed out that many owners of small planes are not wealthy. Under the current tax system, only these types of pilots are paying property on their aircraft as larger airplanes are used by businesses that are exempt from this type of taxation. The current system forces some pilots to keep or move their aircraft out of the state over the new year to avoid the high tax in Kansas. He believes the proposed amendment would establish a more reasonable taxing criteria for aircraft. (Attachment 10)

Steve Williams, Secretary, Kansas Department of Wildlife and Parks (KDWP), noted that KDWP is responsible for providing outdoor recreational opportunities in Kansas. The recreational boating community has informed KDWP that the property taxes on boats are too high. Mr. Williams reasoned that it is possible that a lower property tax would encourage more people to own a recreational boat, which would indirectly help the Department's efforts to promote outdoor recreation in Kansas. He noted that a change in the taxation status for boats would not directly impact the Department's boat registration system. (Attachment 11)

Kelly Miller, President of Crestview Marine in Wichita, testified in support of **SCR 1629**. He informed the Committee that he is a full service marine dealer, and a percentage of his retail sales to Kansas residents are lost every year to surrounding states with a much more competitive personal property tax structure. He believes that a more competitive way to assess taxes on boats in Kansas would result in more Kansas dollars staying in Kansas in the long run. (Attachment 12)

## CONTINUATION SHEET

### MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE Room 519-S, Statehouse, at 11:05 a.m. on February 3, 2000.

Written testimony submitted by Judy Moler, Kansas Association of Counties, in support of **SCR 1629** was distributed to Committee members. Ms. Moler states that the current system of discovery, listing and valuation of boats is a cumbersome and inefficient process. She views the constitutional amendment as an opportunity to streamline the process and allow for “one-stop shopping” for taxpayers. (Attachment 13)

Lyle D. Bighley, President of the Kansas Aviation Counsel (KAC), gave final testimony in support of **SCR 1629**. He explained that KAC is a volunteer, non-profit organization concerned with the state of aviation in Kansas. He reported that a survey of ten counties in Kansas conducted by the Kansas Pilots Association (a member of KAC) showed huge differences in personal property taxes between airplanes and comparably priced surface vehicles. He noted that pilots agree that taxes are necessary and expect to pay them, but, at the same time, they have a right to expect a fair and equitable tax. In addition, he explained why the current personal property tax policy on airplanes is causing the state, the counties, and aviation related industry in Kansas to lose money. (Attachment 14)

In summary, Bud Burke reminded the Committee that, when the issue of taxation of boats and airplanes was first brought to the Legislature in 1998, interested parties were asked to evaluate the problem further. His group has met numerous times with a wide range of people, including the Kansas Association of Counties, county appraisers, county treasurers, the Department of Revenue, and KDWP to talk about a system that would work. He believes that the theory is sound. He said the point to be made is, Kansas is taxing aircraft and watercraft at a higher rate than all neighboring states. Should the constitutional amendment pass, a future Legislature could develop a simpler and more fair system which will actually save counties money. With this, the hearing on **SCR 1629** was closed.

The meeting was adjourned at 12:00 p.m.

The next meeting is scheduled for February 7, 2000.