

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on January 26, 2005 in Room 519-S of the Capitol.

Committee members absent: Representative Gordon - excused
Representative Goico - excused
Representative Larkin - excused

Committee staff present: Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Representative Bob Bethall, Legislator
Representative O'Malley, Legislator
Senator Dennis Wilson, Legislator
Richard Cram, Director of Policy & Research, Department of Revenue
Carmen Alldritt, Director of Motor Vehicles
Roger Hamm, Technical Support, Personal Property
April Holman, Kansas Action For Children

Others attending:
See attached list.

The Chairman opened the floor for bill introductions.

Representative O'Malley moved that a bill be introduced relating to a sales tax exemption for the Skills USA Education Resource Organization. Representative Owens seconded the motion. The motion carried.

Representative O'Malley moved that a bill be introduced to create an individual development account program for low income Kansans. Representative Owens seconded the motion. The motion carried.

April Holman, Kansas Action For Children, requested the following three bills, designed to provide more transparency in Kansas Tax System, be introduced as Committee bills:

1 The Department of Revenue would be required to do a tax expenditure report annually 2 The Department of Revenue would be required to do a tax incidence analysis every three years 3 In special circumstances where an entity received \$20 million or more in tax incentives in one year they would be required to make tax payers specific information public. Representative Kirk moved that all three requests be introduced. Representative Carlin seconded the motion. The motion carried.

Representative Brunk moved that a bill be introduced relating to franchise taxes. Representative Siegfried seconded the motion. The motion carried.

HB 2057 - Amends K.S.A. 79-5105 relating to the valuation of rebuilt salvage or formerly nonhighway titled vehicles for personal property taxation.

Mr. Courtwright stated the bill would amend the motor vehicle tax valuation statute, to provide a reduction of 25% in the original midpoint class valuation amounts for certain vehicles with rebuilt salvage titles, or which formerly had nonhighway titles. The Department of Revenue (DOR) fiscal note indicated the bill could reduce motor vehicle taxes by \$2,500,000 for the first year and could grow by that amount for all subsequent years. He reviewed history of a similar bill last year.

The Chairman opened the public hearing on **HB 2057**.

Representative Bethall, sponsor of **HB 2057**, stated a vehicle that has a salvage title does not command the price or the valuation that DOR places on it (Attachment 1). The bill would reduce the value of the vehicle to 75% of the undamaged vehicle and consequently reduce the personal property tax. A scenario was given using current law verses changes under the new law.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on January 26, 2005 in Room 519-S of the Capitol.

Senator Dennis Wilson appeared before the Committee as an opponent to **HB 2057**. (No written testimony) He holds the position of Johnson County Treasurer and appeared today on their behalf. He stated that although the intent of the bill is well-meaning, it could have unintended consequences at the county level. He yielded his time to Carmen Alldritt, Director of Motor Vehicles, who in turn invited Richard Cram to brief the Committee on the bill.

Richard Cram, introduced Roger Hamm, who was familiar with the mass appraisal system that is used to determine the personal property tax on motor vehicles. Mr. Cram reviewed current law and ramifications to the state and counties if **HB 2057** passed (Attachment 2). There was no fiscal impact to the state, however there would be significant impact on the counties for county property tax. Numerous questions were raised on *salvage* and to that end Mr. Cram stated that he would provide a memo that listed criteria for *salvage vehicle titles*.

Mr. Cram offered a balloon amendment, listed on page 5 and 6 of his testimony. This amendment would avoid the need to completely reprogram VIPS (vehicle information processing system), a software system that connects all the county treasurers to the PVD department and motor vehicles. As the bill is drafted PVD would be unable to implement the process by July 1, 2005, however with their suggested amendment they could comply.

Staff explained various problems that would occur at the county level, such as periodic failure of the VIPS system on an on-going basis. Discussion followed regarding various classifications of vehicles, problems of reprogramming VIPS, and possible solutions or compromises for compliance. Mr. Cram agreed to supply additional information from Information Services on the issue. In response to the Chairman's question regarding the Department's support of the bill, Mr. Cram suggested the important policy question was whether they wanted to move away from a mass appraisal system, that has been in place since the 80's. There is no official proposal to replace the VIPS at this time. In response to questions on classifications of off-road and rebuilt salvage vehicles, Mr. Cram agreed to supply additional information to the Committee.

The Chairman closed the public hearing on **HB 2057**.

Representative Thull moved to recommend **HB 2040** favorable for passage and, because the bill is of a noncontroversial nature, be placed on the consent calendar. Seconded by Representative Huff. The motion carried.

Representative Huff moved that **HB 2031** be passed out favorably. Representative Owens seconded the motion. The motion carried.

Representative Dillmore moved that the minutes from January 18, 19 & 20th be approved. Representative Brunk seconded the motion and the motion carried.

The meeting was adjourned at 10:10 a.m. The next meeting is January 27, 2005.