

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on January 25, 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:

Dan Morgan - The Builder's Association  
Denny S. Koch, Private Citizen  
Representative Terrie Huntington  
Randall Allen, KS Association of Counties  
Joleen Rankin, County Appraiser of Dickinson County  
Stuart Little, presented written testimony for Paul Welcome, Johnson County Appraiser  
Richard Rodewald, Citizen (no written testimony)  
Marlee Carpenter, KS Chamber of Commerce  
Rebecca Crotty, SBOTA Chairperson

Others attending:

See attached list.

The Chairman called for bill introductions:

Dan Morgan, representing the Builder's Association, requested a proposed amendment be introduced that would eliminate sales tax on labor services involved in commercial remodeling construction. Representative Owens moved the introduction, seconded by Representative Carlson. The motion carried.

Denny S. Koch, requested the introduction of a bill that would change the computation of excise taxes on moist smokeless tobacco to a weight based method. Representative Wilk moved the introduction, seconded by Representative Owen. The motion carried.

Representative Huntington requested a bill introduction regarding the occasional sale of car tax. Representative Wilk moved the introduction, seconded by Representative Owen. The motion carried.

**HB 2018 - The State Board of Tax Appeal (SBOTA); relating to membership; amending and repealing the existing section.**

Martha Dorsey briefed the Committee on the history of the bill. The bill increases the membership of the State Board of Tax Appeals from three to five members, with no more than one member appointed from each congressional district and the rest from the state at large.

The Chairman opened the public hearing.

Randall Allen, KS Association of Counties, appeared in support of **HB 2018**. While stating that the association is respectful of the diligent work of the current Board of Tax Appeal, they are still concerned about the long-term ability of BOTTA to keep pace with case filings, especially commercial cases. They support no additional, extraordinary qualifications to appointment than already exist in the statute (Attachment 1). He introduced Joleen Rankin, who is the President of the KS County Appraiser Association, stating that she could field more technical questions on behalf of Kansas County Appraisers.

Joleen Rankin, County Appraiser of Dickinson County, said that the majority of County Appraisers support increasing BOTTA from three members to five. She said that the larger counties strongly believe this is necessary, while the issue is not as great for the smaller counties. When case resolution is delayed, the

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county's financial burden increases, by their obligation to pay interest on refunds (No written testimony).

Stuart Little presented testimony for Paul Welcome, Johnson County Appraiser, which reflected Johnson County's support for an increase of BOTA members (Attachment 2). Mr. Little made note of Committee questions: 1) Explanation of the numbers of Commercial BOTA cases in Johnson County; 2) The reason for significant increase of caseloads in 2005 and 2006; and 3) Which taxing entities pay the interest payments. Mr. Stuart agreed to return with answers for the Committee.

Richard Rodewald, Private Citizen, appeared before the Committee in support of **HB 2018**. He reviewed his history with BOTA and said that three members are not enough. He recommended that there always be a fourth member, in training, due to the complexity of the subject (No written testimony). In response to a committee question, he would support the addition of two new members also.

Marlee Carpenter, KS Chamber of Commerce, appeared neutral on **HB 2018**. She said having qualified members serve on BOTA is essential. If the size of the Board is increased, they would encourage that strict qualification requirements remain intact. She offered an alternative approach of replacing the current BOTA with a Kansas tax court for tax related matters (Attachment 3). In response to a request from the Chairman, she agreed to provide a white paper or summary on the concept of a new Kansas tax court.

Rebecca Crotty, BOTA Chairperson, appeared to provide input about the potential impact of the proposed HB 2018 (Attachment 4). She gave an overview on how the Board of Tax Appeals and their small claim division operate, and possible reasons that large cases are delayed for years.

Ms. Crotty reviewed the fiscal and operational impact of adding two new board members positions. She stated that as a member of BOTA she could not take an actual policy position, but explained the ramifications of adding two new board members. She pointed out that in FY 2006, the Board's operations with three members were more efficient than in any of the preceding four fiscal years.

She reviewed BOTA performance highlights for 2006 and output measures. She said they had caught up the backlog, approved efficiency and accessibility, established better practices and pre-trial procedures on large cases and encouraged settlement or mediation in all cases. They are publishing their opinions, which are predictable and follow established precedent.

She described a new case management system that will be implemented within the next year, funded by a KTEC grant of \$325,000. She described a bench-bar system and a new survey being used to determine satisfaction levels.

Chairman Wilk said that since the Legislature writes many of the tax exemptions and given the tremendous number of tax exemption cases before BOTA, he questioned whether the Legislature's specific language is unclear? She responded that due to the tremendous number of different exemptions, the process has become very complicated. She suggested that it might be prudent for the Taxation Committees to review all tax exemptions periodically.

Ms. Crotty concluded with the following recommendation: *"At this point in BOTA's history, the path to a solid, comprehensive solution to reform issues would be to appoint a panel of experts from ALL interested areas of the tax appeals community to explore possibilities of further reforming and improving this area. This panel would ideally include representatives from the tax bar, the business community, the judiciary, the Governor's office, the Department of Revenue, BOTA and the legislature's Committee on Assessment on Taxation."*

Being no other conferees the Chairman closed the public hearing. The meeting was adjourned at 10:20 a.m. The next meeting is January 30, 2007.