

Approved: March 30, 2012
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Les Donovan at 10:37 a.m. on March 15, 2012, in room 152-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research Department
Christopher Sevedge, Kansas Legislative Research Department
Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Mary Jane Brueck, Committee Secretary

Conferees appearing before the committee:

John Armbrust, Executive Director, Government Military Council
Doug Mays on behalf of Riley Communities, LLC
Brian Beauregard, Program Manager, Riley County Communities, LLC

Others Attending:

See attached list.

Sen. Les Donovan opened the meeting with a discussion regarding property taxation, relating to exemptions on certain housing on military installations. John Armbrust, Executive Director, Government Military Council told the committee that Secretary of Defense Panetta had held a press conference on January 26, 2012 to discuss \$259 billion in budget reductions over the next five years and at least \$487 Billion over a ten year period. These cuts will effect only military installations. He suggested Kansas should take actions to show Kansas is a military friendly state, and exempting housing on military bases in Kansas from property taxation sends a strong such message. A study by Wichita State University several years ago showed that military activities in Kansas contribute about \$7.5 billion per year to the state's gross state produce, and employs about 169,000 Kansans. (Attachment 1) Doug Mays spoke on behalf of Riley Communities, LLC. in regard to a chronology of events leading to this: In 1995, federal legislation authorizing the Department of Defense to enter into legal arrangements with private sector partners took place. In 2005 the Kansas Attorney General issued an opinion affirming the exempt status of post military housing. Lenders and the Army both relied, in good faith, on the tax comfort letters. In 2009, a different Attorney General issued a contradictory opinion citing ceding statutes dating back to the 1870's. And, in 2012 both Geary and Riley County counselors assert a Riley Communities, LLC property tax liability of \$2.23 million for 2011, and \$2.43 million for 2012. Property taxation of post military housing is unprecedented in the United States. No military bases in America are required to pay such taxes. Mr. Mays told the committee it would be exceedingly unwise to be the only state to impose property taxation on housing on military posts. He suggested enacting a bill written for the Kansas House. (Attachment 2) Brian Beauregard, Program Manager, Riley County Communities, LLC presented written testimony echoing the information from Mr. Mays in support of above mentioned points. (Attachment 3) Chairman Donovan told the committee they can not take any action until the

committee receives the House bill. This discussion was closed.

Sen. Apple was recognized . He recommended the committee take action on **SCR 1612 a proposition to amend section 1 of article 11 of the constitution of the state of Kansas, relating to property taxation.** He said this would allow the legislature to limit increases of property tax for Kansas residents 65 and older. Discussion was held. Sen. Pyle asked if this limitation could be handed off to other family members. Gordon Self, Office of the Revisor of Statutes, said he did not think this bill would have enough authority to do that. Sen. Holland stated he is in favor of this bill. Sen. Apple moved that the committee report this bill out favorably. Sen. Marshall seconded the motion. Motion carried.

Sen. Holland asked that **SB 409** be moved out of committee favorably. Sen. Hensley seconded the motion. Discussion was held. Sen. King had an amendment to allow counties to receive the ad valorem tax reduction funds only if in the year received, they lower the property tax by an amount equal to at least 80% of the ad valorem tax received. Sen. Love seconded the motion. The motion for the amendment passed. Sen. Holland then moved that SB 409 be passed as amended. Sen. Hensley seconded the motion. Motion carried. Sen. Donovan closed the discussion.

Sen. Donovan told the committee the Senate will go into session at 8:00 a.m. tomorrow, March 16. He asked the committee to listen for the possibility of a meeting at the sheet rock.

No other meetings are planned at this time.

The meeting was adjourned at 11:05 p.m.