

HOUSE BILL No. 2378

By Committee on Taxation

3-11

9 AN ACT concerning property taxation; relating to public utilities; natural
10 gas inventories; amending K.S.A. 2008 Supp. 79-5a01 and repealing
11 the existing section.
12

13 *Be it enacted by the Legislature of the State of Kansas:*

14 New Section 1. It is the purpose of this act to carry out the mandate
15 of the electorate of the state of Kansas who in 1992 amended Section 1
16 of Article 11 of the Constitution of the state of Kansas to effectuate the
17 taxation of public utility inventories, in response to an appellate decision
18 holding that natural gas owned by public utilities and stored for resale
19 comes within the exemption from ad valorem taxation afforded to mer-
20 chants' and manufacturers' inventories. The Legislature recognizes that
21 the state has a number of underground formations that are ideal for the
22 storage of natural gas and that the storage of natural gas in these forma-
23 tions by and on behalf of the owners, brokers and marketers of natural
24 gas assures them a plentiful supply of natural gas during periods of peak
25 demand and thereby contributes to their economic viability. The Legis-
26 lature further recognizes that the state and its political subdivisions pro-
27 vide valuable governmental services that protects the natural gas and its
28 free flow to and from these formations for which such owners, brokers
29 and marketers of natural gas should contribute through the property tax
30 imposed by this act.

31 Sec. 2. K.S.A. 2008 Supp. 79-5a01 is hereby amended to read as
32 follows: 79-5a01. (a) As used in this act, the terms "public utility" or
33 "public utilities" means every individual, company, corporation, associa-
34 tion of persons, brokers, *marketers*, lessees or receivers that now or here-
35 after own, ~~control and hold for resale stored~~ *broker or market* natural gas
36 *inventories stored for resale* in an underground formation in this state, or
37 now or hereafter are in control, manage or operate a business of:

38 (1) A railroad or railroad corporation if such railroad or railroad cor-
39 poration owns or holds, by deed or other instrument, an interest in right-
40 of-way, track, franchise, roadbed or trackage in this state;

41 (2) transmitting to, from, through or in this state telegraphic
42 messages;

43 (3) transmitting to, from, through or in this state telephonic messages;

- 1 (4) transporting or distributing to, from, through or in this state nat-
2 ural gas, oil or other commodities in pipes or pipelines, or engaging pri-
3 marily in the business of storing natural gas in an underground formation;
4 (5) generating, conducting or distributing to, from, through or in this
5 state electric power;
- 6 (6) transmitting to, from, through or in this state water if for profit
7 or subject to regulation of the state corporation commission; and
- 8 (7) transporting to, from, through or in this state cargo or passengers
9 by means of any vessel or boat used in navigating any of the navigable
10 watercourses within or bordering upon this state.
- 11 (b) The terms “public utility” or “public utilities” shall not include:
12 (1) Rural water districts established under the laws of the state of Kansas;
13 or (2) any individual, company, corporation, association of persons, lessee
14 or receiver owning or operating an oil or natural gas production gathering
15 line which is situated within one county in this state and does not cross
16 any state boundary line; (3) any individual, company, corporation, asso-
17 ciation of persons, lessee or receiver owning any vessel or boat operated
18 upon the surface of any manmade waterway located entirely within one
19 county in the state; or (4) for all taxable years commencing after Decem-
20 ber 31, 1998, any natural gas distribution system which is owned and
21 operated by a nonprofit public utility described by K.S.A. 66-104c, and
22 amendments thereto, and which is operated predominantly for the pur-
23 pose of providing fuel for the irrigation of land devoted to agricultural
24 use.
- 25 (c) The provisions of subsection (a) as amended by this act shall be
26 applicable to all taxable years commencing after December 31, ~~2003~~
27 ~~2008~~.
- 28 Sec. 3. K.S.A. 2008 Supp. 79-5a01 is hereby repealed.
- 29 Sec. 4. This act shall take effect and be in force from and after its
30 publication in the statute book.