

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Chairman Paul "Bud" Burke at
Chairperson

1:00 ~~am~~/p.m. on FEBRUARY 25, 1983 in room 529-S of the Capitol.

All members were present ~~except~~:

Committee staff present: Wayne Morris, Research Dept.
Tom Severn, Research Dept.
Don Hayward, Revisor's Office

Conferees appearing before the committee:

Discussion continued on the issue of "first sale" or "first purchaser". Don Hayward described the differences in the concepts of SB 67 and SB 267. He said SB 267 imposes the tax at the time the mineral is removed from the production unit and SB 67 imposes the tax at the time it is severed. The first purchaser collects the tax.

Senator Kerr moved conceptually that the concept of first purchaser as set forth in SB 267 be adopted. Senator Thiessen seconded the motion and the motion carried.

The committee discussed "royalty interests".

Senator Hayden made a conceptual motion to define "Royalty Interest" as that interest created by mineral interest ownership. Senator Montgomery seconded the motion. There was discussion as to whether this would exempt the actual contract amount and as to the possibility this might open a loophole. Senator Johnston made a substitute motion to adopt the definition of "Royalty Interest" in SB 267, page 3, subsection (1), lines 91 through 94. Senator Angell seconded the motion and the motion passed with Senator Hayden voting "No".

Senator Hayden moved that royalty interests be exempt from the severance tax. Senator Angell seconded the motion and the motion passed.

There was discussion about payback to the counties or credit to the producers.

Senator Kerr moved that the concept of SB 267, page 11, section 12, (a) and (b) with regard to the 7 1/2% be adopted, and also include that if the rate is determined to be higher, the counties be rebated at the same rate. Senator Angell seconded the motion. The motion passed with Senators Johnston, Chaney and Mulich voting "No".

Senator Montgomery moved and Senator Thiessen seconded a motion to adopt the provisions of SB 267, page 5, section 4, which provides a credit for ad valorem taxes paid. The motion passed.

Annualized projections were discussed. (SB 267 collects 11 months' taxes; SB 67 collects only 9 months', effective July 1).

Senator Angell moved that the collection date for the tax be changed from July 1 to May 1 (SB 267, page 3, section 2, line 113). Senator Hayden seconded the motion and the motion passed.

Tom Severn presented approximate figures with regard to the decisions made up to now, the bill would raise about \$64 million in revenue at the 7 1/2% rate.

The chairman discussed the issue of the tax credit back to the purchaser. In the case of two tanks of oil, the producer sells one tank to one purchaser and another to another purchaser and then you would get a double tax exemption.

Senator Angell made a conceptual motion to make it clear that we not allow a double tax break. (Motion will be that the credits for taxes paid to counties would be in proportionate share to the oil that is produced.) Senator Thiessen seconded the motion and the motion passed.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

room 529-S, Statehouse, at 1:00 ~~xxx~~/p.m. on FEBRUARY 25, 1983.

The rate issue of 8 and 8 1/2 percent was discussed. The chairman suggested that the staff be allowed to go back to their office where background information is located in order to come up with a figure that is more reliable. Tom Severn's figures with an 8% base line are approximately \$57.7 million for oil; \$9.6 million for gas; \$3 million for coal; a total of \$70.3 million. The General Fund would receive about \$64.7 million; \$5.6 million rebate to the counties at 7 1/2%. At 7 1/2%, oil \$51.2 million; gas \$7.1 million; coal \$2.8 million - roughly \$61.1 million.

In response to a question of how much revenue if royalty owners were added in, he said it would be a little less than \$5 million total oil; gas a small amount.

Senator Angell moved to make the rate 7 1/2 percent. Senator Thiessen seconded the motion. The motion failed.

Senator Allen moved and Senator Montgomery seconded a motion to make the rate 8%. The motion carried on a voice vote.

Senator Thiessen moved to make a substitute bill and amend it into SB 267. Senator Hayden seconded the motion and the motion passed.

Senator Allen moved to recommend the substitute bill for SB 267 favorably for passage as amended by the committee. Senator Montgomery seconded the motion.

Senator Angell made a substitute motion to report SB 171 adversely. Senator Ehrlich seconded the motion. (This is a motion to call another bill). The motion passed with Senator Burke voting "no".

Senator Allen renewed his motion to recommend for passage the substitute bill for SB 267 and asked for a roll call vote. Senator Montgomery seconded the motion.

Senator Angell made a substitute motion to report SB 67 adversely. Senator Ehrlich seconded the motion. The motion passed.

Senator Allen moved that the substitute for SB 267 be recommended favorably for passage with a roll call vote. Senator Montgomery seconded the motion. The motion carried with Senators Johnston, Allen, Chaney, Montgomery, Burke and Angell voting "yes" and Senators Kerr, Mulich, Hayden, Ehrlich, and Thiessen voting "no". Senator Angell had inadvertently voted "yes" and the chairman ruled that the motion prevails at 6-5 but a motion by the member is always in order on the next succeeding day. Should the committee choose to reconsider, we will reconvene at 3:00 p.m. Senator Angell apologized and said he will make the motion on Monday when he is allowed to do so.

The committee reconvened at 3:00 p.m.

Senator Angell moved to reconsider our act on the substitute bill for SB 267. Senator Ehrlich seconded the motion. The motion carried, so the committee returned to the motion to recommend substitute for SB 267 favorably. Senator Angell made a substitute motion that we reconsider action on SB 171. Motion adopted.

The chairman asked for a motion on either bill.

Senator Allen moved that the substitute bill for SB 267 be recommended favorably for passage and a roll call vote be taken. Senator Montgomery seconded the motion. The motion passed with Senators Johnston, Allen, Mulich, Chaney, Montgomery, and Burke voting "yes" and Senators Hayden, Ehrlich, Angell, Thiessen and Kerr voting "no".

Senator Allen moved and Senator Angell seconded a motion that SB 171 be reported adversely. The motion carried.

The chairman adjourned the meeting at 3:15 p.m. The committee will meet on Monday, February 28, 11:00 a.m.

10 m.
Meeting

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
Feb 25	Don Schwanke	Tampa	ICF Ours
	M. Hauer	"	Cap-Jur
	John Smith	W. D. R.	St. Joseph
	Bob Clifton	Tampa	Rec.
	John Parks	"	"
	Carol Suley	Lawrence	Ks. GEOL. SUR
	Ross Martin	Tampa	KPC
	James	"	"
	Chip Wheeler	"	Leg. Policy Group
	Del Miller	"	Gov's office
	Charmier Hade	"	" "
	David R. Collins	Lawrence	KS GEOL. SURVEY
	John		
	R. D. Voth	Tampa	KL Twin
	J. P. Brewster	Tampa	State Oil Prod
	Paul E. Fleener	Manhattan	Ks. Farm Bur.
	B. C. Nordling	Hugoton	SWICROA
	Rob McNesey	Tampa	MIN
	T. Stewart	"	WREN
	Don Boyer	Tampa	EKOBA
	Tim Haysman	Lakin	LPG
	Walter Dumas	Tampa	EKOBA