

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Representative Jim Braden at
Chairperson

9:00 a.m./~~p.m.~~ on January 20, 1984 in room 519S of the Capitol.

All members were present except:

Representative Roe who was excused.

Committee staff present:

Tom Severn, Legislative Research Department
Wayne Morris, Legislative Research Department
Don Hayward, Revisor of Statutes' Office
Nancy Wolff, Secretary to the Committee

Conferees appearing before the committee:

Representative Ben Foster
Bill Edds, Department of Revenue
Tom Sheridan, Department of Revenue
Don Low, Kansas Corporation Commission
Ron Hall, Bell Telephone Company

Representative Foster gave testimony in support of House Bill 2609 which would enact new legislation to provide an inheritance tax credit, up to \$5,000, for donations of art to a Kansas museum that receives public funds.

Bill Edds, Department of Revenue, stated that the Department did not have any major administrative costs or problems with House Bill 2609, but would suggest the committee consider establishing a timeframe in which an individual could apply for the tax credit.

The Chairman then directed the committee's attention to House Bill 2610. This bill would amend K.S.A. 79-3279 to require that certain telephone companies apportion business income to Kansas using one factor, Kansas regulatory net income to total regulatory net income before state income taxes. The Chairman recognized Tom Sheridan from the Department of Revenue who stated that he had visited with Ron Hall from Southwestern Bell and they both agreed that the word "regulatory" on lines 36 and 37 should be changed to "book". In response to a question from the Chairman as to whether this would give the Department of Revenue an audit trail, Mr. Sheridan responded, "that is the book income of the company and they have extensive records which one could audit". The Chairman recognized Ron Hall from Southwestern Bell. Mr. Hall stated that he agreed with the proposed change in the wording.

The Chairman then recognized Don Low from the Kansas Corporation Commission. Mr. Low stated that in general the KCC tries to allow, for rate making purposes, the taxes actually paid by individual utilities. He stated that he could think of no case where the KCC had not allowed taxes actually paid to be included in the rate base. The Chairman pointed out that although the KCC staff had recommended that income taxes paid under the three-factor formula in excess of those that would have been paid under separate accounting not be allowed, the KCC had allowed those taxes to be included in the rate base. He asked Mr. Low why he felt the staff had made that recommendation. Mr. Low replied that the KCC staff is comfortable with regulatory or book income as a basis for their determination. He said they get a little uncomfortable with the three-factor formula and they thought it would be fair to use separate accounting.

The Chairman requested that Southwestern Bell, the Department of Revenue, and staff, get together to come up with language for the bill that would define "book".

The meeting was adjourned.

