

Approved February 24, 1987  
Date

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

The meeting was called to order by Senator Fred A. Kerr at  
Chairperson

11:00 ~~a.m.~~ ~~xxx~~ on February 20, 1987 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Tom Severn, Research  
Chris Courtwright, Research  
Don Hayward, Revisor's Office  
Sue Pettet, Secretary to the Committee

Conferees appearing before the committee:

Harley Duncan, Department of Revenue

Chairman Kerr called the meeting to order. He noted that the report by the Board of Tax Appeals, Fred Weaver, chairman, of the 1986 Industrial Revenue Bond Issuance Summary had been distributed to committee members. (Attachment 1)

Chairman Kerr then requested bill introduction regarding agricultural land going into the Federal Conservation Reserve Program. He said that the current reappraisal law is being interpreted to mean that this land would have to be valued as if it were "grass". Chairman Kerr stated that the counties having a large amount of land in that program would have a significant erosion of the tax base for that ten year period. He said that he would like to consider legislation which would value that land as if it were still cropland since landowners would be making at least as much income off of it in most cases, as they would if it were still in crop production. Senator Allen made the motion to introduce the bill. Senator Karr seconded. Motion carried.

Chairman Kerr noted that this is the next to last meeting in which the committee can request introduction of bills.

Senator Montgomery made a motion to request a bill introduction regarding "Franchise Fees" pertaining to a city having a contract with an outside municipality and deciding to cancel the contract before the 15 year time period. He stated he felt there should be a compensative schedule.

Senator Karr seconded. Motion carried. The committee requested that this bill be referred to the Local Government Committee.

Senator Allen made a motion to introduce a bill regarding the 40% sales tax factor on new mobile homes.

Senator Mulich seconded. Motion carried.

SENATE BILL 75

Chairman Kerr called attention to a Department of Revenue ruling which was issued in 1980 on the subject of the sales tax applying to cement, pipe or drill bits used in oil or gas well drilling operations. (Attachment 2) The ruling says that the items do not fall under the consumable exemption of K.S.A. 1980 Supp. 79-3606 (n).

There was extensive committee discussion on S.B. 75 with mixed feelings being expressed on what items could be considered irretrivable and consumable. The feeling of some members was that cement could be singled out as being irretrivable and therefore justified for exemption on the grounds that it probably had not been taxed in the past. Drill bits and pipe were discussed as being more questionable in deserving this exemption and it was noted that there are other industries which have similiar items which are "used up". Chairman Kerr noted that if the bill, or a portion of it were to pass, the committee might consider a substitute bill which would simply grant exemption

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,  
room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on February 20, 1987

to the items rather than trying to redefine them as included under "consumables".

Senator Burke made a motion to amend the bill by striking references to the exemption for everything except "cement". Senator Mulich seconded.

Senator Frey made a substitute motion to introduce a resolution resolving that the Department withhold the Revenue Ruling 19-80-3 until 1988 so that a further study of the issue could be completed. Senator Hayden seconded.

There was committee discussion concerning an interim study on this issue and several members of the committee felt it was needed.

Senators Frey and Hayden withdrew the substitute motion and second.

Harley Duncan explained that the fiscal impact of this bill is approximately \$2.5 million per year, if all of the tax on these items were to be collected. He did not know how much of that was being collected now.

Senator Frey made a substitute motion that would amend the bill to provide for a time certain when the exemption for the items in the bill would expire, specifically July 1, 1988. Senator Hayden seconded.

There was more committee discussion concerning if this was an appropriate year to pass this bill, because of the Department of Revenue's present budget situation. Senator Parrish questioned the wisdom of passing the bill in 1987.

Chairman Kerr stated that he felt the committee should either refer the bill to an interim study or take the issue up later in the session after continued study on the issue.

Senators Hayden and Frey withdrew their substitute motions. Senators Burke and Mulich withdrew their primary motions.

Chairman Kerr stated that the bill would remain in the committee for an indefinite period. He suggested that persons obtaining more information on the issue notify him so that the bill could be scheduled for further committee consideration.

SENATE BILL 5

Senate Bill 5 is the bill regarding federal withholding provisions for employees engaged in "casual employment". (Attachment 3) Specifically the bill was introduced to address the movie "extra" situation. After brief discussion, Senator Karr moved that S.B. 5 be recommended favorably for passage. Senator Salisbury seconded. Motion carried.

SENATE BILL 166

Senate Bill 166 (Attachment 4) concerns providing that a taxpayer should be required to only bear the burden of an additional six months of interest following the hearing process.

There was committee discussion concerning amending the 180 day time period to 120 days after the matter has been fully submitted to the Director or the Board. Senator Frey made motion to accept amendment. Senator Montgomery seconded. Motion carried.

Senator Frey made the motion to pass S.B. 166 favorably as amended. Senator Karr seconded. Motion carried.

Senator Montgomery made motion to accept minutes of February 19, 1987. Senator Karr seconded. Motion carried.

Meeting adjourned.



THE STATE



OF KANSAS

BOARD OF TAX APPEALS  
Tenth Floor, Room 1030-S  
Docking State Office Building  
Topeka, Kansas 66612-1582  
Telephone 296-2388 AC-913

Fred L. Weaver, *Chairman*  
Dallas E. Crable, *Member*  
John P. Bennett, *Member*  
Robert C. Henry, *Member*  
Keith Farrar, *Member*

DATE: February 19, 1987

TO: The Honorable Senator Fred Kerr  
Chairman Senate Assessment and Taxation

FROM: Fred L. Weaver, Chairman  
Kansas Board of Tax Appeals

RE: 1986 Industrial Revenue Bond Issuance Summary

The Board of Tax Appeals (BOTA) has recently completed the attached summary of Industrial Revenue Bond (IRB) filings for the calendar year 1986. When reviewing this summary, certain limitations must be taken into account. They are:

- A. The report does not summarize all of the information the BOTA received in each informational statement. It summarizes only what has been requested as being the most relevant information from that which is filed.
- B. The following is an explanation of the summary headings:
  - Date: The date the Informational Statement was received,
  - Lessee: The individual or company leasing property which is the subject of IRB's,
  - E: An indication of whether an exemption will be sought (Y-Yes) (N-No),
  - Principal Amount: The amount of the IRB's proposed to be issued by the city or county,
  - Amount Issued: The amount actually issued based upon certificates of issuance,
  - Appraised Value: An estimate of the appraised value of the property to be exempted because of the issuance of IRB's,
  - Payment in Lieu: The amount of the payment in lieu of tax, if any, for the full ten year period.

Page Two  
1986 IRB Issuance Summary  
February 19, 1987

The following is a summary of the report attached hereto as of December 31, 1986.

<u>Year</u>	<u>Amount Proposed Statewide</u>	<u>Amount Issued Statewide</u>	<u>Appraised Value Statewide</u>	<u>Payment in Lieu Statewide</u>
1986	810,175,000	768,840,000	54,663,986	6,703,083

1986 INDUSTRIAL REVENUE BOND ISSUANCE SUMMARY

CITY	COUNTY	DATE	DOCKET	LESSEE	E	PRIN AMT	AMT ISSUED	APPD VAL	PYMT IN LIEU
Dodge City	Ford	86/01/09	IRB-86-0803	Millard Warehouse	N	1,750,000	1,750,000	0	0
Wichita	Sedgwick	86/02/21	IRB-86-0804	Multimedia Inc	N	1,500,000	1,500,000	0	184,190
Kansas City	Wyandotte	86/02/25	IRB-86-0805	Colgate-Palmolive Development	Y	6,400,000	6,400,000	1,488,832	523,531
Wichita	Sedgwick	86/02/26	IRB-86-0806	Big Oak Investments	N	800,000	800,000	2,430	0
Sabetha	Nemaha	86/03/03	IRB-86-0807	Keim Transportation Inc	N	1,000,000	1,000,000	1,000,000	0
Salina	Saline	86/04/08	IRB-86-0808	El Dorado Motor Corp	Y	900,000	900,000	117,250	150,000
Shawnee	Johnson	86/04/11	IRB-86-0809	FGB Investment Co	N	500,000	500,000	0	0
Newton	Harvey	86/04/21	IRB-86-0810	HEHR International Inc	Y	1,320,000	1,320,000	44,330	0
North Newton	Harvey	86/04/21	IRB-86-0811	HEHR International Inc	Y	475,000	475,000	154,100	0
Lawrence	Douglas	86/05/06	IRB-86-0812	Kan/Del Hotel Investment Prtn	N	9,100,000	9,100,000	0	0
Manhattan	Riley	86/05/06	IRB-86-0813	Kan/Del Hotel Investment Prtn	N	9,300,000	9,100,000	0	0
Chanute	Neosho	86/05/14	IRB-86-0814	SJT Health Care	N	1,375,000	1,375,000	0	0
Newton	Harvey	86/05/20	IRB-86-0815	Prairie View Inc Project	N	5,500,000	5,500,000	0	0
County Comm	Shawnee	86/05/23	IRB-86-0816	Rolling Hills Health Center	Y	3,100,000	3,100,000	500,000	0
Kansas City	Wyandotte	86/05/29	IRB-86-0817	Dixon Tom-A-Toe Companies	Y	2,585,000	2,585,000	861,071	232,912
Ottawa	Franklin	86/06/09	IRB-86-0818	George R. & Laura D. Lees	Y	1,090,000	0	363,230	137,097
Salina	Saline	86/06/09	IRB-86-0819	Omaha Hotel Inc	N	5,800,000	5,800,000	0	0
Topeka	Shawnee	86/06/16	IRB-86-0820	Colonial Property Group	Y	675,000	675,000	21,615	23,340
Wichita	Sedgwick	86/06/16	IRB-86-0821	Bradford Real Estate Corp	N	710,000	710,000	0	0
Belleville	Republic	86/06/16	IRB-86-0822	Belleville Health Care Center	Y	150,000	150,000	9,580	0
Olathe	Johnson	86/06/18	IRB-86-0823	115 East Park Street Associates	N	1,000,000	1,000,000	0	0
Independence	Montgomery	86/06/19	IRB-86-0824	Heartland Cement Co/IFINT-USA	Y	9,500,000	9,500,000	4,000,000	0
Chanute	Neosho	86/07/08	IRB-86-0825	Tolle Manufacturing Co	Y	500,000	500,000	9,490	0
Wichita	Sedgwick	86/07/10	IRB-86-0826	Executive Manor Wichita Inc	Y	8,435,000	0	107,458	198,780
Lawrence	Douglas	86/07/10	IRB-86-0827	Lawrence Presbyterian Manor Inc	Y	3,500,000	3,500,000	1,040,480	100,000
Frankfort	Marshall	86/07/14	IRB-86-0828	Frankfort Community Care Home	N	350,000	350,000	0	0
Caney	Montgomery	86/07/15	IRB-86-0829	Robert W. Spears	N	1,000,000	1,000,000	0	0
Lenexa	Johnson	86/07/16	IRB-86-0830	Syntro Vet Inc	N	1,200,000	1,200,000	0	0
Kansas City	Wyandotte	86/07/18	IRB-86-0831	General Motors Corp	Y	200,000,000	200,000,000	11,187,510	266,000
Kansas City	Wyandotte	86/07/23	IRB-86-0832	Spangler, Inc	Y	1,270,000	1,270,000	643,100	159,325
Kansas City	Wyandotte	86/07/23	IRB-86-0833	A. Reich & Sons	Y	450,000	450,000	425,560	101,414
Sabetha	Nemaha	86/08/05	IRB-86-0834	Keim Transportation	N	1,000,000	1,000,000	0	0
Emporia	Lyon	86/08/07	IRB-86-0835	Emporia Industrial Leasing	Y	375,000	375,000	1,911	0
Emporia	Lyon	86/08/13	IRB-86-0836	Emporia Motor Freight	Y	960,000	0	960,000	0
Larned	Pawnee	86/08/20	IRB-86-0837	St. Joseph Memorial Hospital	N	3,615,000	3,615,000	0	0
Lawrence	Douglas	86/08/20	IRB-86-0838	Eldridge House Investors	Y	2,000,000	2,000,000	373,070	259,342
Topeka	Shawnee	86/09/11	IRB-86-0839	Tyler Street, LP	Y	2,400,000	2,400,000	441,070	340,835
Salina	Saline	86/09/18	IRB-86-0840	Salina Motel/Grand American Hotel	Y	1,650,000	1,650,000	195,380	0
Olathe	Johnson	86/10/03	IRB-86-0841	Olathe Medical Center Office	N	6,400,000	6,400,000	0	0
Colby	Thomas	86/10/13	IRB-86-0842	Thomas County Hospital Assoc	Y	6,120,000	6,120,000	345,581	0
Wichita	Sedgwick	86/10/15	IRB-86-0843	Masterbilt Motors	Y	525,000	525,000	115,900	0

Wichita	Sedgwick	86/10/17	IRB-86-0844	Fidelity Savings Assoc	Y	7,300,000	7,300,000	370,040	0
Baxter Spgs	Cherokee	86/10/24	IRB-86-0845	Demac Investments	N	450,000	450,000	0	0
Kansas City	Wyandotte	86/09/24	IRB-86-0846	Midwest Dist Co/MSG, Inc	Y	5,000,000	5,000,000	389,600	214,490
Lawrence	Douglas	86/10/30	IRB-86-0847	Brandon Woods Inc	Y	6,000,000	0	1,650	0
Andover	Butler	86/11/03	IRB-86-0848	Andover Health Care Center	Y	775,000	775,000	0	0
Kansas City	Wyandotte	86/11/10	IRB-86-0849	E I du Pont De Nemours & Co	Y	27,000,000	27,000,000	10,587,790	2,651,794
Wichita	Sedgwick	86/11/10	IRB-86-0850	Boeing Co	Y	67,000,000	67,000,000	884,590	6,660
Olathe	Johnson	86/11/20	IRB-86-0851	Jefferson Place	N	12,800,000	12,800,000	0	0
Wichita	Sedgwick	86/11/21	IRB-86-0852	Jayhawk II	N	945,000	945,000	0	0
Sabetha	Nemaha	86/11/20	IRB-86-0853	Keim Transportation	N	1,000,000	1,000,000	0	0
Kansas City	Wyandotte	86/11/25	IRB-86-0854	General Motors Corp Project	Y	225,000,000	225,000,000	11,187,400	294,000
Pittsburg	Crawford	86/12/01	IRB-86-0855	Kretschmar Brands Inc	Y	1,200,000	1,200,000	762,440	0
Wichita	Sedgwick	86/12/01	IRB-86-0856	Rent-a-Center of America	Y	9,000,000	9,000,000	2,276,930	45,163
Kansas City	Wyandotte	86/12/03	IRB-86-0857	Millcreek Woods Apartments	N	10,000,000	0	0	0
Topeka	Shawnee	86/12/08	IRB-86-0858	Westchester Village Apt	N	2,530,000	2,530,000	0	0
Wichita	Sedgwick	86/12/09	IRB-86-0859	Friends University Project	N	4,850,000	4,850,000	0	0
Leavenworth	Leavenworth	86/12/10	IRB-86-0860	H.D.G. Partnership	N	1,150,000	1,150,000	0	0
Olathe	Johnson	86/12/10	IRB-86-0861	Graphic Technology	N	2,500,000	2,500,000	0	0
County Comm	Sedgwick	86/12/12	IRB-86-0862	Beech Aircraft	N	42,760,000	42,760,000	0	0
County Comm	Butler	86/12/12	IRB-86-0863	CIC Industries	Y	1,700,000	1,700,000	1,231,482	400,000
Overland Park	Johnson	86/12/12	IRB-86-0864	Burlington Northern Railroad	N	2,920,000	2,920,000	0	0
Eudora	Douglas	86/12/12	IRB-86-0865	OCL Building	Y	1,500,000	1,500,000	2,423	0
Kansas City	Wyandotte	86/12/15	IRB-86-0866	M.E. Gravatt & Sons	Y	500,000	500,000	72,334	40,840
Garden City	Finney	86/12/15	IRB-86-0867	Garden Valley Retirement	Y	4,000,000	4,000,000	1,425,380	0
Manhattan	Riley/Pottawa	86/12/17	IRB-86-0868	Town East Partnerhsip	Y	1,530,000	1,530,000	3,334	75,000
Wichita	Sedgwick	86/12/18	IRB-86-0869	A.S.I. Incorporated	N	1,000,000	1,000,000	0	0
Lenexa	Johnson	86/12/19	IRB-86-0870	Van Enterprises	N	585,000	585,000	0	0
Wichita	Sedgwick	86/12/22	IRB-86-0871	Executive Manor Wichita/Ramada	N	2,200,000	2,200,000	311,380	0
Concordia	Cloud	86/12/22	IRB-86-0872	F & A Food Sales Co	Y	675,000	675,000	870	0
McPherson	McPherson	86/12/22	IRB-86-0873	Main Place Plaza Building	Y	425,000	425,000	2,220	0
Olathe	Johnson	86/12/23	IRB-86-0874	Larry E./Paula J. Huckleberry	N	2,150,000	0	0	0
Topeka	Shawnee	86/12/23	IRB-86-0875	Mid-America Hotel Project	N	5,900,000	5,900,000	0	0
Hutchinson	Reno	86/12/24	IRB-86-0876	Sunwest Hotel Corp	N	10,000,000	10,000,000	0	0
Liberal	Seward	86/12/24	IRB-86-0877	Victorian Manor	N	1,350,000	1,350,000	0	0
Wichita	Sedgwick	86/12/24	IRB-86-0878	Landmark Hotel Corp	N	10,000,000	0	0	0
McPherson	McPherson	86/12/24	IRB-86-0879	Gary/Coralee Thompson/Vintage Sq	Y	200,000	200,000	90,555	34,740
Emporia	Lyon	86/12/24	IRB-86-0880	Emporia Hotel Venture	N	5,000,000	5,000,000	0	0
Topeka	Shawnee	86/12/24	IRB-86-0881	Landmark Office Corp	N	8,000,000	8,000,000	0	0
Topeka	Shawnee	86/12/24	IRB-86-0882	Sunwest Hotel Corp	N	6,000,000	5,500,000	0	0
Topeka	Shawnee	86/12/24	IRB-86-0883	Great Plains Hotel	N	9,000,000	9,000,000	0	0
Garden City	Finney	86/12/24	IRB-86-0884	Heyco/Garden Valley Retirement	Y	2,000,000	0	654,620	263,630
					TOTALS	810,175,000	768,840,000	54,663,986	6,703,083



*Kansas*  
DEPARTMENT OF REVENUE

State Office Building  
TOPEKA, KANSAS 66625

*For 58 75*

December 15, 1980

Ruling 19-80-2

**REVENUE RULING**

**SALES TAX - TAXATION OF CEMENT, PIPE, OR DRILL BITS USED IN OIL OR GAS WELL DRILLING OPERATIONS. THE SALES TAX IS IMPOSED UPON CEMENT, PIPE OR DRILL BITS USED IN OIL OR GAS WELL DRILLING OPERATIONS.**

Advice has been requested concerning whether or not cement, pipe, or drill bits used in oil or gas well drilling operations fall within the consumable exemption of K.S.A. 1980 Supp. 79-3606(n).

For an item of tangible personal property to come within the consumable exemption of K.S.A. 1980 Supp. 79-3606(n), the item must be immediately consumed or dissipated in the production, manufacture, processing, mining, drilling, refining or compounding of tangible personal property. In Polk v. Arnold, Director of Taxation, 215 Kan. 653, 527 P.2d 973 (1974), the Kansas Supreme Court ruled that for an item of tangible personal property to qualify as being immediately consumed, it must be consumed or dissipated in the particular processing within a "time reasonably requisite." The Court also distinguished between consumption or dissipation of the property, as opposed to depreciation, breakage, wearing out or obsolescence, as in the case of permanent machinery or equipment.

Cement, pipe, or drill bits used in oil or gas well drilling operations are not immediately consumed in the drilling process as they are not consumed or dissipated within a "time reasonably requisite." Therefore, cement, pipe, or drill bits used in oil or gas well drilling operations cannot be exempt from the sales tax as being consumable tangible personal property.

The part of this Revenue Ruling dealing with cement used in oil or gas well drilling operations will have force and effect prospectively only, commencing as of January 1, 1981.

APPROVED:

  
MICHAEL LENNEN  
Secretary of Revenue

— Sen. A & T  
2/20/87

Att. 2 —



2/6

For SB 5

MEMORANDUM

To: Harley T. Duncan

Date: February 2, 1987

From: Mark A. Burghart

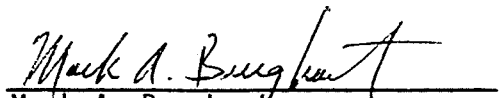
Re: Minimum Threshold For  
Federal Withholding

You recently inquired whether the federal withholding provisions contained any exceptions for employees engaged in "casual employment" such as might be associated with a "movie extra" or a "day worker". In general, every employer is required to withhold income tax from all wages actually or constructively paid to his employees. If an employer-employee relationship exists, the employer withholds the tax regardless of (1) the irregular performance of work by any one employee; (2) the frequency of wage payments; or (3) the small amount paid at any one time. There is no "de minimus" rule which would apply to all employers regardless of the type of employment involved.

Although there is no "de minimus" rule per se, §3401(a) of the Internal Revenue Code of 1986 does exclude certain wages earned by particular types of employees from the federal definition of wages. For example, wages paid for agricultural labor and domestic service in a private home are not included in the definition of wages subject to withholding. Kansas adheres to these exceptions by virtue of K.S.A. 79-3296.

Please contact either myself or Jim Bartle if you have any additional questions.

LEGAL SERVICES

  
Mark A. Burghart  
Acting General Counsel

MAB:rab

Senators Kerr + Karris:

Here are federal rules re: w/holding on temporary-type employees. They do not cover "movie-extras" and any relief would have to come by specific legislation

H Duncan

718

**ALDERSON, ALDERSON & MONTGOMERY**

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JOHN E. JANDERA  
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C. DAVID NEWBERY

February 17, 1987

Senator Fred Kerr  
Room 143-S, Statehouse  
Topeka, KS 66612

For SB 166

RE: Senate Bill No. 166

Dear Senator Kerr:

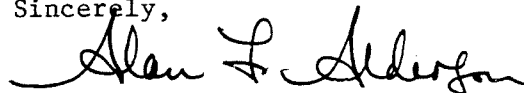
On behalf of the Kansas Bar Association, I would like to address the proposed amendment to SB 166 offered by Carol Bonebrake, Director of Taxation. The Bar Association has no objection to defining the hearing process to include the submission of briefs and oral argument, if necessary. However, inasmuch as the 180 days proposed in the bill contemplated the inclusion of briefing schedules, we would propose to allow only 120 days after the matter has been fully submitted to the Director or the Board.

Unless the time for rendering an order is limited in this fashion, the briefing process could extend the time for rendering an order for several more months if the Department's attorneys request extensions on the time to file briefs. The sounder practice would be to allow the Director or the Board to determine (with assistance of counsel) when the case will be fully submitted and allow four months from that date to render an order.

Many appeals do not necessitate briefs and four months should be more than sufficient time for an order to issue. For more complex cases where briefs are determined to be necessary, six months should not be necessary for a decision once everything is in front of the Director or the Board.

I have discussed this matter briefly with both Carol Bonebrake and David Cunningham and, by copies of this letter, I am asking them to indicate to you their approval or disapproval of my proposed change. Please feel free to contact me if any further discussion of this matter is necessary.

Sincerely,



Alan F. Alderson  
ALDERSON, ALDERSON & MONTGOMERY

AFA:

cc: Ron Smith, Kansas Bar Association  
Carol Bonebrake  
David Cunningham