

Approved On: _____

Minutes of the House Committee on Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on March 30, 1988 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Francisco and Adam

Committee staff present:

Tom Severn, Legislative Research
Chris Courtright, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

The Chairman brought HB-3019 relating to franchise fees up for final action. Representative Roe moved, second by Representative Fuller, that the bill be reported favorably and placed on the consent calendar. The motion carried.

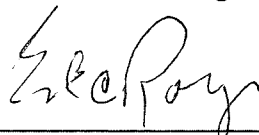
The first item for discussion was SB-453 - AN ACT relating to property taxation; effecting statutory amendments necessary and incidental to the reappraisal and classification of property for taxation purposes. Chairman Rolfs explained the several changes and amendments that had affected this bill, especially in the area of depreciation of land value. The Report of Standing Committees was discussed. (Attachment 1) Representative Shore moved, second by Representative Fry, that use value of irrigated land in CRP be considered as dry land for property tax purposes. The motion failed.

Committee members discussed methods of determining depreciation of equipment and other property and which method would be most equitable for everyone concerned. Since they could not reach a decision, the matter was deferred until the next meeting.

The committee was asked to consider House Resolution No. 6064 -- A RESOLUTION memorializing the Congress of the United States to exempt farmers from being required to pay the federal diesel fuel tax. Representative Leach moved, second by Representative Smith, to pass Resolution No. 6064 favorably. The motion carried.

The committee then reviewed House Resolution No. 6078 -- A RESOLUTION memorializing Congress to clarify that all state and local government employee benefit arrangements be exempt from taxation at accrual. Representative Fuller moved, second by Representative Spaniol, to pass Resolution No. 6078 favorably. The motion carried.

The minutes of the previous meeting were approved. There being no further business, the meeting was adjourned.



Ed C. Rolfs, Chairman

REPORTS OF STANDING COMMITTEES

MR. SPEAKER:

Your Committee on Taxation

Recommends that Senate Bill No. 453 (As Amended by Senate Committee)

"AN ACT relating to property taxation; effecting statutory amendments necessary and incidental to the reappraisal and classification of property for taxation purposes; amending K.S.A. 79-304, 79-306, 79-501, 79-1439 and 79-4502 and K.S.A. 1987 Supp. 79-201d and 79-213 and repealing the existing sections; also repealing K.S.A. 79-307a, 79-307b, 79-307c, 79-307d, 79-316b, 79-316c, 79-1001, 79-1001b, 79-1001c, 79-1001d, 79-1003, 79-1004, 79-1004a, 79-1004b and 79-1005 and K.S.A. 1987 Supp. 79-216, 79-217, 79-218 and 79-1001a."

Be amended:

On page 2, by striking all in lines 62 to 83, inclusive;

On page 3, by striking all in lines 84 to 93, inclusive; after line 93, by inserting the following:

"New Sec. 2. To the extent herein specified, merchants' and manufacturers' inventory shall be and is hereby exempt from all property or ad valorem taxes levied under the laws of the state of Kansas.

As used in this section:

(a) "Merchant" means and includes every person, company or corporation who shall own or hold, subject to their control, any tangible personal property within this state which shall have been purchased for resale without modification or change in form or substance, and without any intervening use;

(b) "manufacturer" means and includes every person, company or corporation who is engaged in the business of transforming, refining or combining materials and labor to convert tangible personal property from one form to another including packaging; and

(c) "inventory" means and includes those items of tangible personal property that: (1) Are held for sale in the ordinary course of business (finished goods); (2) are in process of production for such sale (work in process); or (3) are to be consumed either directly or indirectly in the production of finished goods (raw materials and supplies). Assets subject to

depreciation accounting for federal income tax purposes shall not be classified as inventory. A depreciable asset that is retired from regular use and held for sale or as standby or as surplus equipment shall not be classified as inventory.";

On page 4, by striking all in lines 145 to 153, inclusive, and inserting "the event that taxes have been assessed against the subject property, no interest shall accrue on any unpaid tax for the year or years in question from the date the request is filed with the county appraiser until the expiration of 30 days after the board issued its order thereon.";

On page 5, in line 171, by striking "and" where it appears the first time; in line 174, before the period, by inserting "; and (6) merchants' and manufacturers' inventories exempted from ad valorem taxation by section 2";

On page 7, in line 240, by striking "Between January 1 and" and inserting "On or before"; also, in line 240, before the comma, by inserting ", or the next following business day if such date falls on a day other than a regular business day"; in line 242, before "April" by inserting "on or before"; also, in line 242, before the comma by inserting ", or the next following business day if such date falls on a day other than a regular business day";

On page 8, in line 283, by striking all after "12%"; by striking all in line 284; in line 285, by striking all before the semicolon; in line 305, by striking all before the semicolon and inserting "the price which is actually paid or contracted to be paid to a seller by the original or a subsequent purchaser and which is utilized as the basis for depreciation for federal income tax purposes";

On page 13, in line 475, before "79-307a" by inserting "79-306a,";

In the title, in line 24, after "K.S.A." by inserting "79-306a,";

And the bill be passed as amended.

Chairperson