

Approved

March 12, 1992

Minutes of the House Committee on Taxation. The meeting was called to order by Joan Wagnon, Chairperson, at 9:10 a.m. on Wednesday, FEBRUARY 19, 1992 in room 519-S of the Capitol.

All members were present except:

Rep. Steve Wiard, excused; Rep. J. C. Long, excused.

Committee staff present:

Tom Severn & Chris Courtwright, Legislative Research; Bill Edds and Don Hayward, Revisors; Linda Frey, Committee Secretary; Douglas E. Johnston, Committee Assistant.

Conferees appearing before the committee:

Representative Sandy Praeger  
Bev Bradley, Kansas Association of Counties  
Mark A. Burghart, General Counsel for the Kansas Department of Revenue  
Jeffrey Sonnich, Vice-President of the Kansas-Nebraska League of Savings Institutions  
Ron Swisher, Property Valuation Department

A memorandum from Chris Courtwright, Legislative Research, regarding background materials for HB 2125, was distributed to the committee (Attachment 1).

Rep. Sandy Praeger requested the introduction of a bill proposing a state income tax exemption for federal compensation payments made to Japanese Americans that were interned against their will during World War II (Attachment 2).

Rep. Harder moved the introduction of a bill requested by Rep. Praeger. Rep. Charlton and Rep. Shore seconded the motion which carried.

Bev Bradley, Kansas Association of Counties, requested the introduction of a bill requiring the printing of notices on delinquent taxes in local newspapers one time rather than the currently mandated three times.

The Chair requested and received the unanimous consent of the committee for the introduction of a bill as requested by Bradley.

Public hearings were opened on HB 2731, HB 2732, HB 2734 and HB 2736.

Mark A. Burghart, General Counsel for the Kansas Department

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation, room 519-S, State-house, at 9:10 a.m. on Wednesday, February 19, 1992.

of Revenue, testified in favor of HB 2731, HB 2732 and HB 2734 (Attachment 3).

Rep. Ensminger suggested that individuals or businesses might be left the option to choose every five years. Burghardt said that solution would be better than current law.

Jeffrey Sonnich, Vice-President of the Kansas-Nebraska League of Savings Institutions, testified against HB 2731 (Attachment 4).

Sonnich said Rep. Ensminger's suggestion would not be preferred over current law, but would be better than the proposal in HB 2731.

Information was requested from Sonnich regarding the number of savings & loans that in the year of 1991 had not paid any taxes and thus had not utilized the choice available in current law.

Rep. Vancrum made a motion to place HB 2732 on the consent calendar. Rep. Snowbarger seconded the motion which carried.

Rep. Snowbarger moved and Rep. Vancrum seconded the motion to place HB 2734 on the consent calendar. The motion carried.

Ron Swisher, Property Valuation Department, testified in favor of HB 2736. Swisher said owners of watershed property would have one year to appeal for an exemption to the State Board of Tax Appeals.

Public hearings were closed on HB 2731, HB 2732, HB 2734 and HB 2736.

The meeting was adjourned at 10:00 a.m. The next meeting will be February 20.

GUEST LIST

COMMITTEE: Separation

DATE: 2/19/92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Alan Steppat	Topeka	Pete McGill & Associates
Dave Gunningham	Topeka	PVID
Ron Muschik	Topeka	PVID
HAROLD PITTS	TOPEKA	AARP-CCTF
Estrella Forste	Haysville, KS.	CAMPUSLIGHT School
BEV BRADLEY	TOPEKA	KS Assoc of Counties
Anne Smith	Topeka	Ks. Assoc of Counties
Jeri Brubaker	TOPEKA	S.W.
JEFF SONNICH	TOPEKA	KVLS
Valera Giarratano	Wichita	Shadow of T. Ann Patten for campus High
KAREN FRANCE	TOPEKA	KAR
Martha Jenkins	Topeka	AIA
Ron PARKER	Arkansas City	City of Arkansas City
Arleta Rjee	Arkansas city	Zeller Motor Co
Jeri Anderson	Arkansas City	Imper Travel Service
Catherine Koenke	Arkansas City Ks	Mediobly East.
Janice Stover	Arkansas City K.S	Cowley County Comm. College
Glenda L. Martin	Arkansas city Ks	American Business Women As
Nancy Crain	ark city	2130# 4170
D. Jeff Wood	Arkansas City	Wood Chiropractic Clinic
Wooley	Arkansas City	Leadership Ark City



## MEMORANDUM

2/18/92

**TO: House Taxation Committee**  
**FROM: Chris Courtwright, KLRD**  
**RE: Background Materials for HB 2125**

The attached tables provide information on the mineral leasehold interest valuation by county for 1990. The tables also show an estimate for the amount of property tax which would be generated by a 45-mill levy on such valuation. Exhibits are provided for the 1990 RURAL average mill levies (the vast majority of all oil and gas valuation is rural) and total severance tax collections by county for FY 1991.

The Chairman requested that copies of this table, originally generated in December, be provided to all Committee members. The Department of Revenue will soon be providing 1991 valuation data by county and 1991 countywide rural average levies for the purposes of updating the table.

House Taxation  
Attachment 1  
02-19-92

SORT: ALPHABETICAL

<u>KANSAS</u>	<u>MINERAL</u>	<u>OIL &amp; GAS</u>	<u>EXHIF</u>	<u>EXHIBIT:</u>
<u>COUNTY</u>	<u>LEASEHOLD INT</u>	<u>PROP TAXES</u>	<u>COUNTY</u>	<u>ESTIMATED</u>
<u>NAME</u>	<u>1990</u>	<u>GENERATED</u>	<u>RURAL</u>	<u>FY 91</u>
	<u>VALUATION</u>	<u>BY 45 MILL</u>	<u>AVG 90</u>	<u>SEV TAXES</u>
		<u>STATE LEVY</u>	<u>LEVIES</u>	<u>(OIL &amp; GAS)</u>
ALLEN	\$1,451,636	\$65,324	120.83	52,406
ANDERSON	1,127,898	50,755	101.42	262,381
ATCHISON	385,666	17,355	116.10	0
BARBER	17,643,598	793,962	100.87	1,967,386
BARTON	23,088,872	1,038,999	111.68	1,527,516
BOURBON	563,501	25,358	118.00	3,938
BROWN	12,258	552	121.23	1,231
BUTLER	14,752,766	663,874	115.28	967,628
CHASE	365,838	16,463	108.35	4,813
CHAUTAUQUA	3,337,157	150,172	103.43	287,634
CHEROKEE	0	0	98.07	0
CHEYENNE	630,450	28,370	117.95	37,229
CLARK	7,423,915	334,076	109.72	770,500
CLAY	0	0	115.29	210
CLOUD	0	0	144.28	0
COFFEY	979,240	44,066	44.04	25,829
COMANCHE	8,517,232	383,275	103.93	959,450
COWLEY	9,118,850	410,348	129.26	526,561
CRAWFORD	92,115	4,145	94.01	38,610
DECATUR	1,904,315	85,694	111.46	141,596
DICKINSON	205,928	9,267	111.04	6,551
DONIPHAN	0	0	121.89	0
DOUGLAS	171,620	7,723	110.85	17,326
EDWARDS	5,669,215	255,115	109.79	471,752
ELK	1,169,471	52,626	110.18	143,790
ELLIS	35,628,029	1,603,261	86.93	2,696,672
ELLSWORTH	3,781,876	170,184	119.30	306,283
FINNEY	88,294,230	3,973,240	97.59	4,767,447
FORD	2,086,583	93,896	128.48	209,949
FRANKLIN	590,383	26,567	109.29	24,736
GEARY	11,450	515	86.58	605
GOVE	8,757,448	394,085	97.97	752,121
GRAHAM	13,884,663	624,810	126.21	1,302,581
GRANT	176,009,395	7,920,423	51.25	11,593,385
GRAY	911,579	41,021	118.68	143,270
GREELEY	4,493,284	202,198	96.95	534,204
GREENWOOD	5,199,173	233,963	130.13	170,280
HAMILTON	15,519,704	698,387	100.61	870,907
HARPER	8,671,852	390,233	114.68	561,073
HARVEY	2,070,003	93,150	120.22	109,216
HASKELL	77,661,530	3,494,769	55.65	4,219,550
HODGEMAN	5,698,996	256,455	137.44	590,661
JACKSON	57,941	2,607	119.90	5,245
JEFFERSON	349,662	15,735	113.55	22,679
JEWELL	0	0	125.61	0
JOHNSON	1,104,875	49,719	118.48	93,470
KEARNY	159,614,218	7,182,640	45.01	7,154,411
KINGMAN	19,787,595	890,442	110.41	1,415,251
KIOWA	12,985,892	584,365	93.44	1,582,951
LABETTE	413,023	18,586	115.44	11,453
LANE	6,500,112	292,505	126.49	662,286
LEAVENWORTH	2,030,913	91,391	112.06	241,844
LINCOLN	0	0	132.18	0
LINN	754,120	33,935	68.75	75,135
LOGAN	1,749,850	78,743	104.41	186,026

<u>SORT: ALPHABETICAL</u>		OIL & GAS	EXHII	EXHIBIT:
	MINERAL	PROP TAXES	COUNTY	ESTIMATED
KANSAS	LEASEHOLD INT	GENERATED	<u>RURAL</u>	FY 91
COUNTY	1990	BY 45 MILL	AVG 90	SEV TAXES
<u>NAME</u>	<u>VALUATION</u>	<u>STATE LEVY</u>	<u>LEVIES</u>	<u>(OIL &amp; GAS)</u>
LYON	297,655	13,394	111.87	16,107
MARION	3,695,734	166,308	98.71	255,753
MARSHALL	0	0	124.10	0
McPHERSON	7,399,525	332,979	110.78	343,057
MEADE	15,498,454	697,430	94.98	1,515,007
MIAMI	822,217	37,000	107.58	29,986
MITCHELL	0	0	118.07	0
MONTGOMERY	2,495,320	112,289	128.87	203,448
MORRIS	1,347,220	60,625	110.64	101,600
MORTON	81,529,980	3,668,849	66.85	5,921,482
NEMAHA	1,819,556	81,880	100.12	163,998
NEOSHO	458,785	20,645	130.18	23,755
NESS	18,888,391	849,978	107.33	1,770,829
NORTON	1,419,830	63,892	113.18	52,098
OSAGE	3,409	153	106.06	0
OSBORNE	1,205,978	54,269	112.26	87,951
OTTAWA	0	0	125.79	0
PAWNEE	3,679,924	165,597	102.34	352,551
PHILLIPS	6,917,080	311,269	113.57	428,712
POTTAWATOMIE	0	0	66.56	724
PRATT	10,149,247	456,716	126.14	975,370
RAWLINS	2,271,500	102,218	139.50	317,451
RENO	6,565,415	295,444	118.81	573,313
REPUBLIC	0	0	122.14	0
RICE	10,539,123	474,261	116.75	834,613
RILEY	625,468	28,146	108.38	56,433
ROOKS	22,932,051	1,031,942	106.34	1,759,922
RUSH	5,816,609	261,747	106.64	298,376
RUSSELL	23,707,256	1,066,827	98.48	1,765,585
SALINE	1,083,399	48,753	95.26	39,316
SCOTT	1,916,839	86,258	106.64	146,566
SEDGWICK	2,436,610	109,647	118.65	207,965
SEWARD	51,201,251	2,304,056	87.82	4,850,542
SHAWNEE	0	0	116.75	0
SHERIDAN	2,500,078	112,504	113.40	272,981
SHERMAN	214,773	9,665	107.23	20,047
SMITH	0	0	128.88	0
STAFFORD	17,222,814	775,027	102.92	1,555,840
STANTON	50,086,875	2,253,909	78.48	2,271,843
STEVENS	\$232,279,225	\$10,452,565	33.67	17,112,684
SUMNER	6,578,905	296,051	129.72	511,377
THOMAS	2,383,059	107,238	112.35	262,497
TREGO	7,007,712	315,347	108.37	549,340
WABAUNSEE	996,236	44,831	104.03	98,028
WALLACE	2,782,503	125,213	106.62	247,608
WASHINGTON	0	0	119.26	179
WICHITA	244,512	11,003	120.37	37,756
WILSON	1,432,995	64,485	112.63	63,586
WOODSON	3,133,763	141,019	104.52	61,232
WYANDOTTE	0	0	77.00	105
State	\$1,366,817,196	\$61,506,774	94.07	94,675,641

Source: Department of Revenue and calculations.

SORT: VALUATION

<u>KANSAS</u> <u>COUNTY</u> <u>NAME</u>	<u>MINERAL</u> <u>LEASEHOLD INT</u> <u>1990</u> <u>VALUATION</u>	<u>OIL &amp; GAS</u> <u>PROP TAXES</u> <u>GENERATED</u> <u>BY 45 MILL</u> <u>STATE LEVY</u>	<u>EXHIB</u> <u>COUNTY</u> <u>RURAL</u> <u>AVG 90</u> <u>LEVIES</u>	<u>EXHIBIT:</u> <u>ESTIMATED</u> <u>FY 91</u> <u>SEV TAXES</u> <u>(OIL &amp; GAS)</u>
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CHEYENNE	630,450	28,370	117.95	37,229
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LABETTE	413,023	18,586	115.44	11,453
ATCHISON	385,666	17,355	116.10	0
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JEFFERSON	349,662	15,735	113.55	22,679
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OSAGE	3,409	153	106.06	0
CHEROKEE	0	0	98.07	0
CLAY	0	0	115.29	210
CLOUD	0	0	144.28	0
DONIPHAN	0	0	121.89	0
JEWELL	0	0	125.61	0
LINCOLN	0	0	132.18	0
MARSHALL	0	0	124.10	0
MITCHELL	0	0	118.07	0
OTTAWA	0	0	125.79	0
POTTAWATOMIE	0	0	66.56	724
REPUBLIC	0	0	122.14	0
SHAWNEE	0	0	116.75	0
SMITH	0	0	128.88	0
WASHINGTON	0	0	119.26	179
WYANDOTTE	0	0	77.00	105
State	\$1,366,817,196	\$61,506,774	94.07	94,675,641

Source: Department of Revenue and calculations.



SANDY PRAEGER  
REPRESENTATIVE 44TH DISTRICT  
3601 QUAIL CREEK COURT  
LAWRENCE, KANSAS 66047  
(913) 841-3554



TOPEKA

HOUSE OF  
REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
MEMBER: EDUCATION  
ELECTIONS  
PUBLIC HEALTH & WELFARE

**REQUEST FOR BILL INTRODUCTION  
TAX COMMITTEE  
February 17, 1992**

Thank you, Madam Chair, for the opportunity to address the committee today. I would like to request that this committee introduce a bill that addresses an issue of importance to a very select group of Kansans. These Kansans are of Japanese descent whose property was seized and who were unjustly imprisoned in internment camps during World War II. The federal government has agreed to a token reparation of \$20,000 per individual as payment for this injustice. I am asking that we enact legislation that will exempt this payment from Kansas income tax. This payment should not be viewed as income but as a restoration of a portion of the value of property that was taken from them. It should not be taxed. Other states have enacted similar exemptions. I do not know how many Kansans of Japanese descent would be affected by this legislation. I do know there are some. I don't think the number is important. This is an issue of fairness.

Thank you, Madam Chair, for hearing my request. I urge the committee to introduce this bill.

House Taxation  
Attachment 2  
02-19-92

STATE OF KANSAS

Mark A. Burghart, General Counsel  
Robert B. Docking State Office Building  
915 S.W. Harrison St.  
Topeka, Kansas 66612-1588



(913) 296-2381  
FAX (913) 296-7928

Department of Revenue  
*Legal Services Bureau*

**MEMORANDUM**

To: The Honorable Joan Wagnon, Chairperson  
House Committee on Taxation

From: Mark A. Burghart, General Counsel  
Kansas Department of Revenue

Date: February 19, 1992

RE: H.B. 2731 - Loss Deductions for Savings and Loan  
Associations  
H.B. 2732 - Due Date for Payment of New Tire Fee  
H.B. 2734 - Registration of Nonresident Contractors

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Thank you for the opportunity to appear in support of H.B. 2731, H.B. 2732, and H.B. 2734. Each of the bills will be addressed separately below.

House Bill No. 2731

H.B. 2731 would amend K.S.A. 79-1109 to require savings and loan associations to make an election to use either (1) a loss deduction equal to 5% of net income, or (2) a loss deduction based on past experience. The election would be irrevocable once made.

Savings and loan associations are currently allowed to deduct a loss reserve equal to 5% of net income determined without the benefit of such deduction or in the alternative, a reasonable addition to a reserve for losses based on past experience. If the taxpayer selects the 5% method and it provides a greater deduction than the experience method, no adjustment may be made by the Department. However, if the experience method results in a lower tax, the taxpayer may elect that method of computing the loss deduction. The method of computing losses often varies from year to year for any given taxpayer. In order to bring some consistency to the filing method for savings and loan associations, a taxpayer should be required to elect one method or the other and not be allowed to continue to select the method which always results in the least amount of taxable income.

House Taxation  
Attachment 3  
02-19-92

During calendar year 1991, fifty-four savings and loan associations filed privilege tax returns in Kansas. Thirty-two or 60% paid no tax. Savings and loans associations paid a total of \$4.9 million into the state general fund . Eight taxpayers accounted for \$4.7 million or 96% of the total tax payments.

House Bill No. 2732

H.B. 2732 would amend K.S.A. 1991 Supp. 65-3424d to move the filing date for the new tire fee returns from the last day of the month following the month of sale to the 25th of the month following the month of sale. The new filing date would coincide with the filing date of retailers sales tax and other excise tax returns.

House Bill No. 2734

H.B. 2734 would amend K.S.A. 79-1009 to provide that nonresident contractors with contracts in Kansas must register with the Department of Revenue and shall execute a bond in an amount to be determined by the Director of Taxation if the total contract price is at least \$25,000. The current contract threshold is \$1,000. The \$1,000 price was established in 1968 and has never been adjusted to account for inflation. The bill would simply bring the threshold amount into line with current construction costs.

I would be happy to respond to any questions you might have.



Jeffrey D. Sonnich, Vice-President

Suite 512  
700 Kansas Avenue  
Topeka, Kansas 66603  
(913) 232-8215

February 19, 1992

TO: HOUSE COMMITTEE ON TAXATION  
FROM: JEFFREY SONNICH  
RE: HOUSE BILL 2731

Madam Chairman. Members of the Committee. The Kansas-Nebraska League of Savings Institutions appreciates the opportunity to appear before the House Committee on Taxation to express our opposition to House Bill 2731.

The bill would essentially take away the current flexibility Kansas Savings and Loans have in determining the method of calculating loss deductions for privilege tax purposes. Current law allows Savings Institutions to set up reserve accounts to absorb losses on real estate loans. Additions to these accounts are deducted from net income and are calculated in two different manners. The first method will allow a deduction of 5% of an institution's net income. The other will allow deduction based on past experience. An institution can use either method and can change methods from year to year. We feel this flexibility was given to Savings Institutions because they are primarily real estate mortgage lenders and are subject to wide market changes. Ideally, a 5% addition is used to build reserves during the "good years"....and reserves are drawn down as losses occur. But, in periods of economic decline an institution may be hit with substantial losses. When this occurs an institution may switch to the experience methods which more accurately reflect actual losses.

By requiring an institution to choose one method or the other this proposal forces institutions to gaze into the crystal ball and estimate future losses. It would deny the current flexibility savings institutions have in tax planning and lending. We feel this reserve flexibility is important if institutions are going to put marginal credits/loans on their books.....i.e. first time homebuyers and moderate income individuals.

In closing we would add that passage of H.B. 2731 would not provide substantial savings for the state, but would force real estate lenders to tighten credit requirements to coincide with the loss reserve method they were forced to select. Accordingly we would ask that the committee carefully consider the Revenue Department's need to streamline their audit functions given the possible negative impact this proposal would have on savings institutions.

Jeffrey Sonnich  
Vice President

House Taxation  
Attachment 4  
02-19-92