

Approved May 7, 1992

Minutes of the House Committee on Taxation. The meeting was called to order by Joan Wagnon, Chairperson, at 9:10 a.m. on Monday, March 30, 1992 in room 519-S of the Capitol.

All members were present except:

Rep. Bill Roy, Jr., excused; Rep. J. C. Long, excused.

Committee staff present:

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

Conferees appearing before the committee:

The Chair opened the public hearings on the following bills:

- SB 549, fuel tax
- SB 551, fuel tax
- SB 577, sand royalties
- SB 578, discloser of tax information
- SB 579, appraiser qualifications

Dedra Boling, Administrator in the Kansas Department of Revenue, testified in regard to SB 549 (Attachment 1). She also briefed the committee on SB 551 (Attachment 2).

In response to a question from the Chair, Boling said there were no votes against SB 551 in the Senate.

Charles H. Nicolay, representing the Kansas Oil Marketers Association, testified in favor of SB 551. He said the bill would tighten up abuse of the current system.

The public hearings on SB 551 and SB 549 were closed.

Larry Clark, Wyandotte County Appraiser, testified on behalf of the Kansas County Appraisers Association in regard to SB 579 (Attachment 3).

In response to a question, Clark said under current law appraisers could be dismissed by a county commission "for cause." The appeal would be made to the Property Valuation Department where a determination would be made as to whether or not there was just cause. If PVD does not find just cause then the appraiser is reinstated.

In response to a question from Rep. Gwen Welshimer, Clark said the bill would protect appraisers from dismissal due to political changes in county commissions.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation, room 519-S, Statehouse, at 9:10 a.m. on Monday, March 30, 1992.

Jim Irish, Legislative Liason for the Greater Kansas Chapter Appraisal Institute, testified in support of SB 579 and the comments of Clark.

The public hearing was closed on SB 579.

Mark Burghart, General Counsel for the Department of Revenue, testified in favor of SB 577 (Attachment 4).

Rep. Steve Wiard made a motion, seconded by Rep. Snowbarger, to place SB 577 on the consent calendar.

Richard Koerth, Department of Wildlife and Parks, testified on behalf of Secretary Jack Lacey in favor of SB 578 (Attachment 4).

Burghart testified in regard to SB 578 (Attachment 5).

In response to a question from Rep. Vancrum, Burghart said it is the intent of the Department of Revenue that the bill would not allow the disclosure of any information not already available.

The public hearing on SB 578 was closed.

The Chair brought up SB 549 and SB 551 for discussion and action.

Rep. Bruce Larkin made a motion, seconded by Rep. Joan Adam, to place SB 549 on the consent calendar. The motion carried.

Rep. Larkin made a motion to report SB 551 favorable for passage, seconded by Rep. Roe. The motion carried.

The Chair brought up SB 576 for discussion and action.

Rep. Snowbarger moved and Rep. Shore seconded a motion to report SB 576 adversely.

Rep. Wiard spoke in support of the motion.

The motion carried with 14 affirmative votes.

Rep. Lowther requested the introduction of a bill regarding exemptions from bonded indebtedness limits for the construction of a county jail in his district. Rep. Snowbarger made the motion to introduce the bill, seconded by Rep. Roe. The motion carried.

The meeting adjourned at 9:55 a.m. The next meeting will be March 31 at 9:00 a.m.

Alisa M. Dotson, Director
Robert B. Docking State Office Building
915 SW Harrison Street
Topeka, Kansas 66625-0001



(913) 296-3044
FAX (913) 296-7928

MOTOR FUEL TAX (913) 296-2411

Department of Revenue
Division of Taxation

MEMORANDUM

TO: The Honorable Joan Wagnon, Chairman
House Taxation Committee Committee

From: Dedra Boling, Administrator
Kansas Department of Revenue

DATE: March 30, 1992

Subject: Senate Bill 549

The Department of Revenue respectfully requests the House Taxation Committee's favorable response to Senate Bill 549.

Senate Bill 549 creates an International Fuel Tax Agreement Clearing Fund. Under the provisions of this bill, all amounts collected under the International Fuel Tax Agreement would be remitted daily to the State Treasurer for deposit in the clearing fund. Payments to other states and refunds for overpayment of tax would be made by the Department from this fund. The fund would be reconciled monthly, with balances remitted as the current interstate motor fuel tax collection.

If K.S.A. 79-34,126 is not amended to provide for a clearing fund, the Department would be required to disburse taxes from Kansas based carriers that are due and owing to other IFTA jurisdictions, as well as refunds, through negative transfers from the State Freeway, State Highway and Special City and County Highway Funds. This would be most difficult after the quarterly distribution payment has been made and disbursed to cities and counties from the Special City and County Highway Fund.

It is roughly estimated that an average of about \$68,000 a month could be placed into the IFTA Clearing Fund in Fiscal Year 1992 from Kansas-based carriers.

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Alisa M. Dotson, Director
Robert B. Docking State Office Building
915 SW Harrison Street
Topeka, Kansas 66625-0001



(913) 296-3044
FAX (913) 296-7928

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Department of Revenue
Division of Taxation

MEMORANDUM

TO: The Honorable Joan Wagnon, Chairman
House Taxation Committee

From: Dedra Boling, Administrator
Kansas Department of Revenue

DATE: March 30, 1992

Subject: Senate Bill 551

The Department of Revenue respectfully requests the Taxation Committee's favorable response to Senate Bill 551. This Bill as introduced proposes to change the point of taxation on special fuels from the retail/user level to the wholesale/distributor level by amending the motor vehicle statutes and repealing special fuel statutes. It provides for an exemption permit for persons using fuel for non-highway purposes and amends the refund statutes to include special fuels. The bill also amends K.S.A. 79-34,108 to bring the definition of a qualified motor vehicle under the interstate motor fuel use act in line with the requirements of the International Fuel Tax Agreement.

In 1987 the federal government changed the point of collection for diesel tax from the user/retail level to the distributor/wholesale level. In June 1990, following an audit of the Department's motor fuel reporting system, the Federal Highway Administration representatives recommended that the Department change the state's point of collection for special fuel tax. Changing the point of taxation to the distributor/wholesale level provides a clearer, more direct paper trail for audits. The Department would be able to trace each load of special fuel from the pipeline terminal and refineries to actual point of taxation to insure all appropriate taxes are remitted. Exchange of information with other states on fuel imported into Kansas and exported from Kansas would be adjusted to include special fuels.

It is estimated that passage of this bill would increase highway funds by roughly \$7.3 million in Fiscal Year 1994. This estimate is based on the experience of the state of Missouri, where the point of collection on special fuel was changed to the distributor/wholesale level on January 1, 1989. For the first year (CY 1989), the after-refund gross collections increased \$21.8 million, or 33%, over calendar year 1988. Missouri attributes the total gain to the change of collection point. As you can see, this is an excellent way to increase state revenue without raising taxes per se.

Total costs to the Department to enact this bill is estimated at \$4,577 in one-time expense and \$3,733 in annual expense in Fiscal Year 1993; and an estimated \$22,400 in annual expense in Fiscal Year 1994. A detailed cost sheet is attached.

House Taxation
Attachment 2
03-30-92

Kansas Department of Revenue

Senate Bill 551
Effective July 1, 1993
Annual Expenses

| | FY 1993 | FY 1994 |
|--|----------------|-----------------|
| A. Operating Expenses | | |
| 1 Salaries and Wages | | |
| (1) Tax Examiner II, Motor Fuel, Range 15, 2 months @ \$22,400 | \$3,733 | \$22,400 |
| (2) Job Titles, @ Yearly Rate, Bureau | | |
| Total Salaries and Wages | \$3,733 | \$22,400 |
| Total Operating Expenses | \$3,733 | \$22,400 |
| | | |
| Total Annual Expenses | \$3,733 | \$22,400 |

One-Time Expenses

| | | |
|--|-------------------|--------------------|
| A. Operating Expenses | | |
| 1 Salaries and Wages | | |
| (1) Computer Analyst III, R-27, 6 days @ \$148/day | \$888.00 | |
| (1) Programmer III, R-25, 15 days @ \$135/day | \$2,025.00 | |
| (1) CICS Programmer, R-25, 3 days @ \$135/day | \$405.00 | |
| Total Salaries and Wages | \$3,318.00 | |
| Total Operating Expenses | \$3,180.00 | \$0.00 |
| | | |
| B. Other Operating Expenses | | |
| 1 Contractual Services | | |
| DISC, compile and test, .25 hours @ \$2285/hour | \$571.25 | |
| Total Contractual Services | \$571.25 | \$0.00 |
| | | |
| 3 Capital Outlay | | |
| (1) Desk, Executive, Motor Fuel | \$450.00 each | \$450.00 |
| (1) Chair, Steno Posture, Ergonomic, Motor Fuel | \$150.00 each | \$150.00 |
| (1) Calculator, 12 column, Motor Fuel | \$88.00 each | \$88.00 |
| Total Capital Outlay | \$688.00 | \$0.00 |
| Total Other Operating Expenses | \$1,259.25 | \$0.00 |
| | | |
| Total One-Time Expenses | \$4,577.25 | \$0.00 |
| | | |
| Total Annual and One-Time Expenses | \$8,310.25 | \$22,400.00 |

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OFFICERS

LARRY CLARK
President
Wyandotte County Annex
Kansas City, Kansas 66112
913-287-2641

SAM SCHMIDT
President Elect
Riley County Courthouse
Manhattan, Kansas 66502
913-537-6310

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Vice President
Graham County Courthouse
Hill City, Kansas 67642
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MARK LOW
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Meade County Courthouse
Meade, Kansas 67864
316-873-2206

EXECUTIVE COMMITTEE
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JOE FRITZ
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913-877-2844

GARY COLEMAN
(Southwest Region)
Hamilton County Courthouse
Syracuse, Kansas 67878
316-384-5451

KANSAS COUNTY APPRAISERS ASSOCIATION

**P.O. Box 1714
Topeka, Kansas 66601**

To: House Assessment and Taxation Committee

From: Larry Clark, President KCAA

Date: March 30, 1992

Madame Chairman and members of the committee thank you for the opportunity to testify on Senate Bill 579. My name is Larry Clark and I represent the Kansas County Appraisers Association as their president.

The Appraisers Association asked that this bill be introduced in the Senate. In its original form, however, it eliminated the four year reappointment cycle. That was the primary reason for our requesting its introduction.

Basically our association has asked the question are we to be professionals or politicians. If we are to be treated like locally elected officials, then once every four years we should be expected to "campaign" for our positions with the only constituency we really have - the county commission. That means county appraisers should and will do whatever it takes to please the local board of county commissioners at whatever cost to state wide considerations.

The Appraisers Association has opted instead

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to ask to be treated like all other professionals the counties hire. We have a job that is set out in statute and PVD guidelines. It should be governed by sound appraisal practice and not political posturing. We are willing to give up the four year appointment in exchange for tenure protected only by our ability to continue to do a good job, measured by mass appraisal industry standards.

Therefore we respectfully request the House Taxation Committee to restore the elimination of the four year term to Senate Bill 579. We support the licensing amendment as an extension of our desire for increased professionalism.

STATE OF KANSAS



Mark A. Burghart, General Counsel
Robert B. Docking State Office Building
115 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: March 30, 1992

Subject: Senate Bill No. 577

Thank you for the opportunity to appear in support of S.B. 577. The bill eliminates an inconsistency in the current statutes regarding the manner in which sand royalties are distributed to drainage districts.

K.S.A. 1991 Supp. 70a-102 specifies that one-third of the sand royalties collected be distributed to drainage districts and two-thirds of the royalties be retained in the state general fund. K.S.A. 70a-105 further provides that the royalties are to be distributed "as provided by K.S.A. 82a-309." K.S.A. 82a-309 directs that one-half of the sand royalties are to be distributed to the drainage districts and one-half is to be retained by the state.

The bill deletes subsection (b) of K.S.A. 1991 Supp. 70a-102. The effect of this change is to require the distribution to be made in accordance with K.S.A. 82a-309. Thus one half of the royalties would be distributed locally. This amendment merely codifies existing policy.

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

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OFFICE OF THE SECRETARY
900 Jackson St., Suite 502
Topeka, Kansas 66612-1220
(913) 296-2281
FAX (913) 296-6953
Equal Opportunity Employer

DEPARTMENT OF WILDLIFE AND PARKS
JOAN FINNEY, Governor
JACK LACEY, Secretary
JOHN S. C. HERRON, Assistant Secretary

March 30, 1992

Representative Joan Wagnon, Chairperson
House Taxation Committee
State Capitol
Room 272-W
Topeka, Kansas 66612

Dear Representative Wagnon:

Thank you for the opportunity to testify on S.B. 578. This bill will assist the Department of Wildlife and Parks in implementing the provisions of K.S.A. 32-930 pertaining to the purchase of lifetime hunting and fishing licenses.

The bill was prepared in cooperation with the Department of Revenue as a means to determine residency status for license fraud investigations. The Kansas Department of Wildlife and Parks has experienced an increasing problem with nonresident fraudulently purchasing or attempting to purchase licenses as residents. Access to certain taxpayer information solely for the purpose of investigating license fraud will be of great value to this department.

The Department would greatly appreciate your acceptance of our support for S.B. 578 and urge a favorable action on the bill.

Sincerely,

Jack Lacey (rsc)
Secretary

JL:REK:jr
x.c. John Herron