

Approved: 1/31/97 _____
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Chairperson Phill Kline at 9:00 a.m. on January 16, 1997 in Room 519-S of the Capitol.

All members were present except: Rep. Jeff Peterson
Rep. Clark Shultz

Committee staff present: Chris Courtwright, Legislative Research Department
Tom Severn, Legislative Research Department
Don Hayward, Revisor of Statutes
Shirley Sicilian, Department of Revenue
Ann McMorris, Committee Secretary

Conferees appearing before the committee:
Rep. Henry Helgerson
Rep. Gary Hayzlett
Harriet Lange, Kansas Association of Broadcasters

Others attending: See attached list

Chair Kline called the meeting to order. He called for the introduction of committee bills.

Kline reviewed the various bills in the Governor's package. Action was taken as follows:

Moved by Rep. Larkin, seconded by Rep. Mays, introduce bill as relates to Governor's initiative to equalize brackets between single and married taxpayers over a period of three years. Motion carried.

Moved by Rep. Empson, seconded by Rep. Shriver, introduce bill as relates to 10% income tax credit based on liability to state on property tax on machinery and equipment. Motion carried.

Moved by Rep. Larkin, seconded by Rep. Presta, introduce a bill to amend the Homestead Property Tax Refund Act to increase exemption. Motion carried.

Moved by Rep. Garner, seconded by Rep. Findley, introduce a bill to permit sales tax rebate enhancement on food sales program. Motion carried.

Moved by Rep. Vickery, seconded by Rep. Donovan, introduce a bill to provide a \$2500 tax credit for adoption expenses. Motion carried.

Moved by Rep. Johnston, seconded by Rep. Wempe, introduce a bill to repeal sales tax on remodeling services. Motion carried.

Moved by Rep. Empson, seconded by Rep. Ruff, introduce a bill to reduce the uniform mill levy from current 35 mills to 29 mills this year and to 25 mills next year. Motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, ROOM 519-S Statehouse, at 9:00 a.m. on January 16, 1996.

Chair called on Rep. Henry Helgerson. He explained a proposal on reducing the 35 mill levy for schools by eliminating the residential tax portion.

Moved by Rep. Kline, seconded by Rep. Garner, introduce a bill that in this year eliminates the state 35 mill levy on residential single family dwellings and reduce mill levy to 25 mills. And that we treat supplemental school aid as a demand transfer. Motion carried.

Chair called on Rep. Gary Hayzlett who requested introduction of HCR 5031 from last session to allow counties to give relief to oil and gas companies. (Attachment 1)

Moved by Rep. Shore, seconded by Rep. Larkin, introduce a bill to clearly allow gas production to qualify under the constitutional extension of the bill. Motion carried.

Chair called on Harriet Lange, Kansas Association of Broadcasters who requested reintroduction of HB 2473 of the 1996 Session on sales tax exemption for broadcasting machinery and equipment. (Attachment 2)

Moved by Rep. Ruff, seconded by Rep. Mays, introduce a bill on sales tax exemption for broadcasting machine and equipment. Motion carried.

Chairman opened the floor for entertainment of introduction of bills by committee members.

Moved by Rep. Powell, seconded by Rep. Donovan, introduce a bill providing for sales tax exemption for the American Heart Association and other associations. Motion carried.

Moved by Rep. Powell, seconded by Rep. Larkin, introduce a bill relating to tax fairness for hotel and motel owners as related to room brokers. Motion carried.

Moved by Rep. Donovan, seconded by Rep. Johnston, introduction of a bill to allow a tax credit for any teacher in public or private schools who spend their own funds for teaching aids with limits of \$300. Motion carried.

Moved by Rep. Shore, seconded by Rep. Donovan, introduction of a bill to include sales tax exemption on expense to water distribution system for water supplies from ground to tank. Motion carried.

Moved by Rep. Franklin, seconded by Rep. Donovan, introduce bill to allow one time \$500 tax credit to employers of disabled employees. Motion carried.

The next meeting is scheduled for January 21, 1997.

Adjournment at 9:40 a.m.

Attachments - 2

Handwritten signature/initials

House Concurrent Resolution No. 5031

By Committee on Taxation

1-11

9 A PROPOSITION to amend section 13 of article 11 of the constitution
10 of the state of Kansas, relating to exemption of property used for oil
11 and gas development, exploration and production purposes.
12

13 *Be it resolved by the Legislature of the State of Kansas, two-thirds of the*
14 *members elected (or appointed) and qualified to the House of Repre-*
15 *sentatives and two-thirds of the members elected (or appointed) and*
16 *qualified to the Senate concurring therein:*

17 Section 1. The following proposition to amend the constitution of the
18 state of Kansas shall be submitted to the qualified electors of the state
19 for their approval or rejection: Section 13 of article 11 of the constitution
20 of the state of Kansas is hereby amended to read as follows:

21 **“§ 13. Exemption of property for economic development**
22 **purposes; procedure; limitations.** (a) The board of county com-
23 missioners of any county or the governing body of any city may, by
24 resolution or ordinance, as the case requires, exempt from all ad
25 valorem taxation all or any portion of the appraised valuation of: (1)
26 All buildings, together with the land upon which such buildings are
27 located, and all tangible personal property associated therewith
28 used exclusively by a business for the purpose of: (A) Manufacturing
29 articles of commerce; (B) conducting research and development; or
30 (C) storing goods or commodities which are sold or traded in in-
31 terstate commerce, which commences operations after the date on
32 which this amendment is approved by the electors of this state; or
33 (2) all buildings, or added improvements to buildings constructed
34 after the date on which this amendment is approved by the electors
35 of this state, together with the land upon which such buildings or
36 added improvements are located, and all tangible personal property
37 purchased after such date and associated therewith, used exclusively
38 for the purpose of: (A) Manufacturing articles of commerce; (B)
39 conducting research and development; or (C) storing goods or com-
40 modities which are sold or traded in interstate commerce, which is
41 necessary to facilitate the expansion of any such existing business
42 if, as a result of such expansion, new employment is created; or (3)
43 all property actually and regularly used in conjunction with the

1 *development, exploration and production of oil and gas.*

2 (b) Any ad valorem tax exemption granted pursuant to subsec-
3 tion (a) shall be in effect for not more than 10 calendar years after
4 the calendar year in which the business commences its operations
5 or the calendar year in which expansion of an existing business is
6 completed, as the case requires.

7 (c) The legislature may limit or prohibit the application of this
8 section by enactment uniformly applicable to all cities or counties.

9 (d) The provisions of this section shall not be construed to affect
10 exemptions of property from ad valorem taxation granted by this
11 constitution or by enactment of the legislature, or to affect the au-
12 thority of the legislature to enact additional exemptions of property
13 from ad valorem taxation found to have a public purpose and pro-
14 mote the general welfare.

15 Sec. 2. The following statement shall be printed on the ballot with
16 the amendment as a whole:

17 *"Explanatory statement.* This amendment would specifically au-
18 thorize the exemption from property taxation of certain property
19 used for oil and gas development, exploration and production pur-
20 poses.

21 "A vote for this proposition would specifically allow the governing
22 body of a city or county to exempt from property taxation property
23 used in the development, exploration and production of oil and gas.

24 "A vote against this proposition would continue to allow the ex-
25 emption from property taxation of property used exclusively for
26 certain economic development purposes by the governing body of
27 a city or county."

28 Sec. 3. This resolution, if approved by two-thirds of the members
29 elected (or appointed) and qualified to the House of Representatives and
30 two-thirds of the members elected (or appointed) and qualified to the
31 Senate, shall be entered on the journals, together with the yeas and nays.
32 The secretary of state shall cause this resolution to be published as pro-
33 vided by law and shall cause the proposed amendment to be submitted
34 to the electors of the state at the general election to be held on November
35 5, 1996, unless a special election is called at a sooner date by concurrent
36 resolution of the legislature, in which case it shall be submitted to the
37 electors of the state at the special election.



KANSAS INDEPENDENT OIL & GAS ASSOCIATION

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A Constitutional Amendment Exempting Oil And Gas Properties From Local County Ad Valorem Taxes When Undertaking New Exploration And Production.

This is a rural county economic development measure that would stimulate increased drilling and production and does not remove existing property from the tax rolls. It was introduced in 1996 as HCR 5031 - a copy of which is attached.

KIOGA is doing all it can to stimulate increased activity and investment in Kansas oil and gas field activity. Since 1986 when oil prices collapsed and nearly 20,000 Kansans were put out of work, we have slowly made some progress.

One important area we have explored is the use of the ad valorem tax exemption authority arising from Section 13, Article 11 of the Kansas Constitution. Two Kansas counties, Trego and Wichita, have offered oil producers modest tax relief if they will expend money, drill for oil and gas, and find new production. After Wichita County and a Kansas producer entered into their agreement, the State Board of Tax Appeals rejected the application.

BOTA rejected the application because the terms and facts presented did not fit the language presented in the Constitution. We would agree that the constitutional provisions better fit the traditional machine shop, warehouse, manufacturing mode than that applicable to an oil and gas operation. The legislative challenge is to seek legislation that would clearly allow oil and gas producers to qualify under the constitutional authority. I talked to the BOTA Chairman after their order was issued and he believes a legislative solution for clarification is the answer. He regretted turning down the Wichita County application.

We believe the producing counties which have very little opportunity for economic development except farming and ranching should be given the opportunity that other Kansas counties now enjoy - the opportunity to attract capital expenditure into their counties, the creation of jobs, and expansion of their ad valorem tax base by working directly with the oil and gas industry.

At the hearing March 12, 1996, there was no opposition and there was supporting testimony by a Wichita County official. No constitutional amendments were passed in 1996. Therefore we look forward to your recommendation that this subject be re-introduced in the 1997 session.

Donald P. Schnacke
Executive Vice President
Kansas Independent Oil & Gas Assn.

DPS:pp




Kansas Association of Broadcasters

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January 16, 1997

TO: House Committee on Taxation

FROM: Harriet Lange 

RE: Request for bill introduction:

Sales tax exemption on the purchase of broadcast equipment and electricity required to produce and put a broadcast signal on the air

An inequity currently exists in Kansas' sales tax statutes which places radio and television stations at a competitive disadvantage. Newspapers, which are broadcasters' primary competitors for advertising revenue, may take advantage of the sales tax exemption on machinery, equipment and utilities granted to "manufacturers". Broadcasters currently may not. This exemption for newspapers affords them a competitive pricing advantage over broadcasters.

The KAB is proposing to even the playing field by extending to broadcasters the same exemption: sales/use tax on purchases of machinery and equipment, and electricity, necessary for the purpose of producing and putting a broadcast signal on the air.

We are proposing the same language as in HB 2473, introduced by the House Committee on Taxation in the 1995 session. It would have added a subsection to KSA 79-3606. "The following shall be exempt from the tax imposed by this act:... *all sales of machinery and equipment used directly and primarily for the purpose of producing a broadcast signal or is such that the failure of the machinery or equipment to operate would cause broadcasting to cease. For purposes of this subsection, machinery and equipment shall include, but not be limited to, that required by rules and regulations of the federal communications commission, and all sales of electricity which are essential or necessary for the purpose of producing a broadcast signal or is such that the failure of the electricity would cause broadcasting to cease.*"

A hearing on HB 2473 before the House Taxation Committee was held during the 1996 session. However, the bill was not enacted.

Granting broadcasters the same exemption newspapers now enjoy, would have a fiscal impact to the state estimated to be \$500,000 to \$600,000 annually. Although of minimal impact to state revenues, the proposed exemption would mean a great deal to local radio and television stations by enhancing their vitality and ability to better serve their local communities.

House Taxation
1-16-97
Attachment 2