

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:00 a.m. on February 6, 1997, in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Corbin, Senator Bond,  
Senator Goodwin, Senator Hardenburger,  
Senator Lee, Senator Praeger, and Senator Steineger.

Committee staff present: Tom Severn, Legislative Research Department  
Chris Courtwright, Legislative Research Department  
Don Hayward, Revisor of Statutes  
Shirley Higgins, Secretary to the Committee

Conferees appearing before the committee: Shirley Sicilian, Department of Revenue  
Judy Moler, Kansas Association of Counties  
Mike Billinger, Ellis County Treasurer  
Pete Johnson, Ellis County Commission  
Gary Watson, Trego County Treasurer  
Ed Harbin, Ellis County Sheriff  
Joyce Coker, Johnson County

Others attending: See attached list

Senator Langworthy called attention to a previously heard bill, **SB 40**, concerning the homestead property tax refund act. She recalled that there was some confusion as to what the Governor's bill did, **SB 40**, and what the bill recommended by the interim Special Committee on Property Taxation did, **HB 2005**. She pointed out that **SB 40** is a little richer in terms of who it serves and how much it serves, the fiscal note is double, and it does a better job of targeting those who are in need. Shirley Sicilian, Department of Revenue, briefly outlined the four things **SB 40** would do and compared the present program with **HB 2005** and **SB 40**. (Attachment 1, pages 3 through 5)

Staff offered technical amendments to **SB 40** on page four, line 24 to strike "of income" after "12%" and on line 25 to strike the language that follows "12%" and insert appropriate new language. Senator Bond moved to so amend **SB 40**, seconded by Senator Hardenburger. The motion carried.

Senator Praeger moved to recommend **SB 40** favorable for passage as amended, seconded by Senator Hardenburger. The motion carried.

**SB 108--Relating to collection of delinquent oil and gas property tax.**

Judy Moler, Kansas Association of Counties, briefly testified in support of **SB 108**. She said the bill was one of the counties' primary legislative objectives for the 1997 session. Many counties have been working for several years for legislative relief in this area, and **SB 108** addresses several problems encountered in the collection of delinquent taxes. She introduced the first speaker in support of the bill, Mike Billinger.

Mr. Billinger, Ellis County Treasurer, also appeared on behalf of the Kansas County Treasurer's Association. He outlined five points of interest regarding **SB 108**. He believed the bill's provisions would greatly enhance the chances of collecting delinquent taxes. He also explained suggested amendments as indicated in a balloon of the bill attached to his written testimony. (Attachment 2)

Mr. Billinger submitted written testimony in support of **SB 108** by Judith Corley, Russell County Treasurer, (Attachment 3) and Jenneth Hallmark, Barton County Treasurer (Attachment 4).

Senator Bond began a discussion regarding amendments concerning delinquent taxes on oil lease property. Mr. Billinger clarified for Senator Lee that the tax liability follows the property when it is sold, therefore, the

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S  
Statehouse, at 11:00 a.m. on February 6, 1997.

purchaser becomes liable for any delinquent property tax that may exist. Although the treasurer does not have a lien on oil lease property, the treasurer's office has the right to seize the property, sell it, and use the proceeds to pay delinquent taxes if the taxes due are not paid by the purchaser.

With regard to the amendment concerning garnishments on page 2, line 5 of the balloon, Senator Bond felt the concept of garnishment was being changed as it relates to the individual. Therefore, he was of the opinion that the bill should be considered in the Senate Judiciary Committee. Mr. Billinger said the word "garnishment" is not used in this section; he had used the word to explain the concept of the intent of the amendment.

Pete Johnson, Ellis County Commission, testified in support of **SB 108** and the proposed amendments offered by Mr. Billinger. He believed the bill would allow treasurers and sheriffs across the state to collect expeditiously all that is due in delinquent taxes. He referred to a bar graph, state map, and detail information attached to his written testimony illustrating the number of abandoned oil well leases and the outstanding delinquent taxes on them. (Attachment 5)

Gary Watson, Trego County Treasurer, gave further testimony in support of **SB 108**. He said many times when a county is forced into using the county attorney to collect delinquent taxes, the cost exceeds the delinquent amount. The bill provides other avenues to pursue prior to bringing in legal counsel, thus, reducing the tax burden on Kansas citizens. Also, the bill would allow the treasurer's office to file a lien on any particular property and, thus, become a secured creditor in cases wherein a Chapter 7 Bankruptcy is filed. (Attachment 6)

Ed Harbin, Ellis County Sheriff, stood in support of **SB 108** and submitted written testimony in support from Dave Denton, Rooks County Sheriff (Attachment 7). He stated that the Kansas Sheriff's Association also supports the bill and will offer written testimony at a later time.

Joyce Coker, Johnson County, testified in support of **SB 108**, however, she suggested that it be made applicable statewide rather than just for certain counties, noting that language on line 15 exempts some larger counties. She requested the opportunity to present minor modifications to other parts of the bill to expand it to personal property as currently the bill focuses on oil and gas leases. Johnson County has been working on the concept and will be able to provide more information next week. Senator Langworthy said the committee would consider Ms. Coker's written testimony when the bill is re-addressed.

Staff explained that the bill title refers to oil and gas property only because it was written to concern changes to the law that pertains to oil and gas tax delinquencies only; however, the statute cited is the general statute that concerns personal property. The counties that are excluded were excluded because a special provision for the collection of personal property tax and delinquencies for the larger counties was made at their request because they wanted their own way to collect. Mr. Johnson said the original intent was to make the bill applicable to all counties.

Senator Bond recommended that a subcommittee be appointed to study the bill further in regard to the legal issue of garnishment enforcement. Staff believed the subject matter of the bill with regard to liens and garnishment is a Senate Judiciary Committee matter rather than a matter to be considered by the Assessment and Taxation Committee. It was suggested that perhaps the bill could be doubly referred. Senator Langworthy appointed Senator Corbin and Senator Lee as a subcommittee on **SB 108**. She said that perhaps the Judiciary staff could coordinate with them in addressing the issue. With this, the hearing was closed.

The meeting was adjourned at 11:55 a.m.

The next meeting is scheduled for February 10, 1997.

# SENATE ASSESSMENT & TAXATION COMMITTEE GUEST LIST

DATE: February 6, 1997

NAME	REPRESENTING
Peter D. Johnson	Ellis Co. Commission Chair
Gay Watson	Diego Co. Treasurer
MIKE BILLINGER	ELLIS CO. TREASURER
Ed Harbin	ELLIS CO SHERIFF
Julie Hain	Hain + Weir
Judy Moler	KA C
Joyce Ches	Johnson County Court
Sonja Erickson	Senate Minority Leader's Office
Ray Hite	Woodson Co. Treasurer
Marilyn K. Brown	Jackson County Treas.
Dena McDaniel	Anderson Co. Treasurer
Jo Ann Raaf	Coffey County Treasurer
Alan Steppat	Pete McGill & Associates
Tom Bruno	Allen + Assoc.
Eileen King	Riley County Treasurer
Dancy Weeks	Waskell Co. Treasurer
Burton Alcega	Harper Co. Treasurer
Mildred Metzger	Harper Co. Deputy Treasurer
An Freed	Sen. Stan Clark

SENATE ASSESSMENT & TAXATION COMMITTEE  
GUEST LIST

DATE: FEB 6 - 1997

NAME	REPRESENTING
<i>Jenna Whit</i>	<i>Pratt Co. Treas</i>
<i>Jim Hamilton</i>	<i>Barber County Treasurer</i>
<i>JOHN R COOPER</i>	<i>FVD KDOR</i>
<i>Sarah Davis</i>	<i>Girl Scout Councils of Kansas</i>
<i>Sabrina Wells</i>	<i>Budget Division</i>

## MEMORANDUM

**TO:** Audrey Langworthy, Chair  
Senate Assessment and Taxation Committee

**FROM:** Shirley Klenda Sicilian

**RE:** Homestead Property Tax Refund Proposals  
Senate Bill 40 and House Bill 2005

**DATE:** February 4, 1997

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Senator Langworthy and members of the Senate Assessment and Taxation Committee, I'm happy to testify here today regarding how the two homestead property tax refund proposals found in Senate bill 40 and house bill 2005 differ from the current law and from each other. I'll give a short description of the current homestead program, and then give a synopsis of how each bill would alter the current program.

### **I. Description of the Current Homestead Property Tax Refund Program.**

**A. Legislative History.** The Homestead program was first enacted in 1970 to provide property tax relief to homeowners 65 years of age and over with income at or below \$3,700. Since enactment, many amendments have been made, including lowering the age threshold to 55 and gradually increasing the income limit until in 1992 it was set where it is now at \$17,200 with the maximum refund at \$600. The eligibility criteria were also broadened over the years to include persons with dependents under 18, and those who are totally and permanently disabled or blind. The 1988 legislature deleted the requirement that the homestead be an integral part of a farm.

**B. Fiscal History.** During fiscal year 1996, the Department refunded approximately \$7.2 million to some 39,119 households. The Department has estimated that with no change in the program, approximately \$7.0 million will be refunded this fiscal year to approximately 38,500 households. These numbers reflect a decreasing usage of the program since fiscal year 1993 when approximately \$9.2 million was refunded to 47,405 households.

### **C. Summary of the Current Program.**

**Concept -** Today's Homestead program allows a refund to qualified taxpayers of either property tax paid, or rent assumed to be taxes, that is in excess of various percentages of household income, with an assumed maximum tax payment of \$600. The percent of income which taxes must exceed before a refund is given increases as household income increases. This means that for a given income, the refund does not "kick-in" until property taxes have reached a certain level (a certain percentage of

*Senate Assessment & Taxation  
2-4-97  
Attachment 1*

income). Thus, for a given amount of income, the refund will increase as the property taxes paid increases above that level and up to the maximum amount. In the current program, the maximum amount is \$600. That is, if taxes paid are greater than \$600, they are deemed to be \$600. Eligible persons with a household income of \$3,000 or under receive a full refund for all taxes paid up to the \$600 limit. For households with income over \$7,000, the amount which must be exceeded before a refund is given is  $\$130 + 4.5\%$  of household income over \$7,000. Thus, at incomes of \$17,200, the amount which taxes must exceed equals \$600, which is the assumed maximum tax payment, so no refund is given ( $\$130 + (.045 \times \$10,200) = \$590$  [the administrative minimum for issuing a check is \$10])

**Qualifications** - To qualify for the refund, taxpayers must meet one of the following three qualifications:

- be 55 years of age or older,
- be totally and permanently disabled or blind; or
- have one or more dependent children under 18 years of age.

**Restrictions** - In addition, taxpayers must meet all of the following restrictions:

- be a resident of Kansas for the entire year,
- have a total household income at or below \$17,200,
- have owned, or rented, and occupied the homestead, or lived in a nursing home upon which general property taxes were assessed,
- not owe any delinquent taxes on the homestead - rental property must be on the tax rolls; and
- property tax or rent paid must not have been paid from public funds.

**Household Income** - Generally, household income includes:

- taxable and nontaxable wages and salaries,
- interest and dividends,
- social security, supplementary security income, and railroad retirement benefits,
- veteran's benefits and all other pensions and annuities
- welfare payments, aid to families with dependent children,
- unemployment, worker's compensation, and disability income,
- earned income credit,
- alimony,
- business and farm income (or loss),
- gain (or loss) from business property sales, investment property sales, and any long-term capital gains to the extent included in federal adjusted gross income,
- net rents and partnership income,
- foster home care payments, senior companion stipends,
- school grants and scholarships, unless paid directly to school; and
- any other income received during the year not listed above **except** tax refunds or utility refunds, food stamps, child support, personal loans, student loans, lump sum settlements, or gifts from nongovernmental sources.

## II. House Bill 2005

House bill 2005 maintains the existing structure of how the refund is computed. Conceptually, it allows a refund for property taxes paid to the extent the taxes paid are greater than a certain percentage of income. Again, this means the refund does not "kick-in" until property taxes have reached a certain level (a certain percentage of income). The refund will increase as the property taxes paid increases above that level and up to the maximum amount. In the current program, the maximum amount is \$600. At incomes of \$17,200, the amount which taxes must exceed equals the \$600 assumed maximum tax payment, so no refund is given. House bill 2005 would simply increase that assumed maximum tax payment from \$600 to \$950. The formula for computing the threshold which must be exceeded stays the same. For incomes over \$7,000, the threshold is \$130 + 4.5% of income over \$7,000. Thus, the threshold won't equal the \$950 maximum assumed tax payment until household income reaches \$25,000 ( $\$130 + (.045 \times \$18,000) = \$940$  [the administrative minimum for issuing a check is \$10]). This means taxpayers whose taxbills were greater than \$600 will now get up to an additional \$350 in refunds. Taxpayers with household incomes greater than \$17,200 will be eligible for refund of the tax paid that is greater than \$600 and less than \$950. It does not change the refund amount for taxpayers with less than \$600 in property tax.

The fiscal note is estimated to be \$2.4 to \$2.6 million. This does not include an assumption of increase in participation due to publicity.

## III. Senate bill 40

Senate bill 40 would do four things:

1. **Change the structure of how the refund is computed.** SB40 allows a refund of a certain percentage of the property tax paid, whatever the payment is, up to a \$600 maximum refund. There would not be a threshold payment under which no refund is given (other than the administrative minimum for issuing a check). For incomes at or below \$3,000, there is 100% refund paid, up to \$600. The percentage refunded would decrease as income increases by four percent for each \$1,000 of income. So, for incomes at \$12,500 there would be a refund of 48% of property tax (up to \$600). At incomes greater than \$25,000, the percentage refunded is 0%.
2. **Raise the maximum income limit to \$25,000.** Taxpayers with incomes up to \$25,000 would be eligible for a refund of a percentage of their homestead property tax bill. The household income limit has not increased since 1992 (\$17,200) and since 1989 was \$15,000.
3. **Disallow the use of net operating losses and net capital losses in determining household income.** This change should allow for better targeting of the program benefits to its intended recipients. The Homestead Property Tax Refund was designed to assist households in maintaining possession of the homestead. The original purpose of this act was to provide ad valorem tax refunds to "certain female persons of qualifying age who are the surviving spouses of husbands who died during

marriage, who own or rent their homestead, so long as they remain unmarried...who have low incomes and dependent children and own or rent their homestead" (K.S.A. 79-4501). The use of losses to qualify under the household income limit has allowed certain households to obtain a refund who might be considered "asset rich" but are showing little taxable income due to various forms of losses.

4. **Require the claim to be filed by April 15 instead of October 15.** This change should raise the taxpayer's awareness of the program by moving the date up to April 15 when tax awareness is at its highest for most people. The Governor has also proposed moving the food sales tax refund filing date to this same date. The vast majority of the returns are filed by April 15 now. However, if an extension is needed K.S.A. 79-4517 allows the director of taxation to extend the time for filing any claim under the provisions of this act. Persons who file after the deadline due to sickness, absence or disability are given special consideration (K.S.A. 79-4517).

The fiscal note is estimated to be \$5.8 million, which includes an assumption of increased participation due to publicity. Without that assumption, the fiscal note would be \$3.9 million: \$4.2 million increase due to the calculation and income limit changes, less \$300,000 for the exclusion of operating and capital losses.

**IV. Summary Comparisons:**

	<u>PRESENT PROGRAM</u>	<u>H2005</u>	<u>SB40</u>
-Maximum household income	\$17,200	\$25,000	\$25,000
-Net operating losses or capital losses allowed	Yes	Yes	No
-Maximum refund allowed	\$600	\$950	\$600
-Filing deadline	October 15	October 15	April 15
- Method of calculating the reduction to the refund:			

PRESENT PROGRAM & HB2005

CLAIMANTS  
HOUSEHOLD INCOME

\$0-\$3,000  
\$3,000.01-\$3,500  
\$3,500.01-\$4,000  
\$4,000.01-\$4,500  
\$4,500.01-\$7,000  
\$7,000.01

DEDUCTION FROM PROPERTY TAX ACCRUED AND/OR  
RENT CONSTITUTING PROPERTY TAX ACCRUED

No reduction to the refund.  
1% of income in excess of \$3,000  
\$5 plus 2% of income in excess of \$3,500  
\$15 plus 3% of income in excess of \$4,000  
\$30 plus 4% of income in excess of \$4,500  
\$130 plus 4.5% of income in excess of \$7,000

GOVERNOR'S PROPOSAL: SB40

CLAIMANTS  
HOUSEHOLD INCOME

\$0-\$3,000  
\$3,001-\$4,000  
\$4,001-\$25,000

DEDUCTION FROM PROPERTY TAX ACCRUED AND/OR  
RENT CONSTITUTING PROPERTY TAX ACCRUED

No reduction to the refund.  
12%  
12% of income plus 4% of every \$1,000, or fraction thereof, of income in excess of \$4,001



**V. Comparison Example of Tax Relief Under the Different Bills**

HOMESTEAD MARKET VALUE	\$50,000
HOMESTEAD ASSESSED VALUE @11.5%	\$5,750
1996 STATEWIDE AVERAGE LEVY	118.153 Mills
ESTIMATED REAL PROPERTY TAX	\$679

15% ALLOWED AS ACCRUED RENTERS  
PROPERTY TAX BASED ON 25% OF  
HOUSEHOLD INCOME CONSTITUTING RENT\*

\$12,000 (Rent = \$3,000 or \$250 per month)	\$450
\$18,000 (Rent = \$4,500 or \$375 per month)	\$675
\$25,000 (Rent = \$6,250 or \$521 per month)	\$938

HOMESTEAD REFUND

	Present Program	HB2005	SB40
<b>Homeowners</b>			
\$12,000	\$245	\$324	\$380
\$18,000	\$0	\$55	\$217
\$25,000	\$0	\$0	\$27
<b>Renters</b>			
\$12,000	\$95	\$95	\$252
\$18,000	\$0	\$55	\$216
\$25,000	\$0	\$0	\$38

\*The property tax for the rent calculation is: 25% of household income constitutes annual rent; Homestead property tax paid is 15% of annual rent paid.

# ELLIS COUNTY TREASURY

Mike "Mickey" Billinger  
Treasurer  
Jerry Schmidtberger  
Administrative Assistant

1204 Fort \* Box 520 \* Hays, Kansas 67601-0520

Phone 913-628-9465  
FAX 913-628-9467

February 6, 1997

To: Members of the Senate Assessment & Taxation Committee  
From: Mike Billinger, Ellis County Treasurer  
RE: Senate Bill 108.

Madame Chairperson and Members of the Committee:

Good morning, I am Mike Billinger, Treasurer of Ellis County; and I am appearing on behalf of Ellis County as well as the Kansas County Treasurer's Association.

I would like to extend my appreciation to this committee for allowing me the time to make my presentation. I realize your time is valuable and therefore I shall be brief, concise and limit my presentation to five points of interest.

***Expedite the tax warrant timetable-*** In an effort to prevent personal property taxes from escapement it would be beneficial to allow treasurers to issue warrants on a fast track timetable as opposed to the present law which requires treasurers to issue warrants on delinquent taxes several months after becoming delinquent. With the assistance of computers it is now feasible for treasurers to accomplish in fifteen minutes with one employee what once took six weeks for several employees.

*Senate Assessment & Taxation  
2-6-97  
Attachment 2*

**Allow more garnishment time to reduce costs-** Allowing extra time for the sheriff or treasurer to garnish or use other collection action, without the use of legal counsel, would eliminate additional costs associated with the collection of delinquent taxes. Outstanding warrants must be filed in district court on October 1. We wish to continue this process and also have additional time to actively pursue outstanding warrants without the assistance of legal counsel. Often times when garnishing delinquent oil taxes it takes two to four months of investigative research to contact the purchasing oil company of record and then several additional months to collect the delinquent taxes. In many cases lack of time is also a problem when dealing with delinquent taxes on other personal property, most apparent with delinquent second half taxes. Warrants on second half delinquent taxes are issued in early August. The current time table requires the use of legal counsel, additional time would eliminate this need.

**Change of ownership after tax warrants-** Another source of concern is the change of ownership of an interest in a lease and the garnishment of delinquent taxes after the change of ownership. Most purchasing oil companies do not honor the request for garnishment based on the ownership established on the assessment date if the ownership is different than that of the most current owner of record. With the proposed amendment a positive identification of decimal interest would be acceptable and permit garnishments where the interest has changed ownership.

**Expand the filing of outstanding tax warrants-** Outstanding warrants are presently filed with the clerk of the District Court. However most investigative work is done in the Register of Deeds office when researching for liens. If counties were given the option of filing tax warrants in the deeds office, creating a lien on the property, this would aid in collecting delinquent taxes. It also informs perspective buyers of liens and the possibility of seizure of said property to be sold to redeem delinquent taxes. Additionally this gives counties a better chance for recoveries when filing claims on bankruptcies.

**Operators of oil leases in several counties-** An operator can have producing leases in one county and abandoned leases in another with delinquencies on the non-producing leases and still be licensed to operate in Kansas. Compounding the problem is the attitude of some operators who encourage the county to seize these properties to be sold for the redemption of delinquent taxes. Most generally these leases have been cannibalized with very little value remaining and if seized and sold the responsibility of plugging non-producing leases could change either to the new owner or the county. My suggestion is to file with the Kansas Corporation Commission outstanding tax warrants and not allow operators to renew their license until all taxes are paid. (Attached are details concerning leases represented on Chairman Johnson's chart.)

In summation Ellis County and the Kansas County Treasurers' Association feel with the implementation of Senate Bill 108 the chances of collecting delinquent taxes would be greatly enhanced. Therefore I respectfully encourage you to vote favorably for Senate Bill 108 with its proposed amendments and invite any question you might have at this time. Once again thank you for your time and considerations.

# SENATE BILL No. 108

By Committee on Assessment and Taxation

1-27

9 AN ACT relating to collection of delinquent oil and gas property tax;  
10 amending K.S.A. 1996 Supp. 79-2101 and repealing the existing  
11 section.  
12

13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. K.S.A. 1996 Supp. 79-2101 is hereby amended to read as  
15 follows: 79-2101. Except as provided by K.S.A. 79-2017, and amendments  
16 thereto, all the taxes on personal property that remain due and unpaid  
17 on February 16 or July 1 shall be collected in the following manner:

18 The county treasurer, between February 20 and 25, shall send a notice  
19 by mail to the person, firm, unincorporated association, company or cor-  
20 poration to whom such taxes were assessed, and which remain unpaid on  
21 February 16 of any year, to its post office address as shown by the records  
22 in the office of the county clerk. The county treasurer, between July 10  
23 and 15, shall send a notice by mail to the person, firm, unincorporated  
24 association, company or corporation to whom such taxes were assessed,  
25 and which remain unpaid on July 1 of any year, to its post office address  
26 as shown by the records in the office of the county clerk. Failure to receive  
27 any such notice shall not relieve such person, firm, unincorporated as-  
28 sociation, company or corporation defaulting in payment of personal taxes  
29 from any interest and costs attached thereto. Such notice shall state the  
30 amount of personal tax charged against the party, and notify the party  
31 that the tax may be paid by paying interest thereon from the date it  
32 became due and payable to date of payment computed under the pro-  
33 visions of K.S.A. 79-2004a, and amendments thereto.

34 If such taxes remain unpaid for a period of 30 days after mailing such  
35 notice, the county treasurer shall issue a warrant signed by the treasurer  
36 directed to the sheriff of the county, commanding the sheriff to levy the  
37 amount of such unpaid taxes and the interest thereon, together with the  
38 sheriff's fees for collecting the same, upon any personal property, tangible  
39 or intangible, of the person, firm, unincorporated association, company  
40 or corporation to whom such taxes were assessed. Also, such warrant shall  
41 be filed of record with the appropriate register of deeds and such filing  
42 shall constitute a lien on such personal property from and after the time  
43 of the recording thereof. Such warrant shall be delivered to the sheriff.

on ~~February 16~~ January 1 or

The county treasurer, ~~between on or before~~ February  
20 and 25,

were assessed, and which remain unpaid on ~~February 16~~  
January 1 of

office of the county ~~clerk~~ treasurer. The county  
treasurer, ~~between July 10 and 15 on or before~~ July 10,

in the office of the county ~~clerk~~ treasurer.

Also, such warrant shall may

The register of deeds shall enter such warrants in the  
financing statement record and shall accept, file, and  
record such notice without prepayment of any fee, but  
lawful fees shall be added to the amount of such lien  
and collected when satisfaction is presented for entry.

2-4

2-5

1 Upon receipt of such tax warrant, the sheriff shall proceed to collect the  
2 taxes the same as upon execution, except that ~~where such taxes were~~  
3 levied and assessed pursuant to K.S.A. 79-329 through 79-334, and  
4 amendments thereto, ~~they~~ shall be collected as follows:

The sheriff or Treasurer



5 The sheriff shall cause notice to be given by registered mail to the  
6 purchaser of the oil and gas from such lease of the amount of such delin-  
7 quent taxes and the name of the person against whom they were assessed  
8 ~~and from.~~ *From* and after the receipt of such notice such purchaser shall  
9 not pay to the person owing the taxes *or any holder of a working interest*  
10 *in such lease* any of the proceeds of the sale of any oil or gas from such  
11 lease, but shall pay the proceeds to the sheriff until the full amount of  
12 such taxes and costs are paid after which the purchaser may resume the  
13 payments for such oil or gas to such person, but this exception shall not  
14 prevent the levy of an execution and sale of the leasehold interest or the  
15 physical personal property on any such lease for the payment of delin-  
16 quent taxes owed by its owner. *Tax warrants issued pursuant to this*  
17 *paragraph shall not be required to be returned prior to 24 months after*  
18 *issuance.*

19 The sheriff, as soon as the sheriff collects the tax warrant, shall make  
20 a return thereof and shall make a return of all tax warrants delivered to  
21 the sheriff on or before October 1 of the year following the year in which  
22 the tax was levied *except as otherwise provided by the preceding para-*  
23 *graph.* If the warrant so returned shows that the tax has been collected,  
24 the sheriff shall pay the tax to the county treasurer. If such return shows  
25 that such tax has not been collected, the county treasurer shall file with  
26 the clerk of the district court of the treasurer's county an abstract of the  
27 total amount of unpaid taxes and interest due plus penalties and costs.  
28 The clerk shall enter the total amount of the unpaid taxes in the appear-  
29 ance docket and note the entry in general index. No fee shall be charged  
30 for making the entry. The total amount shall become a judgment in the  
31 same manner and to the same extent as any other judgment under the  
32 code of civil procedure and shall become a lien on real estate from and  
33 after the time of the filing thereof. A transcript of the judgment may be  
34 filed with the clerk of the district court in any other county and when it  
35 is entered in the manner provided above it shall become a lien upon real  
36 estate located in such county in the same manner as is provided in case  
37 of other judgments, except that no fee shall be charged for making the  
38 entry. Execution, garnishment or other proceedings in aid of execution  
39 may issue within the county or to any other county on the judgment in  
40 the same manner as on judgments under the code of civil procedure  
41 except that any real estate taken upon execution for the collection of such  
42 taxes shall be sold without appraisalment. None of the exemptions pro-  
43 vided for in the code of civil procedure shall apply to any such judgment


1 but no such judgment secured for taxes on personal property shall be  
2 levied against a homestead.

3 At the time of filing the abstract of the taxes, interest, penalties and  
4 costs with the clerk of the district court, the county treasurer shall serve  
5 notice, in writing, on the county attorney of such filing. It shall be the  
6 duty of the county attorney to commence such proceedings as are nec-  
7 essary for the collection of such judgment. If execution is not issued within  
8 five years from the date of the entry of any such judgment, or if five years  
9 shall have intervened between the date of the last execution issued on  
10 such judgment, and the time of issuing another writ of execution thereon,  
11 such judgment shall become dormant, and shall cease to operate as a lien  
12 on the real estate of the delinquent taxpayer. Such dormant judgment  
13 may be revived in like manner as dormant judgments under the code of  
14 civil procedure. Any such judgment remaining uncollected after 20 years  
15 may be allowed to become dormant if the county commissioners deter-  
16 mine, after consideration of all relevant facts, that it is not reasonable to  
17 expect such judgment will be collected. The board of county commis-  
18 sioners may allow such judgment to become dormant at any time if the  
19 original amount of the judgment was less than \$50.

20 Sec. 2. K.S.A. 1996 Supp. 79-2101 is hereby repealed.

21 Sec. 3. This act shall take effect and be in force from and after its  
22 publication in the statute book.

*Sec. 4. (f) County treasurers may file with the Commis-  
sion copies of delinquent personal property tax warrants  
issued by the Treasurer as against any operator and  
contractor associated with the drilling, servicing of  
wells and operation thereof so as to require payment in  
full prior to an approval of an application or renewal  
application.*



2-6

JUDITH A. CORLEY  
COUNTY TREASURER

OFFICE OF THE  
RUSSELL COUNTY TREASURER  
RUSSELL, KANSAS 67665

TREASURER 913-483-2251  
MOTOR VEHICLE 913-483-5314

January 31, 1997

Members of the Senate Assessment &  
Taxation Committee

**RE: Senate Bill 108**

Madam Chairperson and Members of the Committee:

I am not able to appear personally before the Committee, but wish to add my voice in support of Senate Bill 108. I am Judy Corley, Russell County Treasurer. Russell County like Ellis County and other oil producing counties in Kansas would benefit greatly from the implementation of Senate Bill 108.

The names of the operators who make this legislation necessary are familiar to any county treasurer of an oil producing county. This legislation is needed to induce these operators to act in a responsible manner or be held accountable.

Thank you for the opportunity to speak in favor of Senate Bill 108 and to ask that you vote in favor of Senate Bill 108 and its proposed amendments.

Sincerely,

*Judith A Corley*

*Senate Assessment + Taxation  
2-6-97  
Attachment 3*





# Barton County KANSAS

Jenneth Hallmark, Treasurer (316) 793-1827 or (316) 793-1831

Courthouse

P. O. Box 1130

Great Bend, KS 67530

FAX: (316) 793-1807

TO: Members of the Taxation and Assessment Committee

FROM: Jenneth Hallmark, Barton County Treasurer

RE: Senate Bill 108

As an elected official and a taxpayer of Barton County, I wish to indicate my support of Senate Bill 108. Barton County is one of the counties that felt the impact of the oil problems since 1986.

When elected to office in 1989, my concern and main goal was the collection of delinquent taxes; personal property and oil and gas being my greatest concern. While Barton County has shown great strides in collection of these taxes, there is a need for change allowing the Treasurer's a more efficient and timely process.

As Mr. Billinger has indicated by testimony, the changes provided for in Senate Bill 108 would allow such changes. At this time I respectfully ask your support for this bill.

Thank you for your consideration.

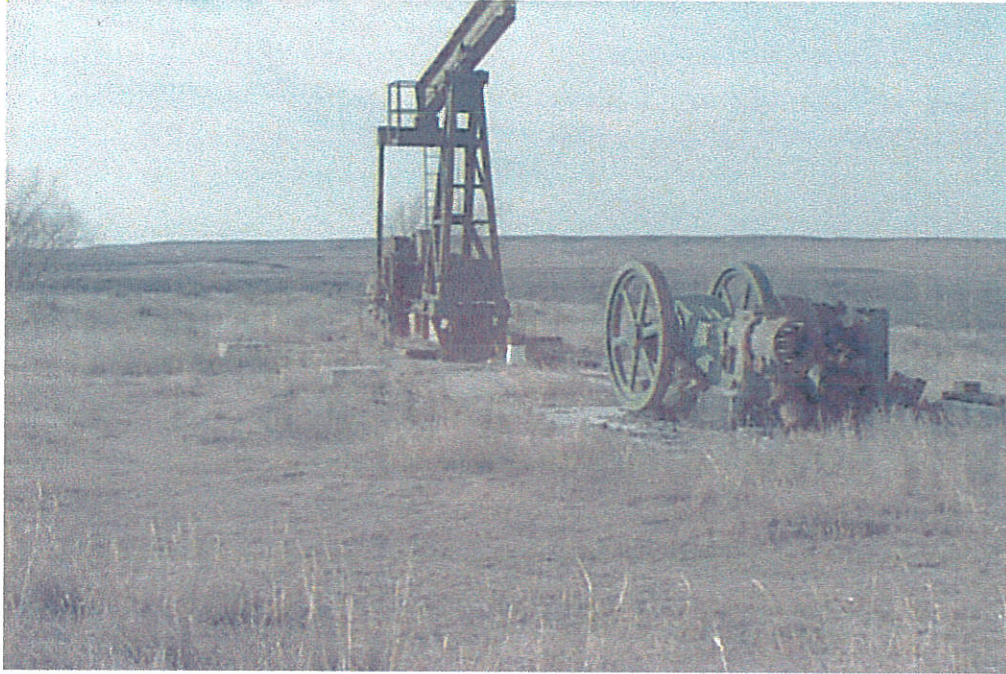
Sincerely,

Jenneth Hallmark  
Barton County Treasurer

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2-6-97  
Attachment 4

Presentation  
of  
Chairman Pete Johnson, Ellis County Commission

Today, this  
abandoned  
well can be  
located,  
assessed and  
taxed for the  
minimum  
equipment  
value.



As Delivered To

**Senate Assessment  
&  
Taxation Committee**



Today, this  
abandoned  
well carries  
a tax lien  
from 1995  
and has no  
value.

February 6, 1997

Senate Assessment & Taxation

2-6-97

Attachment 5

OFFICE OF  
**ELLIS COUNTY COMMISSION**

1204 Fort Street

P.O. BOX 720

HAYS, KANSAS 67601

PHONE 913-628-9410

COMMISSIONER 1ST DISTRICT  
PETER D. JOHNSON, ELLIS  
PHONE 913-726-3254

COMMISSIONER 2ND DISTRICT  
KEITH KINGSLEY, HAYS  
PHONE 913-625-5776

FAX - 913-628-9413

COMMISSIONER 3RD DISTRICT  
VERNON L. BERENS, VICTORIA  
PHONE 913-735-9364

February 6, 1997

To: Members of the Senate Assessment & Taxation Committee  
From: Pete Johnson, Chairman, Ellis County Commission  
RE: Senate Bill 108.

Madame Chairperson and Members of the Committee:

Good morning, I am Pete Johnson, Chairman of the Ellis County Commission; and I am appearing on behalf of the citizens of Ellis County.

I would like to extend my appreciation to this committee for allowing me the time to make my presentation. Your time is valuable and therefore I shall be direct.

Delinquent taxes and the people they represent, have the potential of becoming the "last straw". Whether the delinquency be one dollar or fifty thousand dollars the taxpayers who do not pay use the same services as those that do. The free ride must stop. With your support of SB 108 and its amendments, treasurers and sheriffs across the state will be allowed to collect expeditiously all that is due.

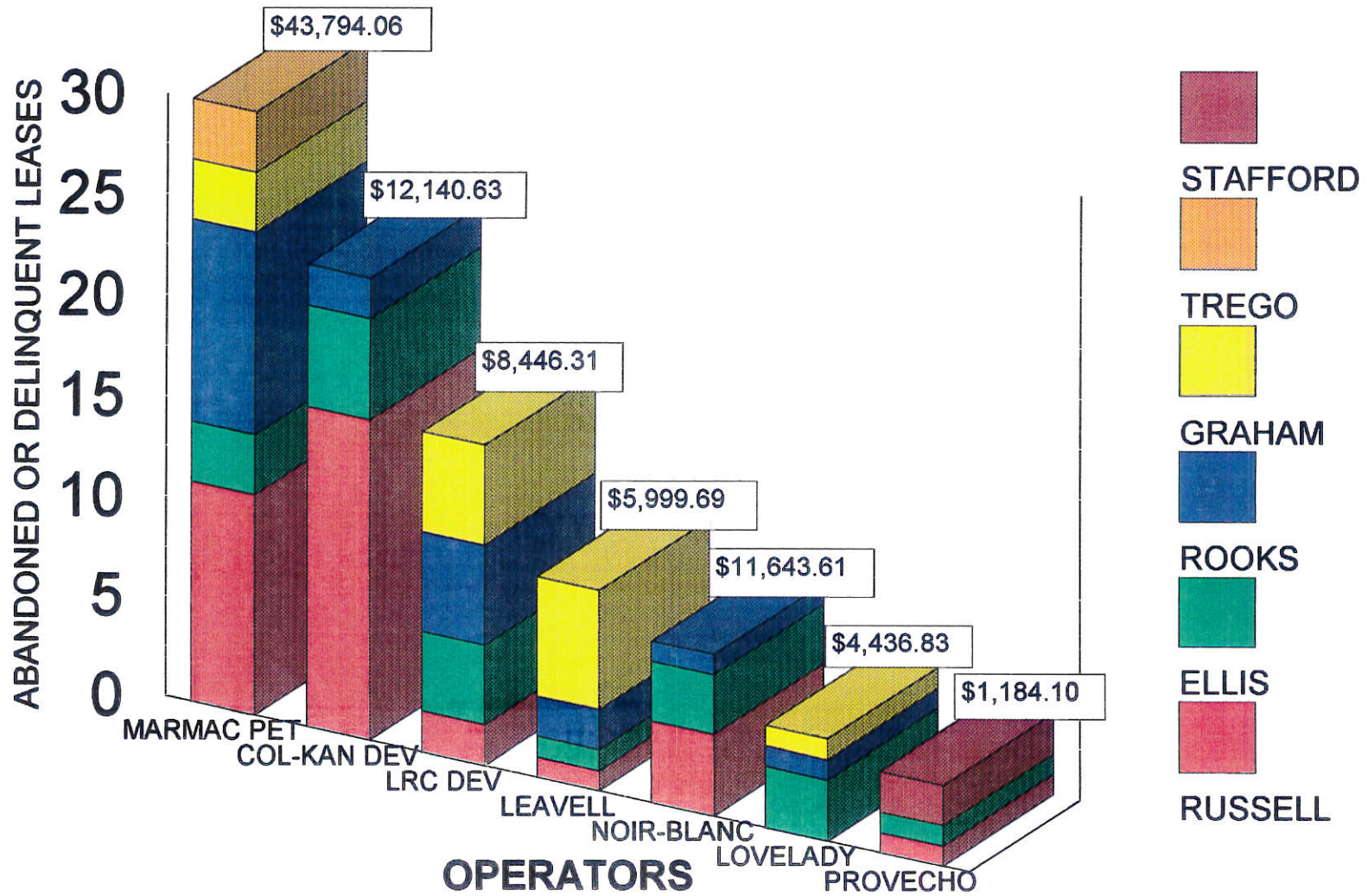
A concern of greater magnitude and lasting consequence is that of abandoned oil leases. If I may direct your attention to the enclosed picture you can readily see this could

represent any one of hundreds of abandoned oil wells throughout the state. These holes provide an unabated funnel of contamination to the precious underground water aquifers.

Note the attached bar graph, state map and detail information illustrating not only the number of abandoned or delinquent leases but also the outstanding delinquent taxes. The map is a quick visual aid in ascertaining the counties that will be forced to deal with abandoned holes in the future. The nearly \$40,000.00 doesn't include interest and fees. Who will be responsible for plugging these wells once they have been abandoned and given up for payment of delinquent taxes? One such remedy would be the passage of SB 25.

I respectfully encourage you to vote favorably for Senate Bill 108 with its proposed amendments and invite any question you might have at this time. Once again thank you for your time and considerations.

# TOTAL ABANDONED OR DELINQUENT LEASES BY OPERATORS IN SURVEYED COUNTIES

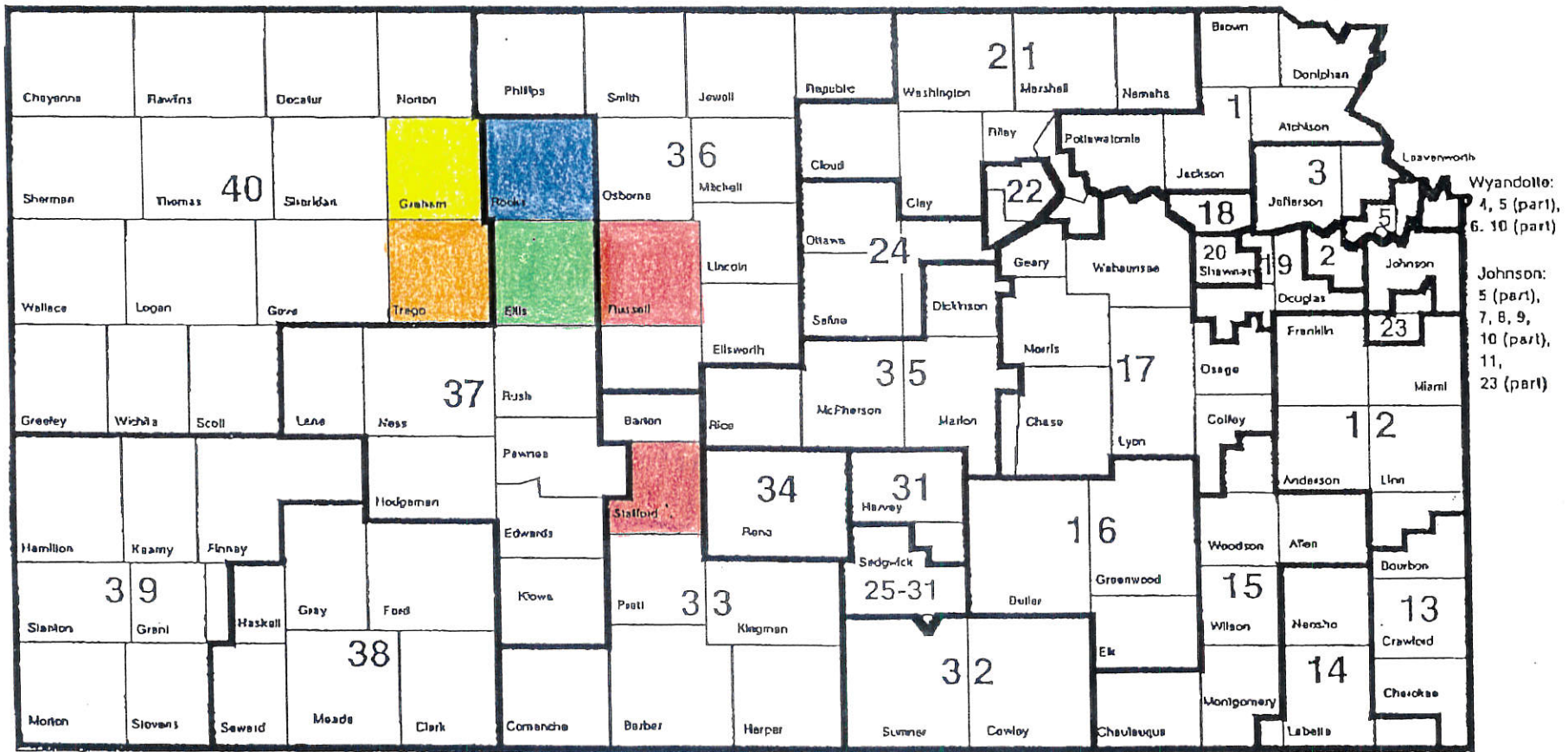


ALL INFORMATION SUPPLIED BY COUNTY APPRAISERS AND TREASURERS.  
ELLIS COUNTY NOT RESPONSIBLE FOR ACCURACY OF INFORMATION.

# Kansas Senate Districts

1992 Legislative Session, House Bill 3083

5-5



**TOTAL ABANDONED OR DELINQUENT LEASES  
BY OPERATORS IN SURVEYED COUNTIES**

**TOTAL ABANDONED OR DELINQUENT LEASES  
BY OPERATORS IN SURVEYED COUNTIES  
DETAIL**

OIL COMPANY & COUNTY	LEASE NAME	AMOUNT DUE	TAX YEAR	COMMENTS
<b>COL-KAN DEVELOPMENT</b>				
RUSSELL COUNTY	Johnson A	\$365.01	1995, 1994	
	Haselhorst	\$689.54	1995	
	Hall	\$428.73	1995, 1994, 1993	
	Krug A	\$263.82	1995, 1994	
	Sellens A	\$581.43	1995	
	Smith B	\$314.40	1995, 1994, 1993	
	Mudd B	\$172.08	1995	
	Henry Michel	\$47.05	1995	
	Machin A	\$66.40	1995, 1994	
	Krug D	\$211.80	1994	
	Claussen 1-27	\$39.34	1994	
	Machin	\$515.50	1994	
	Mudd	\$229.68	1993	
	Claussen	\$175.94	1993	
	C Waudby	\$22.12	1993	
	Schwein	\$386.39	1993	
16		\$4,509.23		
ELLIS COUNTY	Dreiling SWD	\$579.09	1990, 1991	
	Walters G	\$2,152.24	1990, 1991, 1993, 1994, 1995	
	Dreiling Martin	\$2,949.52	1991	
	Tonroy II	\$1,191.23	1995, 1996	
	Ginther GW	\$588.32	1996	
5		\$7,460.40		
ROOKS COUNTY	Anderson	\$57.65	1993	
	Anderson	\$113.35	1994	
2		\$171.00		
<b>MARMAC PETROLEUM</b>				
RUSSELL COUNTY	Witt	\$645.21	1995, 1994, 1993	
	Coady	\$1,091.52	1995, 1994, 1993	
	Mills	\$272.11	1995	
	Berens C	\$589.67	1995, 1994, 1993	
	Rein	\$480.58	1995, 1994, 1993	
	Staudinger A	\$682.84	1995, 1994, 1993	
	TJK Driscall	\$269.76	1994	
	Brown B	\$2,422.82	1994, 1993	
		\$555.91	1993	
	Boxberger A	\$647.57	1993	
	Boxberger B	\$796.95	1993	
11		\$8,454.94		

<b>ELLIS COUNTY</b>	Orth SWD	\$257.16	1992, 1993, 1994, 1995, 1996
	Engel A	\$2,096.39	1992, 1993, 1994, 1995, 1996
	Armbruster	\$176.78	1993
	3	<u>\$2,530.33</u>	

<b>ROOKS COUNTY</b>	McFadden B	\$1,013.00	1993, 1994, 1995
	Livingood	\$2,863.02	1993, 1994, 1995
	McFadden A	\$2,874.63	1993, 1994, 1995
	Baxter E	\$1,056.64	1992, 1993, 1994, 1995
	Beardmore	\$3,788.42	1993, 1994, 1995
	Adams E	\$951.99	1993, 1994, 1995
	Baxter A	\$1,229.06	1993, 1994, 1995
	Adams B	\$1,943.81	1993, 1994, 1995
	Adams A	\$1,303.36	1993, 1994, 1995
	Dorr Unit	\$9,023.00	1992
10	<u>\$26,046.93</u>		

<b>GRAHAM COUNTY</b>	Knoll B	\$1,129.18	1992, 1993, 1994, 1995
	Wolfe	\$854.53	1992, 1993, 1994, 1995
	Gustafson	\$673.37	1993, 1994, 1995
	3	<u>\$2,657.08</u>	

<b>TREGO COUNTY</b>	Pfeifer	\$650.36	1996
	Ray Morton	\$318.16	1994
	Keller	\$3,136.26	1994
	3	<u>\$4,104.78</u>	

**NOIR-BLANC**

<b>RUSSELL COUNTY</b>	Polcyn	\$395.43	1995, 1994, 1993
	Holl B	\$2,548.06	1995, 1994, 1993
	Weimaster	\$596.29	1995, 1994, 1993
	Boxberger A	\$1,338.35	1994, 1993
	4	<u>\$4,878.13</u>	

<b>ELLIS COUNTY</b>	Dortland	\$1,901.02	1989, 1990, 1991, 1992, 1993
	Potter	\$870.28	1991, 1990
	Glathart	\$877.40	1990
	3	<u>\$3,648.70</u>	

<b>ROOKS COUNTY</b>	McClay	\$3,116.78	1993, 1994, 1995
	1	<u>\$3,116.78</u>	

**PROVECHO PARTNERS**

<b>RUSSELL COUNTY</b>	Frank Kilian	\$246.90	1995, 1996 Leavell Resources for 1994
	1	<u>\$246.90</u>	

<b>ELLIS COUNTY</b>	Dreiling	\$554.34	1995, 1996 LRC for 1993
	1	<u>\$554.34</u>	

<b>STAFFORD COUNTY</b>	Hullman A	\$175.16	1995 Leavell Resources for 1994
	Soeken	\$207.70	1994
	2	<u>\$382.86</u>	



ELLIS COUNTY	Weber	\$389.02	1992
	Zimmerman	\$1,964.06	1992, 1993, 1994, 1995, 1996
	Younger B	\$1,035.00	1992
	3	<u>\$3,388.08</u>	

ROOKS COUNTY	Kuehne	\$213.14	1995
		1	<u>\$213.14</u>

GRAHAM COUNTY	Kern	\$835.61	1994, 1995
		1	<u>\$835.61</u>

## LRC DEVELOPMENT

RUSSELL COUNTY	Becker	\$95.01	1994
	Swart	\$82.61	1994
	2	<u>\$177.62</u>	

ELLIS COUNTY	Nicholson	\$2,052.48	1993, 1992
	Carmichael	\$515.92	1993
	Dreiling	\$354.14	1993
	Werth	\$1,970.46	1993
	4	<u>\$4,893.00</u>	

ROOKS COUNTY	Gertner	\$352.56	1993
	Schindler	\$517.19	1993, 1994, 1995
	Chaffin	\$215.66	1993
	Whisman	\$200.71	1993
	Sutor	\$20.17	1993
	5	<u>\$1,306.29</u>	

GRAHAM COUNTY	Eichman	\$756.67	1992, 1993, 1994
	Cox	\$512.12	1992, 1993
	Bragg	\$800.61	1992, 1993
	3	<u>\$2,069.40</u>	

## LEAVELL RESOURCES

RUSSELL COUNTY	Frank Kilian	\$384.03	1994
		1	<u>\$384.03</u>

ELLIS COUNTY	Dreiling	\$296.74	1994
		1	<u>\$296.74</u>

ROOKS COUNTY	Baumgartner	\$730.06	1994, 1995
	Chaffin	\$332.64	1994, 1995
	2	<u>\$1,062.70</u>	

GRAHAM COUNTY	Schamberger	\$966.03	1994
	L Keith	\$465.43	1994
	Waggoner #1	\$503.59	1994
	T Waggoner	\$696.65	1994
	J Popp	\$927.87	1994
	I Keith A	\$696.65	1994
	6	<u>\$4,256.22</u>	

ALL INFORMATION SUPPLIED BY COUNTY APPRAISERS AND TREASURERS. ELLIS COUNTY NOT RESPONSIBLE FOR ACCURACY OF INFORMATION.

January 31, 1997

To: Committee on Assessment and Taxation

Re: S.B. 108

Dear Chairperson and Committee Members:

Thank you for the opportunity to be here today. My name is Gary Watson. I am the county treasurer from Trego County and Vice President of the Kansas County Treasurers' Association. It is my pleasure to stand here today in support of S.B. 108.

S.B. 108 is a culmination of several years of work and preparation by Mike Billinger, Ellis County Treasurer and myself. We recognized a long time ago the importance of collecting all the taxes due to the county. Those people that do pay their taxes are paying for those that don't. Delinquency factors are built into every budget in every county. So the higher the delinquency rate is in a county, the more the honest taxpayer pays to offset those delinquencies. We have an obligation, to the taxpayers, to make every attempt possible to collect these delinquent taxes, in the most efficient manner.

Many times when a county is forced into using the county attorney or county counselor to collect these taxes, the cost exceeds the delinquent amount. Therefore, it's not cost effective to go after the smaller accounts. S.B. 108 provides other avenues to pursue prior to bringing in legal counsel. If we can move faster and collect across county lines, we can increase revenues for the county and the state. In a time when we are looking for ways to reduce the tax burden to our citizens, it only makes sense to insure that everybody pays their share. This alone could help reduce the tax burden.

In Trego county we have done some reorganization whereas we only send the warrants to the sheriff on extreme cases. Those cases usually involve oil leases. Many times the only way to collect them would be to have a foreclosure sale. In most cases the sale of the property doesn't net enough to cover the labor costs associated with the collection effort. We need to become more efficient and more aggressive in pursuing those deadbeats that

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2-6-97  
Attachment 6

don't pay. Because of the way we have restructured, we have a lower delinquency rate than many counties. But we still have several thousand dollars of collectable taxes in the county.

When a business files for Chapter 7 Bankruptcy, equipment and other personal property are sold and the proceeds are distributed to secured creditors and then, if any money is left, to unsecured creditors. Because of the way the statutes are structured in Kansas, we are a secured creditor on real estate, but we are unsecured on personal property. The reason for that is the lien mechanism. As soon as the taxes are formed they become a lien on the real estate. With personal property, there is no lien except one created under the civil code of the Kansas court system. With S.B. 108, we will be able to file a lien on any particular property and become a secured creditor. This should enable us to collect at least a portion of the delinquent taxes.

As I mentioned earlier, many of our delinquencies involve oil production. The problems and some of the solutions have already been addressed by Mr. Billinger, so I won't go into that at this time.

I would like to thank to committee for taking the time to listen today and I would encourage favorable passage of this bill. I would now stand for any questions you might have.

**ROOKS COUNTY SHERIFF'S OFFICE**

**P.O. BOX 193-STOCKTON, KANSAS 67669-0193**

**ADMINISTRATION: (913) 425-6334**

**PROFESSIONAL LAW ENFORCEMENT**

**DAVE DENTON SHERIFF & D.A.R.E. INSTRUCTOR**

**DARYL THORNBURG, UNDERSHERIFF  
RON TURNBULL, SERGEANT**

**RANDY MOLL, DEPUTY  
ALLEN ROGERS, DEPUTY**

**Feb 5, 1997**

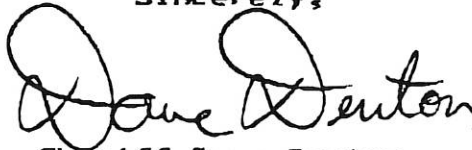
**To: Senate Assessment and Taxation Committee  
From: Sheriff Dave Denton, Rooks County Sheriff**

**Ref: Support for Ellis County Treasurer Proposal**

**Dear Committee Members,**

I am unable to come before you to show my support for Ellis County Treasure Mike Billinger's proposal on collection of delinquent property taxes. I would, however like to send this letter with Sheriff Ed Harbin to be given to you to show my support for this particular proposed bill. I feel this proposed Bill would help precipitate the more streamlining of an old system. I urge the adoption and passage of this proposed bill subject to any fine tuning the committee may deem appropriate.

Sincerely,



Sheriff Dave Denton

Senate Assessment & Taxation  
2-6-97  
Attachment 7