

Approved: 3-10-98  
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:10 a.m. on February 20, 1998, in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Corbin, Senator Lee, Senator Bond, Senator Donovan, Senator Goodwin, Senator Hardenburger, Senator Karr, Senator Praeger, Senator Steffes 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: Tom Palace, Kansas Oil Marketers Association  
Ken Peterson, Kansas Petroleum Council  
Shirley Sicilian, Kansas Department of Revenue

Others attending: See attached list

The minutes of February 18 were approved.

Senator Langworthy began a discussion of a previously heard bill requested by the Department of Revenue, **SB 419** concerning delinquent tax account penalties and write-offs. Currently, the penalty for failure to pay taxes is 10% of the unpaid tax due beginning the first day the taxes are delinquent, and after six months, the penalty increases to 25% of the unpaid balance. The Department of Revenue recommended amendments to change the penalty to 1% for each month the balance is not paid up to 24%. The bill also raises the amount of charge off of uncollectible accounts from \$25.00 or less to \$100.00 or less.

Senator Corbin moved to recommend **SB 419** favorable for passage, seconded by Senator Steineger. The motion carried.

The committee's attention was turned to another previously heard bill, **SB 418** concerning taxation of motor vehicle fuels, electronic filing, and tax credit.

Shirley Sicilian, Kansas Department of Revenue, offered amendments which were the result of input from the industry. The dates for qualification for credit are extended by one year to allow distributors more time. All other provisions remain in place, including the mandate. The amendments would not cause a change in the fiscal note.

Ms. Sicilian emphasized that the Department will more than make up for the credits by having greater compliance, noting that the Electronic Data Interchange (EDI) is a critical component of the enforcement mechanism for the motor fuel tax. She noted that, to date, enforcement through EDI has resulted in more efficient compliance as the electronic information received by the Department makes it easy to determine whether the gas should be exempt or not. She felt the encouragement (tax credit) to get more distributors into EDI would pay for itself in terms of increased enforcement capability.

Senator Lee reminded the committee of an amendment she suggested at the hearing on **SB 418** to change "may" to "shall" on line 42 as lines 27 through 41 are meaningless without "shall" on line 42.

Tom Palace, Kansas Oil Marketers Association, stood in support of the increased efficiency that EDI provides in terms of following the path of motor fuels. He noted that the Secretary has the ability to mandate and that compliance is still voluntary until such time as the time frame for voluntary compliance expires.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S  
Statehouse, at 11:00 a.m. on February 20, 1998.

Senator Lee questioned if those distributors who receive less than 50,000 gallons of motor fuel would be required to electronically file in the future without receiving a credit. Ms. Sicilian clarified that the Secretary does not have the authority to mandate those under 50,000 gallons. She further noted that it would not be cost effective to require distributors of under 50,000 gallons to file electronically. Mr. Palace added that his organization has not received any calls from small distributors complaining that they were not included.

Senator Corbin moved to amend **SB 418** to extend the dates as suggested and to change "may" to "shall" on line 42, seconded by Senator Hardenburger. The motion carried.

Senator Hardenburger moved to recommend **SB 418** favorable for passage as amended, seconded by Senator Donovan. The motion carried.

Senator Langworthy began a discussion of a previously heard bill, **SB 603** concerning severance tax exemption for incremental production resulting from production enhancement projects.

Ken Peterson, Kansas Petroleum Council, distributed two balloons of the bill, one with Senator Bond's conceptual amendments as suggested by Dick Brewster, Amoco Corporation. The amendments were as follows:

1. Page four, line 21, striking the payback period of ten years and inserting seven years from the startup date of such project. Mr. Peterson explained that it is very rare that the projects last a full ten years. Seven years is the maximum time a project would take to complete. Reduction to seven years would simplify bookkeeping procedures.
2. Page four, line 41, inserting the definitional phrase "performing or causing to be performed" after "means."
3. Page five, following line 36, adding language determining what is an eligible project to help the Corporation Commission certify to the Revenue Department the production that would be exempt from the severance tax. This language was patterned after Oklahoma legislation. Exemptions would not apply to the next calendar year if in the previous calendar year the weighted average price for Kansas crude oil was \$20 a barrel or the weighted average price for Kansas natural gas was \$2.50 or above per MMBtu.

Tom Day, Kansas Corporation Commission, stood to inform the committee that he was unable to locate a qualified representative from KCC to testify in regard to the technical aspects of the bill on this date, but someone would be available when the bill is discussed at a future meeting.

The meeting was adjourned at 12:00 p.m.

The next meeting is scheduled for February 23, 1998.

