

Approved: 3-23-98  
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:08 a.m. on March 18, 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: Senator Lana Oleen  
Judy Moler, Kansas Association of Counties  
Mike Billinger, Ellis County  
Don Schnacke, Kansas Independent Oil & Gas Assn. (KIOGA)

Others attending: See attached list

The minutes of March 10 and 11 were approved.

**SB 108--Collection of delinquent oil and gas property tax**

Senator Langworthy reminded the committee that **SB 108** was heard in 1997. During the hearing, committee members and staff became concerned about changes in the lien law and collection procedures. Therefore, the whole bill was recommended for interim study. As a result of the interim study, **HB 2599**, which changes the collection procedures, and **HB 2601**, which prohibits chartering of the procedures, were introduced in 1998. Because the two house bills had not been reviewed by the House Tax Committee, she felt it was appropriate that staff review the bills for the committee. Copies of the summary prepared by the Legislative Research Department were distributed. (Attachment 1) Staff summarized the issues which the interim tax committee addressed.

**HB 2584--Apportionment of revenue from Geary County sales tax.**

Senator Langworthy interrupted the discussion on **SB 108** to accommodate Senator Oleen who left another committee in order to testify in support of **HB 2584**.

Senator Oleen noted that Geary County is a small county, and the majority of the county is Ft. Riley Military Reservation. In the 1980s, Junction City and Geary County officials had a disagreement over the apportionment of county sales tax revenues. Legislation was requested for a special distribution formula applicable to the Geary County sales tax. In recent years, county and city officials came to an agreement and requested **HB 2584** which removes the provisions regarding the disputed sales tax distribution. In effect, the bill restores the distribution formula applicable to almost every other city and county in the state.

The bill was introduced at the request of Representative Gerry Geringer who represents the Junction City area. It received coverage at town hall meetings, and no opposition was expressed by citizens or by city and county officials. Representative Geringer was unable to attend but submitted copies of testimony and relevant information for the committee's consideration. (Attachment 2) With this, the hearing was closed.

Staff explained that a related bill passed by the Senate, **SB 493**, authorized Sherman County, Dickinson County, and Overland Park to impose a sales tax. It is necessary to amend **HB 2584** to cure the nonuniformity in the city sales tax law as is explained in the Supplemental Note on **SB 493**.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S  
Statehouse, at 11:00 a.m. on March 18, 1998.

Senator Bond moved to include the amendments explained in the supplemental note on **SB 493** in **HB 2584** to provide for a conflict resolution from the revisor and to report **HB 2584** favorable for passage as amended, seconded by Senator Corbin. The motion carried.

Attention was returned to **SB 108**.

Judy Moler, Kansas Association of Counties, testified in support of the language included in **HB 2599** and distributed copies of a balloon of **SB 108**. She suggested that **SB 108** be amended on page two, lines 9 and 10, by striking "or any holder of a working interest in such lease." Striking this language would resolve objections to the bill raised by the Kansas Independent Oil and Gas Association (KIOGA).

Mike Billinger, Ellis County Treasurer, stood in support of the changes in **HB 2599** and **HB 2601** along with the proposed amendment to **SB 108** as agreed upon by the Kansas Association of Counties and KIOGA.

Senator Lee moved to amend **SB 108** as proposed in the balloon of **SB 108**, which includes the provisions of **HB 2599**, and by adding the provisions in **HB 2601**, seconded by Senator Steffes. The motion carried.

Don Schnacke, KIOGA, testified in support of the amendment offered for **SB 108** and its companion bill, **HB 2599**. The amendment resolves his objection to the provision of having the purchaser of oil and gas not paying any holder of a working interest, whether that person was delinquent or not. As amended, the warrant and the collection effort on the lien goes only to the delinquent taxpayer. (Attachment 3)

Senator Karr moved to recommend **SB 108** favorable for passage as amended, seconded by Senator Lee. The motion carried.

Senator Bond said the National Governor's Conference plans to urge Congress to act to permit states to tax Internet sales. A resolution, which will be referred to the Committee of the Whole, is being prepared as an expression of the interest in being able to tax Internet sales. Taxation of Internet sales would not only be an additional revenue source but also would protect local merchants, all of which will be competing with Internet sales.

The meeting was adjourned at 11:45 a.m.

The next meeting is scheduled for March 19, 1998.





***Collection of Delinquent Oil and Gas Taxes\****

**SUMMARY:** The Committee recommends that the procedures for collecting delinquent personal property taxes be accelerated and strengthened. Also, the Special Committee recommends that K.S.A. 79-2017 and K.S.A. 79-2101 not be subject to charter resolution by counties. Finally, the Committee expresses concern over the issues raised by the tax lien provisions of 1997 S.B. 108 and recommends that these issues be studied by the Judiciary Committee.

**BACKGROUND**

During the 1997 Session the Senate Committee on Assessment and Taxation, at the request of counties, introduced S.B. 108 to

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\* H.B. 2599 and H.B. 2601 accompany this report.

address problems with delinquent oil and gas property taxes. The bill would amend K.S.A. 79-2101 to change the way that delinquent personal property taxes are collected. First, a lien would attach to the personal property upon the issuance of the delinquent tax warrant by the county treasurer. Second, the sheriff would have 24 months to collect the warrants. Under current law, the warrants have to be returned by October, allowing the sheriff only four months of collection effort for warrants issued by May 1, and roughly 45 days for warrants issued by August 15. Finally, purchasers of oil and gas from properties on which there were delinquent taxes would be required to withhold taxes owed by any person holding an interest in those properties. Under current law, purchasers of oil and gas withhold taxes only from the person owing the taxes.

The Committee held hearings on the bill on February 10, 1997. At the hearing the bill was supported by a representative of the Kansas Association of Counties, the county treasurers of

is, Russell, Trego, and Barton Counties, an Ellis County Commissioner, the sheriffs of Ellis and Rooks Counties, and a representative of Johnson County. During its deliberations on the bill, the Committee expressed concerns about the concepts in the bill. Members and staff were concerned about changes in liens and collections procedures that made the bill a candidate for consideration by the Senate Committee on Judiciary. The Committee was unable to resolve these issues.

Johnson County's desire to be included in the bill highlights that two sections of statute deal with the collection of delinquent personal property tax. S.B. 108 amends K.S.A. 79-2101, but K.S.A. 79-2017 applies to four larger counties. Because these statutes are not uniform, Attorney General Opinion No. 97-32 said that counties by charter resolution could amend K.S.A. 79-2101. It could be inferred that K.S.A. 79-2017 also would be subject to charter resolution. Ellis County did adopt a charter resolution amending K.S.A. 79-2101.

#### COMMITTEE ACTIVITIES

The Special Committee devoted parts of several meetings to this topic. At the September meeting staff provided a background paper, and the Committee held hearings. The bill was supported by representatives of the Kansas Association of Counties and Johnson County, the Ellis County Treasurer, and an Ellis County Commissioner. Written testimony was submitted by an Anderson County Commissioner and the Barton County and Russell County Treasurers. The bill was opposed by representatives of

the Kansas Oil and Gas Association, largely because of the specific provisions relating to liens and the withholding of payments for oil and gas without adequate notice of the tax delinquency.

The Special Committee reviewed the Ellis County charter resolution and deliberated on this topic during its October and November meetings.

#### CONCLUSIONS AND RECOMMENDATIONS

The Special Committee recommends that the statutes relating to the collection of delinquent personal property taxes not be subject to charter resolution, and that resolutions adopted which amend these statutes be voided. The Committee also recommends that county treasurers be authorized to mail delinquent personal property tax notices to taxpayers earlier than under current law, and to have the warrants issued 14 days after mailing the notices. Costs of issuing the warrants should be included in the amount of the warrant. Address information for the warrants may be taken from the county treasurers files. In the case of oil and gas properties, the warrants should not expire until 24 months after their issuance, so as to give sheriffs more time to locate the taxpayers. Enactment of the accompanying legislation will implement these recommendations. Finally, the Committee expressed its strong reservations about the changes to the tax liens procedures in 1997 S.B. 108 and suggested that those concepts should receive the review of the Judiciary Committees.

STATE OF KANSAS

GERALD G. GERINGER  
REPRESENTATIVE, SIXTY-FIFTH DISTRICT  
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TOPEKA

HOUSE OF  
REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
BUSINESS, COMMERCE & LABOR  
FINANCIAL INSTITUTIONS  
HEALTH AND HUMAN SERVICES

March 18, 1998

Dear Madam Chairperson:

THE CHANGE IN KANSAS STATUTE REQUESTED IN HB 2584 IS LIMITED TO GEARY COUNTY AND JUNCTION CITY ONLY.

THE REQUESTED CHANGE DOES NOT AFFECT THE REST OF KANSAS CITIES AND COUNTIES AND THERE IS NO NEW FISCAL IMPACT TO THE STATE OF KANSAS (SEE FISCAL NOTE FROM GLORIA TIMMER).

I RECOMMEND THAT YOUR COMMITTEE PASS HB 2584.

Thank you.

A handwritten signature in cursive script that reads "Gerry".

Gerry Geringer  
State Representative

GGG:mr

Senate Assessment & Taxation  
3-18-98  
Attachment 2



DIVISION OF THE BUDGET  
Room 152-E  
State Capitol Building  
Topeka, Kansas 66612-1575  
(913) 296-2436  
FAX (913) 296-0231

Bill Graves  
Governor

Gloria M. Timmer  
Director

January 15, 1998

The Honorable Phill Kline, Chairperson  
House Committee on Taxation  
Statehouse, Room 170-W  
Topeka, Kansas 66612

Dear Representative Kline:

SUBJECT: Fiscal Note for HB 2584 by Representative Geringer

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2584 is respectfully submitted to your committee.

HB 2584 amends the general provisions for apportioning county sales tax revenues in Geary County. Current statute requires that Geary County apportion county sales tax revenues on a population basis. The basis excludes population that resides on post at Fort Riley. This bill would remove the population-based apportioning procedure and require Geary County to use a procedure based on total tangible property tax levies. The property tax basis is consistent with the procedure in all other Kansas counties except Riley, Johnson, and Montgomery Counties.

There is no net fiscal impact associated with this bill. The total amount of county sales tax would not be affected by this bill; however, it is likely that the revenue would be apportioned differently.

Sincerely,

A handwritten signature in cursive script that reads "Gloria M. Timmer".  
Gloria M. Timmer  
Director of the Budget

cc: Randy Allen, Association of Counties  
Don Moler, League of Municipalities

SESSION OF 1998

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2584**

As Recommended by House Committee on  
Taxation

**Brief\***

H.B. 2584 would eliminate a special distribution formula applicable to the Geary County sales tax. Current law requires distribution to be based in part on population, exclusive of persons residing at Fort Riley. Elimination of this provision would require the distribution to be based on total tangible property tax levies.

**Background**

Proponents said that the current provision was enacted in the early 1980s as a result of a dispute between Junction City and Geary County. Officials of both local units of government now support its elimination, which would restore the distribution formula applicable to most other countywide sales taxes.

According to a fiscal note from the Division of the Budget, the bill would not affect State General Fund receipts.

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.ink.org/public/legislative/fulltext-bill.html>.



A.J. (JOHN) SAJO  
FLORENCE C. WHITEBREAD  
GEORGE R. JOHNSON

JOYCE BIELEFELD  
COUNTY CLERK

OFFICE OF COUNTY COMMISSIONERS  
GEARY COUNTY  
JUNCTION CITY, KANSAS 66441  
913-238-4300



July 14, 1997

✓ Senator Lana Oleen  
✓ Representative Gerry Geringer

Dear Lana and Gerry,

It is requested you introduce bills in your respective houses substantially of the following effect: "paragraph (3) (a) K.S.A. 12-192 is hereby repealed."

The point of doing this would be to make treatment of countywide retailers' sales taxes the same in Geary County as in the other 104 counties of the state. The matter of the so-called "disputed sales tax" came to a head about 13 years ago during a time of hostility between city and county government, and prompted the existing paragraph. Conditions have changed; both bodies have agreed to this action.

Thanks for your help,

A.J. (John) Sajo  
Chairman, Geary County Commission

**BILL LEVINSON  
MAYOR**



P.O. Box 287  
Municipal Building  
Junction City, KS 66441

**OFFICE OF THE MAYOR**

August 28, 1997

Senator Gerald Geringer  
720 Rockledge Drive  
Junction City, Kansas 66441

Re: "Disputed Sales Tax"

Dear Senator Geringer:

As you have been made aware by Geary County Commissioner Sajo, the City of Junction City and Geary County have come to accord on a long standing disagreement concerning funding of certain joint City/County agencies. The two governing bodies are now budgeting for these agencies without regard to the source of the sales tax revenues used for such funding. Therefore, we believe paragraph (3)(a)K.S.A. 12-192 is no longer necessary or appropriate. We join with the County Commission in requesting that legislation be introduced in the Senate and House repealing that subsection.

We appreciate your assistance on this matter.

Sincerely,

Bill Levinson  
Mayor

## JUNCTION CITY - GEARY COUNTY

### Comments on House Bill 2584

Both Junction City and Geary County strongly support House Bill 2584. In fact, the governing bodies jointly requested it.

The purpose of this legislation is to remove provisions regarding the so called "disputed sales tax" from consideration in distribution of sales tax collections to the city and county, and, in effect to treat Junction City and Geary County the same as almost every other city and county in the State of Kansas. (The term "disputed sales tax" means that portion of sales tax revenue distributed to Junction City attributed to persons residing on that part of the Fort Riley Military Reservation within Geary County.)

This special treatment of Junction City and Geary County came about in the early 1980's when the city and county were at odds regarding sales tax revenue attributable to persons residing on Fort Riley. Simply stated, conditions have changed, and Junction City and Geary County now co-operate in many areas. Thus, the special treatment of sales tax is not necessary.

We urge favorable action on House Bill 2584.



## KANSAS INDEPENDENT OIL & GAS ASSOCIATION

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Statement of Donald P. Schnacke  
Senate Assessment & Taxation Committee  
March 18, 1998

RE: SB 108

SB 108 is a companion to HB 2599 where at least two hearings were heard in 1997 and 1998.

We objected to having the purchaser of oil and gas not paying any holder of a working interest, whether that person was delinquent or not.

Ellis County has recognized this as a problem and has recommended dropping the words on P. 2, line 9, "any holder of a working interest in such lease". By doing so, Ellis County has satisfied our concerns with the bill, and we no longer oppose the bill.

We are not taking any position on the proposed policy changes suggested in the procedures to be followed in the bill.

Donald P. Schnacke

DPS:sm

*Senate Assessment & Taxation  
3-18-98  
Attachment 3*