

Approved: 1-14-99  
Date

## MINUTES OF THE SENATE ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:10 a.m. on January 12, 1999, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department  
April Holman, Legislative Research Department  
Don Hayward, Revisor of Statutes Office  
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: None

Others attending: See attached list.

Senator Langworthy welcomed a new Committee member, Senator Harry Stephens, replacing Senator Jerry Karr who recently resigned. She also introduced a new staff person serving the Committee, April Holman with the Legislative Research Department.

Senator Langworthy called upon staff for a review of the nine topics studied by the 1998 interim Committee on Assessment and Taxation. Chris Courtwright, Legislative Research Department, called attention to a handout, "Committee Reports to the 1999 Legislature," prepared by the Legislative Research Department. He discussed the following four topics:

- State Board of Tax Appeals (SBOTA)—implementation of **HB 2684** enacted in 1998 changing the requirements relating to the powers, duties, and functions of SBOTA.

The interim committee did not recommend any further changes in statutes relating to SBOTA or the property tax appeals process. However, it noted that the Legislature may need to review how the appeals process works, given the surprising number of counties which have decided to retain locally-appointed hearing officers. Taxpayers in those counties could face a potentially confusing and duplicative step in the valuation-appeals process.

Senator Langworthy noted that an update on the implementation of the new SBOTA law will be scheduled in the near future.

- Local County Appraiser Issues—changes to clean up and modernize Kansas statutes relating to property tax administration.

The changes were supported by the Kansas County Appraiser's Association (KCAA). The interim committee recommended the introduction of five legislative proposals advocated by KCAA.

- Oil and Gas Taxation—changes in tax policy, including enhancement of the severance tax exemption for low-producing wells, elimination of the severance tax on all incremental production resulting from certain production enhancement projects, expansion of the property tax exemptions for low producing oil wells, and implementation of income tax credits for costs associated with plugging abandoned wells.

The interim committee did not introduce any legislation on this topic but did encourage the 1999 Legislature to consider a broad spectrum of tax policy options which could benefit the industry, including potential severance, property, sales, and income tax reductions.

- Proposed Constitutional Amendments—**H.C.R. 5034**, boats and airplanes, and **H.C.R. 5004**, oil and gas.

**H.C.R. 5034** would have authorized the Legislature to separately classify and tax watercraft and aircraft. Testimony from the Property Valuation Department indicated that a great deal of aircraft is currently not on the tax rolls as there are two exemptions for aircraft, one for antique aircraft and one for property exclusively used for business purposes. The interim committee made no recommendation regarding constitutional or statutory changes in boat taxation.

**H.C.R. 5004** would allow cities and counties to grant economic development property tax abatements for oil and gas properties. The interim committee recommended introduction of a new constitutional amendment identical to **H.C.R. 5004**.

Mr. Courtwright noted that Matthew Brown, National Conference of State Legislatures, will brief the Committee on the tax implications of retail wheeling on January 19. He further noted that the interim committee concluded that the standing committees should make a decision during the 1999 Session as to whether or not to proceed with retail wheeling legislation.

April Holman, Legislative Research Department, reviewed the following four interim committee topics:

- Education Savings Plan-- concerning 1998 legislation directing the State Treasurer's office to conduct a feasibility study concerning college savings plans. The interim committee was given the charge of monitoring the Kansas College Task Force created to conduct the study and develop possible criteria for a post secondary education savings plan.

The interim committee recognized the importance of the extensive study of education savings account issue performed by the task force and stated its belief that the report will serve as a valuable resource document as the 1999 Legislature considers education savings account tax issues. It further encouraged the House and Senate Taxation Committees to develop legislation in 1999, perhaps considering the recommendations outlined in the Task Force report.

Senator Langworthy noted that the Task Force report was heard by three groups in November; however, no bill has been introduced. Senator Bond requested staff to draft a bill based on the recommendations of the Task Force for the purpose of Committee introduction if the Governor's office does not plan to introduce a education savings plan bill.

- Extension of Sales Tax Exemption for Manufacturing Machinery and Equipment in Connection with the Integrated Production Theory--The interim committee reviewed the Governor's proposal for manufacturing machinery and equipment in its entirety, along with the related proposals to expand the consumed in production exemption.

The Department of Revenue, along with industry groups, developed proposed legislation which they presented to the interim committee. The interim committee recommended that the Kansas law exempting certain manufacturing machinery and equipment from sales tax be clarified and modified to reflect the integrated plant theory. In addition, it recommended that the exemption be extended to include oil and gas drilling services and supplies as well as drilling, pumping, and monitoring equipment used at a well site or in oil and gas exploration.

Senator Langworthy noted that the integrated plant issue was part of the Governor's 1998 recommendations. She further noted that the Department of Revenue has had a number of law suits on this issue. Thus, the Department again recommended that the Legislature address the issue, noting that perhaps it would save litigation expenses. The oil and gas issue was not a part of the Governor's original recommendation but was added on in the interim.

- Private Property Rights as Affected by Tax Increment Financing (TIF) and Eminent Domain Laws--This topic was referred to the interim committee in September and called for a review of the TIF Act which was originally enacted in 1976 to assist in the development and redevelopment of blighted, deteriorating, and environmentally contaminated areas as well as enterprise zones and to promote the general welfare of the citizens by authorizing cities to acquire certain properties and to issue special obligation bonds for the financing of redevelopment projects.

The interim committee held a public hearing on this topic in November at which time it heard of a situation in Merriam involving two automobile dealerships. In that case, the City of Merriam was able to exercise eminent domain because the property in question was located in a area which was

designated as an enterprise zone prior to 1992. Conferees questioned whether the use of eminent domain in this instance was appropriate and whether the law needs to be changed to prevent similar use in the future.

The interim committee recommended that the issues of eminent domain usage and private property rights as they relate to TIF be further studied by standing committees of both houses during the 1999 Legislative Session.

- Taxing Municipal and Rural Water District (Sales Tax)–The interim committee was asked to study the topic after previous legislation to exempt all purchases in certain rural water districts, provided the tangible personal property and services purchased are used in the operation or maintenance of the district, was unsuccessful.

The interim committee recommended the introduction of a bill providing that purchases of tangible personal property and services made by municipalities and certain rural water districts for use in the operation or maintenance of the district be exempt from sales tax.

Senator Langworthy noted the bill has been introduced in the House.

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

The next meeting is scheduled for January 13.

SENATE ASSESSMENT & TAXATION COMMITTEE

DATE January 12, 1999

GUEST LIST

NAME	REPRESENTING
Shane Gagnebin	Sen. Stephens staff
Jim Alley	Sea board
John & Miles on Ryan	KCC
Rich McKeo	Kaw Vally USD 321
Anne Holchard	KS Livestock Assn.
Natalie Buehler	Western Resources
Bernie Koch	KCC1
Ashley Sherard	Wichita Area Chamber
Kelly Kuitala	Overland Park Chamber of Commerce
Julie Hein	City of Overland Park
Bill Fuller	Hein and Weir, Chd.
Judith Molen	Kansas Farm Bureau
Dan Gaches	Kansas Assn of Counties
Scott Schneider	McGill, Gaches & Asso
Sheila Walker	McGill, Gaches & Asso.
Shirley Sulcari	Kansas Dept. of Revenue
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