

Approved: 3-27-00  
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:10 a.m. on March 23, 2000, in Room 519-S of the Capitol.

All members were present except: Senator Greta Goodwin – Excused

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:

Others attending: See attached list.

Senator Langworthy began a brief discussion of a previously heard bill, **SB 643**, which amends the Kansas and Missouri Metropolitan cultural district compact. She reminded the Committee that the bill would amend “cultural activities” to mean sports or activities which enhance aesthetic, artistic, historical, intellectual, or social development. The bill provides that any levy cannot be voted on prior to January 1, 2002, and allows for two members of the governing body of a county with a consolidated or unified county government and a city of the first class which is a part of the district, who shall be appointed by majority vote of the governing body. At this late point in the session, she felt that the most expedient way to act upon the bill would be to amend it into a House bill, **HB 2037**, which is a 1999 bill dealing with a sales tax exemption for railroad facilities and grain storage facilities. She explained that the provisions of **HB 2037** were amended into another bill in 1999, and that bill passed.

Senator Bond moved to delete the provisions in **HB 2037** and insert the provisions of **SB 643** and to report **HB 2037** favorable for passage as amended, seconded by Senator Praeger. The motion carried.

Senator Langworthy turned the Committee’s attention to **SB 624**, which was the subject of discussion at the March 22 meeting. She reminded the Committee that a proposed amendment had been discussed. Whitney Damron, representing the Unified Government of Wyandotte County-Kansas City, distributed copies of the proposed amendment (Attachment 1) and a statement of intent prepared by Troy D. Kennedy, General Motors, and Bob Gardner, Wyandotte County Appraiser (Attachment 2). Mr. Damron informed the Committee that the amendment was prepared by Bob Gardner, Troy Kennedy, Laura Johnson with the Kansas Department of Revenue, and Don Hayward, Revisor of Statutes Office. The amendment defines “tools and dies” in Section 1(a) by referencing Internal Revenue Service Publication 946.

Senator Steineger began a discussion regarding the specific meaning of “fixtures” as used in the statement of intent when describing what “special tools” includes. Mark Beck, Property Valuation Division, stated that “fixtures” includes anything that is normally considered as personal property but becomes fixed to real estate. Mr. Hayward furnished committee members with a copy of the Internal Revenue definition of “special tools” referenced in the bill. (Attachment 3) He pointed out that “fixtures” is included in Asset Class 37.12.

Noting that he does not support **SB 624**, Senator Steineger stated that he believes the amendment language is good language and should be included in the bill. Senator Steineger moved to amend **SB 624** as suggested, seconded by Senator Bond. The motion carried.

**HB 2588–Income tax; allowing net operating loss carrybacks**

For the Committee’s information, Senator Langworthy called upon April Holman, Legislative Research Department, for a briefing on the bill. Ms. Holman explained that the bill was recommended for introduction by the Special Committee on Assessment and Taxation after studying farm net operating loss carryback and

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE  
Room 519-S, Statehouse, at 11:10 a.m. on March 23, 2000.

farm income averaging. She discussed the provisions of the bill as introduced, as amended by the House Taxation Committee, and as amended by the House Committee of the Whole. Also included in her report was information on the fiscal note and a comparison of Kansas and Federal law regarding net operating loss carryback and carryforward. (Attachment 4)

The meeting was adjourned at 11:35 a.m.

The next meeting date is to be announced.



**SENATE BILL No. 624**

By Committee on Federal and State Affairs

2-10

9 AN ACT relating to property taxation; exempting certain personal prop-  
10 erty used for manufacturing of motor vehicles.

11  
12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. The following described property, to the extent herein  
14 specified, shall be and is hereby exempt from all property or ad valorem  
15 taxes levied under the laws of the state of Kansas:

16 (a) All special tools ~~and dies and other manufacturing aids~~ acquired  
17 after December 31, 2000, which are used directly in the manufacturing  
18 of motor vehicles and which are specifically designed and unique to the  
19 production and processing of specific components or models of such mo-  
20 tor vehicles.

21 (b) The provisions of this section shall apply to all taxable years com-  
22 mencing after December 31, 2000.

23 Sec. 2. This act shall take effect and be in force from and after its  
24 publication in the statute book.

Agreed-Upon Language

Unified Government

GM

Whitney Damron  
224-6666

Senate Assessment & Taxation  
Attachment 1  
3-23-00

which are

The term "special tools" shall have the meaning ascribed thereto by Internal Revenue Service Publication 946, Appendix B. Asset Class 37.12 issued pursuant to Section 167 of the federal internal revenue code as in effect on January 1, 2000.



Tax Staff

March 22, 2000

Senator Audrey Langworthy  
 Chairperson, Senate Assessment and Taxation  
 Room 143 N  
 300 West 10<sup>th</sup> Street  
 Topeka, KS 66612


Dear Chairperson Langworthy:

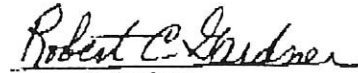
Senate Bill 624 Special Tools Exemption  
 Wyandotte County and General Motors Corporation (GM)  
 Letter of Agreement

The undersigned parties representing General Motors Corporation and Wyandotte County relative to the intent of Senate Bill 624 submit this letter to affirm agreement. If approved, assets known as special tools including jigs, dies, fixtures, molds, patterns, gauges, other positioning devices and specialty transfer and shipping devices will become exempt if acquired after December 31, 2000 from all property or ad valorem taxes. Special tools are specifically designed for the production or processing of a particular motor vehicle component and have no significant utilitarian value, and cannot be adapted to further or different use, after changes or improvements are made in the model design of the particular part produced by the special tools. Assets traditionally known as robots, computers, machinery and equipment, wrenches and drills, both hand and powerdriven, and other general-purpose equipment such as conveyors, transfer equipment and material handling devices would not be deemed exempt pursuant to passage of this bill.

The intent of this bill is to exempt future acquisitions of assets similar to those GM has traditionally reported as two year useful life property for valuation purposes as reflected for example, on the 2000 tax year personal property rendition for the Fairfax Assembly Facility located in Wyandotte County. Assets included in this category would generally fall within one of the described asset descriptions defined above as special tools.

We, do hereby affirm and agree that the above language reflects both parties understanding relative to the scope and intent of Senate Bill 624:

  
 Troy D. Kennedy  
 Tax Specialist  
 General Motors Corporation  
 Renaissance Center  
 MC482-C15-C46  
 P.O. Box 300  
 Detroit, MI 48265-3000  
 (313) 665-4054

  
 Robert C. Gardner  
 County Appraiser  
 Wyandotte County  
 9400 State Avenue  
 Kansas City, KS 66112  
 (913) 287-2641

General Motors Corporation

300 Renaissance Center Detroit, Michigan 48265-3000

\*\* TOTAL PAGE.02 \*\*

Senate Assessment & Taxation  
 3-23-00  
 Attachment 2



Department of the Treasury  
Internal Revenue Service

**Publication 946**

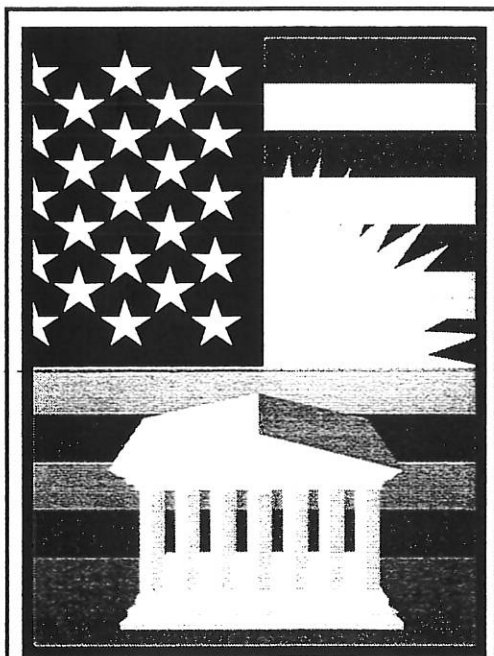
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# How To Depreciate Property

- **Section 179 Deduction**
- **MACRS**
- **Listed Property**

For use in preparing

**1999** Returns



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## Contents

Introduction .....	2
<b>1. General Information</b> .....	<b>3</b>
Depreciation Defined .....	3
Who Can Claim Depreciation .....	4
What Can Be Depreciated .....	4
What Cannot Be Depreciated .....	7
When Depreciation Begins and Ends .....	8
How To Claim Depreciation .....	9
Incorrect Amount of Depreciation Deducted ...	10
<b>2. Section 179 Deduction</b> .....	<b>11</b>
Section 179 Deduction Defined .....	11
What Costs Can and Cannot Be Deducted ....	11
Electing the Deduction .....	14
How To Figure the Deduction .....	15
Section 179 Recapture .....	19
<b>3. Modified Accelerated Cost Recovery System (MACRS)</b> .....	<b>20</b>
MACRS Defined .....	20
What Can Be Depreciated Under MACRS ....	21
What Cannot Be Depreciated Under MACRS ..	22
Election To Exclude Property From MACRS ..	24
How To Figure the Deduction Using Percentage Tables .....	24
How To Figure the Deduction Without Using the Tables .....	33
Dispositions .....	39
General Asset Accounts .....	40
<b>4. Listed Property</b> .....	<b>45</b>
Listed Property Defined .....	46
Predominant Use Test .....	47
Leased Property .....	50
Special Rule for Passenger Automobiles .....	52
Deductions After Recovery Period .....	53
What Records Must Be Kept .....	54
<b>5. Comprehensive Example</b> .....	<b>56</b>
<b>6. How To Get More Information</b> .....	<b>61</b>
Help With Unresolved Tax Problems .....	62
<b>Appendix A — MACRS Percentage Table Guide</b> .....	<b>63</b>
<b>Appendix B — Table of Class Lives and Recovery Periods</b> .....	<b>89</b>
<b>Glossary</b> .....	<b>100</b>
<b>Index</b> .....	<b>102</b>

## Important Changes for 1999

**Depreciation limits on business cars and clean-fuel vehicles.** The total section 179 deduction and depreciation you can take on a car (that is not a clean-fuel vehicle) you use in your business and first place in service in 1999 is \$3,060. The maximum depreciation

*Senate Assessment + Taxation  
3-23-00  
Attachment 3*

Table B-2. Table of Class Lives and Recovery Periods

Asset class	Description of assets included	Recovery Periods (in years)		
		Class Life (in years)	GDS (MACRS)	ADS
37.11	<b>Manufacture of Motor Vehicles:</b> Includes assets used in the manufacture and assembly of finished automobiles, trucks, trailers, motor homes, and buses. Does not include assets used in mining, printing and publishing, production of primary metals, electricity, or steam, or the manufacture of glass, industrial chemicals, batteries, or rubber products, which are classified elsewhere. Includes assets used in manufacturing activities elsewhere classified other than those excluded above, where such activities are incidental to and an integral part of the manufacture and assembly of finished motor vehicles such as the manufacture of parts and subassemblies of fabricated metal products, electrical equipment, textiles, plastics, leather, and foundry and forging operations. Does not include any assets not classified in manufacturing activity classes, e.g., does not include any assets classified in asset guideline classes 00.11 through 00.4. Activities will be considered incidental to the manufacture and assembly of finished motor vehicles only if 75 percent or more of the value of the products produced under one roof are used for the manufacture and assembly of finished motor vehicles. Parts that are produced as a normal replacement stock complement in connection with the manufacture and assembly of finished motor vehicles are considered used for the manufacture assembly of finished motor vehicles. Does not include assets used in the manufacture of component parts if these assets are used by taxpayers not engaged in the assembly of finished motor vehicles.	12	7	12
37.12	<b>Manufacture of Motor Vehicles—Special Tools:</b> Includes assets defined as special tools, such as jigs, dies, fixtures, molds, patterns, gauges, and specialty transfer and shipping devices, owned by manufacturers of finished motor vehicles and used in qualified activities as defined in class 37.11. Special tools are specifically designed for the production or processing of particular motor vehicle components and have no significant utilitarian value, and cannot be adapted to further or different use, after changes or improvements are made in the model design of the particular part produced by the special tools. Does not include general purpose small tools such as wrenches and drills, both hand and powerdriven, and other general purpose equipment such as conveyors, transfer equipment, and materials handling devices.	3	3	3
37.2	<b>Manufacture of Aerospace Products:</b> Includes assets used in the manufacture and assembly of airborne vehicles and their component parts including hydraulic, pneumatic, electrical, and mechanical systems. Does not include assets used in the production of electronic airborne detection, guidance, control, radiation, computation, test, navigation, and communication equipment or the components thereof.	10	7	10
37.31	<b>Ship and Boat Building Machinery and Equipment:</b> Includes assets used in the manufacture and repair of ships, boats, caissons, marine drilling rigs, and special fabrications not included in asset classes 37.32 and 37.33. Specifically includes all manufacturing and repairing machinery and equipment, including machinery and equipment used in the operation of assets included in asset class 37.32. Excludes buildings and their structural components.	12	7	12
37.32	<b>Ship and Boat Building Dry Docks and Land Improvements:</b> Includes assets used in the manufacture and repair of ships, boats, caissons, marine drilling rigs, and special fabrications not included in asset classes 37.31 and 37.33. Specifically includes floating and fixed dry docks, ship basins, graving docks, shipways, piers, and all other land improvements such as water, sewer, and electric systems. Excludes buildings and their structural components.	16	10	16
37.33	<b>Ship and Boat Building—Special Tools:</b> Includes assets defined as special tools such as dies, jigs, molds, patterns, fixtures, gauges, and drawings concerning such special tools used in the activities defined in classes 37.31 and 37.32. Special tools are specifically designed for the production or processing of particular machine components, products, or parts, and have no significant utilitarian value and cannot be adapted to further or different use after changes or improvements are made in the model design of the particular part produced by the special tools. Does not include general purpose small tools such as wrenches and drills, both hand and power-driven, and other general purpose equipment such as conveyors, transfer equipment, and materials handling devices.	6.5	5	6.5
37.41	<b>Manufacture of Locomotives:</b> Includes assets used in building or rebuilding railroad locomotives (including mining and industrial locomotives). Does not include assets of railroad transportation companies or assets of companies which manufacture components of locomotives but do not manufacture finished locomotives.	11.5	7	11.5
37.42	<b>Manufacture of Railroad Cars:</b> Includes assets used in building or rebuilding railroad freight or passenger cars (including rail transit cars). Does not include assets of railroad transportation companies or assets of companies which manufacture components of railroad cars but do not manufacture finished railroad cars.	12	7	12
39.0	<b>Manufacture of Athletic, Jewelry and Other Goods:</b> Includes assets used in the production of jewelry; musical instruments; toys and sporting goods; motion picture and television films and tapes; and pens, pencils, office and art supplies, brooms, brushes, caskets, etc. <b>Railroad Transportation:</b> Classes with the prefix 40 include the assets identified below that are used in the commercial and contract carrying of passengers and freight by rail. Assets of electrified railroads will be classified in a manner corresponding to that set forth below for railroads not independently operated as electric lines. Excludes the assets included in classes with the prefix beginning 00.1 and 00.2 above, and also excludes any non-depreciable assets included in Interstate Commerce Commission accounts enumerated for this class.	12	7	12

# **HB 2588 - NET OPERATING LOSS (NOL) CARRYBACK**

## **I. Interim Committee Recommendations.**

The Special Committee on Assessment and Taxation studied Farm Net Operating Loss Carryback and Farm Income Averaging.

Report: *The Committee notes the importance of the income tax in timing of marketing efforts and strategies for sale of farm products as well as the benefits of smoothing volatility in farm income for state revenue purposes. As a result, the Committee recommends introduction of a bill to provide income loss carry-back of five years on farm income to mirror the federal law.*

## **II. Bill As Introduced.**

As introduced, the HB 2588 would have allowed farm net operating losses to be carried back five years under state income tax law. (The bill would not have changed the current law regarding income carryforward which provides for a 10 year carryforward.)

## **III. Bill As Amended by House Committee**

The House Committee Amended the bill to place a cap of \$1,500 on any refund resulting from farm net operating loss carryback in a given year. This reduced the fiscal note from approximately \$800,000 to \$400,000 per year.

## **IV. Bill As Amended by House Committee of the Whole**

The House Committee of the Whole amended the bill to provide a net operating loss carryback of five years for all businesses. The \$1,500 cap on yearly refunds was retained.

## **V. Fiscal Note.**

The fiscal note for this version of the bill is \$5,900,000 of which \$400,000 is attributable to the farm net operating loss carryback and \$5,500,000 is attributable to other business net operating loss carryback.

## **VI. Comparison of Kansas and Federal Law Regarding Net Operating Loss (NOL) Carryback and Carryforward.**

	<b>KANSAS LAW</b>	<b>FEDERAL LAW</b>
<b>NOL Carryback</b>	None	Farm NOL - 5 years Other NOL - 2 years
<b>NOL Carryforward</b>	10 years	20 years

*Kansas Legislative Research Department*

*March 22, 2000*

*Senate Assessment + Taxation  
3-23-00  
Attachment 4*