

MINUTES OF THE HOUSE COMMITTEE ON NEW ECONOMY.

The meeting was called to order by Chairperson Bill Mason at 11:15 a.m. on January 23, 2002 AT THE RAIL of the Capitol.

All members were present except:

Rep. Carol Beggs  
Rep. Ray Cox  
Rep. Judith Loganbill  
Rep. Margaret Long  
Rep. Vern Osborne

Committee staff present:

Rose Marie Glatt - Committee Secretary

Conferees appearing before the committee:

None

The meeting was announced by the Chairman from the House floor today. A quorum of nine committee members were present out of a total of 15 members for the purpose of introduction of bills.

Representative Kuether moved that HB 2140 relating to income taxation; concerning the credit therefrom for property tax paid upon certain machinery and equipment be introduced in the New Economy Committee (Attachment 1). It is a carry-over bill from the last session and the bill would be the same with the dates adjusted. The Committee agreed by consensus to introduce the bill.

Representative Kuether moved that a new bill concerning property taxation; providing exemptions for certain property (all oil refinery property) be introduced in the New Economy Committee (Attachment 2). The Committee agreed by consensus to introduce the bill.

The next meeting is January 29.

The meeting was adjourned at 11:25 a.m.

## HOUSE BILL No. 2140

By Committee on Taxation

1-24

9 AN ACT relating to income taxation; concerning the credit therefrom for  
10 property tax paid upon certain machinery and equipment; amending  
11 K.S.A. 2000 Supp. 79-32,206 and repealing the existing section.  
12

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

14 Section 1. K.S.A. 2000 Supp. 79-32,206 is hereby amended to read  
15 as follows: 79-32,206. For all taxable years commencing after December  
16 31, 1997, there shall be allowed as a credit against the tax liability of a  
17 taxpayer imposed under the Kansas income tax act, the premiums tax  
18 upon insurance companies imposed pursuant to K.S.A. 40-252, and  
19 amendments thereto, and the privilege tax as measured by net income of  
20 financial institutions imposed pursuant to article 11 of chapter 79 of the  
21 Kansas Statutes Annotated, an amount equal to ~~15%~~ 20% of the property  
22 tax levied for property tax year ~~1998~~ 2001, and all such years thereafter,  
23 actually and timely paid during an income or privilege taxable year upon  
24 commercial and industrial machinery and equipment classified for prop-  
25 erty taxation purposes pursuant to section 1 of article 11 of the Kansas  
26 constitution in subclass (5) or (6) of class 2 and machinery and equipment  
27 classified for such purposes in subclass (2) of class 2. If the amount of  
28 such tax credit exceeds the taxpayer's income tax liability for the taxable  
29 year, the amount thereof which exceeds such tax liability shall be refunded  
30 to the taxpayer. If the taxpayer is a corporation having an election in effect  
31 under subchapter S of the federal internal revenue code, a partnership  
32 or a limited liability company, the credit provided by this section shall be  
33 claimed by the shareholders of such corporation, the partners of such  
34 partnership or the members of such limited liability company in the same  
35 manner as such shareholders, partners or members account for their pro-  
36 portionate shares of the income or loss of the corporation, partnership or  
37 limited liability company.

38 Sec. 2. K.S.A. 2000 Supp. 79-32,206 is hereby repealed.

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

2001

22% - 2003  
25% - 2004



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Bill Graves  
 Governor

Duane A. Goossen  
 Director

February 14, 2001

The Honorable John Edmonds, Chairperson  
 House Committee on Taxation  
 Statehouse, Room 171-W  
 Topeka, Kansas 66612

Dear Representative Edmonds:

SUBJECT: Fiscal Note for HB 2140 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2140 is respectfully submitted to your committee.

HB 2140 would increase the allowable income tax credit for property taxes paid on machinery and equipment from 15.0 percent to 20.0 percent. The credit would also apply to insurance companies paying the premium tax and financial institutions paying the privilege tax. The credit would be for tax years beginning after December 31, 1997 for property taxes timely and actually paid. <sup>2001</sup>

Estimated State Fiscal Effect				
	FY 2001 SGF	FY 2001 All Funds	FY 2002 SGF	FY 2002 All Funds
Revenue	--	--	(\$7,085,000)	(\$7,085,000)
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

According to the Department of Revenue, the income tax provision of the bill would reduce revenues to the State General Fund by \$7.0 million in FY 2002 and \$10.5 million in FY 2003. For its estimate, the Department of Revenue used property tax data from 1998, which produced \$31.5 million in tax credits in that year. The Department estimates the 20.0 percent

e Honorable John Edmonds, Chairperson  
February 14, 2001  
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credit would total \$42.0 million, an increase of \$10.5 million. The FY 2002 estimate is reduced to \$7.0 million, because only revenues collected up to December 20, 2001 would be eligible for the 20.0 percent credit.

The Department of Insurance states that the premium and privilege tax provisions of the bill would reduce revenues to the State General Fund \$85,000 each fiscal year. The fiscal effect of enacting HB 2140 is not accounted for in *The FY 2002 Governor's Budget Report*.

Sincerely,



Duane A. Goossen  
Director of the Budget

cc: Steve Neske, Department of Revenue  
Jeremy Anderson, Insurance Department

HOUSE BILL NO. \_\_\_\_\_

By

AN ACT concerning property taxation; providing exemptions for certain property.

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

Section 1. The following described property, to the extent herein specified, shall be exempt from all property taxes levied under the laws of the state of Kansas:

(a) All oil refinery property.

(b) As used in this section, "oil refinery property" means property actually and regularly used in an operation by which the physical or chemical characteristics of crude oil are changed. "Oil refinery property" does not include operations such as passing crude oil through separators to remove gas, placing crude oil in settling tanks to recover basic sediment and water, dehydrating crude oil and blending of crude oil products.

(c) The provisions of this section shall apply only to oil refinery property:

(1) Construction of which is commenced after December 31, 2001, and for the five taxable years immediately following the taxable year in which such property is first used in refining oil; and

(2) repair or renovation of which in an amount equal to not less than 50% of the appraised value of the property before repair or renovation is commenced after December 31, 2001, and for the five taxable years immediately following the taxable year in which such repaired or renovated property is first used in refining oil.

(d) The board of county commissioners of any county or the governing body of any city may exempt oil refinery property from ad valorem taxation pursuant to section 13 of article 11 of the Kansas Constitution for an additional five years beyond the period of exemption provided by this section.

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