

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:45 a.m. on January 22, 2002, in Room 519-S of the Capitol.

All members were present except: Senators Haley and Pugh

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: Marlee Carpenter, Kansas Chamber of Commerce & Industry
Richard Cram, Kansas Department of Revenue

Others attending: See attached list.

The minutes of the January 15, 2002, meeting were approved.

Marlee Carpenter, Kansas Chamber of Commerce and Industry, requested the introduction of a bill which would clarify the corporate income tax code to maintain the status quo. (Attachment 1) She explained that the proposed bill concerns the election of business and nonbusiness income.

Senator Donovan moved to introduce the proposed bill, seconded by Senator Clark. The motion carried.

Richard Cram, Kansas Department of Revenue, presented a report on an interim topic, volumetric based tax on natural gas. (Attachment 2) The topic relates to **SB 233** introduced by Senator Allen during the 2001 Legislative Session. At the outset, Mr. Cram introduced Steven Brunkan, the Department financial economist who worked with gas companies and the Kansas Corporation Commission to collect data on local sales tax on natural gas collected by cities and counties. He then called the Committee's attention to a four page list of cities and their local sales tax rates for tax years 1996 through 2000 which was compiled by Mr. Brunkan. He noted that the information is incomplete because the Department was unable to obtain information for several cities in western Kansas. He pointed out that the data includes the local tax rate, sales tax collections at the local rate for a particular year, and the tax rate per million cubic feet (MCF) required to be in place in order to generate revenue equivalent to collections using the local tax rate. He noted that the data shows a wide variance not only between the years but also between the cities. He also called attention to a list of counties with similar data for tax years 1997 through 2000. In conclusion, he called attention to a two page report on the amount of sales tax revenue generated from the sale of natural gas on a statewide basis, noting that the report was presented to the interim Special Committee on Assessment and Taxation.

Senator Donovan commented that, in his opinion, the Committee needs no further information on the subject in order to make a decision regarding the need to the change to a volumetric based tax on the sale of natural gas. Senator Corbin commented that the interim committee made no specific recommendation on the topic and noted that the issue is not as prominent this session because the price of natural gas is lower than last year and the winter has been mild. Senator Allen indicated that a new bill will be drafted for introduction during the 2002 Session.

The meeting was adjourned at 11:00 a.m.

The next meeting is scheduled for January 23, 2002.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: January 22, 2002

NAME	REPRESENTING
Richard Cron	KDOR
Steven Brunken	KDOR
Ann Dukes	DOB
Helen Pedigo	Gov. Office
Amanda Hubbard	Sen. Allen's Intern
Steve Johnson	Kansas Gas Service
Tom Bruno	Williams
Don Seifert	City of Olathe
GEORGE PETERSEN	Ks Taxpayers Network
PAT LEHMAN	CITY OF LEWEXIA
LARRY R BARR	LSAG02 Ks MUNICIPALITIES
Mike Taylor	City of Wichita
Bud Burke	KCP&L Great Plains Energy
Dave Houtman	Pioneer
Markie Carpenter	KCCI
Anna Jones	K.C. Beattors
Leslie Kaufman	KFB
Michelle Whit	PmCA
Erik Santorius	City of Overland Park

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: January 22, 2002

NAME	REPRESENTING
Bill Brady	Ks Govt Consulting
Randy Allen	Ks. Association of Counties
Whitney Damron	KS Gas Service

An Act concerning taxation; clarifying the definition of business income and the election thereunder; amending K.S.A. 79-3271 and repealing the existing section.

Section 1. K.S.A. 79-3271 is hereby amended to read as follows: 79-3271. As used in this act, unless the context otherwise requires: (a) "Business income" means income arising from transactions and activity in the regular course of the taxpayer's trade or business and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations, except that for taxable years commencing after December 31, 1995, a taxpayer may elect that all income ~~derived from the acquisition, management, use or disposition of tangible or intangible property~~ constitutes business income. The election shall be effective and irrevocable for the taxable year of the election and the following nine taxable years. The election shall be binding on all members of a unitary group of corporations.

(b) "Commercial domicile" means the principal place from which the trade or business of the taxpayer is directed or managed.

(c) "Compensation" means wages, salaries, commissions and any other form of remuneration paid to employees for personal services.

(d) "Financial organization" means any bank, trust company, savings bank, industrial bank, land bank, safe deposit company, private banker, savings and loan association, credit union, cooperative bank, investment company, or any type of in-

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urance company, but such term shall not be deemed to include any business entity, other than those hereinbefore enumerated, whose primary business activity is making consumer loans or purchasing retail installment contracts from one or more sellers.

(e) "Nonbusiness income" means all income other than business income.

(f) "Public utility" means any business entity which owns or operates for public use any plant, equipment, property, franchise, or license for the transmission of communications, transportation of goods or persons, or the production, storage, transmission, sale, delivery, or furnishing of electricity, water, steam, oil, oil products or gas.

(g) "Sales" means all gross receipts of the taxpayer not allocated under K.S.A. 79-3274 through 79-3278, and amendments thereto.

(h) "State" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country or political subdivision thereof.

(i) "Telecommunications company" means any business entity or unitary group of entities whose primary business activity is the transmission of communications in the form of voice, data, signals or facsimile communications by wire or fiber optic cable.

(j) "Distressed area taxpayer" means a corporation which: (1) Is located in a county which has a population of not more than 45,000 persons and which, as certified by the department of commerce [and housing], has sustained an adverse economic impact due to the closure of a state hospital in such county pursuant to the recommendations of the hospital closure commission; and (2) which has a total annual payroll of \$20,000,000 or more for employees employed within such county.

Sec. 2. K.S.A. 79-3271 is hereby repealed.

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

Kansas Department of Revenue
Office of Policy and Research
Local Sales Tax vs. MCF Tax
Residential Usage

County	City	Local Tax Rate	CY 2000 Collections with local rate	CY 2000 Tax rate per MCF	CY 1999 Collections with local rate	CY 1999 Tax rate per MCF	CY 1998 Collections with local rate	CY 1998 Tax rate per MCF	CY 1997 Collections with local rate	CY 1997 Tax rate per MCF	CY 1996 Collections with local rate	CY 1996 Tax rate per MCF
Dickinson	Abilene	0.750%	\$ 12,651	\$ 0.051	\$ 11,012	\$ 0.044	\$ 11,518	\$ 0.044	\$ 13,758	\$ 0.046	12,474.93	\$ 0.040
Butler	Andover	1.000%	\$ 13,702	\$ 0.076	\$ 10,248	\$ 0.061	\$ 9,606	\$ 0.063	\$ 10,613	\$ 0.066	9,807.95	\$ 0.057
Harper	Anthony	1.500%	\$ 11,393	\$ 0.122			\$ 9,821	\$ 0.128	\$ 10,919	\$ 0.097		
Cowley	Arkansas City	1.000%	\$ 32,582	\$ 0.078	\$ 25,369	\$ 0.061	\$ 26,908	\$ 0.062	\$ 31,057	\$ 0.066	29,706.03	\$ 0.058
Crawford	Arma	0.500%	\$ 2,898	\$ 0.037	\$ 2,449	\$ 0.030	\$ 2,586	\$ 0.031	\$ 3,016	\$ 0.032	2,787.24	\$ 0.028
Atchison	Atchison	1.000%	\$ 29,575	\$ 0.073	\$ 23,907	\$ 0.058	\$ 24,903	\$ 0.060	\$ 31,037	\$ 0.063	28,082.59	\$ 0.055
Butler	Augusta	0.500%	\$ 10,758	\$ 0.038	\$ 7,860	\$ 0.030	\$ 8,125	\$ 0.029	\$ 9,816	\$ 0.033	9,236.46	\$ 0.029
Douglas	Baldwin City	1.000%	\$ 7,323	\$ 0.077	\$ 5,647	\$ 0.060	\$ 5,459	\$ 0.061	\$ 6,581	\$ 0.064	5,980.46	\$ 0.056
Leavenworth	Basehor	1.000%	\$ 8,320	\$ 0.094			\$ 6,552	\$ 0.093	\$ 8,338	\$ 0.069		
Cherokee	Baxter Springs	1.000%	\$ 10,380	\$ 0.075	\$ 8,306	\$ 0.060	\$ 8,736	\$ 0.062	\$ 10,467	\$ 0.065	9,736.28	\$ 0.057
Sumner	Belle Plaine	1.000%	\$ 4,019	\$ 0.076	\$ 3,071	\$ 0.061	\$ 3,304	\$ 0.062	\$ 3,861	\$ 0.065	3,670.75	\$ 0.057
Mitchell	Beloit	0.500%	\$ 5,882	\$ 0.038	\$ 4,283	\$ 0.030	\$ 4,600	\$ 0.031	\$ 5,553	\$ 0.032	5,017.31	\$ 0.028
Butler	Benton	1.000%	\$ 2,183	\$ 0.076	\$ 1,554	\$ 0.061	\$ 1,574	\$ 0.063	\$ 1,772	\$ 0.066	1,644.20	\$ 0.057
Wyandotte	Bonner Springs	1.000%	\$ 20,023	\$ 0.615			\$ 14,044	\$ 0.095	\$ 16,167	\$ 0.067		
Cowley	Burden	1.000%	\$ 1,243	\$ 0.066	\$ 1,020	\$ 0.060	\$ 1,118	\$ 0.062	\$ 1,253	\$ 0.065	1,212.01	\$ 0.057
Sumner	Caldwell	1.000%	\$ 3,961	\$ 0.078			\$ 2,991	\$ 0.078	\$ 4,214	\$ 0.053		
Montgomery	Cherryvale	1.750%	\$ 11,472	\$ 0.129	\$ 9,047	\$ 0.106	\$ 9,550	\$ 0.108	\$ 11,313	\$ 0.114	10,696.00	\$ 0.100
Clay	Clay Center	1.000%	\$ 11,262	\$ 0.060	\$ 9,905	\$ 0.059	\$ 10,072	\$ 0.059	\$ 12,528	\$ 0.062	11,296.00	\$ 0.053
Montgomery	Coffeyville	1.500%	\$ 56,360	\$ 0.105	\$ 15,138	\$ 0.076	\$ 48,076	\$ 0.083	\$ 57,079	\$ 0.091	61,096.83	\$ 0.087
Comanche	Coldwater	1.000%	\$ 2,255	\$ 0.067	\$ 1,983	\$ 0.059	\$ 2,026	\$ 0.059	\$ 2,391	\$ 0.062	2,147.95	\$ 0.053
Cherokee	Columbus	1.000%	\$ 9,058	\$ 0.076	\$ 7,038	\$ 0.060	\$ 7,421	\$ 0.061	\$ 9,008	\$ 0.065	8,337.67	\$ 0.057
Cloud	Concordia	1.000%	\$ 13,759	\$ 0.068	\$ 11,640	\$ 0.059	\$ 12,053	\$ 0.059	\$ 14,992	\$ 0.062	13,756.39	\$ 0.053
Sumner	Conway Springs	1.000%	\$ 3,271	\$ 0.073	\$ 2,687	\$ 0.059	\$ 2,932	\$ 0.061	\$ 3,337	\$ 0.064	3,167.30	\$ 0.056
Chase	Cottonwood Falls	1.000%	\$ 5,437	\$ 0.076			\$ 4,742	\$ 0.075	\$ 1,968	\$ 0.050		
Johnson	DeSoto	1.000%	\$ 8,988	\$ 0.089			\$ 11,340	\$ 0.078	\$ 14,286	\$ 0.067		
Kearny	Deerfield	1.000%			\$ 1,381	\$ 0.060						
Lane	Dighton	1.000%			\$ 3,762	\$ 0.060						
Ford	Dodge City	1.000%	\$ 49,175	\$ 0.073	\$ 38,835	\$ 0.054	\$ 43,822	\$ 0.064	\$ 50,487	\$ 0.068		
Butler	Douglass	1.000%	\$ 3,661	\$ 0.075	\$ 3,110	\$ 0.061	\$ 3,176	\$ 0.062	\$ 3,770	\$ 0.065	3,553.22	\$ 0.057
Johnson	Edgerton	1.000%	\$ 2,796	\$ 0.079	\$ 2,112	\$ 0.062	\$ 2,164	\$ 0.062	\$ 2,531	\$ 0.065	2,379.10	\$ 0.057
Atchison	Effingham	1.000%	\$ 1,712	\$ 0.075	\$ 1,394	\$ 0.059	\$ 1,412	\$ 0.061	\$ 1,790	\$ 0.064	1,539.22	\$ 0.055
Morton	Elkhart	1.000%	\$ 5,606	\$ 0.076	\$ 4,855	\$ 0.055	\$ 5,215	\$ 0.065	\$ 6,261	\$ 0.069		
Ellis	Ellis	1.000%			\$ 4,503	\$ 0.061	\$ 4,206	\$ 0.062	\$ 4,829	\$ 0.056	4,488.30	\$ 0.049
Ellsworth	Ellsworth	1.250%	\$ 7,512	\$ 0.094	\$ 5,843	\$ 0.076	\$ 6,117	\$ 0.078	\$ 7,431	\$ 0.081	6,632.40	\$ 0.072
Doniphan	Elwood	1.000%	\$ 2,731	\$ 0.077	\$ 1,988	\$ 0.061	\$ 1,935	\$ 0.063	\$ 2,374	\$ 0.066	1,998.15	\$ 0.058
Wagoner	Emporia	1.000%	\$ 49,670	\$ 0.076	\$ 39,086	\$ 0.061	\$ 41,843	\$ 0.062	\$ 49,842	\$ 0.065	45,252.75	\$ 0.056
Neosho	Erie	1.000%	\$ 5,185	\$ 0.076	\$ 4,008	\$ 0.060	\$ 4,607	\$ 0.069	\$ 5,073	\$ 0.064	4,788.10	\$ 0.056
Douglas	Eudora	0.500%	\$ 4,749	\$ 0.045			\$ 3,462	\$ 0.049	\$ 4,385	\$ 0.035		
Greenwood	Eureka	0.000%	\$ 8,207	\$ 0.066			\$ 6,844	\$ 0.086	\$ 9,149	\$ 0.065		
Johnson	Fairway	1.000%	\$ 14,446	\$ 0.072	\$ 11,939	\$ 0.057	\$ 12,226	\$ 0.059	\$ 15,079	\$ 0.062	14,545.21	\$ 0.055
Crawford	Frontenac	1.000%	\$ 6,841	\$ 0.074	\$ 5,350	\$ 0.060	\$ 5,915	\$ 0.062	\$ 6,887	\$ 0.062	6,346.20	\$ 0.057

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Kansas Department of Revenue
Office of Policy and Research
Local Sales Tax vs. MCF Tax
Residential Usage

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County	City	Local Tax Rate	CY 2000 Collections with local rate	CY 2000 Tax rate per MCF	CY 1999 Collections with local rate	CY 1999 Tax rate per MCF	CY 1998 Collections with local rate	CY 1998 Tax rate per MCF	CY 1997 Collections with local rate	CY 1997 Tax rate per MCF	CY 1996 Collections with local rate	CY 1996 Tax rate per MCF
Cherokee	Galena	1.000%	\$ 6,830	\$ 0.075	\$ 5,472	\$ 0.060	\$ 5,802	\$ 0.062	\$ 6,926	\$ 0.065	6,712.65	\$ 0.057
Finney	Garden City	1.000%	\$ 61,356	\$ 0.074	\$ 50,513	\$ 0.054	\$ 55,698	\$ 0.065	\$ 63,697	\$ 0.069		
Johnson	Gardner	1.000%	\$ 20,490	\$ 0.079	\$ 13,452	\$ 0.062	\$ 11,774	\$ 0.063	\$ 12,959	\$ 0.065	11,384.09	\$ 0.058
Allen	Gas	1.000%	\$ 1,895	\$ 0.075	\$ 1,668	\$ 0.060	\$ 1,863	\$ 0.061	\$ 2,172	\$ 0.064	2,009.01	\$ 0.056
Crawford	Girard	1.000%	\$ 8,659	\$ 0.080	\$ 6,206	\$ 0.060	\$ 6,481	\$ 0.061	\$ 7,618	\$ 0.064	7,038.03	\$ 0.057
Cloud	Glasco	1.000%	\$ 1,612	\$ 0.076	\$ 1,393	\$ 0.006	\$ 1,515	\$ 0.006	\$ 1,791	\$ 0.064	1,796.95	\$ 0.056
Geary	Grandview Plaza	1.000%	\$ 2,356	\$ 0.069	\$ 2,022	\$ 0.060	\$ 2,049	\$ 0.062	\$ 2,488	\$ 0.064	2,288.30	\$ 0.054
Harper	Harper	1.000%	\$ 4,283	\$ 0.073	\$ 3,521	\$ 0.060	\$ 3,833	\$ 0.061	\$ 4,426	\$ 0.064	3,967.36	\$ 0.057
Ellis	Hays	1.500%			\$ 56,989	\$ 0.093	\$ 49,216	\$ 0.094	\$ 61,028	\$ 0.085	54,305.31	\$ 0.076
Brown	Hiawatha	1.000%	\$ 11,136	\$ 0.075	\$ 8,553	\$ 0.059	\$ 8,930	\$ 0.060	\$ 11,647	\$ 0.063	10,188.60	\$ 0.056
Jackson	Holton	0.250%	\$ 2,236	\$ 0.019	\$ 1,781	\$ 0.015	\$ 1,843	\$ 0.015	\$ 2,300	\$ 0.016	2,087.78	\$ 0.014
Brown	Horton	1.000%	\$ 5,803	\$ 0.074	\$ 4,717	\$ 0.059	\$ 4,739	\$ 0.061	\$ 5,935	\$ 0.063	5,325.66	\$ 0.056
Stevens	Hugoton	1.000%	\$ 9,100	\$ 0.072	\$ 7,786	\$ 0.054	\$ 8,575	\$ 0.065	\$ 9,924	\$ 0.068		
	Hutchinson	0.750%	\$ 67,232	\$ 0.051	\$ 52,525	\$ 0.041	\$ 59,023	\$ 0.044	\$ 69,793	\$ 0.047	62,447.49	\$ 0.040
Reno	Hutchinson	0.750%	\$ 2,284	\$ 0.052	\$ 1,783	\$ 0.042	\$ 1,926	\$ 0.045	\$ 2,381	\$ 0.047		
Montgomery	Independence	1.500%	\$ 71,347	\$ 0.105	\$ 18,251	\$ 0.076	\$ 58,748	\$ 0.083	\$ 71,804	\$ 0.091	72,588.05	\$ 0.087
Geary	Junction City	1.000%	\$ 38,092	\$ 0.069	\$ 32,713	\$ 0.059	\$ 34,299	\$ 0.060	\$ 40,971	\$ 0.063	38,384.00	\$ 0.054
Ellsworth	Kanopolis	1.000%	\$ 1,457	\$ 0.077	\$ 1,126	\$ 0.061	\$ 1,163	\$ 0.063	\$ 1,394	\$ 0.065	1,284.18	\$ 0.058
Wyandotte	Kansas City	1.000%	\$ 283,812	\$ 0.098	\$ 229,285	\$ 0.058	\$ 237,361	\$ 0.060	\$ 298,026	\$ 0.063	279,605.51	\$ 0.055
Barber	Kiowa	1.000%	\$ 3,234	\$ 0.076	\$ 2,538	\$ 0.060	\$ 2,628	\$ 0.062	\$ 3,193	\$ 0.065	2,923.91	\$ 0.057
Rush	LaCrosse	1.000%	\$ 3,664	\$ 0.066	\$ 3,221	\$ 0.059	\$ 3,390	\$ 0.059	\$ 4,001	\$ 0.062	3,557.05	\$ 0.053
Kearny	Lakin	1.000%			\$ 4,453	\$ 0.057						
Leavenworth	Lansing	1.000%	\$ 14,980	\$ 0.075	\$ 12,601	\$ 0.060	\$ 12,515	\$ 0.062	\$ 15,323	\$ 0.065	13,555.09	\$ 0.056
Douglas	Lawrence	1.000%	\$ 146,084	\$ 0.070	\$ 116,045	\$ 0.055	\$ 125,231	\$ 0.061	\$ 13,270	\$ 0.006		
Leavenworth	Leavenworth	1.000%	\$ 64,282	\$ 0.075	\$ 50,340	\$ 0.060	\$ 52,162	\$ 0.062	\$ 64,582	\$ 0.064	59,192.77	\$ 0.055
Johnson	Leawood	1.125%	\$ 112,465	\$ 0.084	\$ 81,618	\$ 0.064	\$ 81,267	\$ 0.065	\$ 95,662	\$ 0.069	90,058.13	\$ 0.061
Johnson	Lenexa	1.125%	\$ 83,339	\$ 0.085	\$ 64,737	\$ 0.066	\$ 65,039	\$ 0.069	\$ 79,339	\$ 0.756	74,815.79	\$ 0.063
Geward	Liberal	1.000%	\$ 36,415	\$ 0.073	\$ 30,228	\$ 0.053	\$ 33,945	\$ 0.063	\$ 39,342	\$ 0.067		
McPherson	Lindsborg	1.000%	\$ 7,144	\$ 0.069	\$ 5,876	\$ 0.059	\$ 6,155	\$ 0.059	\$ 7,582	\$ 0.062	6,836.04	\$ 0.054
Osage	Lyndon	1.000%	\$ 2,829	\$ 0.076	\$ 2,212	\$ 0.060	\$ 2,264	\$ 0.062	\$ 2,814	\$ 0.064	2,587.08	\$ 0.057
Pottawatomie	Manhattan	1.000%	\$ 1,916	\$ 0.069	\$ 1,557	\$ 0.059	\$ 1,642	\$ 0.061	\$ 2,013	\$ 0.063	1,711.82	\$ 0.055
Riley	Manhattan	1.000%	\$ 64,016	\$ 0.069	\$ 54,344	\$ 0.060	\$ 55,973	\$ 0.060	\$ 68,050	\$ 0.063	62,308.75	\$ 0.054
Marshall	Marysville	1.000%	\$ 9,207	\$ 0.067	\$ 8,242	\$ 0.058	\$ 8,520	\$ 0.058	\$ 10,523	\$ 0.061	9,573.42	\$ 0.052
Barber	Medicine Lodge	0.500%	\$ 2,909	\$ 0.034	\$ 2,472	\$ 0.030	\$ 2,494	\$ 0.030	\$ 3,058	\$ 0.031	2,758.25	\$ 0.027
Johnson	Merriam	1.250%	\$ 32,121	\$ 0.093	\$ 26,547	\$ 0.074	\$ 27,312	\$ 0.077	\$ 32,459	\$ 0.080	31,650.00	\$ 0.070
Cloud	Miltonvale	1.000%	\$ 1,831	\$ 0.075	\$ 1,258	\$ 0.060	\$ 1,289	\$ 0.062	\$ 1,567	\$ 0.064	1,434.21	\$ 0.057
Ottawa	Minneapolis	0.500%	\$ 2,388	\$ 0.038	\$ 2,014	\$ 0.030	\$ 2,079	\$ 0.031	\$ 2,568	\$ 0.032	2,311.51	\$ 0.028
Clark	Minneola	1.000%	\$ 1,861	\$ 0.075	\$ 1,489	\$ 0.060	\$ 1,595	\$ 0.061	\$ 1,914	\$ 0.064	1,717.66	\$ 0.057
Johnson	Mission	1.000%	\$ 21,346	\$ 0.075	\$ 17,816	\$ 0.060	\$ 18,431	\$ 0.058	\$ 22,239	\$ 0.065	21,210.12	\$ 0.057
Allen	Moran	0.500%	\$ 620	\$ 0.034	\$ 498	\$ 0.030	\$ 519	\$ 0.031	\$ 620	\$ 0.033	555.23	\$ 0.029
Winn	Mound City	1.000%	\$ 2,255	\$ 0.097			\$ 1,687	\$ 0.094	\$ 1,920	\$ 0.070		

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Norton	Norton	0.500%			\$ 3,985	\$ 0.031						
Riley	Ogden	1.000%	\$ 3,256	\$ 0.072	\$ 2,644	\$ 0.061	\$ 2,780	\$ 0.061	\$ 3,556	\$ 0.064	3,619.58	\$ 0.056
Johnson	Olathe	1.125%	\$ 384,224	\$ 0.079	\$ 70,487	\$ 0.056						
Pottawatomie	Onaga	1.000%	\$ 1,776	\$ 0.067	\$ 1,657	\$ 0.059	\$ 1,639	\$ 0.059	\$ 2,125	\$ 0.062	1,925.56	\$ 0.053
Miami	Osawatomie	0.500%	\$ 5,379	\$ 0.037	\$ 4,360	\$ 0.030	\$ 4,457	\$ 0.028	\$ 5,448	\$ 0.032	5,073.90	\$ 0.028
Labette	Oswego	1.000%	\$ 5,127	\$ 0.074	\$ 4,059	\$ 0.060	\$ 3,846	\$ 0.062	\$ 4,948	\$ 0.065	4,736.59	\$ 0.057
Franklin	Ottawa	0.600%	\$ 15,509	\$ 0.040	\$ 14,304	\$ 0.036	\$ 14,573	\$ 0.034	\$ 17,677	\$ 0.038	16,921.82	\$ 0.034
Osage	Overbrook	1.000%	\$ 2,414	\$ 0.078	\$ 1,910	\$ 0.061	\$ 1,901	\$ 0.062	\$ 2,280	\$ 0.064	2,205.17	\$ 0.057
Johnson	Overland Park	1.125%	\$ 297,580	\$ 0.085	\$ 222,803	\$ 0.067	\$ 226,091	\$ 0.068	\$ 267,477	\$ 0.071	250,927.84	\$ 0.063
Sumner	Oxford	1.000%	\$ 2,568	\$ 0.074	\$ 2,094	\$ 0.060	\$ 2,206	\$ 0.062	\$ 2,551	\$ 0.065	2,431.64	\$ 0.057
Miami	Paola	1.000%	\$ 10,465	\$ 0.073	\$ 8,664	\$ 0.059	\$ 9,251	\$ 0.061	\$ 11,107	\$ 0.064	10,604.38	\$ 0.056
Labette	Parsons	1.000%	\$ 30,819	\$ 0.074	\$ 24,905	\$ 0.060	\$ 25,534	\$ 0.061	\$ 37,033	\$ 0.077	28,978.51	\$ 0.006
Jefferson	Perry	0.500%	\$ 1,074	\$ 0.039	\$ 863	\$ 0.030	\$ 863	\$ 0.031	\$ 1,096	\$ 0.032	976.11	\$ 0.029
Phillips	Phillipsburg	1.000%			\$ 6,665	\$ 0.063						
Crawford	Pittsburg	0.500%	\$ 25,098	\$ 0.038	\$ 19,602	\$ 0.030	\$ 20,426	\$ 0.031	\$ 24,297	\$ 0.032	22,702.62	\$ 0.028
Rooks	Plainville	1.000%			\$ 5,418	\$ 0.061						
Linn	Pleasanton	1.000%	\$ 3,610	\$ 0.078			\$ 2,834	\$ 0.101	\$ 3,307	\$ 0.071		
Franklin	Pomona	1.000%	\$ 2,241	\$ 0.075	\$ 1,782	\$ 0.060	\$ 1,821	\$ 0.062	\$ 2,327	\$ 0.064	2,066.42	\$ 0.057
Johnson	Prairie Village	1.000%	\$ 72,078	\$ 0.073	\$ 59,026	\$ 0.058	\$ 61,759	\$ 0.064	\$ 74,521	\$ 0.063	70,332.34	\$ 0.055
Pratt	Pratt	0.250%	\$ 4,682	\$ 0.018	\$ 3,698	\$ 0.015	\$ 3,895	\$ 0.015	\$ 4,556	\$ 0.015	4,157.23	\$ 0.013
Comanche	Protection	1.000%	\$ 1,591	\$ 0.068	\$ 1,369	\$ 0.058	\$ 1,443	\$ 0.058	\$ 1,754	\$ 0.061	1,559.37	\$ 0.053
Shawnee	Rossville	1.000%	\$ 2,883	\$ 0.067	\$ 2,513	\$ 0.058	\$ 2,482	\$ 0.053	\$ 3,119	\$ 0.062	2,830.83	\$ 0.053
Nemaha	Sabetha	0.500%	\$ 3,229	\$ 0.037	\$ 2,595	\$ 0.030	\$ 2,718	\$ 0.030	\$ 3,449	\$ 0.032	3,132.79	\$ 0.028
Saline	Salina	0.750%	\$ 66,429	\$ 0.052	\$ 55,792	\$ 0.045	\$ 58,335	\$ 0.045	\$ 69,531	\$ 0.047	62,733.07	\$ 0.041
Johnson	Shawnee	1.125%	\$ 121,159	\$ 0.082	\$ 94,352	\$ 0.066	\$ 94,908	\$ 0.068	\$ 111,069	\$ 0.071	101,666.44	\$ 0.063
Smith	Smith Center	0.500%	\$ 2,729	\$ 0.038	\$ 2,193	\$ 0.030	\$ 2,345	\$ 0.031	\$ 2,777	\$ 0.032	2,602.93	\$ 0.029
Reno	South Hutchinson	0.500%	\$ 2,584	\$ 0.034	\$ 2,259	\$ 0.030	\$ 2,113	\$ 0.030	\$ 2,753	\$ 0.031	2,512.13	\$ 0.027
Leavenworth	Tonganoxie	1.000%	\$ 8,229	\$ 0.099	\$ 4,889	\$ 0.060	\$ 4,918	\$ 0.062	\$ 5,984	\$ 0.064	5,569.21	\$ 0.057
Shawnee	Topeka	1.000%	\$ 327,781	\$ 0.076	\$ 261,403	\$ 0.060	\$ 266,696	\$ 0.062	\$ 319,995	\$ 0.065	299,680.23	\$ 0.057
Butler	Towanda	1.000%	\$ 4,014	\$ 0.075	\$ 2,774	\$ 0.061	\$ 2,617	\$ 0.062	\$ 2,973	\$ 0.065	2,932.12	\$ 0.057
Trego	WaKeeney	1.000%			\$ 5,206	\$ 0.061	\$ 5,402	\$ 0.064	\$ 6,279	\$ 0.055	5,408.02	\$ 0.049
Clay	Wakefield	1.000%	\$ 1,688	\$ 0.069	\$ 1,418	\$ 0.059	\$ 1,432	\$ 0.060	\$ 1,807	\$ 0.062	1,654.04	\$ 0.054
Pottawatomie	Wamego	1.750%	\$ 16,755	\$ 0.119	\$ 13,974	\$ 0.106	\$ 14,757	\$ 0.105	\$ 17,570	\$ 0.110	16,121.77	\$ 0.094
Cherokee	Weir	1.000%	\$ 1,979	\$ 0.074	\$ 1,656	\$ 0.059	\$ 1,785	\$ 0.062	\$ 2,013	\$ 0.065	1,991.48	\$ 0.057
Sumner	Wellington	1.250%	\$ 26,357	\$ 0.094	\$ 21,192	\$ 0.075	\$ 22,224	\$ 0.077	\$ 26,368	\$ 0.081	24,422.98	\$ 0.071
Franklin	Wellsville	0.500%	\$ 1,955	\$ 0.038	\$ 1,526	\$ 0.030	\$ 1,542	\$ 0.031	\$ 1,856	\$ 0.032	1,760.76	\$ 0.028
Pottawatomie	Westmoreland	1.000%	\$ 1,548	\$ 0.065	\$ 1,381	\$ 0.059	\$ 1,346	\$ 0.059	\$ 1,675	\$ 0.062	1,523.96	\$ 0.053
Johnson	Westwood	1.000%	\$ 4,976	\$ 0.073	\$ 4,082	\$ 0.059	\$ 4,219	\$ 0.061	\$ 5,195	\$ 0.063	5,021.24	\$ 0.056
Ellsworth	Wilson	1.000%			\$ 1,406	\$ 0.052	\$ 1,364	\$ 0.054	\$ 363	\$ 0.067		
Wood	Yates Center	1.000%	\$ 23,581	\$ 0.070	\$ 7,008	\$ 0.051	\$ 20,510	\$ 0.056	\$ 25,217	\$ 0.061	25,562.23	\$ 0.058

Kansas Department of Revenue
Office of Policy and Research
Local Sales Tax vs. MCF Tax
Residential Usage

County	City	Local Tax Rate	CY 2000 Collections with local rate	CY 2000 Tax rate per MCF	CY 1999 Collections with local rate	CY 1999 Tax rate per MCF	CY 1998 Collections with local rate	CY 1998 Tax rate per MCF	CY 1997 Collections with local rate	CY 1997 Tax rate per MCF	CY 1996 Collections with local rate	CY 1996 Tax rate per MCF
	Total for cities		\$ 4,402,952	\$ 0.074	\$ 3,303,280	\$ 0.059	\$ 3,401,909	\$ 0.061	\$ 4,001,302	\$ 0.062	\$ 3,395,138	\$ 0.052

Source: Natural Gas Company's Annual Reports as submitted to the Kansas Corporation Commission

Local Natural Gas MCF Tax
Effect on County's with a Local Sales Tax

Note: The data we received was by city. To project what tax rate a county would implement to receive the same revenue as they are receiving from the tax based on gross receipts, the data was combined for the cities within a county, the county tax rate applied, and an estimate developed. Only counties are presented if a significant number of their cities had data in the sample.

Estimated County MCF Tax Rate

	<u>CY 2000</u>	<u>CY 1999</u>	<u>CY 1998</u>	<u>CY 1997</u>
Allen County	\$0.070	\$0.061	\$0.062	\$0.065
Atchison	\$0.110	\$0.089	\$0.092	\$0.094
Barber County	\$0.076	\$0.060	\$0.062	\$0.065
Brown County	\$0.075	\$0.059	\$0.061	\$0.063
Cherokee County	\$0.076	\$0.060	\$0.062	\$0.065
Clay County	\$0.069	\$0.059	\$0.060	\$0.062
Cloud County	\$0.075	\$0.060	\$0.059	\$0.064
Crawford County	\$0.076	\$0.060	\$0.062	\$0.064
Dickinson County	\$0.068	\$0.059	\$0.059	\$0.062
Douglas County	\$0.077	\$0.060	\$0.061	\$0.070
Finney County	\$0.055	\$0.041	\$0.049	\$0.051
Ford County	\$0.073	\$0.054	\$0.064	\$0.068
Franklin County	\$0.110	\$0.090	\$0.093	\$0.096
Geary County	\$0.086	\$0.075	\$0.075	\$0.080
Jackson County	\$0.074	\$0.059	\$0.061	\$0.063
Johnson County	\$0.073	\$0.058	\$0.060	\$0.064
Labette County	\$0.093	\$0.075	\$0.078	\$0.095
Leavenworth County	\$0.080	\$0.060	\$0.062	\$0.065
Lyon County	\$0.038	\$0.030	\$0.031	\$0.032
Miami County	\$0.092	\$0.075	\$0.076	\$0.080
Mitchell County	\$0.076	\$0.060	\$0.061	\$0.064
Montgomery County	\$0.071	\$0.051	\$0.055	\$0.062
Osage County	\$0.078	\$0.061	\$0.062	\$0.064
Pratt County	\$0.072	\$0.059	\$0.058	\$0.062
Reno County	\$0.068	\$0.057	\$0.060	\$0.063
Riley County	\$0.070	\$0.060	\$0.060	\$0.064
Saline County	\$0.069	\$0.060	\$0.060	\$0.063
Seward County	\$0.109	\$0.080	\$0.095	\$0.101
Shawnee County	\$0.067	\$0.054	\$0.056	\$0.058
Wyandotte County	\$0.098	\$0.058	\$0.060	\$0.063

Notes on Natural Gas MCF vs. Gross Receipts Tax

- Data provided by the Kansas Corporation Commission from the annual reports submitted by the natural gas companies was the basis for the analysis. Not all natural gas providers submit the detailed reports by city. Data was not available for most of western Kansas. Data was not included with a couple of annual reports. KCC has requested the information.
- The analysis only looked at residential natural gas sales by city.
- In determining the amount of revenue a local sales tax would generate, the total revenue as reported on the annual report was used.
- Based on the computation for determining what a local tax would generate in local sales tax, the amount of tax per MCF was computed.
- The summary page that lists residential sales by utility was developed from a summary page included in the utility company's annual report as provided by KCC.
- The summary page provides a "what if" scenario for three different MCF tax rates. *(cities)*

Results of Analysis Residential Natural Gas Sales

	CY 2000	CY 1999	CY 1998	CY 1997	CY1996
MCF Sold	67,686,493	64,162,458	64,346,409	72,083,714	68,912,026
Revenue	\$ 516,903,634	\$ 381,696,210	\$ 388,661,480	\$ 463,226,380	\$ 388,230,211
Average No Customers	801,873	767,945	762,692	756,959	640,558
MCF Per Customer	84	84	84	95	108
Revenue Per MCF	\$ 7.6367	\$ 5.9489	\$ 6.0401	\$ 6.4262	\$ 5.6337
Sales tax Revenue from a 1% tax	\$ 5,169,036	\$ 3,816,962	\$ 3,886,615	\$ 4,632,264	3,882,302
Tax Rate by MCF to Replace sales tax	\$ 0.076	\$ 0.059	\$ 0.060	\$ 0.064	\$ 0.056
What if there was a MCF tax in effect in 1996, and the difference between it and the sales tax					
Rate per MCF:					
\$ 0.056	\$ 3,790,444	\$ 3,593,098	\$ 3,603,399	\$ 4,036,688	\$ 3,859,073
Difference, sales tax	\$ (1,378,593)	\$ (223,864)	\$ (283,216)	\$ (595,576)	(23,229)
Rate per MCF:					
\$ 0.060	\$ 4,061,189	\$ 3,849,747	\$ 3,860,784	\$ 4,325,022	\$ 4,134,721
Difference, sales tax	\$ (1,107,847)	\$ 32,785	\$ (25,830)	\$ (307,241)	\$ 252,419
Rate per MCF:					
\$ 0.064	\$ 4,331,935	\$ 4,106,397	\$ 4,118,170	\$ 4,613,357	\$ 4,410,370
Difference, sales tax	\$ (837,101)	\$ 289,435	\$ 231,555	\$ (18,906)	\$ 528,068

Natural Gas Data - Residential Usage
as Supplied to KCC in a Company's Annual Report

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
	Ks Gas Service	Ks Gas Service	Ks Gas Service	Ks Gas Service	Ks Gas Service
MCF Sold	48,046,121	47,258,478	47,768,033	53,071,476	59,592,804
Revenue	\$ 379,500,165	\$ 285,585,627	\$ 287,640,063	\$ 345,675,484	\$ 335,517,435
Average No Customers	574,913	569,910	565,668	563,945	559,064
MCF Per Customer	84	83	84	94	107
Revenue Per MCF	\$ 7.8987	\$ 6.0431	\$ 6.0216	\$ 6.5134	\$ 5.6302
	Midwest Energy	Midwest Energy	Midwest Energy	Midwest Energy	Midwest Energy
MCF Sold	2,922,938	2,926,346	926,181	1,004,024	1,002,318
Revenue	\$ 18,779,406	\$ 17,742,332	\$ 5,808,077	\$ 5,652,795	\$ 5,013,594
Average No Customers	33,835	33,669	10,846	10,713	10,215
MCF Per Customer	86	87	85	93	98
Revenue Per MCF	\$ 6.4248	\$ 6.0630	\$ 6.2710	\$ 5.6630	\$ 5.0020
	Greeley/Atmos	Greeley/Atmos	Greeley/Atmos	Greeley/Atmos	Greeley/Atmos
MCF Sold	9,663,957		1,562,539	2,448,502	
Revenue	\$ 68,315,801		\$ 12,846,384	\$ 14,727,225	
Average No Customers	103,362		24,885	24,402	
MCF Per Customer	94		63	100	
Revenue Per MCF	\$ 7.0700		\$ 8.2200	\$ 6.0148	
	United Cities (included with Greeley Gas)	United Cities	United Cities	United Cities	United Cities
MCF Sold		6,652,551	6,984,646	7,792,892	8,316,904
Revenue		\$ 38,166,321	\$ 38,363,480	\$ 46,854,486	\$ 47,699,182
Average No Customers		75,865	74,658	73,176	71,279
MCF Per Customer		88	94	107	117
Revenue Per MCF		\$ 5.7400	\$ 5.4900	\$ 6.0100	\$ 5.7400
	Utilicorp	Utilicorp	Utilicorp	Utilicorp	Utilicorp
MCF Sold	7,053,477	7,325,083	7,105,010	7,766,820	
Revenue	\$ 50,308,262	\$ 40,201,930	\$ 44,003,476	\$ 50,316,390	
Average No Customers	89,763	88,501	86,635	84,723	
MCF Per Customer	79	83	82	92	
Revenue Per MCF	\$ 7.1300	\$ 5.4900	\$ 6.1900	\$ 6.4800	
	All Companies Combined	All Companies Combined	All Companies Combined	All Companies Combined	All Companies Combined
MCF Sold	67,686,493	64,162,458	64,346,409	72,083,714	68,912,026
Revenue	516,903,634	381,696,210	388,661,480	463,226,380	388,230,211
Average No Customers	801,873	767,945	762,692	756,959	640,558
MCF Per Customer	84	84	84	95	108
Revenue Per MCF	\$ 7.6367	\$ 5.9489	\$ 6.0401	\$ 6.4262	\$ 5.6337
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Tax Rate by MCF to replace sales tax	\$ 0.076	\$ 0.059	\$ 0.060	\$ 0.064	\$ 0.056
What if there was a MCF tax in effect in 1996, and the difference between it and the sales tax Rate per MCF:					
	\$0.056	\$ 3,790,444	\$ 3,593,098	\$ 3,603,399	\$ 4,036,688
Difference from sales tax	\$ (1,378,593)	\$ (223,864)	\$ (283,216)	\$ (595,576)	\$ (23,229)
	\$ 0.060	\$ 4,061,189.60	\$ 3,849,747.48	\$ 3,860,784.52	\$ 4,325,022.84
Difference from sales tax	\$ (1,107,847)	\$ 32,785	\$ (25,830)	\$ (307,241)	\$ 4,134,721.56
	\$ 0.064	\$ 4,331,935.57	\$ 4,106,397.31	\$ 4,118,170.15	\$ 4,613,357.70
Difference from sales tax	\$ (837,101)	\$ 289,435	\$ 231,555	\$ (18,906)	\$ 4,410,369.66