

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:50 a.m. on February 12, 2002, in Room 519-S of the Capitol.

All members were present except: Senators Jenkins, Lee, and Praeger

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

Conferees appearing before the committee: Senator Barbara Allen
Larry R. Baer, League of Kansas Municipalities
Mike Taylor, City of Wichita
George Peterson, Kansas Taxpayers Network
Ed McKechnie, WATCO Companies

Others attending: See attached list.

The minutes of the February 7 and 11, 2002, meetings were approved.

SB 471—Sales taxation; local taxation of natural gas used for agricultural and residential purposes

Senator Allen testified in support of **SB 471**, which would impose a volumetric tax on the consumption of residential and agricultural natural gas in lieu of the local sales tax. She explained that the tax would be measured by the volume of natural gas consumed and would be imposed at a rate not to exceed ten cents per MCF. In this regard, she called attention to an attachment to her written testimony with data indicating that the tax rate by MCF needed to replace the current sales tax on residential natural gas varies from 5.6 cents per MCF to 7.6 cents per MCF. She also called attention to data in an attachment which attempts to project what tax rate a county would implement to receive the same revenue from a volumetric tax as it currently receives from the local sales tax. A final attachment contains data by city and determines what the MCF tax rate needs to be to generate an equivalent amount of revenue to what is currently raised by the local sales tax. In addition, Senator Allen pointed out that the bill is an initial step in bringing Kansas' state and local sales tax bases into conformity to allow Kansas to continue its participation in the multi-state Streamlined Sales Tax Project. In her opinion, cities and counties will not lose revenue if residential natural gas is taxed on volume rather than gross receipts. (Attachment 1)

Larry R. Baer, League of Kansas Municipalities, expressed his concerns regarding **SB 471**. He commented that the intent of the bill is to avoid the additional taxes generated (windfall) when there is a period of high consumption, particularly, when consumption is coupled with rates that are significantly above market averages. He feels that the reference to the additional revenue as a "windfall" for cities is not a fair description in light of the fact cities are also subject to the same weather and gas rate conditions as citizens. He noted that either consumer demand or market costs, or both, will cause regular and reoccurring fluctuations in the revenue raised by the taxing entity. When revenue decreases and needs remain, the revenue will be made up either by a rate increase or a property tax increase. He noted that the concept behind the bill is not bad; however, the results need to be revenue neutral to cities and counties. With 627 cities in the state, he feels it is likely that more than one city could be negatively impacted from such a change. He urged the Committee to proceed with caution as creating a revenue neutral tax policy that is subject to the whimses of the weather, the natural gas market, and consumer demand will not be easy. (Attachment 2)

Senator Corbin called attention to written testimony submitted by Randy Allen, Kansas Association of Counties, in which Mr. Allen urges the Committee to proceed with **SB 471** only if there are assurances that the impact of the tax policies are revenue neutral to counties and other units of local government on an ongoing basis. (Attachment 3)

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:50 a.m. on February 12, 2002, in Room 519-S of the Capitol.

Mike Taylor, City of Wichita, testified in opposition to **SB 471**. He commented that, while the idea of trying to help people weather the economic burden of high natural gas bills is worthwhile, the solution proposed in the bill creates much expense and work for the Department of Revenue and a great deal of uncertainty for local governments for a change that will be hardly noticed by consumers. He pointed out that local governments are also users of natural gas. He noted that the amount the City of Wichita pays for its natural gas is always more than it collects from the 1 percent sales tax. He questioned how much difference switching from a percentage based sales tax to a volume based fee would actually make to the average consumer. In his opinion, tinkering with the revenue stream could cost citizens a lot more later if there are problems with the conversion and local governments suddenly find an unexpected shortfall. (Attachment 4)

George Peterson, Kansas Taxpayers Network, testified in opposition to **SB 471** as another attempt to raise taxes. He commented that Kansas is in a recession, and raising taxes makes a bad economic situation worse. In his opinion, allowing an opportunity for a tax of up to ten cents per MCF might become "the straw that breaks the camel's back" for people living on a fixed income. (Attachment 5)

There being no others wishing to testify, the hearing on **SB 471** was closed.

Senator Corbin turned the Committee's attention to a previously heard bill, **HB 2586**, concerning income tax credits for payments to certain port authorities. He called upon Ed McKechnie, WATCO Companies, to discuss recommended changes to the bill. Mr. McKechnie briefly discussed six proposed amendments as outlined in his handout. (Attachment 6)

Don Hayward, Revisor of Statutes Office, recommended that subsection (b) be technically amended by inserting "to such taxpayers" after "issue" and "for such amount" after "warrant."

Senator Clark moved to amend **HB 2586** as recommended by Mr. McKechnie and Mr. Hayward, seconded by Senator Haley. The motion carried.

Senator Clark moved to recommend **HB 2586** favorably for passage as amended, seconded by Senator Haley. The motion carried.

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

The next meeting is scheduled for February 13, 2002.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: February 12, 2002

NAME	REPRESENTING
Steve Johnson	Kansas Gas Service
George Peterson	Ks Taxpayers Network
LARRY R BAEZ	LKM
Mike Reecht	Ks Don't Consulting
Louisa Reed	Ks Dept of Agriculture
Deann Williams	Ks Motor Carriers Assoc.
Jack Graves	Duke Energy - A-H & Kids Energy
DAVE HOLTHAUS	Hein Law firm
Whitney Danner	Ks Gas Service
Ed McKechnie	WATCO
Amanda Hubbard	Intern for Sen. Allen
Andy Shaw	Kearney law office
Patrick J. Lehman	City of Lawrence
Mike Taylor	City of Wichita
Ashley Shevard	Johnson County
Erik Sartorius	City of Overland Park
Matt Bergmann	Pat Hubbell Assoc.
Tom Brown	Williams Co.
Helen Pedigo	Governor's Office

Don Seifert

City of Olathe



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS

CHAIR: ELECTIONS AND LOCAL GOVERNMENT
 MEMBER: ASSESSMENT AND TAXATION
 EARLY CHILDHOOD DEVELOPMENT SERVICES
 FINANCIAL INSTITUTIONS AND INSURANCE
 REAPPORTIONMENT

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February 12, 2002

Mr. Chairman, Members of the Committee:

S.B. 471 would impose a volumetric tax on the consumption of residential and agricultural natural gas in lieu of the local sales tax. The tax would be measured by the volume of natural gas consumed, and would be imposed at a rate not to exceed \$.10 per mcf. The actual rate for each city or county imposing the tax would be established pursuant to an ordinance or resolution, and could be changed in the same manner.

The reason for selecting the rate of \$.10 per mcf is simple. You will recall this Committee received testimony from the Department of Revenue re MCF vs. Gross Receipts Tax on January 22, 2002. I have attached that data to my testimony.

The first set of data (#1), titled "Notes on Natural Gas, MCF vs. Gross Receipts Tax", is a summary page. Looking at the line titled "Tax Rate by MCF to Replace sales tax", you will see for CY 1996 thru CY 2000, the Tax Rate by MCF that would be needed to replace the current sales tax on residential natural gas varies from a low of 5.6 cents per mcf to a high of 7.6 cents per mcf.

The second set of data (#2), titled "Local Natural Gas MCF Tax Effect on County's with a Local Sales Tax", attempts to

*Senate Assessment & Taxation
 2-12-02
 Attachment 1*

project what tax rate a county would implement to receive the same revenue from a volumetric tax as it currently receives from the local sales tax. Analyzing data for CY 1997 thru CY 2000, the Estimated County MCF Tax Rate rarely exceeds \$.10 per mcf, and for the vast majority of counties is far less than \$.10 per mcf.

The third set of data (#3) entitled "Local Sales Tax vs. MCF Tax Residential Usage", looks at data by city, and determines what the MCF tax rate needs to be to generate an equivalent amount of revenue to what is currently raised by the local sales tax. Again, for CY 1996 thru CY 2000, the tax rate per MCF rarely exceeds \$.10 per mcf, and is usually much lower.

For example, in my home city, Overland Park, the tax rate per mcf that would raise the equivalent amount of current sales tax revenue varies from a low of \$.63 per mcf in CY 1996 to a high of \$.85 per mcf in CY 2000, one of the harshest and coldest winters ever in Kansas.

STREAMLINED SALES TAX AGREEMENT

I also want to point out this bill is an initial step in bringing Kansas' state and local sales tax bases into conformity, an act that is required for Kansas to continue participating in the multistate "Streamlined Sales Tax" Project. After December 31, 2005, participating states may not impose different sales tax rates on specific items. The rates must be uniform. I suspect we will choose to eliminate the local sales tax, rather than to impose a new state sales tax.

I don't believe cities and counties will lose revenue if residential natural gas is taxed on volume, rather than on gross receipts. In fact, in many cases, local governments could theoretically increase their revenue, since the equivalent tax rate per mcf today is much lower than the cap of \$.10 per mcf. I believe removing one of two variables (volume, price), which cause local sales taxes on residential natural gas to increase when gas prices increase, is the right policy for Kansas. Mr. Chairman, I stand for questions.

Tax Committee
1-22-02

Notes on Natural Gas
MCF vs. Gross Receipts Tax

#1

- 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.

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
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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

#2

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	\$00.70	\$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

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	\$ 0.654	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						
Wood	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		
Johns	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

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	\$ 0.066	\$ 1,515	\$ 0.066	\$ 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	\$ 111,647	\$ 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	\$ 0.066		
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	\$ 0.0756	74,815.79	\$ 0.063
Seward	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
Ellen	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		

#3

8-1

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
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

1-9

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



League of Kansas Municipalities

Date: February 12, 2002
To: Senate Assessment and Taxation Committee
From: Larry R. Baer
Assistant Legal Counsel
Re: SB 471

Mr. Chairman and committee members, thank you for allowing the League the opportunity to appear before you to present our comments and concerns on SB 471.

Our understanding of SB 471 is that it will remove the local sales tax from natural gas sales to residential and agricultural consumers. The local sales tax would be replaced with an excise tax that would be imposed based upon a volumetric rate. This rate would be set locally, by ordinance (or by resolution if at the county level), and could not exceed \$0.10 per thousand cubic feet (MCF). It is important that the setting of the tax rate has been left at the local level.

We also understand that the desired effect of SB 471 is to avoid the additional taxes generated when there is a period of high consumption and, particularly, when high consumption is coupled with rates that are significantly above market averages – such as the conditions that existed during the winter of 2000 - 2001. Some have referred to this additional revenue as a “windfall” for those cities that are taxing natural gas. I submit to you that this is not a fair description. Please remember, that the cities were also subjected to the same weather and gas rate conditions as the citizen consumer was, i.e. the cities were paying higher natural gas bills too.

Were the conditions of the winter of 2000 - 2001 typical, or something that should be regularly anticipated, or an anomaly? This winter would indicate that last winter was an anomaly. Numbers that I have seen for the 2 or 3 years prior to the 2000 - 2001 winter make it an anomaly. Some years are hot. Some years are cold. Some years are average. Should taxing policy be based upon weather and market anomalies?

The League understands and appreciates the committee’s concern on this issue. But we also understand that when revenue is a factor of consumer use and market cost the collections will seldom, if ever, be level. Either consumer demand or market costs or both will cause regular and reoccurring fluctuations in the revenue raised by the taxing entity. When revenue decreases and the needs remain, the revenue will be made up. This is done either by a rate increase or a property tax increase.

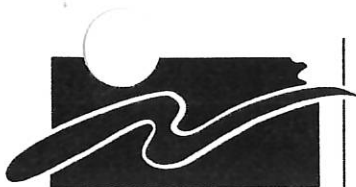
Senate Assessment & Taxation

The concept behind SB 371 is not bad and the League does not object to the concept. But, the results need to be revenue neutral to cities and counties. We would not want to see something that would negatively impact the cash flow of a city. We are aware of at least one city that SB 371 would so impact. With 627 cities in the state, we feel comfortable in saying that more than one could be negatively impacted from such a change.

How does one determine what is revenue neutral? Does it mean that the revenue raised on a volumetric basis must equal that raised on a gross receipts basis? Or if the two don't vary by more than 5%, 7 1/2%, 10%, or whatever, that the method is tax neutral? In determining what is or isn't revenue neutral, do we factor in the costs to those cities that have their own gas systems and must reprogram their billing systems to change the tax calculation procedure? Do we factor in the cost to the secretary of revenue to make adjustments to the department's record keeping and payment procedures? Do we factor in the staff time it takes in each city to explain the billing changes to consumers?

The thought and motive behind SB 471 is good. This is not a good versus bad thing. It is a question of can a taxing policy be changed but leave it revenue neutral. Based upon the questions raised above, we think that this may be very difficult to accomplish. Although not opposed to the concept, the League urges the Committee to proceed with caution. Creating a revenue neutral tax policy that is subject to the whim and whimsies of climate, weather, the natural gas market and consumer demand will not be easy.

Thank you for your time and consideration on this matter.



KANSAS
ASSOCIATION OF
COUNTIES

WRITTEN TESTIMONY
concerning SB 471 - Local Taxation of Natural Gas for Residential
and Agricultural Uses
Senate Assessment and Taxation Committee

Randy Allen, Executive Director
Kansas Association of Counties
February 12, 2002

Mr. Chairman and members of the committee, I regret that I am unable to be present at your hearing concerning SB 471. Today is County Government Day at the Capitol and 200-300 county officials from across Kansas are in Topeka today attending briefings on legislative issues and meeting with legislators concerning issues important to counties. As such, I cannot be present for your hearing and am submitting the following comments for your consideration.

As we understand SB 471, the intent is to replace any local sales tax on residential or agricultural natural gas sales with an excise tax to be imposed on a volume basis at a rate not to exceed \$.10 per thousand cubic feet used. We further understand that the basis for the bill is a concern that in periods of extremely cold weather, such as we experienced in the early winter one year ago, consumers pay a proportionately larger amount of local sales tax. Some have described the additional tax generated during periods of relatively high natural gas consumption as a "windfall" for local governments.

In principle, we do not seriously object to the underlying concept in SB 471, as long as it is revenue neutral to counties and other local governments. Our point is as follows: if in some years weather conditions and related natural gas consumption generate what can reasonably be described as "**windfalls**" for local governments, then the converse should also hold, i.e. that in winters like the one we are currently experiencing we should legitimately describe the revenues as "**shortfalls**" for local governments due to unseasonably warm temperatures, and thus relatively low natural gas consumption. As such, state tax policy should address all weather conditions -- unseasonably cold and unseasonably warm.

The difficulty would seem to lie in determining what is revenue neutral with respect to determining the appropriate level of taxation of natural gas sales based on volume. Wherever a rate is established, it is likely to vary to some extent (positive and negative) from the amount that would have been generated through the current local sales tax. In some years, this would favor the consumer and reduce revenue to counties and other local governments. In other years, the converse would be true.

Based on information furnished by the Policy and Research Office of the Kansas Department of Revenue, local sales taxes from natural gas sales alone in FY 2001 totaled in a range of \$17-20 million, of which \$11-13 million were directly attributable to residential natural gas sales. Local sales tax collections for

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2-12-02
Attachment 3

cities and counties in FY 2000 totaled \$499.2 million. As such, the segment of the local sales tax base directly attributable to residential natural gas sales is significant. And, while I cannot offer precise data, I would presume that the percentage of local sales taxes collections attributable to residential utilities (including natural gas) is much higher in rural counties than in urban counties. With a relatively small tax base from businesses in rural areas, residential utilities are likely to comprise a much higher percentage of total revenue collected.

While the motive underlying SB 471 is pure, the practicality of implementing a revenue neutral change in tax policy is difficult. In a year when local governments, like the State, are concerned with the predictability of revenues, we are concerned that if the local sales tax revenues are reduced in any way, the burden merely shifts to the residual tax base. For example, without complete revenue neutrality, the local tax burden would shift to property taxpayers.

We urge caution in considering SB 471 and ask the committee to proceed only if there are assurances that the impact of these tax policies are revenue neutral to counties and other units of local government on an ongoing basis, taking into account fluctuations in climate and weather. Thank you for considering our concerns.

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its member counties. Inquiries concerning this testimony should be directed to Randy Allen or Judy Moler by calling (785) 272-2585.



TESTIMONY

City of Wichita
Mike Taylor, Government Relations Director
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Senate Bill 471 Local Taxation of Natural Gas

Senate Assessment and Tax Committee
February 12, 2001

The City of Wichita opposes Senate Bill 471. While the idea of trying to help people weather the economic burden of high natural gas bills is worthwhile, the solution proposed in this bill creates a lot of expense and work for the Department of Revenue and a lot of uncertainty for local governments, for a change that will probably be barely noticed by consumers.

The concept proposed in this bill is certainly more tolerable than the idea of a moratorium on local sales tax as was proposed last year. Replacing the local sales tax with a volumetric tax of 10-cents per thousand cubic feet of natural gas at least doesn't rob local governments of a needed source of revenue, but it still creates concern and uncertainty about how that source of revenue will ultimately be affected.

I have not heard how difficult it will be for the Department of Revenue to make and administer this conversion. Until the City of Wichita knows the details of that aspect of this proposal, it is a source of concern.

I also want to remind you, local governments are also users of natural gas. The City of Wichita's natural gas bills soared last year. In bitter cold, or mild winters like this one, the amount our city government pays for its natural gas is always more than it collects from the 1% sales tax.

There is a reasonable question about how much difference switching from a percentage based sales tax to a volume based fee would actually make to the average customer. The fact is, totally eliminating the local sales tax on residential natural gas bills won't do much to make natural gas bills more affordable. A 1% local sales tax on a \$300 natural gas bill would be \$3. Hardly a noticeable difference. But tinkering with the revenue stream could cost citizens a lot more later if there are problems with the conversion and local governments suddenly find an unexpected shortfall.

The goal of helping consumers weather the impacts of bitter cold winters or spikes in the market price of natural gas is admirable, but Senate Bill 471 isn't an effective way to do it.

*Senate Assessment & Taxation
2-12-02
Attachment 4*

KANSAS TAXPAYERS NETWORK
P.O. Box 20050
Wichita, KS 67208

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12, February 2002

Testimony Opposing S.B. 471
By George Petersen
Kansas Taxpayers Network

As we have on many past occasions, the Kansas Taxpayers Network is again testifying in front of this committee in opposition to another attempt to raise taxes, in this case an excise tax on natural gas. Our opinion is that this bill raising taxes on natural gas is just another regressive tax. This legislature should not be passing bills that weaken the private sector in Kansas and hurt low-income families. Many cities and towns are trying to lure business to their area by offering tax incentives. To enact this regressive tax will only serve to make these businesses trying to relocate to look to states where there is a less burdensome tax structure.

Kansas is in a recession. Raising taxes makes a bad economic situation worse. The recent history of natural gas prices suggest that an additional tax of up to .10 cents per mcf might well be the straw that breaks the camels back. People on fixed incomes will be left to shiver in the cold. Their choice may become food, medicine or heat. New studies by the CBO state that the impact of regulation and taxation nationwide are extremely hostile to businesses and taxpayers alike.

This legislature should realize that their actions in raising taxes can significantly worsen Kansas' Economy.

S B 471 which would raise the tax on natural gas should be rejected by this committee.

Legislation that would require the vote of the people to raise taxes needs to be enacted at all levels of government. Oklahoma requires a 60% majority of the people to raise taxes while Missouri requires a 4/7 majority. Colorado requires a super majority vote. Legislation along these lines that would allow the vote only at regularly scheduled elections would help the people of Kansas reign in excessive spending by all units of government.

The Kansas Taxpayers Network urges this committee and the legislature to oppose SB 472 and rapidly enact meaningful and substantial tax relief for all taxpayers of the state.

Senate Assessment & Taxation
2-12-02
Attachment 5

February 6, 2002

To: Members of the Senate Tax Committee
From: Ed McKechnie
Re: Recommended language changes to HB 2586

In response to questions from committee members, input from the Department of Revenue, and the Revisor's Office, attached are our recommended changes to HB 2586. The collective changes do the following:

1. Removes the refundability clause
2. Changes bonds to indebtedness, to allow for greater flexibility in loan instruments
3. Changes issued to authorize to reflect changes in No. 2
4. Limits which single city port authorities can participate in this to those authorized before January 2, 2002. This is to limit the liability to the state.
5. Allows the taxpayer to carry forward any unused tax credit to remain whole for the debt incurred.
6. Avoids the payment of federal tax, due to this being a capital contribution.

If you have any questions, please contact Pat Hubbell at (785) 235-6237 or myself at (620) 232-4184.

Thank you.

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Attachment 6

Section 1. (a) For taxable years 2002 through 2021, there shall be allowed as a credit against the tax liability of a taxpayer imposed under the Kansas income tax act, an amount equal to 100% of the amount attributable to the retirement of ~~bonds indebtedness issued-authorized~~ by a single city port authority, ~~established before January 1, 2002.~~ ~~If the amount of such tax credit exceeds the taxpayers' income tax liability for the taxable year, the amount thereof which exceeds such tax liability shall be refunded to the taxpayer.~~ In no event shall the total amount of the credits allowed under this section exceed \$500,000 for any one fiscal year, except that any unused credit may be carried forward, not to exceed the life of this section.

(b) Upon certification by the secretary of revenue of the amount of any such credit, the director of accounts and reports shall issue a warrant which shall be deemed to be a capital contribution.

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