Approved: April 30, 2003
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson David Corbin at 10:45 a.m. on April 2, 2003, in Room 519-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee: Richard Cram, Kansas Department of Revenue
Ron Hein, Pioneer Natural Resources U.S.A., Inc.
Ken Peterson, Kansas Petroleum Council
Pete Schrepferman, Wichita Independent Business Association
Marlee Carpenter, Kansas Chamber of Commerce & Industry
Hal Hudson, National Federation of Independent Business
Bob Krehbiel, Kansas Independent Oil & Gas Association

Others attending: See attached list.

SB 279–Taxation; relating to time for payment

Richard Cram, Kansas Department of Revenue, testified in support of **SB 279**, noting that it is part of the Governor's budget proposal. He explained that **SB 279** would accelerate the collection of withholding, sales and use taxes, and mineral taxes and that its passage would increase state general fund revenues for Fiscal Year 2004 by approximately $18 million. He compared current law with the proposed changes in Sections 1, 2, and 3 and discussed the estimated increase to state general fund revenues for each section. In conclusion, he noted that the Department is working with the oil and gas industry on their suggested amendments to Section 3. (Attachment 1) Mr. Cram responded to committee questions regarding the remittance of withholding taxes at which time he acknowledged that the proposed change to accelerate collection would be a permanent change for a one-time benefit.

Ron Hein, representing Pioneer Natural Resources U.S.A., testified in opposition to the portion of **SB 279** which accelerates the payment of severance tax, noting that the issue has been debated by the legislature in past years. He emphasized that it is extremely difficult, if not impossible, for the oil and gas industry to collect data and remit the severance tax sooner than the time now allowed by law. He noted that if acceleration legislation is passed, it will be necessary for the industry to hire additional personnel to read meters, estimate monthly volumes, and process any adjustments. In conclusion, he commented that passage of the bill will create a permanent business inefficiency for a one-time benefit to the state. (Attachment 2)

Ken Peterson, Kansas Petroleum Council, echoed Mr. Hein's opposition to the portion of **SB 279** concerning the severance tax. He reminded the Committee that the 2001 Legislature barely approved a similar bill. However, the Governor vetoed it, citing burdensome consequences to the industry and minimal benefits to the state. He called attention to a copy of the veto message and a copy of the fiscal note on the 2001 legislation indicating that the costs of implementing the one-month reduction in remittance time would carry significant costs to the state. In addition, he called attention to testimony presented in 2001 by Dick Brewster, BP, in which Mr. Brewster states that the additional accounting process involved would significantly increase the cost of producing gas in Kansas. Mr. Peterson maintained that the one-time increase in tax revenues is not worth the ongoing problems it will create for both the industry and the state. (Attachment 3)

Pete Schrepferman, Wichita Independent Business Association, testified in opposition to **SB 279**, contending that it does nothing to address the long-term fiscal problems facing the state. He expressed concern that the acceleration of withholding and sales tax payments from quarterly to monthly will place a significant burden on small "Mom and Pop" businesses, who will be forced to cover the cost of additional administrative and auditing expenses. In addition, he noted that the bill forces business owners to pay taxes to the state on money they have yet to collect. He recommended that the bill be amended to exempt businesses which collect $1,600 or less per year in sales taxes and those which withhold $1,200 or less in payroll taxes. (Attachment 4)

Marlee Carpenter, Kansas Chamber of Commerce and Industry, testified in opposition to **SB 279**. She commented that the increase in filings from four to twelve times per year will create a burden for small businesses due to the increased cost required for compliance and the increased paperwork. She also pointed out that small businesses would lose the time value of money. In addition, she believes the Department of Revenue will have to hire more employees to handle the increased paperwork. In conclusion, Ms. Carpenter commented that, although the Chamber is encouraged by the Governor's plan because it does not include a tax increase, it hopes to work with the Legislature to develop other solutions to budget concerns. (Attachment 5)

Hal Hudson, National Federation of Independent Business (NFIB), testified in opposition to **SB 279** on behalf of the 6,000 small business owners in Kansas who are members of NFIB. He noted that, by lowering the thresholds for reporting sales tax receipts, small businesses will be required to prepare reports and write checks to the Department of Revenue when as little as $6.00 or $7.00 is due. Additionally, firms with only one minimum wage employee will be required to file monthly reports and remit withholding when as little as $50.00 or less is due. He pointed out that the proposal does not raise any additional money, and it creates 16 additional opportunities a year for errors to be made by the taxpayer and the Department. In his opinion, the additional time and cost imposed on the Department to process the accelerated collections could be better spent. (Attachment 6)

Bob Krehbiel, Kansas Independent Oil and Gas Association, testified in opposition to **SB 279** with regard to provision in Section 3 accelerating the remittance of the tax on natural gas. He noted that the acceleration of tax payments on natural gas would put many gas producers in the position of having to pay the tax before knowing the amount and receiving payment. As a result, tax payments would be based on estimated amounts that would need to be adjusted to actual on a monthly basis. In addition, every payer of the severance tax and remitter of royalties will be forced to revamp their computer program, which will be costly. In his opinion, the cost of resolving these practical aspects will far exceed the one-time benefit to the state. (Attachment 7)

There being not others wishing to testify, the hearing on **SB 279** was closed.

Senator Corbin commented that the alternative to this portion of the Governor's budget proposal is to consider either cutting the education budget or to consider other ways to raise revenue. Senator Oleen commented that she felt it was appropriate that all members of the Senate be given an opportunity to consider **SB 279** on the floor of the Senate.

Senator Oleen moved to technically amend **SB 279** to alleviate the concerns expressed by the oil and gas industry relating to the procedures for estimated severance tax payments and to report the bill as amended to the full Senate without a recommendation, seconded by Senator Buhler.

Senator Allen raised a question regarding the fiscal note submitted by the Department of Revenue on a similar bill considered in 2001. She noted that the Department indicated that the cost to rewrite the mineral tax system in 2001 would be approximately $304,000 and asked why the Department's fiscal note on **SB 279** does not include administrative costs relating to the severance tax. In response, Joan Wagnon, Secretary, Department of Revenue, commented that, although the proposed change in the collection of severance taxes will create more work for the Department, the Department will have the same amount of programers doing the same amount of work and that it simply comes down to a decision as to which project staff will be assigned to complete. Because the resources to complete the work are in place, the work can be completed within the current approved budget for the Department. As to the concerns expressed by the oil and gas industry, she noted that the Department is willing to work with the industry on a solution.

Senator Pugh questioned if it was appropriate for the Committee to pass **SB 279** out of committee without making a decision as to whether or not the provisions are good policy. In response, Senator Oleen reiterated that the intent of her motion was to allow all Senators to look at the measure. She pointed out that, historically, legislators have always considered the governor's budget proposals. She noted that her motion alleviates Committee members from having to take a formal position in support or in opposition to the bill. She went on to say that, due to the nature of the introduction of the pieces of the Governor's plan, they do not all fit in one bill. However, the plan is that all parts of the Governor's plan will come to the floor of the House and Senate for consideration.

Senator Donovan commented that passing the bill out of committee without a recommendation sends a message that there is some support for it. He went on to say that he views the approach in the bill to fill "holes" with revenue as "blatantly awful." In his opinion, this approach would be terrible policy even if the economy was healthy because it is "foolish and extremely counter productive." For the reasons cited, he strongly opposed passing **SB 279** out of committee.

Upon a call for a vote on Senator Oleen's motion, Senator Corbin declared that the motion carried. Senator Pugh called for a division. The motion carried.

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

The next meeting is scheduled for April 3, 2003.

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: april 2, 2003

NAME	REPRESENTING
Pete Sohnstromm	WIBA
Amy Garcia	WIBA
Natalie Bright	WIBA
George Petersen	KTN
Marlee Carpenter	Kansas Chamber
Leslie Kaufman	Ks Farm Bureau
Tom Bruno	EKOGA
Deann Williams	KMCA
Andy Huckaba	Self
Christy Caldwell	Topeka Chamber of Comm.
Ashley Sherard	Lenexa Chamber
Bob Topping	KBBA
Bob Vancrum	Greater KC Chamber
Jackie Clark	Hallmark Cards
Elizabeth E. Taylor	Bed & Breakfast
[illegible]	Wake - KM 4 [illegible]
Ken Peterson	KS Petroleum Council
Hal Hudson	NFIB/KS
KEN DANIEL	MIDWAY WHOLESALE/NFIB

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: April 2, 2003

NAME	REPRESENTING
Ron Seeber	Hein Law Firm
Ron Gaches	CBBA

JOAN WAGNON, SECRETARY

KANSAS

DEPARTMENT OF REVENUE
OFFICE OF THE SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

Testimony to Senate Committee on Assessment and Taxation
Richard Cram, Director of Policy and Research
Secretary of Revenue

April 2, 2003

Senate Bill 279

Chairman Corbin and Members of the Committee:

I strongly support Senate Bill 279, part of our Governor's proposal, which would accelerate the collection of withholding, sales and use taxes, and mineral taxes. Passage of this bill would increase fiscal year 2004 state general fund revenues by approximately $18.0 million.

Section 1 amends K.S.A. 79-3298 to require that whenever the withholding tax exceeds $200 but does not exceed $8,000 in a calendar year, it shall be remitted monthly on or before the 15th day of the following month. Under current law, whenever the withholding amount exceeds $200 but does not exceed $1,200 in a calendar year, withholding taxes must be remitted quarterly, and above $1,200 but not exceeding $100,000, the tax must be remitted monthly. Requiring all quarterly withholding tax filers to file monthly is estimated to increase fiscal year 2004 state general fund revenues about $6.3 million.

Section 2 amends K.S.A. 79-3607 to require that when total sales or use tax liability exceeds $80 in any calendar year, the retailer shall file a return for each month on or before the 25th of the following month. Under current law, when total sales or use tax liability exceeds $80 but does not exceed $1,600 in a calendar year, the tax must be remitted quarterly, and above $1,600 but not exceeding $32,000, the tax must be remitted monthly. Requiring all quarterly sales and use tax filers to file monthly is estimated to increase fiscal year 2004 state general fund revenues about $6.7 million.

Section 3 amends K.S.A. 79-4220 to require payment of any oil, gas, or coal mineral tax on or before the 20th day of the first month following the end of the month the oil, gas, or coal was removed from the lease or production unit, or mine. Section 4 amends K.S.A. 79-4221 to require the tax return of any oil, gas, or coal mineral tax be filed on or before the 20th day of the first month following the end of the month the oil, gas, or coal was removed from the lease or production unit, or mine. These amendments accelerate payment of mineral taxes by one month. Requiring mineral tax payments to be made the following month rather than two months following the removal of the oil, gas and coal is estimated to increase fiscal year 2004 state

Senate Assessment + Taxation
4-2-03
Attachment 1

general fund revenues about $5.0 million. We understand that the oil and gas industry may propose some amendments to these provisions, and we will work with them on developing workable language.

I would be pleased to address any questions you may have.

HEIN LAW FIRM, CHARTERED

5845 SW 29th Street, Topeka, KS 66614-2462
Phone: (785) 273-1441
Fax: (785) 273-9243

Ronald R. Hein
Attorney-at-Law
Email: rhein@heinlaw.com

Senate Assessment and Taxation Committee
Testimony re: SB 279
Presented by Ronald R. Hein
on behalf of
Pioneer Natural Resources U.S.A., Inc.
April 2, 2003

Mr. Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for Pioneer Natural Resources USA, Inc. Pioneer is one of the largest independent exploration and production oil and gas companies in North America, with major natural gas production in the Hugoton field in Southwest Kansas.

Pioneer opposes the portion of SB 279 which accelerates the payment of severance tax.

Although this bill accelerates the payment, it does not recognize that producers cannot accelerate the collection of the data and the processing of that data in order to determine the amount of tax to be remitted to the state and the local units of government.

This issue has been debated in the legislature before, and it is clear that it is extremely difficult, if not impossible, for the industry to collect the data and remit the severance tax sooner than is currently allowed. Currently, the law provides for payment to be made approximately 50 days after the month of production. SB 279 would require producers to read their meters, make the calculations, and remit the tax within 20 days of the end of the month of production.

When this issue has arisen in the past, the first response of our company was to say that such acceleration cannot physically be done. The second response, was to say that, if there were no choice, to accommodate the State of Kansas, we would be required to hire additional personnel to read the meters, to estimate monthly volumes, and to process any adjustments. This would result in extreme personnel inefficiencies for our company. This added cost to our company would be repeated throughout the industry. This would be an increase in costs to all the producers in perpetuity, with all of its inherent inefficiencies in order to achieve a one time benefit to the State of Kansas.

Passage of such a bill which creates a permanent inefficiency on our business for a one time benefit to the state does not seem to be warranted or appropriate legislation.

Thank you very much for permitting me to testify, and I will be happy to yield to questions.

Senate Assessment + Taxation
4-2-03
Attachment 2

Kansas
Petroleum
Council

Comments Submitted to the Senate Assessment and Taxation Committee
On Senate Bill 279

April 2, 2003

Mr. Chairman and members of the Committee, thank you for allowing me to submit these comments on Senate Bill 279. I specifically wish to address Section 3 of the legislation, the portion that accelerates by one month the collection of the severance tax on oil and gas.

This section of the bill is probably familiar to you. The 2001 Legislature barely approved House Bill 2592, legislation to accomplish the same goal. At that time, even those who supported the bill said it was hard to swallow. Gov. Graves found the bill too distasteful to sign. He vetoed it, citing burdensome consequences to the industry and minimal benefits for the state. A copy of his veto message is attached.

Members of the Committee, nothing has changed since 2001 in the mechanics of severance tax remittance. The two-month lag in the collection of severance taxes was put into law for a reason that remains valid – it is impossible for producers in a one-month period to process all gas sale receipts from several purchasers.

I would refer the Committee to the comments submitted by Mr. Woolsey on behalf of KIOGA and to comments made to this committee in 2001 by Mr. Dick Brewster of BP. They offer excellent arguments against pursuing this ill-advised change in severance tax payments. The acceleration would create an unnecessary workload not just for producers, but for the Revenue Department as well.

I have attached a copy of a fiscal note on House Bill 2592 prepared by the Revenue Department in 2001. As you can see, the costs of implementing this one-month reduction in remittance time would have carried fairly significant costs to the state had the bill become law.

We respectfully ask the committee to delete the severance tax acceleration portion of Senate Bill 279. The one-time increase in tax revenues is not worth the long-term ongoing problems created for both the industry and the state.

Thank you.

Ken Peterson
Executive Director

Senate Assessment & Taxation
4-2-03
Attachment 3

SUITE 1005 ● 800 SW JACKSON STREET ● TOPEKA, KANSAS 66612-1224
PHONE: 785.234.0589 ● FAX 785.235.6179 ● E-MAIL: kansas@api.org

House Bill 2592
May 21, 2001

Message to the House of Representatives of the State of Kansas:

Pursuant to Article 2, Section 14 of the Constitution of the State of Kansas, I am vetoing House Bill 2592. House Bill 2592 modifies the payment due date for mineral taxes from the 20^{th} of the second month following the severing of the oil or gas to the 20^{th} of the month following the severing of the gas or oil.

The modified filing deadline has a number of unintended and unduly burdensome consequences to the Department of Revenue and the taxpayers. At the time the tax return and payment are due, most taxpayers will lack the information necessary to file an accurate return. Additionally, many of the taxpayers will not have received payment for the oil or gas within this time limit. Consequently, House Bill 2592 will create problems with unpaid or overpaid accounts, ongoing collection efforts and administrative correspondence with taxpayers. The taxpayers would also continually be amending returns to correct returns filed before all the information was available.

Historically, tax enforcement and taxpayer compliance have not been problems for the oil and gas industry in Kansas. This bill could force taxpayers into untimely and inaccurate filings and create administrative burdens with no significant benefit to the state.

Given the extent of my concerns regarding the application of House Bill 2592 and the minimal benefits provided to the State of Kansas from its one-time revenue shift, I am vetoing this bill.

BILL GRAVES
Governor

3-2

FISCAL NOTE RESPONSE HB 2592

TO: Richard Cram

FROM: Steve Stotts

DATE: May 3, 2001

RE: HB 2592 – Proposed amendment administrative costs

ADMINISTRATIVE IMPACT:

Rewrite the Mineral Tax system. This would include all necessary programming and testing:

Option 1: Using Contract Programmers:

Contract Programmer/Analyst IV	2000 hours @ $80 per hour	$160,000
Customer Relations – Forms, postage, and testing		$5,000
EFT - Modify the current system to allow for an additional field.		$12,000
Total		$177,000

Option 2: Using Contract and Department Programmers:

Contract Programmer/Analyst IV	1000 hours @ $80 per hour	$80,000
Department Programmer/Analyst IV	1000 hours @ $30 per hour	$30,000
Customer Relations – Forms, postage, and testing		$5,000
EFT - Modify the current system to allow for an additional field.		$12,000
Total		$127,000

The Mineral Tax system is unable to handle Estimated Tax payments.
Currently, users calculate the penalty & interest by hand (Calculator.)
Additional work will need to be done on Fiscal Entry system.
We believe a rewrite of the system is necessary.
Computer Forms would have to be redesigned.

The department does not have in-house programming resources to complete the programming work in time to implement the legislation by August 2001 and will need to hire outside resources to timely complete this project.

3-3

E. R. (Dick) Brewster
4334 N. W. Expressway, Suite 275
Oklahoma City, OK 73116
405-848-0657
Director, Government Affairs

April 25, 2001

Senator Dave Corbin, Chairman
Senate Committee on Assessment and Taxation
Kansas State Capitol
Topeka, KS

Re: Kansas Severance Tax Collections

Dear Senator Corbin:

I understand that the Legislature is considering accelerating the collection of the severance tax, to provide assistance with the current budget/revenue crunch.

While I understand the need for a quick cash infusion, our accounting staff advises me that we do not have the needed information to remit the severance tax a month earlier, at least with regard to the production of natural gas.

The complexities of natural gas marketing are well outlined in comments you will receive from Jack Glaves. These complexities demonstrate clearly the need for the time now allowed by Kansas law to remit severance tax payments.

A shortened the period will require us to make estimated payments. Once adequate information is available, a prior period adjustment would have to be made on every producing property in the State, at least doubling the number of reporting lines submitted to the Revenue Department.

This extensive and additional accounting process will significantly increase the cost of producing gas in Kansas. At a time when the only answer to higher natural gas prices is increased production, we submit it is not wise to increase production costs, shortening the economically productive life of a mature gas producing area.

Additional reporting/accounting costs to BP are difficult to estimate, but could reach $500,000 per year. We believe this money could be better spent on improvements to increase our Kansas gas production.

Domestic gas producers will spend close to $40 billion a year in searching for new gas and improving production from existing operations. Kansas needs to remain competitive to attract these investment dollars. We urge you not to increase the cost of producing gas in Kansas, and to allow the current severance tax remittance time to remain undisturbed.

Respectfully Submitted,

Copy: Senator Steve Morris

Wichita Independent Business Association

THE VOICE OF INDEPENDENT BUSINESS

Legislative Testimony - SB 279

April 2, 2003

Testimony Provided to Senate Assessment and Taxation

By Pete Schrepferman, Owner, Johnstone Supply Company

Mr. Chairman and members of the Committee:

My name is Pete Schrepfermann and I am appearing on behalf of the Wichita Independent Business Association (WIBA). I would like to express concern regarding the changes set out in SB 279. The acceleration of withholding and sales tax payments from quarterly to monthly will place a significant burden on our smaller "Mom and Pop" businesses. It is these members who do not have the luxury of outsourcing their accounting processes and with whom will be forced to cover the cost of additional administrative and auditing expenses.

WIBA supports the "spirit" of the Governor's recent recommendations, which had no new general tax increases. However, our members believe her revenue package does nothing to address the long-term fiscal problems our state is facing. From a State revenue standpoint, all this bill does is move revenue from the next fiscal year back into the current one by collecting funds one or two months earlier. From an economic development standpoint, it poses significant administrative burdens for small businesses.

In addition, you must also consider that in these tough times, businesses are experiencing real cash flow problems. Many customers are delaying payment for thirty, sixty or even ninety days due to the poor economic conditions. Implementation of SB 279 forces business owners to pay taxes to the state on money they have yet to collect.

If you proceed with this proposal, I would ask you consider allowing businesses, which collect $1600 or less per year in sales taxes and those who withhold $1200 or less in payroll taxes, be exempted from this requirement. It simply cannot be cost effective for the State to fool with the necessary paperwork that will be required when we are talking about $100 or less in total taxes per month.

Thank you for the opportunity to comment on SB 279

Pete Schrepferman
Johnstone Supply – WIBA # 416

Senate Assessment & Taxation
4-2-03
Attachment 4

415 S. Main Street / Wichita, KS 67202-3719
316-267-8987 / 1-800-279-WIBA / FAX 316-267-8964 / E-mail: information@wiba.org / Web Site: www.wiba.org

LEGISLATIVE TESTIMONY

the Kansas Chamber of Commerce and Industry
The Unified Voice of Business
835 SW Topeka Blvd. • Topeka, KS 66612-1671 • 785-357-6321 • Fax: 785-357-4732 • E-mail: kcci@kansaschamber.org • www.kansaschamber.org

SB 279

April 2, 2003

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony before the Senate Assessment and Taxation Committee
By Marlee Carpenter, Director of Taxation and Small Business

Mr. Chairman and members of the Committee:

I am Marlee Carpenter with the Kansas Chamber of Commerce and Industry. The Kansas Chamber is encouraged by Governor Sebelius' budget balancing package because it does not include a tax increase. The business economy is still struggling and increased taxes will not encourage business investment and growth. Kansas cannot tax its way out of this economic downturn but must grow and expand to fund the essential government programs. The Kansas Chamber's number one priority this session is no new business taxes and we support the governor's initiatives. However, we have some concerns with the proposals in SB 279.

SB 279 accelerates the filing and remittance time of sales tax and income tax withholding payments. These proposals would increase filings from four times per year to twelve times per year. This would be a burden on the smallest businesses in the state. These additional filing deadlines would increase the cost of compliance and increase the paperwork burden for these businesses. Also, these companies would lose the time value of money. They would have to make payments to the Department of Revenue, in some cases before they have received the money themselves. This would affect the competitive position of Kansas businesses if they are forced to comply.

In addition, SB 279 would increase the volume of paperwork the Department receives. The Department will have to hire additional employees to handle this increase in paperwork and in essence, increase the cost of government. Over the year we have heard from our members about problems they encounter with filing returns with the Department and increased filing and paperwork will only enhance these problems.

The Kansas Chamber represents Kansas businesses of all size and we are committed to ensuring the cost of

Senate Assessment & Taxation
4-2-03
Attachment 5

doing business is not increased. The passage of SB 279 would increase the cost of compliance for businesses, especially small businesses. Again, we are encouraged by the governor's plan and we hope to work with the legislature to develop solutions to the budget concerns as this session comes to an end.

Thank you for the opportunity to comment on SB 279 and I would be happy to answer any questions.

About the Kansas Chamber of Commerce and Industry
The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 2,000 businesses, which includes 200 local and regional chambers of commerce and trade organizations that represent more than 161,000 business men and women. The organization represents both large and small employers in Kansas, with 48% of KCCI's members having less than 25 employees and 78% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

LEGISLATIVE NFIB TESTIMONY

The Voice of Small Business®

KANSAS

Statement By
Hal Hudson, State Director
National Federation of Independent Business
Presented to the
Senate Assessment & Taxation Committee
On Senate Bill 279
Wednesday, April 2, 2003

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to appear in opposition to enactment of Senate Bill 279.

On behalf of the 6,000 small business owners who are members of NFIB in Kansas, I urge you not to impose the burdensome paperwork of SB 279 on the very smallest of Kansas businesses.

While we do not object to the efforts on the part of the Governor and the Legislature to avoid any tax increases this year, we find the provisions of SB 279 very objectionable.

Under current law, the smallest businesses are required to file sales tax returns and withholding taxes only quarterly. SB 279 would require these reports to be filed monthly – with no increased revenue to the state. And, no reimbursement for serving as tax collectors for the state.

By lowering the thresholds for reporting sales tax receipts, SB 279 would have retailers preparing reports, writing checks and mailing them to the Department of Revenue when as little as $6.00 - $7.00 is due.

Additionally, firms with as few as ONE minimum-wage employee would be filling out monthly reports and remitting payment for withholding when as little as $50.00 or less is due.

These two proposals do not raise any additional money. All they do is move about $13 million in revenues from one fiscal year back into the earlier year by collecting funds one or two months earlier. If there are 80,000 of these two types of small returns combined, and it costs $20 per report to file this paperwork, eight additional times per year, this will add approximately $12.8 million in compliance costs per year to the smallest Kansas businesses.

Aside from the time and cost of preparing the additional returns, there would be 16 additional opportunities a year for errors to be made – by the taxpayer, and by the Department of Revenue.

And, we must ask, how much additional cost will be imposed on the Department of Revenue to process these collections? Couldn't the Department's staff time be better spent?

Surely, there is a better way to balance the budget than imposing this burden on small business.

I urge you to reject SB 279.

National Federation of Independent Business – KANSAS
3601 S.W. 29th Street, Suite 116B • Topeka, KS 66614-2015 • 785-271-9449 • Fax 785-273-9200 • www.nfib.com

Senate Assessment & Taxation
4-2-03
Attachment 6

WRITTEN COMMENTS ON BEHALF OF
THE KANSAS INDEPENDENT OIL & GAS ASSOCIATION

STATE OF KANSAS
SENATE COMMITTEE ON TAXATION
HEARING ON SB 279
APRIL 2, 2003

Senator Corbin and Members of the Committee:

Accelerating the remittance of the tax on natural gas as provided in Section 3 of SB 279 creates some practical problems which will be costly for both the producers and the Department of Revenue. These problems are iterated in the e-mail correspondence attached to this written statement. There is a possibility that the cost of resolving these practical aspects will exceed the one-time benefit to the State.

The producers simply ask that the Committee consider these problems when deliberating this bill.

Thank you for considering these comments.

Robert E. Krehbiel
Executive Vice-President
Kansas Independent Oil & Gas Association

Senate Assessment & Taxation
4-2-03
Attachment 7

YAHOO! Mail

Close Window

From: "Kelly" <kloga@swbell.net>
To: "Bob Krehbiel" <klogabob@swbell.net>
Subject: Fw: State Budget
Date: Tue, 25 Mar 2003 16:42:35 -0600

----- Original Message -----
From: Dayvault, David
To: Kelly
Sent: Tuesday, March 25, 2003 4:34 PM
Subject: RE: State Budget

Bob,

On the acceleration of mineral tax payments, with respect to gas, this would put many gas operators in the position of having to pay the tax before they knew the amount or had received the funds. This would result in the payments based on estimated amounts that would need to be adjusted to actual on a monthly basis. When this came up several years ago not only did the industry oppose it, so did the Department of Revenue. As to the rest of the Governor's proposals, they seem pretty reasonable. I'm sure the oil purchasers (of which there are few) could comply with the acceleration proposal more easily than the gas remitters of severance tax (which there are many since this is most often done at the operator level), but by exempting gas there isn't much revenue in it for the state. It would be best to kill this proposal outright, if not having each gas purchaser post a refundable deposit is the only practical way of getting to the same result for the state.

David M. Dayvault
Grant Thornton LLP
T 316-383-3221
F 316-383-3274
ddayvault@gt.com

YAHOO! Mail

Close Window

From: "I. Wayne Woolsey" <wwoolsey@sctelcom.net>
To: "Bob Krehbiel" <kiogabob@swbell.net>
Subject: Proposals
Date: Fri, 28 Mar 2003 10:55:03 -0600

Mr. Bob Krehbiel - Executive Director, KIOGA

Re: Proposals to Change Mineral Tax Laws

Dear Bob:

I am writing to offer my comments about recent proposals to change the mineral tax laws that would impact the Kansas oil and gas producers.

I recommend that KIOGA strongly oppose any acceleration of the collection of mineral taxes from the current two-month lag to a one-month lag. Due to the time required to integrate gas charts, the transporters of natural gas do not report the volumes to the first purchasers until 20 days after the month. The first purchasers do not pay the operator for the gas sales until the end of the month. It would be impossible for the operator to process all of the gas sale receipts from several purchasers through its revenue distribution system to obtain the data required to prepare the severance tax return. If the proposal becomes law, the operator would file an initial return based on estimates which must be amended. The amended return would double the workload for both the producers and the revenue department. This of course would result in additional personnel at the state government level. The only way that severance taxes could be paid in 30 days is if the first purchaser calculated and remitted the severance taxes. This solution could work on certain properties, but would cause many problems if the sales volumes needed to be allocated back to several leases. Because the first purchaser does not have the necessary allocation data, the operator would need to provide the allocation data to the first purchaser very early in the revenue distribution process. I am afraid that an early deadline requirement to calculate and communicate the allocation percentages would cause many errors that would require subsequent adjustments causing unnecessary work for both the first purchaser and the operator and confusion for the royalty owners.

Very truly yours,

I.Wayne Woolsey, President

Woolsey Petroleum Corproation