

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 6, 2006 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Legislative Research Department  
Gordon Self, Revisor of Statutes  
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Stuart Little, Johnson County Board of Commissioners

Others attending:

See attached list.

The Chairman called for bill introductions.

Representative Kirk requested a bill introduction concerning a change in the sales tax rebate. It was seconded by Representative Treaster. The motion passed.

Mr. Little, on behalf of the Johnson County Board of County Commissioners, requested that a bill be introduced authorizing and put to a public vote a .05 sales tax. Representative O'Malley moved his motion and Representative Thull seconded that motion. The motion passed.

**HB 2619 - Property taxation; relating to exemptions; certain commercial and industrial machinery and equipment.**

The Chairman opened the discussion on **HB 2619**.

Representative Owens offered two amendments: (a) The deletion of the word "solely" on lines 33 and 39. (b) On page 2, after line 10, a paragraph (4) would be inserted which would state the term "acquired" shall not include the transfer of property pursuant and exchanged for stock securities or the transfer of assets of one business entity to another due to a merger or other consolidation. Representative Dillmore seconded the motions (Attachment 1).

The Chairman divided his amendment into two parts. Representative Owens closed on part (a) of his amendment. The Chairman called for a vote and the motion passed.

After discussion, Representative Owens withdrew the second part of his motion and without objection from the second.

Mark Beck, DOR, suggested three amendments be added to **HB 2619**: (1) insertion of language related to rule and regulation authority of Secretary of Revenue, (2) striking "on or" on lines 32 and 36 (3) insertion of Section 3 that pertains to BOTAs. Representative O'Malley made a motion to add their amendments to the bill. It was seconded by Representative Owens. The motion passed. A memo with data on the assessed value on machinery and equipment for 2004 and 2005, by counties was distributed (Attachment 2).

Representative Dillmore stated that since the bill would shift the tax burden from large companies to residential property, and would impact seniors, on fixed incomes, he made a motion to amend the Homestead Exemption Act to increase the income thresholds to \$50,000 and cap the property values of \$150,000, the medium value of a house in Kansas. (Attachment 3). After discussion, Chairman Wilk said that due to the complexity of the issue, he would commit to a future hearing, at which time they would address Representative Dillmore's proposed amendment to the Homestead Exemption Act. Representative Dillmore said that his amendment was in bill form (**HB 2859**). Representative Dillmore withdrew his motion, with the understanding that the issue would be discussed at a different time.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on February 6, 2006 in Room 519-S of the Capitol.

Representative Thull offered an amendment that dealt with General Motors investments. Page 1, between lines 37 and lines 38, a *third* section would be added: Commercial and industrial machinery and equipment that is acquired by qualified purchase entered into after July 1, 2006 to be integrated into a project that would have a total capital investment exceeding \$100 million. Representative Kirk seconded the amendment (Attachment 4). The motion carried.

Representative Wilk made a motion to change the enactment date to include everyone in the July 1, 2006 effective date. That change would mean the specific language in Representative Thull's amendment is no longer necessary since this amendment would include it. Chairman Wilk made a motion to amend his motion to also change the dates in the Siegfried's slider amendment. Representative Goico seconded the motion and the change. The motion carried.

Representative Treaster made a motion that the Siegfried slider amendment would reimburse in years 2008 and 2009 at 100% and then start the formula of 80-60-40-20. Representative Menghini seconded. The motion carried.

Representative Huff made the motion that the Taxation Committee move **HB 2619**, as amended, out favorably. Seconded by Representative Thull. The motion carried unanimously.

**HB 2525 - Substitute bill for property tax exemption for telecommunications and railroad machinery and equipment.**

The Chairman asked Gordon Self to brief the Committee on the bill. He explained the only difference in this new draft of the Substitute bill was that the amendment to KSA 79-2101w was deleted, as that issue had been addressed in **HB 2619** (Attachment 5)

Representative Huff moved that **HB 2525** be deleted and **Sub. HB 2525** be inserted. Representative Hill seconded the motion. The motion carried.

Representative Wilk made a motion to request the revisor to place an amendment in **HB 2525** to match up **all** of the components that were changed in **HB 2619**. Representative Thull seconded the motion. The motion carried.

Representative Dillmore made the motion to strike Sub Sec. C., page 2 of **HB 2525** and renumber the existing sub-sections accordingly. Representative Treaster seconded the motion. The motion carried.

Representative Kirk made a motion that they strike the list of specific items related to the industry and substitute the term "*tangible business property*". Representative Thull seconded the amendment. After discussion, Representative Kirk withdrew her motion with no objection by the second.

Representative Dillmore made the motion that the Committee recommend **HB 2525** to be amended in the form of the proposed Substitute for **HB 2525**, and recommend the bill favorable for passage, as amended and give the revisor authority to make any technical corrections. Seconded by Representative Hill. The motion passed unanimously.

The Chairman commended Chris Courtwright, Gordon Self, PVD and DOR staff, and Representatives that had worked tirelessly to bring this bill forward.

The meeting was adjourned at 11:00 A.M. The next meeting is February 7, 2006.

# HOUSE TAXATION COMMITTEE GUEST LIST

DATE: February 6, 2006

| NAME             | REPRESENTING                   |
|------------------|--------------------------------|
| Lindsey Douglas  | Hein Law Firm                  |
| RONALD RICHEY    | ME                             |
| hon STANTON      | Northern Natural GAS           |
| Mike DeLoach     | Gaecher Braden                 |
| Christy Caldwell | Topeka Chamber of C.           |
| Mike Murray      | Spruce                         |
| Marlee Carpenter | Kansas Chamber                 |
| Stuart Little    | Little Govt. Relations         |
| Wendy McKinley   | KAPA-KEMOA                     |
| Lucky DeFries    | Collman DeFries & Nathans P.A. |
| Bernie Koch      | Wichita Chamber of Commerce    |
| T.O. Anderson    | KSCPA                          |
| MIKE Taylor      | Unif'd Gov of WYANDOTTE County |
| LARRY R BRAD     | LKM                            |
| Ben Cleaves      | DOB                            |
| Don Moler        | LKM                            |
| Sue Burke        | Issuu Mgmt Group               |
| Randall Allen    | KS. Counties                   |
| Kathy Damm       | KCIC Chamber                   |

# HOUSE TAXATION COMMITTEE GUEST LIST

DATE: February 6, 2006

| NAME              | REPRESENTING       |
|-------------------|--------------------|
| Tony A. Scott     | KSCPA              |
| John Federico     | GM                 |
| Martha Jean Smith | KMHA               |
| Chris Wilson      | KHB                |
| Jim Maag          | Spirit Aerosystems |
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## HOUSE BILL No. 2619

By Committee on Taxation

1-17

9 AN ACT concerning property taxation; relating to exemptions; certain  
10 commercial and industrial machinery and equipment; certain materials  
11 and supplies; amending K.S.A. 2005 Supp. 79-201w and repealing the  
12 existing section.  
13

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

15 New Section 1. (a) It is the purpose of this section to promote, stim-  
16 ulate, foster and encourage new investments in commercial and industrial  
17 machinery and equipment in the state of Kansas, to contribute to the  
18 economic recovery of the state, to enhance business opportunities in the  
19 state, to encourage the location of new businesses and industries in the  
20 state as well as the retention and expansion of existing businesses and  
21 industries and to promote the economic stability of the state by main-  
22 taining and providing employment opportunities, thereby contributing to  
23 the general welfare of the citizens of the state, by exempting from prop-  
24 erty taxation all newly purchased or leased commercial and industrial  
25 machinery and equipment, including machinery and equipment trans-  
26 ferred into this state for the purpose of expanding an existing business or  
27 for the creation of a new business.

28 (b) The following described property, to the extent specified by this  
29 section, shall be and is hereby exempt from all property or ad valorem  
30 taxes levied under the laws of the state of Kansas:

31 *First.* Commercial and industrial machinery and equipment acquired  
32 by qualified purchase or lease made or entered into on or after January  
33 1, 2007, as the result of a bona fide transaction not consummated ~~solely~~  
34 for the purpose of avoiding taxation.

delete "solely"

35 *Second.* Commercial and industrial machinery and equipment trans-  
36 ported into this state on or after January 1, 2007, for the purpose of  
37 expanding an existing business or creation of a new business.

38 (c) Any purchase, lease or transportation of commercial and industrial  
39 machinery and equipment consummated ~~solely~~ for the purpose of avoid-  
40 ing taxation shall subject the property to the penalty provisions of K.S.A.  
41 79-1422 and 79-1427a, and amendments thereto.

delete "solely"

42 (d) As used in this section:

43 (1) "Commercial and industrial machinery and equipment" means

1 property classified for property tax purposes within subclass (5) of class  
2 of section 1 of article 11 of the constitution of the state of Kansas;

3 (2) "qualified lease" means a lease of commercial and industrial ma-  
4 chinery and equipment for not less than 30 days for fair and valuable  
5 consideration where such machinery and equipment is physically trans-  
6 ferred to the lessee to be used in the lessee's business or trade; and

7 (3) "qualified purchase" means a purchase of commercial and indus-  
8 trial machinery and equipment for fair and valuable consideration where  
9 such machinery and equipment is physically transferred to the purchaser  
10 to be used in the purchaser's business or trade.

11 Sec. 2. K.S.A. 2005 Supp. 79-201w is hereby amended to read as  
12 follows: 79-201w. The following described property, to the extent speci-  
13 fied by this section, shall be exempt from all property or ad valorem taxes  
14 levied under the laws of the state of Kansas:

15 Any item of machinery, equipment, materials and supplies which, ex-  
16 cept for the operation of the provisions of this section, would be required  
17 to be listed for the purpose of taxation pursuant to K.S.A. 79-306, and  
18 amendments thereto, and which is used or to be used in the conduct of  
19 the owner's business, or in the conduct of activities by an entity not sub-  
20 ject to Kansas income taxation pursuant to K.S.A. 79-32,113, and amend-  
21 ments thereto, whose original retail cost when new is ~~\$250 or less for tax~~  
22 ~~year 2002, and \$400 or less for tax year 2003~~ \$400 or less for tax years  
23 2005 and 2006, and \$1,000 or less for tax year 2007, and all tax years  
24 thereafter.

25 Sec. 3. K.S.A. 2005 Supp. 79-201w is hereby repealed.

26 Sec. 4. This act shall take effect and be in force from and after its  
27 publication in the statute book.

*IN-STATE*  
(4) the term "ac-  
quired" shall not include the transfer of property  
pursuant to an exchange for stock securities, or  
the transfer of assets of one business entity to an-  
other due to a merger or other consolidation.

*IN-STATE*

# HOUSE BILL No. 2619

By Committee on Taxation

1-17

Proposed Amendments to House Bill No. 2619  
Department of Revenue

House Taxation  
2-6-06  
Attachment 2

*County Exemption - BOTA*

9 AN ACT concerning property taxation; relating to exemptions: certain  
10 commercial and industrial machinery and equipment; certain materials  
11 and supplies; amending K.S.A. 2005 Supp. 79-201w and repealing the  
12 existing ~~sections~~

and 79-213

sections

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

15 New Section 1. (a) It is the purpose of this section to promote, stim-  
16 ulate, foster and encourage new investments in commercial and industrial  
17 machinery and equipment in the state of Kansas, to contribute to the  
18 economic recovery of the state, to enhance business opportunities in the  
19 state, to encourage the location of new businesses and industries in the  
20 state as well as the retention and expansion of existing businesses and  
21 industries and to promote the economic stability of the state by main-  
22 taining and providing employment opportunities, thereby contributing to  
23 the general welfare of the citizens of the state, by exempting from prop-  
24 erty taxation all newly purchased or leased commercial and industrial  
25 machinery and equipment, including machinery and equipment trans-  
26 ferred into this state for the purpose of expanding an existing business or  
27 for the creation of a new business.

28 (b) The following described property, to the extent specified by this  
29 section, shall be and is hereby exempt from all property or ad valorem  
30 taxes levied under the laws of the state of Kansas:

31 *First.* Commercial and industrial machinery and equipment acquired  
32 by qualified purchase or lease made or entered into ~~on or~~ after January  
33 1, 2007, as the result of a bona fide transaction not consummated solely  
34 for the purpose of avoiding taxation.

35 *Second.* Commercial and industrial machinery and equipment trans-  
36 ported into this state ~~on or~~ after January 1, 2007, for the purpose of  
37 expanding an existing business or creation of a new business.

38 (c) Any purchase, lease or transportation of commercial and industrial  
39 machinery and equipment consummated solely for the purpose of avoid-  
40 ing taxation shall subject the property to the penalty provisions of K.S.A.  
79-1422 and 79-1427a, and amendments thereto.

(d) As used in this section:

43 (1) "Commercial and industrial machinery and equipment" means

*Rule & Reg*

1 property classified for property tax purposes within subclass (5) of class  
2 2 of section 1 of article 11 of the constitution of the state of Kansas;

3 (2) "qualified lease" means a lease of commercial and industrial ma-  
4 chinery and equipment for not less than 30 days for fair and valuable  
5 consideration where such machinery and equipment is physically trans-  
6 ferred to the lessee to be used in the lessee's business or trade; and

7 (3) "qualified purchase" means a purchase of commercial and indus-  
8 trial machinery and equipment for fair and valuable consideration where  
9 such machinery and equipment is physically transferred to the purchaser  
10 to be used in the purchaser's business or trade.

(e) The secretary of revenue is hereby authorized to adopt rules  
and regulations to administer the provisions of this section.

11 Sec. 2. K.S.A. 2005 Supp. 79-201w is hereby amended to read as  
12 follows: 79-201w. The following described property, to the extent speci-  
13 fied by this section, shall be exempt from all property or ad valorem taxes  
14 levied under the laws of the state of Kansas:

15 Any item of machinery, equipment, materials and supplies which, ex-  
16 cept for the operation of the provisions of this section, would be required  
17 to be listed for the purpose of taxation pursuant to K.S.A. 79-306, and  
18 amendments thereto, and which is used or to be used in the conduct of  
19 the owner's business, or in the conduct of activities by an entity not sub-  
20 ject to Kansas income taxation pursuant to K.S.A. 79-32.113, and amend-  
21 ments thereto, whose original retail cost when new is ~~\$250 or less for tax~~  
22 ~~year 2002, and \$400 or less for tax year 2003~~ *\$400 or less for tax years*  
23 *2005 and 2006, and \$1,000 or less for tax year 2007*, and all tax years  
24 thereafter.

Sec. 3. K.S.A. 2005 Supp. 79-213 (see attachment #1)

Sec. 4.

25 ~~Sec. 3~~ K.S.A. 2005 Supp. 79-201w ~~is~~ hereby repealed.

and 79-213 are

26 ~~Sec. 4~~ This act shall take effect and be in force from and after its  
27 publication in the statute book.

Sec. 5.



Sec. 3 K.S.A. 2005 Supp. 79-213 is hereby amended to read as follows: 79-213. (a) Any property owner requesting an exemption from the payment of ad valorem property taxes assessed, or to be assessed, against their property shall be required to file an initial request for exemption, on forms approved by the board of tax appeals and provided by the county appraiser.

(b) The initial exemption request shall identify the property for which the exemption is requested and state, in detail, the legal and factual basis for the exemption claimed.

(c) The request for exemption shall be filed with the county appraiser of the county where such property is principally located.

(d) After a review of the exemption request, and after a preliminary examination of the facts as alleged, the county appraiser shall recommend that the exemption request either be granted or denied, and, if necessary, that a hearing be held. If a denial is recommended, a statement of the controlling facts and law relied upon shall be included on the form.

(e) The county appraiser, after making such written recommendation, shall file the request for exemption and the recommendations of the county appraiser with the board of tax appeals.

(f) Upon receipt of the request for exemption, the board shall docket the same and notify the applicant and the county appraiser of such fact.

(g) After examination of the request for exemption, and the county appraiser's recommendation related thereto, the board may

fix a time and place for hearing, and shall notify the applicant and the county appraiser of the time and place so fixed. A request for exemption pursuant to: (1) Section 13 of article 11 of the Kansas constitution; or (2) K.S.A. 79-201a Second, and amendments thereto, for property constructed or purchased, in whole or in part, with the proceeds of revenue bonds under the authority of K.S.A. 12-1740 to 12-1749, inclusive, and amendments thereto, prepared in accordance with instructions and assistance which shall be provided by the department of commerce, shall be deemed approved unless scheduled for hearing within 30 days after the date of receipt of all required information and data relating to the request for exemption, and such hearing shall be conducted within 90 days after such date. Such time periods shall be determined without regard to any extension or continuance allowed to either party to such request. In any case where a party to such request for exemption requests a hearing thereon, the same shall be granted. Hearings shall be conducted in accordance with the provisions of the Kansas administrative procedure act. In all instances where the board sets a request for exemption for hearing, the county shall be represented by its county attorney or county counselor.

(h) Except as otherwise provided by subsection (g), in the event of a hearing, the same shall be originally set not later than 90 days after the filing of the request for exemption with the board.

(i) During the pendency of a request for exemption, no person, firm, unincorporated association, company or corporation

charged with real estate or personal property taxes pursuant to K.S.A. 79-2004 and 79-2004a, and amendments thereto, on the tax books in the hands of the county treasurer shall be required to pay the tax from the date the request is filed with the county appraiser until the expiration of 30 days after the board issued its order thereon and the same becomes a final order. In the event that taxes have been assessed against the subject property, no interest shall accrue on any unpaid tax for the year or years in question nor shall the unpaid tax be considered delinquent from the date the request is filed with the county appraiser until the expiration of 30 days after the board issued its order thereon. In the event the board determines an application for exemption is without merit and filed in bad faith to delay the due date of the tax, the tax shall be considered delinquent as of the date the tax would have been due pursuant to K.S.A. 79-2004 and 79-2004a, and amendments thereto, and interest shall accrue as prescribed therein.

(j) In the event the board grants the initial request for exemption, the same shall be effective beginning with the date of first exempt use except that, with respect to property the construction of which commenced not to exceed 24 months prior to the date of first exempt use, the same shall be effective beginning with the date of commencement of construction.

(k) In conjunction with its authority to grant exemptions, the board shall have the authority to abate all unpaid taxes that have accrued from and since the effective date of the exemption. In the event that taxes have been paid during the period where

the subject property has been determined to be exempt, the board shall have the authority to order a refund of taxes for the year immediately preceding the year in which the exemption application is filed in accordance with subsection (a).

(1) The provisions of this section shall not apply to: (1) Farm machinery and equipment exempted from ad valorem taxation by K.S.A. 79-201j, and amendments thereto; (2) personal property exempted from ad valorem taxation by K.S.A. 79-215, and amendments thereto; (3) wearing apparel, household goods and personal effects exempted from ad valorem taxation by K.S.A. 79-201c, and amendments thereto; (4) livestock; (5) hay and silage exempted from ad valorem taxation by K.S.A. 79-201d, and amendments thereto; (6) merchants' and manufacturers' inventories exempted from ad valorem taxation by K.S.A. 79-201m and amendments thereto; (7) grain exempted from ad valorem taxation by K.S.A. 79-201n, and amendments thereto; (8) property exempted from ad valorem taxation by K.S.A. 79-201a Seventeenth and amendments thereto, including all property previously acquired by the secretary of transportation or a predecessor in interest, which is used in the administration, construction, maintenance or operation of the state system of highways. The secretary of transportation shall at the time of acquisition of property notify the county appraiser in the county in which the property is located that the acquisition occurred and provide a legal description of the property acquired; (9) property exempted from ad valorem taxation by K.S.A. 79-201a Ninth, and amendments thereto, including all property previously acquired by the Kansas

turnpike authority which is used in the administration, construction, maintenance or operation of the Kansas turnpike. The Kansas turnpike authority shall at the time of acquisition of property notify the county appraiser in the county in which the property is located that the acquisition occurred and provide a legal description of the property acquired; (10) aquaculture machinery and equipment exempted from ad valorem taxation by K.S.A. 79-201j, and amendments thereto. As used in this section, "aquaculture" has the same meaning ascribed thereto by K.S.A. 47-1901, and amendments thereto; (11) Christmas tree machinery and equipment exempted from ad valorem taxation by K.S.A. 79-201j, and amendments thereto; (12) property used exclusively by the state or any municipality or political subdivision of the state for right-of-way purposes. The state agency or the governing body of the municipality or political subdivision shall at the time of acquisition of property for right-of-way purposes notify the county appraiser in the county in which the property is located that the acquisition occurred and provide a legal description of the property acquired; (13) machinery, equipment, materials and supplies exempted from ad valorem taxation by K.S.A. 79-201w, and amendments thereto; (14) vehicles owned by the state or by any political or taxing subdivision thereof and used exclusively for governmental purposes; (15) property used for residential purposes which is exempted pursuant to K.S.A. 79-201x from the property tax levied pursuant to K.S.A. 72-6431, and amendments thereto; (16) from and after July 1, 1998, vehicles which are owned by an organization having as one of its

purposes the assistance by the provision of transit services to the elderly and to disabled persons and which are exempted pursuant to K.S.A. 79-201 Ninth; and (17) from and after July 1, 1998, motor vehicles exempted from taxation by subsection (e) of K.S.A. 79-5107, and amendments thereto; and (18) commercial and industrial machinery and equipment exempted from property or ad valorem taxation by section 1, and amendments thereto.

(m) The provisions of this section shall apply to property exempt pursuant to the provisions of section 13 of article 11 of the Kansas constitution.

(n) The provisions of subsection (k) as amended by this act shall be applicable to all exemption applications filed in accordance with subsection (a) after December 31, 2001.

| County Name | 2005 Comm<br>Ind/Mach and Eq<br>Assessed Value | 2004 Comm<br>Ind/Mach and Eq<br>Assessed Value | 2004-2005 Growth<br>in Value | 2004-2005<br>Pct Growth<br>in Value |
|-------------|--|--|------------------------------|-------------------------------------|
| Allen       | 10,305,173                                     | 7,694,221                                      | 2,610,952                    | 33.934%                             |
| Anderson    | 1,332,858                                      | 1,260,456                                      | 72,402                       | 5.744%                              |
| Atchison    | 10,353,362                                     | 10,126,427                                     | 226,935                      | 2.241%                              |
| Barber      | 3,207,270                                      | 3,400,675                                      | (193,405)                    | -5.687%                             |
| Barton      | 14,764,516                                     | 12,759,858                                     | 2,004,658                    | 15.711%                             |
| Bourbon     | 7,388,001                                      | 6,156,605                                      | 1,231,396                    | 20.001%                             |
| Brown       | 4,305,836                                      | 3,915,441                                      | 390,395                      | 9.971%                              |
| Butler      | 21,356,020                                     | 19,424,937                                     | 1,931,083                    | 9.941%                              |
| Chase       | 826,303  | 1,036,051                                      | (209,748)                    | -20.245%                            |
| Chautauqua  | 837,393  | 848,894  | (11,501)                     | -1.355%                             |
| Cherokee    | 11,207,823                                     | 13,793,585                                     | (2,585,762)                  | -18.746%                            |
| Cheyenne    | 786,472  | 626,852  | 159,620                      | 25.464%                             |
| Clark       | 637,520  | 397,606  | 239,914                      | 60.340%                             |
| Clay        | 1,933,364                                      | 1,629,572                                      | 303,792                      | 18.642%                             |
| Cloud       | 2,877,952                                      | 2,898,263                                      | (20,311)                     | -0.701%                             |
| Coffey      | 2,672,619                                      | 2,446,555                                      | 226,064                      | 9.240%                              |
| Comanche    | 415,111  | 546,831  | (131,720)                    | -24.088%                            |
| Cowley      | 22,949,708                                     | 20,155,784                                     | 2,793,924                    | 13.862%                             |
| Crawford    | 22,902,875                                     | 22,903,578                                     | (703)                        | -0.003%                             |
| Decatur     | 791,265  | 801,189  | (9,924)                      | -1.239%                             |
| Dickinson   | 5,720,569                                      | 5,374,483                                      | 346,086                      | 6.439%                              |
| Doniphan    | 5,009,169                                      | 4,970,838                                      | 38,331                       | 0.771%                              |
| Douglas     | 60,909,205                                     | 56,243,155                                     | 4,666,050                    | 8.296%                              |
| Edwards     | 1,871,969                                      | 1,752,310                                      | 119,659                      | 6.829%                              |
| Elk         | 1,050,894                                      | 836,079  | 214,815                      | 25.693%                             |
| Ellis       | 12,971,587                                     | 12,055,602                                     | 915,985                      | 7.598%                              |
| Ellsworth   | 2,161,032                                      | 2,148,653                                      | 12,379                       | 0.576%                              |
| Finney      | 20,329,781                                     | 19,047,634                                     | 1,282,147                    | 6.731%                              |
| Ford        | 22,445,861                                     | 25,826,294                                     | (3,380,433)                  | -13.089%                            |
| Franklin    | 7,312,314                                      | 7,176,421                                      | 135,893                      | 1.894%                              |
| Geary       | 10,419,568                                     | 9,944,437                                      | 475,131                      | 4.778%                              |
| Gove        | 1,045,051                                      | 1,087,317                                      | (42,266)                     | -3.887%                             |
| Graham      | 559,464  | 574,722  | (15,258)                     | -2.655%                             |
| Grant       | 3,308,296                                      | 3,174,318                                      | 133,978                      | 4.221%                              |
| Gray        | 1,628,129                                      | 2,192,637                                      | (564,508)                    | -25.746%                            |
| Greeley     | 405,050  | 335,416  | 69,634                       | 20.760%                             |
| Greenwood   | 1,737,616                                      | 1,757,017                                      | (19,401)                     | -1.104%                             |
| Hamilton    | 672,703  | 721,712  | (49,009)                     | -6.791%                             |
| Harper      | 2,142,788                                      | 1,695,008                                      | 447,780                      | 26.418%                             |
| Harvey      | 14,245,316                                     | 15,044,790                                     | (799,474)                    | -5.314%                             |
| Haskell     | 1,478,147                                      | 1,226,046                                      | 252,101                      | 20.562%                             |
| Hodgeman    | 403,859  | 226,632  | 177,227                      | 78.200%                             |
| Jackson     | 3,765,506                                      | 3,320,548                                      | 444,958                      | 13.400%                             |
| Jefferson   | 4,788,301                                      | 5,411,424                                      | (623,123)                    | -11.515%                            |
| Jewell      | 460,581  | 447,942  | 12,639                       | 2.822%                              |
| Johnson     | 476,361,443                                    | 459,641,270                                    | 16,720,173                   | 3.638%                              |
| Kearny      | 1,577,850                                      | 1,713,437                                      | (135,587)                    | -7.913%                             |
| Kingman     | 3,295,786                                      | 3,551,224                                      | (255,438)                    | -7.193%                             |
| Kiowa       | 771,235  | 641,951  | 129,284                      | 20.139%                             |
| Labette     | 8,984,418                                      | 8,625,039                                      | 359,379                      | 4.167%                              |
| Lane        | 627,316  | 712,277  | (84,961)                     | -11.928%                            |
| Leavenworth | 21,316,537                                     | 18,875,431                                     | 2,441,106                    | 12.933%                             |
| Lincoln     | 1,180,593                                      | 1,303,949                                      | (123,356)                    | -9.460%                             |
| Linn        | 3,150,372                                      | 3,216,617                                      | (66,245)                     | -2.059%                             |
| Logan       | 744,955  | 750,399  | (5,444)                      | -0.725%                             |
| Lyon        | 17,343,680                                     | 17,012,943                                     | 330,737                      | 1.944%                              |
| Marion      | 3,349,155                                      | 3,053,694                                      | 295,461                      | 9.676%                              |
| Marshall    | 6,710,553                                      | 6,907,825                                      | (197,272)                    | -2.856%                             |
| McPherson   | 35,708,175                                     | 34,111,437                                     | 1,596,738                    | 4.681%                              |
| Meade       | 716,390  | 707,315  | 9,075                        | 1.283%                              |
| Miami       | 9,341,510                                      | 10,828,352                                     | (1,486,842)                  | -13.731%                            |
| Mitchell    | 3,143,979                                      | 2,682,994                                      | 460,985                      | 17.182%                             |
| Montgomery  | 29,195,391                                     | 35,142,596                                     | (5,947,205)                  | -16.923%                            |
| Morris      | 1,790,960                                      | 1,634,939                                      | 156,021                      | 9.543%                              |

PROPOSED AMENDMENTS TO HOUSE BILL NO. 2619

Section . K.S.A. 2005 Supp. 79-4508 is hereby amended to read as follows: 79-4508. (a) (1) Commencing in the tax year beginning after December 31, 2005, the amount of any claim pursuant to this act by a claimant other than a claimant described in subsection (a)(2) shall be computed by deducting the amount computed under column (2) from the amount of claimant's property tax accrued and/or rent constituting property tax accrued.

| (1)<br>Claimants<br>household<br>income |                             | (2)<br>Deduction from property tax<br>accrued and/or rent<br>constituting property tax<br>accrued |
|---|-----------------------------|---|
| At least                                | But not more than           |   |
| \$0                                     | \$3,000                     | \$0   |
| 3,001                                   | 4,000                       | 12%   |
| 4,001                                   | <del>26,300</del><br>27,000 | 12% plus 4% of every \$1,000,<br>or fraction thereof, of income<br>in excess of \$4,001           |

(2) Commencing in the tax year beginning after December 31, 2005, the amount of any claim pursuant to this act by a claimant who is a person who is 65 years of age or older and whose homestead is valued at \$150,000 or less shall be computed by deducting the amount computed under column (2) from the amount of the claimant's property tax accrued or rent constituting property tax accrued, or both.

| <u>(1)</u><br><u>Claimants</u><br><u>household</u><br><u>income</u> |                          | <u>(2)</u><br><u>Deduction from property tax</u><br><u>accrued and/or rent</u><br><u>constituting property tax</u><br><u>accrued, or both</u> |
|---|--------------------------|---|
| <u>At least</u>   | <u>But not more than</u> |   |
| <u>\$0</u>  | <u>\$3,000</u>           | <u>\$0</u>  |
| <u>3,001</u>  | <u>4,000</u>             | <u>6%</u>   |
| <u>4,001</u>  | <u>50,000</u>            | <u>6% plus 2% of every \$1,000, or</u><br><u>fraction thereof, of income in</u><br><u>excess of \$4,001</u>                                   |

(b) The director of taxation shall prepare a table under which claims under this act shall be determined. The amount of claim for each bracket shall be computed only to the nearest \$1.

(c) The claimant may elect not to record the amount claimed on the claim. The claim allowable to persons making this election



shall be computed by the department which shall notify the claimant by mail of the amount of the allowable claim.

(d) In the case of all tax years commencing after December 31, 2004, the upper limit threshold amount prescribed in ~~this section~~ subsections (a)(1) and (a)(2), shall be increased by an amount equal to such threshold amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) of the federal internal revenue code for the calendar year in which the taxable year commences.

**Session of 2006**  
**HOUSE BILL No. 2619**

AN ACT concerning property taxation; relating to exemptions; certain commercial and industrial machinery and equipment; certain materials and supplies; amending K.S.A. 2005 Supp. 79-201w and repealing the existing section.

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

New Section 1. (a) It is the purpose of this section to promote, stimulate, foster and encourage new investments in commercial and industrial machinery and equipment in the state of Kansas, to contribute to the economic recovery of the state, to enhance business opportunities in the state, to encourage the location of new businesses and industries in the state as well as the retention and expansion of existing businesses and industries and to promote the economic stability of the state by maintaining and providing employment opportunities, thereby contributing to the general welfare of the citizens of the state, by exempting from property taxation all newly purchased or leased commercial and industrial machinery and equipment, including machinery and equipment transferred into this state for the purpose of expanding an existing business or for the creation of a new business.

(b) The following described property, to the extent specified by this section, shall be and is hereby exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

*First.* Commercial and industrial machinery and equipment acquired by qualified purchase or lease made or entered into on or after January 1, 2007, as the result of a bona fide transaction not consummated solely for the purpose of avoiding taxation.

*Second.* Commercial and industrial machinery and equipment transported into this state on or after January 1, 2007, for the purpose of expanding an existing business or creation of a new business.

(c) Any purchase, lease or transportation of commercial and industrial machinery and equipment consummated solely for the purpose of avoiding taxation shall subject the property to the penalty provisions of K.S.A. 79-1422 and 79-1427a, and amendments thereto.

(d) As used in this section:

(1) "Commercial and industrial machinery and equipment" means property classified for property tax purposes within subclass (5) of class 2 of section 1 of article 11 of the constitution of the state of Kansas;

(2) "qualified lease" means a lease of commercial and industrial machinery and equipment for not less than 30 days for fair and valuable consideration where such machinery and equipment is physically transferred to the lessee to be used in the lessee's business or trade; and

(3) "qualified purchase" means a purchase of commercial and industrial machinery and equipment for fair and valuable consideration where such machinery and equipment is physically transferred to the purchaser to be used in the purchaser's business or trade.

Sec. 2. K.S.A. 2005 Supp. 79-201w is hereby amended to read as follows: 79-201w. The following described property, to the extent specified by this section, shall be exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

Any item of machinery, equipment, materials and supplies which, except for the operation of the provisions of this section, would be required to be listed for the purpose of taxation pursuant to K.S.A. 79-306, and amendments thereto, and which is used or to be used in the conduct of the owner's business, or in the conduct of activities by an entity not subject to Kansas income taxation pursuant to K.S.A. 79-32,113, and amendments thereto, whose original retail cost when new is ~~\$250 or less for tax year 2002, and \$400 or less for tax year 2003~~ \$400 or less for tax years 2005 and 2006, and \$1,000 or less for tax year 2007, and all tax years thereafter.

Sec. 3. K.S.A. 2005 Supp. 79-201w is hereby repealed.

Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.

***[Commercial and industrial machinery and equipment, acquired by qualified purchase made or entered into after July 1, 2006, to be integrated into a project with a capital investment exceeding one hundred million dollars.]***

## Substitute for HOUSE BILL NO. \_\_\_\_\_

By Committee on Taxation

AN ACT concerning property taxation; relating to exemptions; certain telecommunications and railroad machinery and equipment; certain materials and supplies; amending K.S.A. 2005 Supp. 79-201w and repealing the existing section.

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

New Section 1. (a) It is the purpose of this section to promote, stimulate, foster and encourage new investments in telecommunications machinery and equipment and railroad machinery and equipment in the state of Kansas, to recognize the dramatic changes within the telecommunications industry, to contribute to the economic recovery of the state, to enhance business opportunities in the state, to encourage the location of new businesses and industries in the state as well as the retention and expansion of existing businesses and industries and to promote the economic stability of the state by maintaining and providing employment opportunities, thereby contributing to the general welfare of the citizens of the state, by exempting from property taxation certain newly purchased or leased telecommunications machinery and equipment and railroad machinery and equipment, including all such machinery and equipment transferred into this state for the purpose of expanding an existing business or for the creation of a new business.

(b) The following described property, to the extent specified by this section, shall be and is hereby exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

First. Telecommunications machinery and equipment and railroad machinery and equipment acquired by qualified purchase or lease made or entered into on or after January 1, 2007, as the result of a bona fide transaction not consummated solely for the purpose of avoiding taxation.

Second. Telecommunications machinery and equipment and railroad machinery and equipment transported into this state on or after January 1, 2007, for the purpose of expanding an existing business or creation of a new business.

(c) Any purchase, lease or transportation of telecommunications machinery and equipment or railroad machinery and equipment consummated solely for the purpose of avoiding taxation shall subject the property to the penalty provisions of K.S.A. 79-1422 and 79-1427a, and amendments thereto.

(d) As used in this section:

(1) "Qualified lease" means a lease of telecommunications machinery and equipment or railroad machinery and equipment for not less than 30 days for fair and valuable consideration where such machinery and equipment is physically transferred to the lessee to be used in the lessee's business or trade;

(2) "qualified purchase" means a purchase of telecommunications machinery and equipment or railroad machinery and equipment for fair and valuable consideration where such machinery and equipment is physically transferred to the purchaser to be used in the purchaser's business or trade;

(3) "railroad machinery and equipment" means railroad machinery and equipment classified for property tax purposes within subclass (3) of class 2 of section 1 of article 11 of the constitution of the state of Kansas; and

(4) "telecommunications machinery and equipment" means network administrative assets, central office equipment, information, station and customer equipment and outside plant equipment of a telecommunication company.

Sec. 2. K.S.A. 2005 Supp. 79-201w is hereby amended to read as follows: 79-201w. The following described property, to the extent specified by this section, shall be exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

Any item of machinery, equipment, materials and supplies which, except for the operation of the provisions of this section, would be required to be listed for the purpose of taxation pursuant to K.S.A. 79-306, and amendments thereto, and which is used or to be used in the conduct of the owner's business, or in the conduct of activities by an entity not

subject to Kansas income taxation pursuant to K.S.A. 79-32,113, and amendments thereto, whose original retail cost when new is ~~\$250--or--less--for--tax--year--2002,--and--\$400--or--less--for--tax--year--2003~~ \$400 or less for tax years 2005 and 2006, and \$1,000 or less for tax year 2007, and all tax years thereafter.

Sec. 3. K.S.A. 2005 Supp. 79-201w is hereby repealed.

Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.