SESSION OF 2002

SUPPLEMENTAL NOTE ON SENATE BILL NO. 471

As Further Amended by Senate Committee on
Assessment and Taxation

Brief*

SB 471 would, on and after January 1, 2003, exempt from local (city, county, and municipal university) sales taxation all sales of natural gas to residential premises for noncommercial use and all sales of natural gas for agricultural use.

On that date, the bill also would authorize all cities, counties, and municipal universities imposing local sales taxes to impose a new excise tax of up to 10 cents per mcf (thousand cubic feet) on the volume of natural gas consumed. Excise tax rates would be established pursuant to ordinances or resolutions of the governing bodies. County excise taxes would be apportioned among counties and cities located therein pursuant to the same statutory formula applicable to countywide sales taxes.

Background

At the conclusion of an interim study, the Special Committee on Assessment and Taxation recommended that the 2002 Legislature give favorable consideration to this legislation.

Senator Allen, who appeared as the principal proponent, said that the maximum rate of 10 cents per mcf was selected to allow local units of government to replace lost sales tax revenues in a revenue-neutral fashion. She also said that the volumetric excise tax in lieu of the gross receipts sales tax would help protect residential consumers from future natural gas price spikes such as the one that occurred during the winter of 2000-2001.

*****Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org/cgi-bin/fulltext/bills.cgi

A fiscal note from the Department of Revenue anticipated additional administrative costs for FY 2003 of $0.330 million. Of this amount, $0.192 million is attributable to one-time programming costs; $0.057 million is attributable to one-time processing costs; and $0.081 million is attributable to ongoing expenditures (also applicable to FY 2004 and future years) associated with two additional FTE positions, return mailing costs, and information costs for computer system changes.

A Senate Committee of the Whole amendment had provided for the state to retain 2 percent of the receipts (while returning 98 percent to the local units levying the taxes) to help defray the administrative costs of the Department of Revenue. This amendment was removed by the Senate Assessment and Taxation Committee to return the bill to its original provisions.