

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Vice Chairman Les Donovan at 10:45 a.m. on February 2, 2004, in Room 519-S of the Capitol.

All members were present except:

Senator David Corbin- excused
Senator David Haley- excused
Senator Edward Pugh- excused
Senator Greta Goodwin- excused

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee:

Richard Cram, Kansas Department of Revenue
Tom Palace, Petroleum Marketers and Convenience Store Association of Kansas
Kathy Damron, Pixius Communications
Ed Cross, Kansas Independent Oil and Gas Association

Others attending:

See Attached List.

SB 368—Claims for refunds of motor vehicle fuel taxes

Richard Cram, Kansas Department of Revenue, testified in support of **SB 368**. He explained that the bill would change the language in the motor fuel tax refund statute concerning the documentation required to support motor fuel tax refund claims. The bill would allow automated invoices and eliminate the requirement that only hard copy original invoices can be accepted as supporting documentation. Mr. Cram noted that, due to advancing technology and electronic purchasing systems now being used for motor fuel transactions, the statutory language is outdated. He further noted that a Performance Audit Report criticized the Department for paying two substantial motor fuel tax refund claims that were not fully supported by original invoices. **SB 368** responds to the Legislative Post Audit's recommendation. In conclusion, Mr. Cram called attention to a balloon amendment clarifying that listings generated by the claimant, if approved by the Director, can be used to document refund claims. (Attachment 1)

Tom Palace, Petroleum Marketers and Convenience Store Association of Kansas, testified in support of **SB 368** on behalf of Marvin Spees of Capitol city Oil. He discussed the difficulties that the original invoice requirement presents for the industry.

There being no others wishing to testify on **SB 368**, the hearing was closed.

Kathy Damron, representing Pixius Communications, requested the introduction of a bill which would clarify that wireless communication towers, antenna, and relay sites shall be classified for property tax purposes as personal property. Such language would be inserted as a new subsection in K.S.A. 79-1439(b)(2)(F). She noted that, beginning in 2003, one county determined the towers to be real property. (Attachment 2)

Senator Lee moved to introduce the bill, seconded by Senator Oleen. The motion carried.

SB 369—Mineral severance tax exemptions

Richard Cram, Kansas Department of Revenue, testified in support of **SB 369**. He explained that the bill would increase from one to two years the mineral tax minimum production exemption renewal period on oil wells and oil production leases. He noted that the bill would save staff administrative time in processing annual renewals year after year. He explained that Section 1 of the bill adds a definition for "lease number"

CONTINUATION SHEET

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to K.S.A. 79-4216, and Section 2 amends K.S.A. 79-4217(b)(3) by providing that the expiration period be staggered depending on whether the lease number is even or odd. He commented that changing the exemption period to two years will reduce the Department's burden in processing renewal applications by approximately 7,000 per year, and the paperwork for mineral taxpayers will also be reduced. (Attachment 3)

Ed Cross, Kansas Independent Oil and Gas Association, testified in support of **SB 369**. In addition, he informed the Committee that **HB 2651**, which was recently referred to the House Committee on Utilities, addresses severance tax exemptions. He proposed that **SB 369** be amended to reflect provisions in **HB 2651** regarding price reference points for severance tax exemptions for low-volume gas and oil wells. He also suggested that **SB 369** be amended with regard to coal bed methane production, utilization of more than one natural reservoir, the price reference points for production enhancement exemptions, and the definition of stripper wells. (Attachment 4)

Senator Oleen confirmed that Mr. Cram had not been presented with the proposed amendments prior to the meeting. Mr. Cram agreed to respond to the amendments at a future meeting.

Senator Donovan called the Committee's attention to the minutes of the January 29 meeting.

Senator Buhler moved to approve the minutes of the January 29, 2004, meeting, seconded by Senator Oleen. The motion carried.

Senator Buhler moved to amend **SB 368** as recommended by the Department of Revenue, seconded by Senator Taddiken. The motion carried.

Senator Buhler moved to recommend **SB 368** favorably for passage as amended, seconded by Senator Oleen. The motion carried.

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

The next meeting is scheduled for February 3, 2004.