

SESSION OF 2014

**CONFERENCE COMMITTEE REPORT BRIEF
SENATE BILL NO. 266**

As Agreed to May 1, 2014

Brief*

SB 266 would change the due date for the mineral severance tax return; provide three sales tax exemptions; authorize Rooks County to impose an additional 0.5 percent sales tax to finance construction or remodeling of a jail; remove a requirement that the Court of Tax Appeals (COTA) review and approve applications for a tax exemption for land and easements that are donated to the State for the construction or maintenance of a dam or reservoir; and create a property tax exemption for amateur-built aircraft.

Mineral Severance Tax Return

The bill would would change the due date for the mineral severance tax return to fall on the same date as the tax remittance. Currently, the mineral severance tax return is due by the end of the month following production, and the tax remittance is due on the twentieth day of the second month following production. With enactment of this bill, both the return and the remittance would be due on the twentieth day of the second month following production. The bill also would make minor changes to the responsibilities of operators and purchasers in remitting due taxes.

*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. Conference committee report briefs may be accessed on the Internet at <http://www.kslegislature.org/kldr>

Sales Tax Exemptions

Under the bill, one sales tax exemption would apply to certain sales of property or services purchased by a contractor for constructing, maintaining, repairing, enlarging, furnishing or remodeling facilities of the Wichita Children's Home, provided the purchases would have otherwise been exempt if purchased directly by that entity. The Wichita Children's Home would be required to provide a contractor with a project exemption certificate. A second exemption would apply to sales of property and services purchased by or on behalf of Reaching Out from Within, Inc., a not-for-profit group, for the purpose of sponsoring certain self-help programs for incarcerated persons. A final exemption would apply to sales of property and services purchased by or on behalf of the Beacon, Inc., a not-for-profit group, for the purpose of helping persons during times of special need acquire food, shelter, clothing and other necessities of life.

Rooks County Sales Tax Authority

An additional provision of the bill would authorize Rooks County to impose an additional 0.5 percent sales tax to finance construction or remodeling of a jail. An election would be required to be held on the question, and the tax would sunset upon the payment of all costs associated with the project. An additional section of the local sales tax law that requires counties to share a portion of countywide sales taxes with cities also would be amended to exclude from that provision a Rooks County sales tax imposed to finance a jail.

Donated Land and Easement Tax Exemption Procedure

The bill also would remove a requirement that COTA review and approve applications for a tax exemption for land and easements that are donated to the State for the construction or maintenance of a dam or reservoir. Currently, landowner donations of land and easements to the State may

receive a 20-year tax exemption, provided the Chief Engineer of the Division of Water Resources certifies the donated land, the county appraiser determines the amount of the exemption, and COTA approves the exemption, for which a \$400 fee is assessed for the COTA review. The bill would remove the requirement for the COTA review and assessment of the fee. This provision of the bill would be in effect upon publication in the *Kansas Register*.

Amateur Built Aircraft Property Tax Exemption

An additional provision of the bill would create a property tax exemption beginning in tax year 2014 for all amateur-built aircraft, manned or unmanned, used exclusively for recreational purposes, display purposes, or both.

Conference Committee Action

The Conference Committee, on May 1, agreed to the Senate version of SB 266 and further agreed to insert provisions relating to sales tax exemptions (Senate Sub. for HB 2058), Rooks County sales tax authority (HB 2732, as recommended by the House Committee), provisions relating to the procedure for tax exemptions for land or easements donated for the purposes of construction or maintenance of a dam or reservoir (SB 410, as amended by the Senate Committee on Natural Resources) and the amateur built aircraft provision from HB 2542.

Background

SB 266 originally dealt with the due dates for the mineral severance tax return and remittance and was introduced by the Senate Committee on Assessment and Taxation. The House Committee on Taxation amended the bill to decelerate the date the remittance and return are due by five days.

Additional background is available in the Supplemental Notes for the bills referenced above.

Fiscal Information

The Department of Revenue indicates the sales tax exemptions for the Wichita Children's Home; Reaching Out from Within; and Beacon, Inc. would combine to reduce FY 2015 sales tax receipts by about \$0.348 million (\$0.288 million for the State General Fund and \$0.059 million for the State Highway Fund). For all fiscal years following FY 2015, the fiscal impact is expected to be a loss of \$0.004 million for the SGF and \$0.001 million for the SHF. No other provisions of the bill are expected to have a substantial fiscal impact.

taxation; severance tax; sales tax exemptions; sales tax authority; property tax exemption

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