

SESSION OF 2014

**CONFERENCE COMMITTEE REPORT BRIEF  
HOUSE BILL NO. 2057**

As Agreed to April 1, 2014

**Brief\***

HB 2057 would authorize the appointment of interim county appraisers; extend an expensing deduction to financial institutions; relieve certain personal property tax liability for owners or lessees of real property upon which personal property has been abandoned or repossessed; clarify procedures for the collection of taxes on sold or transferred personal property; revise the definition of "community service" as the term is used in the Community Service Tax Credit Program; add a subtraction modification to the income tax of retired employees of the City of Overland Park Police and Fire Departments; revive and expand a program authorizing counties to grant property tax abatements or credits to owners of homesteads destroyed or substantially damaged by certain disasters; and calculate the conversion of the compressed natural gas to gasoline gallon energy equivalent and the liquified natural gas to diesel gallon energy equivalent for the purpose of per-gallon taxation on natural gas motor fuel.

***Interim County Appraisers***

The bill would authorize boards of county commissioners or the governing body of any unified government to appoint interim county appraisers, subject to approval by the Director of Property Valuation, for up to six

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months in the event of vacancies. The bill also would specify an appraiser's term would expire on June 30 of the fourth year.

***Expensing Deduction for Financial Institutions Privilege Tax***

The bill would extend to the financial institutions privilege tax, effective in tax year 2014, a special "expensing" deduction previously available only under the corporate income tax for certain qualifying investments.

***Personal Property Tax Liability on Abandoned or Repossessed Personal Property***

The bill would, under certain circumstances, relieve personal property tax liability for owners or lessees of real property upon which personal property has been abandoned or repossessed. Such owners would no longer be liable when the personal property has been abandoned or repossessed after having been assessed for property tax purposes but before the taxes have been paid, provided lawful title to the personalty has been acquired within 12 months of the abandonment or the commencement of legal proceedings designed to effect a repossession.

***Procedures for Collection of Taxes on Sold or Transferred Personal Property***

The bill would clarify procedures for the collection of taxes on sold or transferred personal property. The bill would clarify that the lien for unpaid taxes arising upon the sale or transfer of personal property only attaches to the property and is not a personal debt of the purchaser and that the lien is only for the amount equal to the tax assessment for the year in which the sale or transfer is made and for no previous years. The bill also would clarify that any unpaid taxes on the

personal property for any years prior to the sale or transfer would remain as personal debts of the seller and such taxes must be levied against the seller for the purposes of vehicle registration or through other existing statutory collection methods.

### ***Community Service Tax Credit Program***

The bill would revise the substantive definition of “community service” as the term is used in the Community Service Tax Credit Program. The bill would include “youth apprenticeship and technical training,” which would mean activities designed to improve apprenticeship and technical training that support an emphasis on rural construction projects and any necessary equipment, facilities, and supportive mentorship. Under current law, “community services” means activities that address the needs of low income persons, crime prevention provided by non-governmental entities, and health care services.

### ***City of Overland Park Income Tax Subtraction Modification***

The bill would add a subtraction modification to the income tax of retired employees of the City of Overland Park Police Department and the City of Overland Park Fire Department. (The City of Overland Park established its own pension plan, pursuant to the city’s home rule authority, which is not included in the current income tax exemption.)

### ***Property Tax Abatements for Property Destroyed by Disaster***

The bill would statutorily revive a program that had sunset at the conclusion of tax year 2013 authorizing counties to grant property tax abatements or credits to owners of homesteads destroyed or substantially damaged by

earthquakes, floods, tornadoes, fires, or storms. The bill also would expand the program by removing a requirement that the Governor must have declared a disaster relative to the event or occurrence causing the damage or destruction would be removed. All homesteads destroyed or substantially damaged by the aforementioned types of disasters theoretically would be able to qualify (as well as homesteads damaged by other events prompting the Governor to declare disasters). An additional requirement would be eliminated that had prevented counties from granting relief to owners who were recipients of funds from either a public or private buyout or insurance proceeds when such funds were equal to 50 percent or more of the pre-disaster value of the homesteads.

### ***Conversion Calculations for Motor Fuel Tax***

The bill would calculate the conversion of the compressed natural gas to gasoline gallon energy equivalent and the liquified natural gas to diesel gallon energy equivalent for the purpose of per-gallon taxation on natural gas motor fuel. The conversion formula would compute 126.67 cubic feet or 5.66 pounds of compressed natural gas as the energy equivalent of one gallon of gasoline, and it would be taxed at \$0.24 per gallon. The conversion formula would compute 6.06 pounds of liquified natural gas as the energy equivalent of one gallon of diesel, and it would be taxed at \$0.26 per gallon.

### **Conference Committee Action**

The Conference Committee, on April 1, agreed to the Senate amendments to HB 2057 and to insert the contents of HB 2464 (as amended by the House Committee on Taxation), HB 2511, HB 2745, SB 295 (as amended by the Senate Committee of the Whole), SB 360 (as amended by the House Committee on Taxation) and SB 379 (as amended by the Senate Committee on Assessment and Taxation).

## Background

The original bill dealt with the interim appraiser issue and was introduced by the House Committee on Taxation during the 2013 legislative session. The Senate Committee amended HB 2057 to allow a governing body of any unified government, in addition to the board of county commissioners, the responsibility of appointing an appraiser or interim appraiser and to specify that an appraiser's term would expire on June 30 of the fourth year and to update statutory references. The fiscal note on the original bill indicated that it would not have a significant impact to the state.

The only part of the Conference Committee Report with a fiscal note that has been quantified relates to the expensing deduction for financial institutions privilege tax. That provision would be expected to have the following impact on State General Fund receipts:

**(\$ in millions)**

FY 2015	\$	(0.55)
FY 2016		(0.55)
FY 2017		(0.55)
FY 2018		(0.55)
FY 2019		<u>(0.55)</u>
<b>5-yr total</b>	<b>\$</b>	<b><u><u>(2.75)</u></u></b>

taxation; appraisers; expensing deduction; motor fuel tax; disaster relief property tax abatements; liability; abandoned property; community service credit

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