

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson David Corbin at 10:45 a.m. on February 25, 2003, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Gordon Self, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Richard Cram, Kansas Department of Revenue
Senator Jay Scott Emler

Others attending: See attached list.

CONSIDERATION OF BILLS PREVIOUSLY HEARD:

SB 192–Streamlined Sales and Use Tax Agreement Conformity Act

Senator Corbin reminded the Committee that there were several questions regarding the issue of sales tax on water utilities at the February 24 meeting. He noted that the issue concerns getting the state in compliance with the Streamlined Act. To do that, either the state must impose a sales tax on residential and agricultural water or lift the current ability of cities and counties to tax water. Richard Cram, Kansas Department of Revenue, distributed information regarding the current amount of city and county local sales tax attributable to residential and agricultural water use and noted that the total local sales tax revenue is approximately \$2.6 million. (Attachment 1) He also distributed information indicating that imposition of a state sales tax on residential and agricultural water would result in approximately \$9.1 in new revenue for the state. (Attachment 2) He confirmed that water is the only utility not excepted from the Agreement and clarified that the bill, as drafted, provides that the city and county tax on water would stay in place, and a state sales tax would be added in 2006.

Mr. Cram reminded the Committee that the Streamlined Agreement does not require conformity until 2006. He also explained that no amendments to the Agreement are expected until participating state legislatures have had a chance to either enact conformity legislation or not. More discussions regarding any changes will take place next fall.

Senator Clark moved to adopt the technical amendments to SB 192 as described by Mr. Cram at the February 24 meeting, seconded by Senator Oleen.

Senator Lee expressed her opinion that the bill will not pass the process with the imposition of a new statewide sales tax on water. She commented that, if the bill passes without the tax on water, the issue of local taxation of water can be addressed before 2006. She suggested that perhaps the local water tax can be changed to a volumetric tax or some other method which does not take Kansas out of compliance. Senator

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Corbin commented that the issue does not relate to raising taxes but to conforming with the Agreement.

Senator Lee made a substitute motion to adopt the technical amendments to **SB 192** but exempt water from the local sales tax, seconded by Senator Allen. The substitute motion carried.

Senator Clark moved to technically amend Section 4 of **SB 192** by alphabetizing the list of definitions, seconded by Senator Lee. The motion carried.

Senator Oleen moved to report **SB 192** as favorable for passage as amended, seconded by Senator Goodwin. The motion carried.

Senator Clark moved to approve the minutes of the February 19, 20, and 21, 2003, minutes, seconded by Senator Donovan. The motion carried.

SB78–School districts; assessed valuation thereof

Senator Corbin reported that the Senate President requested that **SB 78** be blessed.

SB 177–Income tax credit for hiring certain teachers

Senator Corbin reminded the Committee that Senator Jordan testified in support of the bill at the hearing on February 21. He noted that, although the bill is a good concept, the fiscal note on it is approximately \$500,000. It was the consensus of the Committee to hold the bill for possible action next year.

SB 161–Eliminating property tax exemption for certain housing for the elderly

Senator Jay Scott Emler discussed an amendment, which was completed just before the meeting, to address the concerns of those on both sides of the issue. The amendment would provide that, after January 1, 2004, living units which are not located on the same contiguous property, excluding roadways, as the main campus would be excluded from the property tax exemption. In addition, the bill would be amended to state, “Any taxing unit within whose district a facility exempt under this subsection is located may by adoption of a resolution or ordinance require such facility to make a payment in-lieu-of taxes. Such payments shall be in an amount agreed to between the parties or in the event of no such agreement, a determination will be made by the Board of Tax Appeals based upon the taxing district’s mill levy for the value of property appraised as residential property, single family through quadri-plexes, which exceeds each living unit 120 percent (or 100 percent) of the average cost of a similar property within the taxing subdivision.” Senator Emler explained that “resolution” would include school districts.

Senator Corbin commented that the issue is complicated and more time is needed to study it. For this reason, he suggested that the bill be passed out of Committee stating that any off site, free standing units that are not associated with the campus will go back on the property tax rolls. The issue could then be studied further in the House Taxation Committee. Senator Emler agreed to work further on the amendment with the House side or to amend the bill on the Senate floor. Senator Oleen pointed out that the bill will establish a tax policy

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position which may place an undue burden on persons in the future, and she suggested that the bill be prospective. Senator Clark stated that Senator Oleen's suggested amendment would possibly raise constitutional questions.

Senator Clark moved to amend SB 161 conceptually to provide that off site living units not contiguous, excepting roadways, not be exempted from property taxation, seconded by Senator Donovan.

Senator Taddiken and Senator Pugh commented that perhaps a definition of "roadway" is necessary for clarification purposes. Following further discussion, Senator Allen commented that the bill should be drafted to reflect clearly the Committee's intent; therefore, she felt a vote on the motion should be delayed until the amendment is put in writing by the revisor. Senator Clark withdrew his motion. Senator Corbin continued the discussion of the bill to February 26 at which time the amendment will be presented in writing.

SB 85–Property taxation; eliminating wind energy resources property exemptions

Senator Corbin distributed copies of a suggested amendment to **SB 85**. (Attachment 3) The amendment would restore the exemption for all taxable years after December 31, 2002. In order to retain the tax exemption, the taxpayer must enter into a payment in-lieu-of taxes contract with the county and must continue to make the payments required by the contract in order to retain the exemption. Senator Clark clarified that, if the payments were not made, the property would be returned to the tax rolls as in existing law. Senator Corbin commented that the bill was introduced at his request, and he had not received input from the proponents since the hearing on the bill.

The meeting was adjourned at 11:40 a.m.

The next meeting is scheduled for February 26, 2003.

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