

SESSION OF 2012

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2481

As Amended by House Committee on Taxation

Brief*

HB 2481, as amended, would clarify that the definition of gas for severance tax purposes includes "all other raw, unrefined gases, all constituent parts of any such gas or gases and refined products derived from any such gas or gases, including, but not limited to, methane, ethane, propane, butane, and helium."

The bill also would retroactively eliminate all refund claims associated with the claim that any constituent part of gas and any refined products derived from gas were not taxable under the 1983 severance tax imposition.

Background

The bill was requested for introduction and supported by the Department of Revenue, whose representative explained that since the severance tax was enacted in 1983, helium and all other gas components have always been assumed to be taxable. A recent class action suit filed in Seward County alleges the tax should not be applied to helium.

The fiscal note indicated passage of the bill would not affect State General Fund receipts. But if this legislation were to not pass and the courts subsequently were to agree with the exemption claim for helium, the gas severance tax base would be narrowed significantly relative to current law and revenue estimates, and at least \$55 million in refunds could be due dating back to 1995. (Tax refunds of a greater

*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>

magnitude conceivably could be ordered dating back to 1983, but the Department apparently was unable to access 1983-1995 collections data at the time the fiscal note was prepared.)

The House Taxation Committee amendment, suggested by the Department, would further clarify that refund claims filed on or after July 1, 1983, based on the aforementioned issue would not be allowed.