

## MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:39 A.M. on March 12, 2008 in Room 519-S of the Capitol.

All members were present.

## Committee staff present:

Gordon Self, Office of Revisor of Statutes  
Chris Courtwright, Kansas Legislative Research Department  
Scott Wells, Office of Revisor of Statutes  
Ryan Hoffman, Kansas Legislative Research Department  
Judy Swanson, Committee Assistant

## Conferees appearing before the committee:

Senator Umbarger  
Robert Vancrum, Quest  
Mark Schreiber, Weststar Energy  
Senator Pyle

## Others attending:

See attached list.

Hearing was opened on **SB 665–Late filing of property tax returns by public utilities.**

Senator Dwayne Umbarger testified in favor of **SB 665.** (Attachment 1) He said there is currently no statute that allows the Director of Property Valuation to impose a penalty on a public utility for late filing or for under reporting valuations as there is for locally assessed property. This has caused problems in some counties in southeast Kansas as it relates to a public utility that has not filed in a timely manner. Public utility tax returns are due on or before March 20 of each year with no statutory penalties for failing to file. The bill adapts the statutory penalties currently in place for locally appraised property and applies them to state appraised property. Senator Umbarger said he would be open to amendments on **SB 665.**

Scott Wells, Kansas Legislative Research Department (KLRD) reviewed **SB 665.**

Robert Vancrum, Quest, presented background information on why Quest was late in filing its tax returns last year. (Attachment 2) Since last year, Quest has changed its SEC filing date to better coincide with the state deadlines. He made several suggested amendments to **SB 665.** He suggested two 30-day extension periods in which to make and file tax returns. He stated that merchants and motor carriers incur no penalties, and questioned why utilities are being singled out.

Mark Schreiber, Westar Energy, presented a neutral statement on behalf of Westar Energy, Kansas City Power & Light, Kansas Gas Service Company and AT & T. (Attachment 3) Mr. Schreiber said the penalties in **SB 665** are based on a percentage of the company's assessed valuation, and if Westar was one day late in filing the proper forms, the director of PVD could assess Westar a penalty of \$20 million. Senator Donovan said he thought the penalty would be better applied to the amount of unpaid taxes as compared to the assessed valuation.

In response to Senator Lee, Paul Snider, Kansas City Power & Light, said there are fundamental differences in the way utilities are assessed as opposed to general businesses. Electric and gas utilities were not included in the M&E exemptions passed several years ago. There is a chance the penalties could be rolled into rates if they occur in the test years. Senator Lee expressed concern about giving utilities a lower fine than regular businesses. Mr. Schreiber said property tax is recovered generally through a surcharge.

In response to Chairman Allen, Mr. Vancrum said he had no objection to language being changed from "received by" to "postmarked by" or "electronically filed by". Mark Beck, Property Valuation Department, said he would be glad to work with interested parties on amendments to **SB 665.**

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Senator Apple said he has an issue in his district with a YMCA that had applied for a property tax exemption. He will submit an amendment that will allow county clerks to disallow those evaluations in their reporting.

The hearing closed.

Hearing on **SB 617--Income tax credit for property taxes paid by certain taxpayers** was opened.

Chris Courtwright, KLRD, reviewed the bill. He said **SB617** would add another tool for assisting seniors in Kansas in getting property tax relief. **SB 617** would create a refundable income tax credit. To qualify for this credit a person must be 65 years of age or older, have an annual income at or below the federal poverty level, and reside in their residence. An amended fiscal note will be forthcoming which will be approximately \$35-\$38 million. In response to Senator Donovan, Mr. Courtwright said residents could only receive the Homestead tax exemption credit or this proposed credit, not both. Steve Stotts, Kansas Department of Revenue (KDOR) estimates out of 80,000 Homestead exemption claimants, approximately 8,000 are ages 65 or older (10%).

Senator Pyle said **SB 617** would provide some relief and financial security to the neediest of seniors in their retirement years. (Attachment 4) He feels it would help them avoid nursing care, which would provide a cost savings to the state. In response to Senator Schmidt, Mr. Stotts said "annual income" in **SB 617** would be calculated on federal adjusted gross income, and that is the figure KDOR used when it calculated the fiscal note. Alternatively, Homestead income is figured on all household income, which includes social security income, etc. Military pensions are taxable at the federal level, but are exempt in Kansas. Mr. Stotts said he could calculate fiscal notes if the amount of the credit refund was capped at different levels. Senator Pyle said he did not consider expanding the Homestead tax exemption law.

Senator Lee requested KDOR recalculate the fiscal note on this bill using the old definition of Homestead income (before last year's changes) to see what the fiscal note would be, and also what would happen to the Homestead program if \$6 million was put into it.

Chairman Allen appointed Senator Lee, Senator Bruce and Senator Pine to a sub-committee to study **SB 617**. The charge to the sub-committee is to come back with a bill that has a fairly small fiscal note. The sub-committee will meet Monday, March 17 at 10:30 a.m. and Tuesday, March 18 at 11:00 a.m.

Discussion was held on **HB 2641--Non deduction of property taxes paid by certain nonresident taxpayers subject to Kansas income tax liability.**

Senator Schmidt moved to amend **HB 2641** by taking the contents from **SB 592** as currently amended, but removing from those contents the state capitol renovation sales tax exemption, and putting the remainder in **HB 2641**. Senator Jordan seconded the motion, and the motion passed.

Senator Schmidt moved to further amend **HB 2641** by adding a provision that would exempt sales tax on sales and direct purchases for all senior centers in Kansas and to the extent that this provision is different from what is currently in the amended version of **SB 592**, leave the current senior center provisions in the amended **HB 2641**. Senator Schmidt further clarified that if the general sales tax exemption for all senior centers covered the specific sales tax exemption for the two senior centers in **SB 592**, the specific sales tax exemption could be stricken from the bill. If not, as in the case of the construction sales tax exemption for the Paola Senior Center, the language should be written as a specific exemption. Senator Donovan seconded the motion, and the motion passed.

Senator Schmidt moved to further amend **HB 2641** by including the contents of **SB 550** in **HB 2641**. Senator Donovan seconded the motion, and the motion passed.

Senator Donovan noted he believes the fiscal note on **SB 550** is still incorrect.

Senator Schmidt moved to report **HB 2641** as amended favorable for passage and to give the revisor

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discretion to submit it as an amended bill or as a substitute bill. Senator Jordan seconded the motion, and the motion passed.

Being no further business, the meeting adjourned at 11:45 a.m. The next meeting will be March 13.