

Approved: 3-18-93
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Keith Roe at 9:00 a.m. on March 16, 1993 in Room 519-S of the Capitol.

All members were present except: Representative Welshimer, excused

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Lynne Holt, Legislative Research Department
Don Hayward, Revisor of Statutes
Bill Edds, Revisor of Statutes
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Senator Audrey Langworthy
Jim McHenry, Kansas Children's Service League
Jeanne Bates, Hallmark Corporate Foundation
Bob Corkins, Kansas Chamber of Commerce & Industry
Betsy Topper, United Community Services of Johnson County
Harland Priddle, Junction City/Geary County Development Agency
Bert Cantwell, Kaw Valley Center
Dr. Charles Warren, President, Kansas Inc.

Others attending: See attached list

Chairperson Roe opened the hearing on SB 230.

SB 230 Kansas community assistance program act.

Senator Audrey Langworthy testified in support of SB 230 and said that this bill will encourage public/private partnership to promote economic growth and social stability in Kansas communities. She also said that diminished federal support for community assistance programs, coupled with state resources that are stretched to their limit, has focused greater attention on private sector sources of funds. Senator Langworthy emphasized that this bill will phase in gradually and she assumes that there will be statewide participation (Attachment 1).

Jim McHenry, Kansas Children's Service League, testified in support of SB 230 and said that the League has experienced growth which is a reflection of an increasing need and demand for services from the public and private sector (Attachment 2).

Jeanne Bates, Hallmark Corporate Foundation, testified in support of SB 230 and reviewed Hallmark's experience with Missouri's Neighborhood Assistance Program (NAP) and explained how this program has benefitted numerous charitable programs in Missouri. Ms. Bates said that the NAP program has enabled businesses, corporations, sole proprietorships, partnerships and farmers to contribute real estate, cash, services, equipment and materials to approved neighborhood assistance projects (Attachment 3).

Bob Corkins, Kansas Chamber of Commerce & Industry, testified in support of SB 230, stating that KCCI's support for this bill is not due to its published reduction in the tax burden for businesses. Instead, KCCI considers it to be in harmony with their committed effort toward government privatization.

Betsy Topper, United Community Services of Johnson County, testified in support of SB 230, stating that they support the concept of offering tax credits as one incentive for businesses to play a stronger role in community services (Attachment 4).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on March 16, 1993.

Harland Priddle, Junction City/Geary County Development Agency, testified in support of SB 230. He said that the concepts and provisions of this bill will be a stimulus to local businesses to participate in community service projects and programs which need attention and funding (Attachment 5).

Bert Cantwell, Kaw Valley Center, testified in support of SB 230. Mr. Cantwell said that this bill would aid those not-for-profit organizations who daily try to make local communities more livable (Attachment 6).

Chairperson Roe closed the hearing on SB 230.

Representative Mays reported on the Subcommittee meeting held on March 15, 1993, on SB 171. He recommended that the Committee stay with the current language as printed in SB 171.

Lynne Holt, Kansas Legislative Research Department, reviewed the supplemental note and a staff chart on the Substitute for SB 73. She explained that this bill would authorize certain firms to receive specified types of business assistance and income and sales tax incentives if they provide to their employees a certain level of training and education. Such tax incentives would take effect for taxable years commencing after December 31, 1992 (Attachment 7).

Dr. Charles Warren, President, Kansas Inc., distributed updated fiscal information regarding SB 203. Included in his attachment was a chart provided by Western Resources, Inc. on sales tax on utility service consumed in production June 1992 to December 1992. Also included was information provided by David Collins, Kansas Geological Survey on the fiscal impact of the proposed reduction in the effective severance tax rates imposed on natural gas indicating that new evidence suggests that both production and price of Kansas natural gas will be above previous estimates. Regarding the proposal to repeal the 2.5 percent sales tax on construction, Dr. Warren said that \$1 billion of labor and services would need to be taxed in order to cover the estimated \$27.5 million drop caused by the repeal (Attachment 8).

The minutes of March 12, 1993, were approved as printed.

The meeting adjourned at 10:29 a.m.

The next meeting is scheduled for March 17, 1993.

Date: 3/16/93

GUEST REGISTER

HOUSE COMMITTEE ON
ASSESSMENT AND TAXATION

NAME ORGANIZATION ADDRESS PHONE

Betsy Topper	United Community Service	Overland Park	42-8124
A. J.			
Marion Pridell	Junction City, Blue City, Parley	814 New Washington Junction City	712-1976
Jim Rendon	KANSAS ASSOC. of COUNTIES	13th & Topeka Topeka	233-2271
Cliff Franklin	Visitor	10215 N. 51st St. Merriam, KS.	304-7325
BERT CANTWELL	KAN VALLEY CENTER	KCK	334-0299
Gary D. Grable	Kan Valley Center	KCK, KS.	321-3333
Eric M. B. in	OBSCUR	Topeka	266-4359
Dodi Lacey	Ks. Children's Service League	Topeka	272-8447
Chuck Stones	KS Bankers Assn	"	232-3444
Jeanne Bates	Hallmark	KCMO	274-8515
Judith Clark	Hallmark	KCMO	274-8893
ALAN COBB	KS Assoc for Small Business	Wichita	
Marguerite Steingart	Geary Co. Visitor	Junction City	238-1861
Jeanne Rytle	Geary Co Visitor	Junction City	238-2354
Zelen Herman	Geary Co	Dwight KS	238-4385
Conie Hulell	State Bd of Ed	Topeka	233-7345
Bob Corkins	KCCI	Topeka	357-6321
Herbert T. Jonett	Comp Prop Assoc	Topeka	232-0486
Martha Hedgesmull	KARF	Topeka	235-5103

AUDREY LANGWORTHY

SENATOR, 7TH DISTRICT
JOHNSON COUNTY

6324 ASH

PRAIRIE VILLAGE, KANSAS 66208-1369

(913) 362-4067

STATE CAPITOL BUILDING, ROOM 143-N

TOPEKA, KS 66612-1504

(913) 296-7369



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS

CHAIRMAN: ASSESSMENT AND TAXATION
 VICE CHAIRMAN: PUBLIC HEALTH AND WELFARE
 VICE CHAIRMAN: COMMITTEE ON SCHOOL DISTRICT
 FINANCE AND QUALITY PERFORMANCE
 MEMBER: EDUCATION
 LOCAL GOVERNMENT
 JOINT COMMITTEE ON
 LEGISLATIVE EDUCATIONAL PLANNING
 MEMBER: CHILDREN AND YOUTH ADVOCACY COMMITTEE

Testimony on SB 230
 Before House Taxation Committee
 March 16, 1993

Chairman Roe, members of the committee, I come before you to testify in favor of SB 230.

This bill will encourage public/private partnership to promote economic growth and social stability in Kansas communities. This type of cooperation fosters a common understanding of problems and needs and stimulates joint development of projects between Kansas businesses and approved community assistance agencies with the state serving as the catalyst. It will help strengthen our social fabric and many of the agencies the State itself depends on.

Diminished federal support for community assistance programs, coupled with **state resources** that are stretched to their limit, has focused greater attention on private sector sources of funds. SB 230 would provide for a credit against the income tax for businesses making contributions to approved proposals of community service organizations. The Director of the Division of Community Development of the Department of Commerce and Housing is charged with evaluating and approving proposals. The credit would equal 50 percent of the amount contributed, except in rural communities where the credit would equal 70 percent of the amount contributed.

- ° contributions must be made to a qualifying community organization for a qualifying project in one of three program areas:
 1) Community Services, 2) Crime Prevention, 3) Job training;
- ° Maximum credits: Total credits \$5,000,000 per year;
- ° All projects must be approved by local government agencies.

This bill will phase in gradually. There will be start-up time and the impact will be gradual.

3/16/93
 House Taxation Cmte
 Attachment 1

Other States Experience:

Several other states have approved similar legislation. Pennsylvania was the first in 1967, and Missouri initiated its program 12 years ago; they are the two states with the most extensive experience.

Other states include: Delaware, Indiana, Michigan, Florida, Virginia, Wisconsin, Connecticut, Louisiana and Nebraska.

Program Benefits:

- ° This bill will help support community-based 501(c)(3) agencies that the state needs and uses.
- ° SB 230 will bring new dollars into the state and will increase giving by corporations and business to support community services, crime prevention and job training.

In summary, raising taxes is not the only answer to ever increasing social problems. SB 230 promotes public/private partnerships and a spirit of cooperation that government alone cannot accomplish.

January 3-9, 1992

Neighborhood Assistance tax credit helps companies do well by doing good

With the new year upon us, many businesses and/or their accountants are researching and preparing to file their tax returns for 1991.

One tax credit worth more than just its financial benefit to your company is the one allowed through the Neighborhood Assistance Act. Through this law, you can help improve the quality of life in your neighborhood and community, in addition to improving your tax status.

About 400 agencies throughout Missouri offer the state tax credit, including an estimated 85 in the Kansas City area. For the most part, any Missouri business is eligible to claim a tax credit for a contribution to one of these approved agencies. The agencies have at least two elements in common — a tax-exempt status and an emphasis on helping residents with low or moderate incomes.

Eligible businesses for this tax credit include all corporations, partnerships, individual partners, sole proprietorships, Subchapter S corporations and their shareholders, and individuals with rent, royalty or farm income.

Qualifying contributions to the agencies are not confined to cash. Items such as real estate, material and equipment, stock and personnel time may be eligible for tax credits when given to approved agencies. Up to 50 percent of the value of a contribution can be held as a credit on the company's state tax. Also, a credit not used in the first year can be carried forward as many as five years.

If your company or partnership missed grabbing the tax credit made available under the Neighborhood Assistance Act for the 1991 tax year, make the contribution this year and you'll be set to take a tax credit in the next five years.

Before making a contribution to one of these projects, a contributor should contact the agency to verify that it is eligible and to establish a value for the contribution. For a list of area agencies that are currently participating in the Neighborhood Assistance Program, see Page 7. For more information, call the Missouri Department of Economic Development at 889-2900 or write the department at the Missouri State Office Building, 615 E. 13th St., Suite 516, Kansas City, Mo. 64106.

1-3



...to protect
and promote the
well-being of children
...to strengthen
the quality of
family life
—since 1893

**Wichita District
& Central Office**

1365 N. Custer
P.O. Box 517
Wichita, KS 67201
(316) 942-4261

**Kansas City
District Office**

Gateway Center Tower II
Suite 921
4th & State Ave.
P.O. Box 17-1273
Kansas City, KS 66117
(913) 621-2016

**Topeka
District Office**

2053 Kansas Ave.
P.O. Box 5314
Topeka, KS 66605
(913) 232-0543

**Western Kansas
District Office**

705 Ballinger
Garden City, KS 67846
(316) 276-3232

FIELD OFFICES

Flint Hills

227 Southwind Place
Manhattan, KS 66502
(913) 539-3193

Emporia

417 Commercial
P.O. Box 724
Emporia, KS 66801
(316) 342-8429



United Way

Member Child Welfare
League of America

Accredited by The Council
on Accreditation of
Services for Families
& Children

March 16, 1993

**Testimony before the House Taxation Committee
SB 230**

by: James McHenry, Ph.D.

Kansas Children's Service League is a statewide not for profit agency serving the needs of children and families. We provide a broad array of services aimed at supporting and strengthening families in response to the needs of a given community. These include services such as respite care, family support groups, intensive home based services, foster care, parent adolescent mediation and Head Start.

The League has a proud tradition of supporting families and is celebrating 100 years of service and support to Kansas children and families in 1993. As an organization we understand when working with and for this population, we cannot afford to have a "business as usual perspective". Our organization has consistently been a player in responding to the needs of children by strengthening and diversifying our services, in addition to being a strong voice for children. To that end in January we announced our merger with the Kansas Child Abuse Prevention Council.

We appear today to voice our support for SB 230.

*Our strengthening and expansion of services has followed the demand from the public and state government, particularly SRS. The proven programs and newly established programs by our agency reflect the public policy and the plans for addressing the needs of children and families as outlined in the **Blueprint for Children and Families** developed by the Special Committee on Children's Initiatives. Our budget reflects that growth. Following is a breakdown of our funding base comparing 1989 and 1992.*

SOURCE	1989	1992
	Tot. budget \$2.1 M	Tot. budget \$4.7 M
Public support: private contributions, bequests, United Way	31%	18%
Government Grants and fees	46%	68%
Investments / trusts	12%	7.3%
Reserves	4%	2.5%

As I stated, this growth is a reflection of an increasing need and demand for services from the public and private sector. As you can see, one of our concerns is a growing reliance on governmental support. We strive to balance the need and demand for services with that reliance, fully expecting this resource to be a diminishing base of support for our programs. All this while working very hard toward matching program costs with income.

over please

3/16/93
House Taxation Cmte
Attachment 2

One of the targets of the Blueprint for Kansas Children and Families with which you are all familiar, is to make business a partner. Although we recognize that business already has been a significant player, we believe this legislation creates a visible avenue for developing the long term strength of that partnership.

This initiative would provide opportunities for programs and agencies such as ours to diversify our funding base and stabilize those proven programs addressing critical community needs such as Head Start and Respite Care.

The business community is well aware of the stake it has in building a stronger economy in this state. In part, this is accomplished by building a workforce, with skill, motivation and adaptability. Human resources determine how other resources of the state will be developed and managed. this initiative and the opportunity it gives business to be a partner in ensuring the implementation of the Kansas Blueprint, is not just a matter of philanthropy, it is also a matter of enlightened self interest which in the long run benefits all of us. Through this state action, we could continue to foster the public/private partnership necessary to meet the needs of Kansas children and families.

Thank you for this opportunity.

Senate Bill No. 230 -- Community Assistance Program

House Taxation Committee

Testimony by

Jeanne M. Bates
Vice President Hallmark Corporate Foundation
Community Development Manager Hallmark Cards, Inc.

March 16, 1993

3/16/93
House Taxation Cmte
Attachment 3

Good morning, Rep. Roe and members of the committee. My name is Jeanne Bates. I am vice president of the Hallmark Corporate Foundation and the Community Development Manager for Hallmark Cards in Kansas City. I have served in that role for the past 14 years. I am responsible for the company's charitable contributions including oversight of those made by our four Kansas facilities in Lawrence, Leavenworth and Topeka.

It is a pleasure to be here this morning to testify in support of Senate Bill No. 230, the Kansas Community Assistance Program (CAP). My purpose is to share with you Hallmark's experience with Missouri's Neighborhood Assistance Program (a similar program in Missouri), and to establish how it has benefited numerous charitable programs there.

Hallmark has been a participant in the Missouri NAP program for more than a decade. The intent of the NAP program relates closely to Hallmark's social responsibility philosophy and our objective to be a good corporate citizen by helping the communities in which we operate so that our employees and our neighbors enjoy a positive quality of life.

Regardless of whether Senate Bill No. 230 passes, Hallmark will continue to contribute to community service organizations in Kansas. For other businesses, however, this legislation can act as a powerful incentive to contribute to community organizations and provide support that might not otherwise be available.

The economic climate in recent years has been difficult for many members of our society. As unfortunate economic circumstances have affected individuals and families, we have all witnessed an increased need for government and social support networks to provide assistance.

In Missouri, the NAP program has enabled businesses, corporations, sole proprietorships, partnerships and farmers to contribute real estate, cash, services, equipment and materials to approved neighborhood assistance projects. The donors receive a 50 percent tax credit that is deducted from the state income taxes owed by the firm, not from the gross net income. For every dollar given to an authorized project, a minimum of 50 cents is returned to the donor through tax credits.

I would like to offer just two examples of Missouri NAP projects that benefited in 1992:

- The Sherwood Center for Exceptional Children is a program that serves 35 autistic children and teens who are severely handicapped by this neurological disorder. Their needs include: special education, speech therapy, physical education, occupational therapy, behavior management and pre-vocational training.

Renovation provided by Hallmark work crews enabled Sherwood to dedicate their limited funds to serving their clients rather than repairing their physical space.

- The Don Bosco Community Center has, since 1940, served its local neighborhood in a variety of ways. In 1990 alone, which was its 50th year of service, it served 15,000 people -- many of whom are among the poorest and most ethnically diverse in the city. Two programs the center supports are a new senior center that provides meals, fellowship, health screening and education; and the Nationalities Service Center, which provides English as a Second Language training, job placement and other services to migrant workers, refugees and other immigrants.

The common thread for all of the people who are beneficiaries of these programs is poverty, lack of education and the absence of social mobility in the mainstream of our society. These programs benefit from NAP credits, which encourage donors to support services that otherwise would need to be provided by government should the non-profit sector fail to receive the necessary support.

In previous years Hallmark has supported other NAP approved projects in Kansas City such as the T.I.P.S. Hotline of the Kansas City Crime Commission, which gives cash rewards for information which leads to solving crimes; the Full Employment Council's efforts to retrain workers displaced by factory closings; and a weatherization project for more than 75 homes owned by low-income persons in the Longfellow Neighborhood, which is adjacent to Hallmark's headquarters at Crown Center. Hallmark employees who worked on the weatherization project received their regular salary and benefits from the company while working full-time for seven months caulking windows, adding storm doors and insulation and repairing windows.

The results of NAP are clear. The neediest people in our society benefit from NAP. The program helps form long-term relationships between the donors and the recipients.

The Kansas CAP program is similar to Missouri's, in that it would encourage businesses to provide support to those organizations whose resources are stretched to the limit.

The Kansas CAP program would encourage businesses across Kansas to support their communities and build public-private relationships that will strengthen the community and individuals in need. We all know that in order for our communities to continue to function smoothly we must work together. The Kansas CAP program would be an effective vehicle to improve the positive quality of life in Kansas. We encourage your support of Senate Bill No. 230, the Kansas Community Assistance plan.



United Community Services
of Johnson County, Inc.

Board of Directors

Executive Committee

Georgia Nesselrode
President

Hon. William Kostar
1st Vice President

Cheryl Hall Harris
2nd Vice President

Joan Schmedemann
Secretary

Charles Pepper
Treasurer

Jeffrey Ellis

Sandra S. Vader

Fred J. Logan, Jr.
Past President

J. Gary McEachen
Ex Officio

Members

Bobbe Anson
Blanche O. Banks
James Borthwick
Betty Crooker
Richard Guthrie
Ann Heberger
Robert L. Jones
Cal Kleinmann
Rabbi Mark H. Levin
Patricia Miller
Roshann Parris
Nancy I. Riley
Clint Robinson
David C. Speer
David Watkins

Council of Advisors

Robert F. Bennett
Hon. Richard L. Bond
Barbara Buehler
Dr. Charles Carlsen
Kathie Champlin
Craig Christie
Ben Craig
Anne Debus
SuEllen Fried
Adele Hall
Betty Keim
Dr. Robert Meneilly
Hon. Jan Meyers
Paul Morrison
Shirley Rose
Hon. Roe Taliaferro

Executive Director

Wilma J. Dickey

TESTIMONY
before the
House Taxation Committee

March 16, 1993

Re: Senate Bill 230

Good morning. My name is Betsy Topper. I am director of public affairs for

United Community Services of Johnson County. UCS is a private, nonprofit
agency engaged in planning for health and human services in Johnson County.

Our consumers are public and private entities that provide direct services to
county residents. Those services range from cash assistance to legal services,
from primary health care to hospice care, from early childhood care and education
to home repair.

All of these services are essential. The need for them cuts across all income
levels and age groups. They are quality of life issues. As such, they are
economic development issues.

The provision of these services is either enabled or constrained by the availability
of dollars and in-kind resources, whether those dollars and resources come from
government, foundations, United Way, or businesses.

UCS supports the concept of offering tax credits as one incentive for businesses to
play a stronger role in community services. As planners, we recognize the
importance of supporting those services and projects that fit into a larger

3/16/93

House Taxation Cmte

framework of community priorities, and are, therefore, endorsed by the local community as being important.

We have asked our major funder, Heart of America United Way, how a similar program is working in Missouri. The Neighborhood Assistance Program has been in operation for ten years. From all accounts, it is working very well.

Community service agencies have available to them an additional source of funding; the corporate community is very supportive. Projects that receive support are generally one-time, capital or start-up in nature. Major fundraising campaigns in Missouri's corporate community, such as those run by United Ways, have not experienced feared reductions in giving.

Everyone wins: businesses, community service organizations, consumers of community services, and communities, themselves. We, at UCS, encourage you to support this measure.

SENATE BILL 230

March 16, 1993

House Taxation Committee

By

Harland E. Priddle

Director of Commerce and Economic Development

Junction City/Geary County Development Agency

Mr. Chairman, members of the committee, I am pleased to appear today in full support of Senate Bill 230. The concepts and provisions of the bill will be a stimulus to local businesses to participate in community service projects and programs. The Bill is another example of the concepts and strategies initiated by the Legislature in 1987 to provide programs to motivate communities to solve their own problems. This program is complimentary to such programs as the Strategic Planning Grant program and others designed to assist communities but not do it for them. It is designed to place responsibility for implementation at the local level and will be relatively simple and cost effective to implement.

Speaking from our own community standpoint, the Bill will provide us the opportunity to involve businesses in establishing programs which need attention and funding. For example, we are in the process of establishing a Big Brother-Big Sister program to address the needs of our at risk youth.

3/16/93

*House Taxation Cmte
Attachment 5*

This will not only allow a monetary opportunity but will provide for a strong partnership between the community and business. We also plan to take advantage of the program to establish non profit organizations to address such issues as elimination of sub-standard housing, blighted areas of the city and other programs designed to improve the image and desirability of the community.

I commend the Legislature for being a continuing partner in the concept of providing communities the opportunity to organize and progress through local motivation. I recommend you favorably consider Senate Bill 230.



March 15, 1993

KAW VALLEY CENTER

4300 Brenner Drive
Kansas City, KS 66104
913/334-0294
913/334-0294 (FAX)

BOARD OF DIRECTORS EXECUTIVE COMMITTEE

Gary Grable
Chairman
Betty Crooker
Vice Chairman - Programs
Bert Cantwell
Vice Chairman - Finance
Sue Bond
Secretary
Joseph Fahey
Past Chairman
B. Wayne Sims
President/CEO
Marianne Aitken
Jo Ann Ball
Senator Richard Bond
Therese Bysel
Robert Christine
Ellen McCarthy

STAFF

B. Wayne Sims, M.S.
President/CEO
Anne Roberts, M.S.
Vice President - Programs
Phil Krueger, M.Ed.
Vice President - Administration
Paul Klayder, CPA
Controller
Latha Venkatesh, M.D.
Child Psychiatrist
Amy Munro, D.O.
Pediatrician



United Way



Joint Commission

on Accreditation of Healthcare Organizations

Mr. Chairman, members of the Taxation Committee, I am here as the Vice President of the Board of Directors of the Kaw Valley Center, a not-for-profit children's organization located in Wyandotte County, Kansas. As a member of this board, I am very aware of the quality work that is done in behalf of abused, abandoned and emotionally disturbed children and with their families. By having the Kaw Valley Center in our community, with the wide array of services they offer, we are able to truly provide least restrictive treatment options. For some families, in-home services are needed. Some children may need to attend day treatment programming; that is living at home but receiving daily psychiatric and special educational services. Still others may need outpatient therapy or intensive residential treatment. In any case, however, the cost for these services are dramatically less expensive than state institutional and general hospital care.

I am sure that many of you know, through your own volunteer efforts with not-for-profit organizations, that the business community is being asked more and more to fund the deficits incurred annually by these well-meaning, albeit often financially limited organizations. As federal and state governments necessarily look to making sweeping cuts in our domestic not-for-profit programs, even greater pressure will be placed on private businesses to support these very necessary organizations.

Therefore, I am here today to speak in behalf of the SB-230, the Community Assistance Program. This program would allow approved not-for-profit organizations to give tax credit to businesses for their charitable donations. In turn, the businesses know that a portion of their tax dollars are being used by a charitable organization they have personally chosen to support. This should serve to leverage other businesses to support charitable organizations, that without this motivation, might not have chosen to make such a donation.

This is a good bill and one that supports our business community. This is also a bill that aids those not-for-profit organizations who daily try to make our local communities more livable. I urge you to support this proposed legislation. Thank you.

Sincerely,

Bert Cantwell

Bert Cantwell
Vice President/Finance

3/16/93

House Taxation Comte
Attachment 6

BC/jp

Substitute for S.B. 73 (Senate Commerce Committee)

QUALIFIED FIRM

- for profit business establishment
- state tax liability
- manufacturing
- for most part, above average wage based on SIC code within county

Applies to Secretary of Commerce and Housing
to be certified as a qualified firm

A qualified firm can receive the following benefits if it:

Expenditures more than 2% on worker training

Actively participates in KIT/KIR or SKILL Program

New

Workforce Training Tax credit
maximum -- \$50,000
No carryover.

Proposed

Sales tax exemption on construction, reconstruction, machinery, and equipment related to new investments in facility.
K.S.A. 79-360a(ee). No job creation required.

Existing Law

Same exemption.
Two additional jobs -- manufacturing.
Five additional jobs -- nonmanufacturing.

Proposed

10% business facility investment credit up to \$50,000. No job creation required.
Carryover allowed.

Existing Law

1% business facility investment credit for up to \$100,000 investment.
Two additional jobs -- manufacturing
Five additional jobs -- nonmanufacturing

Proposed

Matching funds for business assistance and consulting services -- MAMTC or approved private consultants.

To be financed by expenditures from the proposed High Performance Incentive Fund, subject to appropriations.

Proposed

Priority consideration for other business assistance programs -- KTEC, KDOCH, MAMTC.

3/16/93
House Taxation Committee
Attachment 7

KANSAS inc.

February 9, 1993

Senator Paul Burke
President of the Senate
The Kansas Legislature
The Statehouse
Topeka, Kansas

Board of Directors

GOVERNOR JOAN FINNEY
THOMAS CLEVINGER
Co-Chairmen

PAUL "BUD" BURKE
JILL DOCKING
TIMOTHY R. DONOGHUE
ERIC THOR JAGER
GERALD "JERRY" KARR
BOB KNIGHT
DONALD LANDOLL
DAN L. MEISINGER
ROBERT H. MILLER
WILLIAM A. MOORE
JACK WEMPE
BILL WOHLFORD

Charles R. Warren
President

632 S.W. Van Buren, Suite 100
Topeka, Kansas 66603
(913) 296-1460
fax - (913) 296-1463

Dear Senator Burke:

At your request, Kansas Inc. convened a meeting of informed and expert individuals to analyze the potential fiscal impact of Senate Bill 240 now pending before the Senate Assessments and Taxation Committee. The three legislative measures considered are: restoring the exemption of utilities consumed in production, property tax credit for the severance tax on natural gas, and restoring the exemption on services used in original construction. The meeting took place on Monday, February 8.

The following individuals participated:

Dr. David Collins, Kansas Geological Survey,
Lawrence.
Dr. Darwin Daicoff, University of Kansas,
Lawrence.
Doug Davidson, CERI, Johnson County.
Shannon Green, Tax Attorney, Kansas City Power
and Light, Kansas City, Missouri.
Pat Hurley, Pete McGill and Associates, Topeka.
Larry Knott and Forrest Gossett, Allen, Gibbs
and Houlik, Certified Public Accountants and
Consultants, Wichita.
Ed Schaub, Western Resources, Inc., Topeka.
Janet Stubbs, Kansas Home Builders Association,
Topeka.
Jeff Waggaman, Administrative Assistant to the
Senate President, Topeka.
Dr. Charles Warren, President, Kansas Inc.

Background

The 1993 Kansas Legislature enacted a 2.5% sales tax on utilities used in production and on services used original construction. The Interim Committee on Taxation recommended a reduction in the severance tax on natural gas from 7 percent to 4.33 percent on a phased-in basis and

3/16/93
House Taxation Cmte
Attachment 8

recommended the repeal of the sales tax on utilities used in production.

Estimated Fiscal Impacts

The participants reviewed the fiscal impacts that had been prepared and based on data provided and review and discussion of experience with the taxes, fiscal estimates were derived. The fiscal notes prepared by Legislative Research and the Administration are listed below in column A and the conclusions reached in our meeting are in Column B. The assumptions and conclusions reached at the meeting yesterday are provided in some detail below.

	A Current Fiscal Note (dollar amounts in millions)	B Kansas Inc. Estimates
Utilities Tax	\$17.0	\$13.0
Construction Services Tax	25.0	9.0
Natural Gas Severance Tax	7.0	8.0
Totals	\$49.0	\$30.0

The Kansas Inc. participants concluded that the current fiscal notes over-estimate revenues from these three tax sources combined by 19 million dollars.

The assumptions and conclusions reached individually on each of the three tax measures are presented in the attached summary of the discussion.

Sincerely,

Charles R. Warren
President

attachments

8-2

SUMMARY OF DISCUSSION
KANSAS INC. MEETING ON FISCAL IMPACTS OF S.B. 240

Revenue Experience:

The participants noted that in a letter from Secretary of Revenue Nancy Parrish to James R. Cobler, Division of Accounts and Reports, the revenues collected on the new 2.5% taxes were certified as follows for the period July to December 1992:

2.5% tax on services on new construction	\$1,471,000
2.5% tax on "utilities consumed in production"	\$6,561,000

In FY 1992, the severance tax collections on natural gas were:

	\$55,477,000
less receipts previous year's liability:	- 1,400,000
FY1992 total:	\$54,077,000

Severance Tax Fiscal Impact

Legislative Research provided the following fiscal note estimates:

	Interim Note	January 26 Note
FY1994	\$ 7,527,000	\$ 7,000,000
FY1995	16,560,000	15,400,000
FY1996	23,109,000	21,500,000
FY1997	24,117,000	22,400,000

The estimates in the fiscal note regarding price per MCF and production levels were derived from the November revenue estimates. According to The Governor's Budget Report, Volume 1, p. 12: "Kansas natural gas production and price will remain stable during the forecast period. The price is expected to average \$1.60 per MCF in FY 1993 and \$1.55 per MCF in FY 1994. This estimate compares to an average price of \$1.33 for FY 1992."

These revenue estimates are believed to assume a constant production level for fiscal years 1994 through 1997 of 630 BCF (billion cubic feet) annually with a gross value of \$903 million dollars per year and an average price of \$155 per MCF. These production and price levels would yield annual revenues of \$63 million at a 7 percent rate and \$57 million at a 6 percent rate in FY94, thus the \$7 million fiscal note the first rate. The tax rate reaches 4.33 percent by FY1997.

Because of the national outlook for natural gas and the likely increased production, along with actions underway by the Kansas Corporation Commission to increase allowables and thus production

in the Hugoton field, an estimate of 650 BCF was viewed as a more likely and conservative production level. Because of the trend toward rising gas prices, a \$1.60 per MCF figure was viewed as most likely. This production would yield a gross value of \$1,040 billion with .925 of that gross value taxable yielding \$962 million subject to the 7 percent rate. This results in natural gas severance tax revenues, holding each year constant, of \$67.34 million. A one percent revenue "loss" of \$9.62 million is reduced due to timing of collections, therefore 10/12 of that amount, or \$8.02 million would be the FY1994 fiscal note.

It should be noted that an independent estimate of the trend and projections for natural gas prices was obtained from a petroleum firm in Wichita that indicated the range in price for FY93 was \$1.55 to \$1.65 per MCF and that the most probable price per MCF in FY94 was an average of \$1.70. This industry observer noted that natural gas is not sold on an MCF but rather on a BTU (British Thermal Unit) basis. Kansas gas has a higher BTU and the average price of \$1.70 for 94 should be adjusted by a factor of 1.050 yielding an average price of \$1.79 per MCF. The assumption that natural gas prices would decline from FY93 to FY94 is considered highly unlikely given the trends and prospects for natural gas. The \$1.60 per MCF price used in the Kansas Inc. estimate is therefore overly conservative.

Sales Tax on Utilities Consumed in Production:

As noted earlier, actual revenues realized from the 2.5% sales tax on utilities consumed in production was \$6,561,000 for the period from July to December 1992. Western Resources, Inc. provided extensive detail on the sales taxes collected on utilities in their service area on a county-by-county basis. See attachment. Western Resources, Inc. shows actual state sales tax collections for the June to December 1992 period of \$3,082,942.66. On an annualized basis, they calculated the sales tax collections to be \$5,944,519.00. Kansas City Power and Light estimates sales tax on utilities consumed in their service area to be approximately \$750,000.00. The revenues from these two major utilities would then approximate \$6.75 million annually. Other major utilities in Kansas are BPU in Wyandotte County, Sunflower, Midwest Energy and the municipal utilities. The other major consumers affected would be the Kansas oil and gas industry. The consensus of the participants was that these other utilities could produce sales tax collections of an additional \$6.25 million. It should be noted that the major industrial users in Kansas lie within the Western Resources and KPL service areas. There is not considered to be any seasonal or cyclical factor that would require adjustments in estimates derived from the actual experience data.

Based on this actual data and estimates of the participants, the 2.5% sales tax on utilities can be anticipated to yield state revenues of \$13 million annually. \$13 million is an annualized

amount based on current, actual collections. The participants do not believe a revenue estimate of \$17 million is probable.

Tax on Services for Original Construction:

As previously noted, the sales tax on services for original construction has yielded \$1.471 million through December 1992.

To arrive at a fiscal estimate for construction sales tax, it is first necessary to estimate the total value of taxable original construction in Kansas in Fiscal Year 1994. CERI developed a total taxable value of \$1,851,000,000 based on data from F.W. Dodge, Value of Construction Contracts, for calendar year 1992. This number is arrived at by assuming that 25 percent of the value of commercial and residential construction is rehabilitation and thus already subject to sales taxation. And, that 25 percent of the non-building construction contracts were for government and not subject to taxation. Dr. Daicoff noted that the U.S. Department of Commerce data shows a total value of taxable original construction of \$1.3 billion. The group agreed on a total for original construction value of \$1.3 billion after considerable discussion. This amount was based on Dr. Daicoff's conclusions (See attached testimony by Dr. Daicoff before the Kansas Senate Assessment and Taxation Committee of February 2, 1993). Dr. Daicoff estimates a 5.3 percent monthly loss of taxable construction due to the imposition of the 2.5% sales tax.

After more discussion, the participants estimated that 40 percent of the value of taxable original construction would be allocated to labor and services. ($\$1.3 \text{ billion} \times .40 = \$520,000,000$ of labor subject to taxation.) From this amount, \$20 million was subtracted because of enterprise zone exemptions of sales tax on original construction. Thus, the total value of labor and services on original construction that represents the maximum potential subject to taxation is considered to be \$500,000,000. A 2.5 percent tax on this amount would yield \$12.5 million.

In attempt to understand why only about \$1.5 million was collected during through December 1992, several assumptions were explored. It was recognized that many contracts were exempted because they were executed prior to the effective date, and that a rush of contract execution took place. The participants also noted that several factors have mitigated against greater collections, including: confusion over the application of the tax, difficulty on the part of contractors, especially smaller businesses, in administering the tax, ability of out-of-state contractors to avoid the tax, and direct evasion of the tax. The participants also noted that the Department of Revenue apparently has only six persons to enforce sales tax collections, all of whom were engaged fully prior to the enactment of this tax.

If the potential amount subject to the 2.5 percent sales tax

is \$500 million, then given the above cited difficulties in collection and enforcement, it is assumed that a "slippage" rate of 28 percent would not be unreasonable, and this would produce a total taxable value of \$360 million. It should be noted that one participant felt the "slippage" rate should be significantly higher and at least be estimated at 40 percent. A 28 percent slippage would yield taxable value of \$360 million and that, in turn, would produce estimated annual revenues of \$9 million. This amount was agreed upon by the participants as a reasonable approximation of expected revenues in FY 1994 for the sales tax on services on original construction.

Other Group Conclusions

The participants noted that there are extremely serious problems in the administration and collection of the sales tax on original construction. The Department of Revenue lacks adequate staff to enforce and administer this tax, and the costs to fully staff for its collection would be prohibitive. They also note that the construction industry and its subcontractors are extremely resentful of this new tax and can resort to very creative methods of avoidance. It was also noted that the sales tax is harmful to jobs and activity in the construction industry which will reduce the potential yield of the tax. It is estimated that approximately 1,800 jobs will be lost because of the tax and that employment loss will in turn result in additional losses to the state general fund from reduced sales and personal income tax collections. (An estimate of that loss in income tax alone is: 200 jobs X annual wages of \$22,500 = \$40.5 million payroll loss; and, an income tax loss of \$1.6 million annually.)

It was also noted that the tax on utilities consumed will have a negative impact on economic development in Kansas causing further reductions in state general fund revenues.

If the participants' estimates on the 2.5% sales tax are approximately correct, these two taxes would yield \$22 million. An increase in the general state sales tax rate from 4.9 percent to 5.0 percent would yield \$24 million, or \$2 million more with none of the attendant negative implications for economic development, difficulties in collection or enforcement, and related losses in state sales or income taxes due to reduced employment and economic activity.

Shannon Green
Tax Department
Kansas City Power and Light
P. O. Box 418679
Kansas City, MO 64141-9679

Larry Knott
Allen, Gibbs and Houlik
Certified Public Accountants
301 N. Main, Suite 1700
Wichita, KS 67202-4868

Forrest Gossett
Allen, Gibbs and Houlik
Certified Public Accountants
301 N. Main, Suite 1700
Wichita, KS 67202-5868

Ed Schaub
Vice President of Government Affairs
Western Resources, Inc.
P. O. Box 889
Topeka, KS 66601-0889

Pat Hurley
McGill & Associates
400 S. W. 8th
Topeka, KS 66603

Janet Stubbs
Home Builders Association of Kansas
816 S. W. Tyler
Topeka, KS 66612

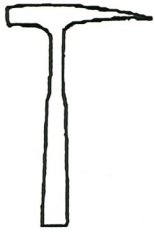
Dennis McKee
Executive Director
Johnson County Economic
Research Institute
11111 W. 95th St., Suite 210
Overland Park, KS 66214

Doug Davidson
Senior Research Analyst
Johnson County Economic Research Institute
11111 W. 95th St., Suite 210
Overland Park, KS 66214

Dr. David Collins
Kansas Geological Survey
University of Kansas
1930 Constant Avenue - Campus West
Lawrence, KS 66047

Dr. Darwin Daicoff
Dept. of Public Administration, University of Kansas
318 Blake Hall, Lawrence, KS 66045

8-7



KANSAS GEOLOGICAL SURVEY

1930 Constant Ave., Campus West
The University of Kansas
Lawrence, Kansas 66047
913-864-3965

March 12, 1993

Charles Warren
Kansas Inc.
632 S.W. Van Buren, Suite 100
Topeka, Kansas 66603

Dear Charles:

On February 9, 1993, I participated in a consensus group meeting convened by Kansas Inc. for the purpose of evaluating the fiscal note which had been prepared on SB203. My letter to you on February 10, 1993, reviewed in considerable detail the fiscal impact of the proposed reduction in the effective severance tax rates imposed on natural gas (accomplished by increasing the credit allowed toward ad valorem property taxes), as contained in SB203 [misnamed SB240]. That review specifically compared the implications of market estimates accepted as a consensus at the February meeting with the fiscal note on SB203 prepared by Legislative Research in January 1993.

Since then, new information regarding expected market conditions for Kansas natural gas has become available. This information differs significantly from the information used in formulating consensus group estimates. In particular, evidence suggests that both production and price of Kansas natural gas will be above previous estimates. I have therefore revised the Survey's estimate of the fiscal note associated with the proposed modifications of the effective severance tax rates on Kansas natural gas.

I am enclosing details of the Survey's revised fiscal note in the same format as my previous estimate of February 10, 1993. These details are presented on pages "(KGS), p.1" through "(KGS), p.8." In addition, summary tables are presented on pages "(KGS), p.9" and "(KGS), p.10" comparing the Survey's revised estimates with the estimates prepared by Legislative Research in January and by the Kansas Inc. consensus group in February.

88

The information on which this revision is based has been obtained primarily from the Oil and Gas Conservation Division of the Kansas Corporation Commission. Market demand hearings scheduled for next Thursday should provide further supporting information.

Nominations for Kansas natural gas production during the next two winters are 30 to 40 billion cubic feet higher than current levels. Nominations represent willingness and ability of the producers to deliver natural gas to their markets. This increase is a reflection of improved market access (particularly by Anadarko) and increased production capacity resulting from infill wells drilled in the Hugoton Gas Area (notably AMOCO). In addition, the deregulation of natural gas prices is eliminating much of the bias which would discourage marketing of lower priced Hugoton gas during slack demand periods. The long range outlook for U.S. natural gas demand is considered good because of the strong environmental concerns of the Clinton administration.

It is anticipated that the expected price range for Kansas natural gas to be reported by the Corporation Commission next week will be shifted up significantly from the previously estimated range. This change is reflected in the prices used in the attached report.

I hope that this information will be helpful during your discussions with the legislature. This information is also contained in KGS Open File Report 93-8, which is available to the public through the Survey's Publications Office.

Sincerely,



David R. Collins, Ph.D.

cc: Lee Gerhard (KGS)
Tim Carr (KGS)

8-9

Notes:

1. The revised estimates of gross production, for both the February and March estimates, assume that the increased credits for ad valorem property taxes as proposed in SB203 are in effect. The revised estimates indicate gross value of production and tax revenue from a 7% effective severance tax as if production would be at the same level estimated with increased credits in effect. In reality, production level estimates should be slightly lower with the 7% effective tax, resulting in slightly lower fiscal notes than stated in this report.
2. It is assumed that the revised price estimates would not be effected by any particular tax credit or effective severance tax rate.
3. As indicated throughout the revised estimates, there is a two month lag between natural gas production and receipt of tax revenues. When the effective severance tax rate changes at the beginning of a fiscal year, the first two months receipts for that fiscal year will be from production taxed at the previous rate. Therefore, all estimates of production, price, gross value and taxable value are estimates for the twelve month period beginning two months before the beginning of the fiscal year.

(KGS), p.9

SUMMARY TABLES FOR COMPARISON OF ESTIMATES**Kansas natural gas production estimates (billion cubic feet)**

FY	Legislative Res. (January)	Kansas Inc. (February)	KGS (March)
'94	630	650	660
'95	630	670	680
'96	630	670	690
'97	630	670	690

Price estimates (\$ per thousand cubic feet)

FY	Legislative Res. (January)	Kansas Inc. (February)	KGS (March)
'94	\$1.55	\$1.60	\$1.70
'95	1.55	1.65	1.80
'96	1.55	1.65	1.80
'97	1.55	1.65	1.80

Gross value estimates (\$ millions)

FY	Legislative Res. (January)	Kansas Inc. (February)	KGS (March)
'94	\$976.5	\$1,040.0	\$1,122.0
'95	976.5	1,105.5	1,224.0
'96	976.5	1,105.5	1,242.0
'97	976.5	1,105.5	1,242.0

**Taxable value estimates (\$ millions)
(using 92.5% of gross, but actually variable)**

FY	Legislative Res. (January)	Kansas Inc. (February)	KGS (March)
'94	\$903.3	\$ 962.0	\$1,037.9
'95	903.3	1,022.6	1,132.2
'96	903.3	1,022.6	1,148.9
'97	903.3	1,022.6	1,148.9

8-11

(KGS), p.10

Total tax revenue estimates at current rate of 7% (\$ millions)

FY	Legislative Res. (January)	Kansas Inc. (February)	KGS (March)
'94	\$63.228	\$67.34	\$72.65
'95	63.228	71.58	79.25
'96	63.228	71.58	80.42
'97	63.228	71.58	80.42

Total tax revenue estimates using SB203 rates (\$ millions)

FY	Legislative Res. (January)	Kansas Inc. (February)	KGS (March)
'94	\$55.701	\$59.32	\$64.00
'95	46.669	52.83	58.50
'96	40.120	45.42	51.03
'97	36.373	44.28	49.75

Fiscal note estimates (\$ millions)

(Tax revenue at 7%, minus tax revenue using SB203 rates)

FY	Legislative Res. (January)	Kansas Inc. (February)	KGS (March)
'94	\$ 7.527	\$ 8.02	\$ 8.65
'95	16.560	17.04	20.76
'96	20.098	26.16	29.39
'97	24.117	27.30	30.67

Estimated effect of SB203 rates, relative to Initial estimates by Legislative Research at current rate of 7% (\$ millions)

(Tax revenue estimates using SB203 rates, minus Legislative Research estimates at current rate of 7%)

FY	Legislative Res. (January)	Kansas Inc. (February)	KGS (March)
'94	\$ -7.525	\$ -3.91	\$ +0.77
'95	-16.560	-10.39	-4.73
'96	-20.098	-17.81	-12.20
'97	-24.117	-18.95	-13.48

8-12

Western Resources, Inc.

Sales Tax on Utility Service Consumed in Production

		Taxable Base		Tax Rates		Actual-June to December, 1992				Estimated Annual Amounts			
County		Actual June to	Annualized	City		County		City		Annualized	Annualized	Annualized	
Name		December, 1992	(Note 1)	County	(Note 2)	State (2.5%)	County	(Note 3)	Total	State (2.5%)	County	City	Total
ALLEN	24	2,571,466.00	5,136,041.00	0.5%	0.5%	64,286.65	12,857.33	6,428.67	83,572.65	128,401.00	25,680.00	12,840.00	166,921.00
ANDERSON	52	59,727.20	118,727.00	1.0%	0.0%	1,493.18	597.27	0.00	2,090.45	2,968.00	1,187.00	0.00	4,155.00
ATCHISON	15	1,542,601.60	2,915,778.00	0.0%	1.0%	38,565.04	0.00	7,713.01	46,278.05	72,894.00	0.00	14,579.00	87,473.00
BARBER	67	245,398.40	489,821.00	1.0%	0.5%	6,134.96	2,453.98	613.50	9,202.44	12,246.00	4,898.00	1,225.00	18,369.00
BARTON	33	240,448.00	476,654.00	1.0%	1.0%	6,011.20	2,404.48	1,202.24	9,617.92	11,916.00	4,767.00	2,383.00	19,066.00
BOURBON	17	1,023,759.60	1,977,531.00	0.0%	1.0%	25,593.99	0.00	5,118.80	30,712.79	49,438.00	0.00	9,888.00	59,326.00
BROWN	25	385,583.20	719,674.00	1.0%	0.5%	9,639.58	3,855.83	963.96	14,459.37	17,992.00	7,197.00	1,799.00	26,988.00
BUTLER	9	12,143,076.80	23,840,472.00	0.0%	1.0%	303,576.92	0.00	60,715.38	364,292.30	596,012.00	0.00	119,202.00	715,214.00
CHASE	81	3,990.80	7,982.00	0.0%	1.0%	99.77	0.00	19.95	119.72	200.00	0.00	40.00	240.00
CHEROKEE	10	20,304.00	36,142.00	1.0%	1.0%	507.60	203.04	101.52	812.16	904.00	361.00	181.00	1,446.00
CLARK	91	32,382.40	63,024.00	0.0%	1.0%	809.06	0.00	161.81	970.87	1,576.00	0.00	315.00	1,891.00
CLAY	41	96,827.60	184,842.00	0.5%	1.0%	2,420.69	484.14	484.14	3,388.97	4,621.00	924.00	924.00	6,469.00
CLOUD	36	95,863.60	189,513.00	0.0%	1.0%	2,396.59	0.00	479.32	2,875.91	4,738.00	0.00	948.00	5,686.00
COFFEY	44	114,320.40	226,890.00	0.0%	0.5%	2,858.01	0.00	285.80	3,143.81	5,672.00	0.00	567.00	6,239.00
COMANCHE	90	25,002.80	48,667.00	0.0%	1.0%	625.07	0.00	125.01	750.08	1,217.00	0.00	243.00	1,460.00
COWLEY	8	4,847,428.40	9,576,744.00	0.0%	1.0%	121,185.71	0.00	24,237.14	145,422.85	239,419.00	0.00	47,884.00	287,303.00
CRAWFORD	4	2,725,515.20	5,298,947.00	1.0%	0.5%	68,137.88	27,255.15	6,813.79	102,206.82	132,474.00	52,989.00	13,247.00	198,710.00
DICKINSON	18	628,080.80	1,238,798.00	1.0%	0.5%	15,702.02	6,280.81	1,570.20	23,553.03	30,970.00	12,388.00	3,097.00	46,455.00
DONIPHAN	45	327,549.60	606,844.00	0.0%	1.0%	8,188.74	0.00	1,637.75	9,826.49	15,171.00	0.00	3,034.00	18,205.00
DOUGLAS	16	5,277,799.60	9,139,588.00	0.0%	1.0%	131,944.99	0.00	26,389.00	158,333.99	228,490.00	0.00	45,698.00	274,188.00
EDWARDS	79	350,693.20	673,950.00	1.0%	0.5%	8,767.33	3,506.93	876.73	13,150.99	16,849.00	6,740.00	1,685.00	25,274.00
ELK	68	157,354.00	314,092.00	1.0%	1.0%	3,933.85	1,573.54	786.77	6,294.16	7,852.00	3,141.00	1,570.00	12,563.00
ELLIS	38	2,614.00	5,216.00	0.0%	0.5%	65.35	0.00	6.54	71.89	130.00	0.00	13.00	143.00
ELLSWORTH	64	1,098,812.40	2,035,134.00	0.0%	1.0%	27,470.31	0.00	5,494.06	32,964.37	50,878.00	0.00	10,176.00	61,054.00
FORD	35	64,213.60	120,837.00	0.75%	0.5%	1,605.34	481.60	160.53	2,247.47	3,021.00	906.00	302.00	4,229.00
FRANKLIN	21	16,294.40	31,481.00	1.0%	0.5%	407.36	162.94	40.74	611.04	787.00	315.00	79.00	1,181.00
GEARY	47	437,507.60	766,271.00	1.0%	1.0%	10,937.69	4,375.08	2,187.54	17,500.31	19,157.00	7,663.00	3,831.00	30,651.00
GRANT	103	0.00	0.00	0.0%	0.0%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GRAY	89	127,856.00	254,698.00	1.0%	0.0%	3,196.40	1,278.56	0.00	4,474.96	6,367.00	2,547.00	0.00	8,914.00
GREENWOOD	32	642,519.60	1,224,261.00	0.0%	1.0%	16,062.99	0.00	3,212.60	19,275.59	30,607.00	0.00	6,121.00	36,728.00
HARPER	51	754.40	1,504.00	0.0%	0.5%	18.86	0.00	1.89	20.75	38.00	0.00	4.00	42.00
HARVEY	28	2,424,784.40	4,582,634.00	1.0%	1.0%	60,619.61	24,247.84	12,123.92	96,991.37	114,566.00	45,826.00	22,913.00	183,305.00
HASKELL	101	116,258.40	232,486.00	0.5%	0.0%	2,906.46	581.29	0.00	3,487.75	5,812.00	1,162.00	0.00	6,974.00
JACKSON	42	127,564.80	245,342.00	2.0%	0.5%	3,189.12	2,551.30	318.91	6,059.33	6,134.00	4,907.00	613.00	11,654.00
JEFFERSON	46	62,524.80	117,078.00	1.0%	0.5%	1,563.12	625.25	156.31	2,344.68	2,927.00	1,171.00	293.00	4,391.00
JEWELL	43	10,252.40	20,414.00	1.0%	1.0%	256.31	102.52	51.26	410.09	510.00	204.00	102.00	816.00
JOHNSON	19	1,917,307.60	3,462,190.00	0.6%	1.0%	47,932.69	11,503.85	9,566.54	69,023.08	86,555.00	20,773.00	17,311.00	124,639.00
KINGMAN	57	53,322.40	106,638.00	0.0%	0.0%	1,333.06	0.00	0.00	1,333.06	2,666.00	0.00	0.00	2,666.00
KIOWA	85	58,524.80	115,386.00	1.0%	0.5%	1,463.12	585.25	146.31	2,194.68	2,885.00	1,154.00	288.00	4,327.00
LABETTE	11	587,753.20	1,153,348.00	1.0%	1.0%	14,693.83	5,877.53	2,938.77	23,510.13	28,834.00	11,533.00	5,767.00	46,134.00
LEAVENWORTH	7	970,526.40	1,760,307.00	0.0%	1.0%	24,263.16	0.00	4,852.63	29,115.79	44,008.00	0.00	8,802.00	52,810.00
LINCOLN	66	11,800.00	23,064.00	1.0%	0.0%	295.00	118.00	0.00	413.00	577.00	231.00	0.00	808.00
LINN	49	0.00	0.00	0.0%	0.0%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LYON	13	3,100,068.00	5,602,889.00	0.5%	0.5%	77,501.70	15,500.34	7,750.17	100,752.21	140,072.00	28,014.00	14,007.00	182,093.00
MARION	23	293,667.20	552,766.00	1.0%	0.5%	7,341.68	2,936.67	734.17	11,012.52	13,819.00	5,528.00	1,382.00	20,729.00
MARSHALL	20	535,953.20	1,008,790.00	0.0%	0.5%	13,398.83	0.00	1,339.88	14,738.71	25,220.00	0.00	2,522.00	27,742.00
MCPHERSON	26	575,835.60	1,102,930.00	1.0%	0.5%	14,395.89	5,758.36	1,439.59	21,593.84	27,573.00	11,029.00	2,757.00	41,359.00
MEADE	86	104,060.00	207,890.00	1.0%	0.0%	2,601.50	1,040.60	0.00	3,642.10	5,197.00	2,079.00	0.00	7,276.00

8-13

Western Resources, Inc.
Sales Tax on Utility Service Consumed in Production

County Name		Taxable Base		Tax Rates		Actual-June to December, 1992				Estimated Annual Amounts			
		Actual June to December, 1992	Annualized (Note 1)	County	City (Note 2)	State (2.5%)	County	City (Note 3)	Total	Annualized State (2.5%)	Annualized County	Annualized City	Total
MIAMI	31	10,096.40	20,181.00	1.0%	0.5%	252.41	100.96	25.24	378.61	505.00	202.00	50.00	757.00
MITCHELL	55	36,838.40	72,210.00	1.0%	0.0%	920.96	368.38	0.00	1,289.34	1,805.00	722.00	0.00	2,527.00
MONTGOMERY	5	6,379,845.60	12,727,650.00	0.0%	1.0%	159,491.14	0.00	31,898.23	191,389.37	318,191.00	0.00	63,638.00	381,829.00
MORRIS	54	90,482.00	171,816.00	1.0%	0.0%	2,262.05	904.82	0.00	3,166.87	4,295.00	1,718.00	0.00	6,013.00
NEMAHA	34	393,045.60	707,573.00	1.0%	0.5%	9,826.14	3,930.46	982.61	14,739.21	17,689.00	7,076.00	1,769.00	26,534.00
NEOSHO	22	16,022.40	31,795.00	0.0%	1.0%	400.56	0.00	80.11	480.67	795.00	0.00	159.00	954.00
OSAGE	29	28,886.40	57,527.00	1.0%	0.0%	722.16	288.86	0.00	1,011.02	1,438.00	575.00	0.00	2,013.00
OSBORNE	56	8,694.00	16,575.00	0.5%	0.0%	217.35	43.47	0.00	260.82	414.00	83.00	0.00	497.00
OTTAWA	65	8,434.00	16,718.00	1.0%	1.0%	210.85	84.34	42.17	337.36	418.00	167.00	84.00	669.00
PAWNEE	69	178,987.60	353,638.00	1.0%	0.0%	4,474.69	1,789.88	0.00	6,264.57	8,841.00	3,536.00	0.00	12,377.00
POTTAWATOMI	39	370,686.40	707,126.00	0.0%	0.5%	9,267.16	0.00	926.72	10,193.88	17,678.00	0.00	1,768.00	19,446.00
PRATT	53	305,982.40	597,353.00	1.0%	0.0%	7,649.56	3,059.82	0.00	10,709.38	14,934.00	5,974.00	0.00	20,908.00
RENO	6	3,601,384.40	6,673,555.00	1.0%	0.5%	90,034.61	36,013.84	9,003.46	135,051.91	166,839.00	66,736.00	16,684.00	250,259.00
REPUBLIC	40	74,904.40	149,743.00	1.0%	1.0%	1,872.61	749.04	374.52	2,996.17	3,744.00	1,497.00	749.00	5,990.00
RICE	48	1,242,120.80	2,326,041.00	1.0%	0.0%	31,053.02	12,421.21	0.00	43,474.23	58,151.00	23,260.00	0.00	81,411.00
RILEY	30	477,628.40	911,945.00	0.5%	1.0%	11,940.71	2,388.14	2,388.14	16,716.99	22,799.00	4,560.00	4,560.00	31,919.00
RUSH	73	2,100.00	4,198.00	0.0%	0.0%	52.50	0.00	0.00	52.50	105.00	0.00	0.00	105.00
RUSSELL	60	28,965.20	57,770.00	1.0%	0.0%	724.13	289.65	0.00	1,013.78	1,444.00	578.00	0.00	2,022.00
SALINE	14	4,773,979.60	8,675,999.00	1.0%	0.5%	119,349.49	47,739.80	11,934.95	179,024.24	216,900.00	86,760.00	21,690.00	325,350.00
SEDGWICK	2	51,076,714.80	100,789,225.00	1.0%	0.0%	1,276,917.87	510,767.15	0.00	1,787,685.02	2,519,731.00	1,007,892.00	0.00	3,527,623.00
SEWARD	84	64,699.60	129,399.00	1.0%	0.0%	1,617.49	647.00	0.00	2,264.49	3,235.00	1,294.00	0.00	4,529.00
SHAWNEE	3	5,120,766.40	9,303,645.00	0.0%	1.0%	128,019.16	0.00	25,603.83	153,622.99	232,591.00	0.00	46,518.00	279,109.00
SMITH	50	4,248.80	7,722.00	0.0%	0.0%	106.22	0.00	0.00	106.22	193.00	0.00	0.00	193.00
STAFFORD	59	273,978.80	544,836.00	1.0%	0.0%	6,849.47	2,739.79	0.00	9,589.26	13,621.00	5,448.00	0.00	19,069.00
SUMNER	12	138,066.80	257,131.00	0.0%	1.0%	3,451.67	0.00	690.33	4,142.00	6,428.00	0.00	1,286.00	7,714.00
WABAUNSEE	62	73,948.00	145,734.00	1.0%	0.0%	1,848.70	739.48	0.00	2,588.18	3,643.00	1,457.00	0.00	5,100.00
WASHINGTON	37	64,111.60	127,334.00	1.0%	0.0%	1,602.79	641.12	0.00	2,243.91	3,183.00	1,273.00	0.00	4,456.00
WILSON	27	1,119,000.40	2,221,812.00	0.0%	0.0%	27,975.01	0.00	0.00	27,975.01	55,545.00	0.00	0.00	55,545.00
WOODSON	72	196,354.00	366,874.00	1.0%	1.0%	4,908.85	1,963.54	981.77	7,854.16	9,172.00	3,669.00	1,834.00	14,675.00
WYANDOTTE	1	901,004.80	1,593,289.00	1.0%	1.0%	22,525.12	9,010.05	4,505.02	36,040.19	39,832.00	15,933.00	7,966.00	63,731.00
		<u>123,317,706.40</u>	<u>237,780,689.00</u>			<u>3,082,942.66</u>	<u>775,880.28</u>	<u>288,703.95</u>	<u>4,147,526.89</u>	<u>5,944,519.00</u>	<u>1,505,724.00</u>	<u>547,387.00</u>	<u>7,997,630.00</u>

Note 1—The annualized taxable base is computed using the average of 2.5% taxable sales base for the six months July through December 1992.

Note 2—The city rate is the predominate rate for cities with a local tax in each county.

Note 3—City tax is computed on half the taxable base for each respective county.