

Approved: February 22, 1993
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:12 a.m. on February 12, 1993 in Room 519-S of the Capitol.

Members present: Senator Langworthy, Senator Tiahrt, Senator Martin, Senator Bond, Senator Corbin, Senator Feleciano Jr., Senator Hardenburger, Senator Lee, Senator Reynolds, Senator Sallee, Senator Wisdom

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Bill Edds, Revisor of Statutes
Don Hayward, Revisor of Statutes
Elizabeth Carlson, Committee Secretary

Conferees appearing before the committee: Mark Burghart, Department of Revenue
David Cunningham, Department of Revenue

Others attending: See attached list

SB 156--Compensating tax on fuel consumed in generating power, heat, steam or electricity not for resale

SB 156 is a bill which was requested by the Department of Revenue. Mark Burghart, general counsel of the Department of Revenue, appeared to explain the bill and request the committee to pass out the bill. (Attachment 1) He said this bill parallels the Missouri treatment of the utility's purchase of coal from out-of-state that is used to produce electricity generating use at its office building and is not sold at retail. The insertion of the words in page 2, line 11 "for resale" clarify the law. It affects very few tax payers.

SB 157--Property tax appraisal maintenance

David Cunningham, Property Valuation Division, Department of Revenue, appeared to brief the committee on **SB 157**. (Attachment 2) This bill was requested by the Department of Revenue. He said the changes in this bill are technical in nature. The changes are to emphasize the fact that the counties are annually maintaining the values that were updated during the last reappraisal. It also emphasizes the fact that contractors and consultants are being hired to assist in the annual maintenance of values, rather than being hired to do a "reappraisal". There were questions from the committee regarding the word "maintaining" rather than "updating". Mr. Cunningham said he had no problem with using the word "updating".

SB 158--Income tax reciprocal agreement authorized

Mark Burghart, Department of Revenue, said this is another bill which has been requested by the Department of Revenue. (Attachment 3) He said it is a new concept for Kansas. It would reduce the paper load and also reduce the returns coming into Kansas. The primary objective would be an agreement between the states of Kansas and Missouri. The agreement entered into would provide that compensation paid in this state to a nonresident taxpayer shall not be subject to the Kansas income tax so long as compensation paid in the other state to a Kansas taxpayer shall not be subject to the income tax of the other state. He mentioned a chart on the second page of his testimony which listed other states which have entered into reciprocal agreements similar to this. He urged the committee's support of this bill.

Senator Bond moved to amend **SB 157** in lines 29, 34, and 27 to strike the word "maintaining" and inserting the word "updating". The motion was seconded by Senator Martin. Motion carried.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:12 a.m. on February 12, 1993.

Senator Bond moved to pass **SB 157** favorably. Senator Feliciano seconded the motion. Motion carried.

Senator Feliciano moved to pass **SB 156** favorably. Senator Martin seconded the motion. The motion carried with Senators Corbin, Reynolds, and Tiahrt voting no.

The meeting adjourned at 11:55 a.m.

The next meeting is scheduled for February 15, 1993.

GUEST LIST
SENATE ASSESSMENT AND TAXATION COMMITTEE

DATE: February 12, 1993

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Kathie Farrell	Topeka, KS	KDOT
Trish Hannenstiel	Topeka	Polt Audit
Glan Seppat	Topeka	Pete McGill & Assoc.
Betty Powell	Topeka	Property Val.
David Cunningham	Topeka	Director P & I
Bill Waters	Topeka	PVD KDOR
MARSHALL CLARK	TOPEKA	KEC
MIKE HASTINGS	TOPEKA	KEC
C.P. STONE	TOPEKA	WESTERN RESOURCES
Jim Ludwig	TOPEKA	" "
Rich McKee	"	KS Livestock Assoc
Whitney Damon	Topeka	Pete McGill's Assoc, Kape
Kathy Sexton	"	DOB
BEV BRADLEY	Topeka	KS Assoc of Counties
Matt Truell	Topeka	AP
MARK CARDWELL	"	KDOR
Steve Stotts	"	"
Mark Burghart	"	"
WALT DARLING	TOPEKA	KS Division of Budgets
Jordan T. Ganett	Topeka	CPAK

STATE OF KANSAS

Mark A. Burghart, General Counsel
Robert B. Docking State Office Building
915 S.W. Harrison St.
Topeka, Kansas 66612-1588



(913) 296-2381
FAX (913) 296-7928

Department of Revenue
Legal Services Bureau

MEMORANDUM

To: The Honorable Audrey Langworthy, Chairperson
Senate Committee on Assessment and Taxation

From: Mark A. Burghart, General Counsel
Kansas Department of Revenue

Date: February 12, 1993

RE: 1993 S.B. 156

Thank you for the opportunity to appear in support of S.B. 156. The bill amends the definition of "property used in processing" in the compensating use tax act to clarify that fuel used in processing includes fuel consumed in creating heat and power only when the heat and power is intended for resale and not for the taxpayer's personal use. The fuel would be exempt only if the resultant heat and power is held for resale. This issue was discovered recently during the audit of several taxpayers. Other states, including Missouri, have determined that a utility's purchase of coal from out-of-state that is used to produce electricity is not exempt from use tax because the electricity generated is used at its office building and is not sold at retail.

The bill would have a positive fiscal note, but the amount of additional revenue would be minimal. I would be happy to respond to any questions you might have.

Senate Assessment + Taxation
February 12, 1993
attachment 1-1

STATE OF KANSAS

David C. Cunningham, Director
Robert B. Docking State Office Building
915 S.W. Harrison St.
Topeka, Kansas 66612-1585



(913) 296-2365
FAX (913) 296-2320

Department of Revenue
Division of Property Valuation

MEMORANDUM

To: Senator Audrey Langworthy, Chair,
Senate Assessment and Taxation

From: David C. Cunningham, Director,
Division of Property Valuation

Date: February 12, 1993

Subject: Senate Bill No. 157

Thank you for the opportunity to appear in support of Senate Bill No. 157.

The changes in this bill will more accurately reflect what the Division is doing as it relates to supporting the counties and what the counties are doing as it relates to the annual appraisal of property. In one sense, the are technical changes to emphasize that fact that the counties are annually maintaining the values that were updated during the last reappraisal. The counties are not "reappraising" property each year in the full and sometimes negative context of the word "reappraisal." Values are reviewed and updated each year as the law requires.

With respect contractors and consultants, the changes again reflect that they are not being hired to do a "reappraisal," but rather, assist in the annual maintenance of values. The addition of consultants is new and has been suggested because counties are hiring consultants rather than contractors in many cases. Consultants should also be hired from an approved vendors list.

I would be happy to respond to questions.

Senate Assessment & Taxation
February 12, 1993
Attachment 2-1

STATE OF KANSAS

Mark A. Burghart, General Counsel
Robert B. Docking State Office Building
915 S.W. Harrison St.
Topeka, Kansas 66612-1588



(913) 296-2381
FAX (913) 296-7928

Department of Revenue
Legal Services Bureau

MEMORANDUM

To: The Honorable Audrey Langworthy, Chairperson
Senate Committee on Assessment and Taxation

From: Mark A. Burghart, General Counsel
Kansas Department of Revenue

Date: February 12, 1993

RE: 1993 S.B. 158

Thank you for the opportunity to appear in support of S.B. 158. The bill would authorize the Department of Revenue to enter into reciprocal agreements with other states to reduce the number of nonresident returns required to be filed with the State of Kansas. Nonresident returns constitute approximately 15% of the total income tax returns filed in Kansas (175,000 out of 1,200,000). The primary objective of this legislation would be an agreement between the States of Kansas and Missouri. Any agreement entered into pursuant to the authority granted by this bill would provide that compensation paid in this state to a nonresident taxpayer shall not be subject to the Kansas income tax so long as compensation paid in the other state to a Kansas taxpayer shall not be subject to the income tax of the other state.

Currently, if an individual is a resident of Kansas but works in Missouri the Missouri source income is taxable both in Missouri, where the income is earned and Kansas, where the taxpayer resides. The individual files a Missouri nonresident income tax return and pays tax to that state on the portion of the income earned in Missouri. The taxpayer also files a Kansas resident return and pay income tax on all the income regardless of origin. However, the taxpayer is allowed to claim a tax credit on the Kansas return for the taxes paid to Missouri. On the other hand, a Missouri resident working in Kansas must file a Kansas nonresident return and pay tax on the income earned in Kansas. The taxpayer would be allowed a tax credit on their Missouri return for the taxes paid in Kansas. The system complicates the filing requirements by forcing residents to complete a nonresident return for the other state and then compute a tax credit, on their resident return, for the taxes paid to that other state. This requires a taxpayer to complete two different state returns which increases the

Senate Assessment & Taxation
February 12, 1993
attachment 3-1

potential for taxpayer error, confusion and frustration. These circumstances are particularly applicable to the Kansas City metropolitan area which contains a large number of individuals commuting across the state line between Kansas and Missouri.

A reciprocal agreement would provide that any income earned in another state shall be taxable only to the taxpayer's state of residence. For example, if Kansas and Missouri were to enter into an agreement any income earned in Missouri by a Kansas resident would be excluded from Missouri taxable income. Conversely, income earned by a Missouri resident from Kansas sources would be exempt from Kansas income tax. This exclusion would be granted only when the nonresident files an income tax return with the home state and pays income tax to that state. Taxpayers living in both states during the course of the year would still be required to file a return with each state.

It is difficult to precisely determine the fiscal impact to the State of Kansas of such agreements. However, we do know that credits for taxes paid to other states totalling \$88.5 million is claimed by Kansas residents. Much of that amount is claimed for taxes paid to Missouri. In addition, nonresidents pay \$86.5 million in Kansas individual income tax. We do not know the precise amount of credits claimed in Missouri for income taxes paid in Kansas.

EXPERIENCE OF OTHER STATES

A number of other states have entered into reciprocal agreements similar to those contemplated by S.B. 158.

<u>STATE</u>	<u>RECIPROCAL STATES</u>
Illinois	Indiana, Iowa, Kentucky, Michigan, Wisconsin
Kentucky	Illinois, Ohio, West Virginia, Indiana, Michigan, Virginia
Minnesota	Wisconsin, Michigan, North Dakota
New Jersey	Pennsylvania
North Dakota	Minnesota, Michigan
Ohio	Indiana, Kentucky, West Virginia, Pennsylvania, Michigan
Pennsylvania	Indiana, Maryland, New Jersey, Ohio, West Virginia and Virginia

The Honorable Audrey Langworthy
February 12, 1993
Page 3

RECOMMENDATION

The Department urges your favorable consideration of S.B. 158. I would be happy to respond to any questions you might have.