

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:00 a.m. on January 28, 2009, in Room 535-N of the Capitol.

All members were present.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes  
Scott Wells, Office of the Revisor of Statutes  
Hank Avila, Kansas Legislative Research Department  
Chris Courtwright, Kansas Legislative Research Department  
Kathy Beavers, Committee Assistant

Conferees appearing before the committee:

Steve Stotts, Director of Taxation (KDOR)  
Ed Cross, Kansas Independent Oil and Gas Association  
Dave Dayvault, Abercrombie Energy  
Charlie Wilson, Berexco  
Emma Richmond, Berexco

Written testimony:

Don Bromley, Pioneer Natural Resources USA, Inc.  
Tom Bruno, Eastern Kansas Oil & Gas Association

Others attending:

See attached list.

Bill Introductions:

Representative Pat Colloton requested a bill concerning sales taxation; relating to exemptions; Stephanie Waterman Tennis Foundation. A motion was made by Representative Carlson requesting a bill concerning sales taxation; relating to exemptions; Stephanie Waterman Tennis Foundation. The motion was seconded by Representative Frownfelter. The motion carried.

Representative Peggy Mast requested a bill introduction concerning income taxation; relating to credits; adoption expenses. A motion was made by Representative Carlson requesting a bill introduction concerning income taxation; relating to credits; adoption expenses. Representative Powell seconded the motion. The motion carried.

Chris Wilson, Kansas Home Builders, requested a bill concerning low income housing property tax exemption. A motion was made by Representative Carlson and seconded by Representative Powell. The motion carried.

Staff member Chris Courtwright gave a brief introduction and review of **HB 2046** and the fiscal note for the bill (Attachment 1). He stood for questions.

Steve Stotts, Director of Taxation (KDOR) testified in favor of **HB 2046** (Attachment 2). He stated that **HB 2046** would amend K.S.A. 2008 Supp. 79-4220 and 79-4221. Tax payments would be due by the 20<sup>th</sup> of the first month following removal of the coal, gas or oil from the lease or production unit. This change will accelerate into FY 2010, one additional monthly payment of severance tax revenue and is expected to provide a one-time increase to FY 2010 State General Fund revenues of \$10 million. Mr. Stotts stated that the Kansas Department of Revenue would absorb the administrative costs. He stood for questions.

Ed Cross, Kansas Independent Oil and Gas Association testified in opposition to **HB 2046** (Attachment 3). He stood for questions.

Dave Dayvault, Abercrombie Energy, testified in opposition to **HB 2046** (Attachment 4). In most contracts between the producers and the purchaser of crude oil and natural gas the payment date is sometimes subsequent to the 20<sup>th</sup> of the first month following the production month. **HB 2046** would require that tax be due prior to the time that the remitter had received the funds or would even be able to calculate the amount of tax due. He stood for questions.

## CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:00 a.m. on January 28, 2009, in Room 535-N of the Capitol.

Charles Wilson, Berexco, testified in opposition to **HB 2046**. He reviewed the process of data to more accurately prepare various state tax filings and remittance. Mr. Wilson stated that it would be impossible for Central Crude to compile the data by the 16th-18th of the month in order to insure accurate filings. Inaccurate filing would expose them to unfair penalties and excessive burdens on purchasers and the KDOR staff (Attachment 5). He stood for questions.

Emma Richmond, Berexco, testified in opposition to **HB 2046** (Attachment 6). She stated that opposition to **HB 2046** is based on the following reasons:

- Would require remittance of severance taxes before the company has received the associated revenues.
- Would require them to report and pay severance tax based on estimated gas volumes and gross values each month.
- Would require them to estimate severance tax exemptions.
- Would not have enough time to accurately verify data and resolve problems prior to payment of taxes.

Ms. Richmond stood for questions.

The Chairman called attention to the written testimony from Don Bromley, Pioneer Natural Resources USA, Inc. (Attachment 7) and Tom Bruno, Eastern Kansas Oil & Gas Association (Attachment 8).

Representative Carlson stated that **HB 2026** and **HB 2071** will be heard and possibly worked at tomorrow's meeting.

The next meeting is scheduled for January 29, 2009.

The meeting was adjourned at 10:25 a.m.