

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:00 a.m. on March 18, 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
Chris Courtwright, Kansas Legislative Research Department
Kathy Beavers, Committee Assistant

Conferees appearing before the Committee:

Representative Jeff King
Joan Wagon, Secretary, Kansas Department of Revenue
Bill Waters, Kansas Property Valuation Department
Dudley Feuerborn, Commissioner, Anderson County Board of Commissioners
Bob Bouldin, Commission, Morton County Board of Commissioners
Tony Fowler, Commissioner, Montgomery County Board of Commissioners
Mark Low, Meade County Appraiser
Gordon Stull, Pratt County Counselor
Ron DeGarmo, Morton County Board of Commissioners and President, Kansas Legislative Policy Group (Written only)
Ron Gaches, Southern Star Central Gas Pipeline, and El Paso
Larry Garrett, Colorado Interstate Gas Company

Others attending:

See attached list.

HB 2378 - Public utility defined for property tax purposes related to natural gas inventories.

The Chairman opened the hearing on **HB 2378**.

Gordon Self, Office of the Revisor of Statutes, briefed the committee on **HB 2378**. He stood for questions.

Representative Jeff King testified in support of **HB 2378** (Attachment 1). Representative King stated that the intent of **HB 2378** is to restore a tax on out-of-state businesses. He stated there are three broad factors in favor of passage of **HB 2378**. They are:

- It has been voted for by the people of the state of Kansas
- Embodies the will of the Kansas voters
- Would return equity to our tax system

Joan Wagon, Secretary, Kansas Department of Revenue, testified in support of **HB 2378** (Attachment 2). Secretary Wagon introduced Bill Waters and Tony Folsom. She stated that Kansas Department of Revenue fully supports this bill. **HB 2378** treats in-state and out-of state companies the same, rather than favoring the out-of-state companies and making the in-state companies pay the tax alone.

Bill Waters, Kansas Property Valuation Department, testified in support of **HB 2378** (Attachment 3). **HB 2378** will correct a flaw in the legislation passed in 2004 and implement the intent of Kansas voters that stored natural gas held for resale underground formations in the state should be subject to property taxation.

Dudley Feuerborn, Commissioner, Anderson County Board of Commissioners, testified in support of **HB 2378** (Attachment 4). He stated that in 2004 Missouri Gas Energy filed an application for tax exemption. The exemption caused Anderson County to lose \$486, 884 of the projected budget for 2005 and the school districts in Garnett and Colony lost \$649,000. The mill levy had to be increased to cover the shortfall.

Bob Bouldin, Commissioner, Morton County Board of Commissioners, testified in support of **HB 2378**

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:00 a.m. on March 18 2009, in Room 535-N of the Capitol.

(Attachment 5). He stated that Morton County had lost approximately \$500,000 a year in tax revenue. The loss of that much revenue takes away from small counties like Morton County.

Tony Fowler, Commissioner, Montgomery County Board of Commissioners, testified in support of **HB 2378** (Attachment 6). Montgomery County lost more than \$260,000 a year in tax revenue that would have broadened the county tax base. That is lost revenue that would have helped the cemeteries, hospitals and increased the tax burden for the county. **HB 2378** will help close the gap

Mark Low, Meade County Appraiser, testified in support of **HB 2378** (Attachment 7). He stated that Meade County lost \$2 million a year, every year, in revenue since 2005. This amount is significant in Meade County. The tax burden on in-state utilities is because of the loophole that exempts those out-of-state entities that store the same natural gas in Kansas. **HB 2378** will close the loophole in the current statute.

Gordon Stull, Pratt County Counselor, testified in support of **HB 2378** (Attachment 8). The storage fields can trespass on other persons property. He stated the problems that the leaking of gas is a big impact on the communities.

The Chairman called attention to written testimony from Ron DeGarmo, Morton County Board of Commissioners and President, Kansas Legislative Policy Group in support of **HB 2378** (Attachment 9).

Ron Gaches, Southern Star Central Gas Pipeline, and El Paso, testified in opposition to **HB 2378** (Attachment 10). He stated that he did not think state gas owners would store their gas in Kansas if they had to pay property taxes.

Larry Garrett, Colorado Interstate Gas Company, testified in opposition to **HB 2378** on the grounds that it exceeds permissible state authority under the United States Constitution (Attachment 11). Mr. Garrett cited legal cases having to do with two constitutional infirmities in **HB 2378**. He explained the infirmities and stated that, if **HB 2378** passed, he would not recommend to his clients that they store gas in Kansas.

The Chairman closed the hearing on **HB 2378**.

The next meeting is scheduled for March 19, 2009.

The meeting was adjourned at 10:20 a.m.