

HOUSE BILL No. 2701

By Committee on Taxation

2-12

1 AN ACT concerning property taxation; relating to oil and gas leases or
2 properties; determination of value of production, evidence; amending
3 K.S.A. 2015 Supp. 79-331 and repealing the existing section.
4

5 *Be it enacted by the Legislature of the State of Kansas:*

6 Section 1. K.S.A. 2015 Supp. 79-331 is hereby amended to read as
7 follows: 79-331. (a) Except as otherwise provided in subsection (b) of this
8 section, in determining the value of oil and gas leases or properties the
9 appraiser shall take into consideration the age of the wells, the quality of
10 oil or gas being produced therefrom, the nearness of the wells to market,
11 the cost of operation, the character, extent and permanency of the market,
12 the probable life of the wells, the quantity of oil or gas produced from the
13 lease or property, the number of wells being operated, and such other facts
14 as may be known by the appraiser to affect the value of the lease or
15 property.

16 Whenever a change in any of the factors or figures used in determining
17 the $\frac{8}{8}$ th valuation of the production for any oil or gas lease or property is
18 made pursuant to the tax equalization, tax protest or tax grievance
19 proceedings, such change shall apply to the working interest, royalty
20 interest, overriding royalty interest and production payments and, if
21 applicable, a refund of taxes shall be made in the manner prescribed by
22 ~~subsection (1)(1)~~ of K.S.A. 79-2005(1)(1), and amendments thereto.

23 (b) The valuation of the working interest and royalty interest, except
24 valuation of equipment, of any original base lease or property producing
25 oil or gas for the first time in economic quantities on and after July 1 of the
26 calendar year preceding the year in which such property is first assessed
27 shall be determined for the year in which such property is first assessed by
28 determining the quantity of oil or gas such property would have produced
29 during the entire year preceding the year in which such property is first
30 assessed upon the basis of the actual production in such year and by
31 multiplying the income and expenses that would have been attributable to
32 such property at such production level, excluding equipment valuation
33 thereof, if it had actually produced said entire year preceding the year in
34 which such property is first assessed by 60%.

35 (c) The provisions of subsection (b) of this section shall not apply in
36 the case of any production from any direct offset well or any subsequent

1 well on the same lease.

2 (d) (1) In order to clarify and express the intent of the legislature
3 regarding the methodology utilized in the determination of fair market
4 value of producing oil and gas leases for property tax purposes, it is hereby
5 declared that the primary and predominant consideration in such
6 determination is, has been and shall be the actual value of oil and gas
7 production severed from the earth.

8 (2) *Information used to establish the fair market value of producing*
9 *oil and gas leases shall be limited to any information regarding*
10 *production prior to April 1 of the calendar year in which such property is*
11 *assessed.*

12 (e) The provisions of this act shall apply to all tax years commencing
13 on and after December 31, 2003.

14 Sec. 2. K.S.A. 2015 Supp. 79-331 is hereby repealed.

15 Sec. 3. This act shall take effect and be in force from and after its
16 publication in the statute book.