

**BEFORE THE COURT OF TAX APPEALS
STATE OF KANSAS**

IN THE MATTER OF THE PROTESTS
OF COMPRESSOR SYSTEMS, INC.
FOR THE YEAR 2008 IN
WILSON COUNTY, KANSAS

Docket Nos. 2009-799-PR
through 2009-806-PR

AND

IN THE MATTER OF THE APPLICATION
OF COMPRESSOR SYSTEMS, INC.
FOR EXEMPTION FROM
AD VALOREM TAXATION IN
WILSON COUNTY, KANSAS

Docket No. 2009-8099-TX

**ORDER ON MOTION
AND
ORDER**

Now the above-captioned matters come on for consideration and decision by the Court of Tax Appeals of the State of Kansas. The Court conducted a hearing in this matter on September 9, 2010. The Taxpayer, Compressor Systems, Inc. ("CSI"), appeared by Will Wohlford, Attorney. The County appeared by Jill Chard, Attorney. These matters have been consolidated for purposes of hearing and consideration. The Court admitted Taxpayer Exhibits #1 through #17 and County Exhibits #1 through #5 and #7.

On May 24, 2010, the Taxpayer filed a Motion for Partial Summary Judgment. The County filed its Response on July 16, 2010. A Joint Stipulation of the Parties was filed September 1, 2010. A Joint Stipulation of the Parties Regarding Retail Cost When New Valuation Under K.S.A. 79-1439(b)(2)(E) was filed September 7, 2010, and a Joint Stipulation of the Parties Regarding Fair Market Value was filed September 8, 2010. On September 17, 2010, the Taxpayer filed its Post-Hearing Brief and the County filed its Suggested Findings of Fact and Conclusions of Law.

After considering all of the evidence and arguments presented, the Court finds and concludes as follows:

The Court has jurisdiction of the subject matter and the parties, as tax protests have been filed pursuant to K.S.A. 2009 Supp. 79-2005 and an exemption application has been filed pursuant to K.S.A. 2009 Supp. 79-213. The subject property consists of twelve (12) natural gas compressor units. *See Exhibit A.*

I.

Summary judgment is appropriate where the “pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law.” K.S.A. 60-256(c). The purpose of summary judgment is to eliminate delay in legal disposition where there is no real issue of material fact. *Timi v. Prescott State Bank*, 220 Kan. 377, 386, 553 P.2d 315 (1976). “The trial court is required to resolve all facts and inferences which may reasonably be drawn from the evidence in favor of the party against whom the ruling is sought. (Citations omitted.)” *State ex rel. Stovall v. Reliance Ins. Co.*, 278 Kan. 777, 788, 107 P.3d 1219 (2005).

The Taxpayer filed a motion for partial summary judgment regarding two issues presented in these matters: (1) classification and (2) exemption. The motion did not address the valuation issues. The County agreed with the Taxpayer’s statement of uncontroverted fact and sought to add facts as uncontroverted. The parties filed a joint stipulation of fact September 1, 2010 which incorporated the County’s additional uncontroverted facts. The Court proceeded to hearing allowing each party to make oral argument regarding the motion. The parties presented witness testimony and exhibits at the hearing. In addition, both parties attached the same two additional exhibits to their post-hearing briefs which will be admitted to the record.

The primary issue is whether the subject compressors should be classified as commercial and industrial machinery and equipment pursuant to class 2(5) of Article 11, § 1(a) of the Kansas Constitution and K.S.A. 79-1439(b)(2)(E) or class 2(6) of Article 11, § 1(a) of the Kansas Constitution and K.S.A. 79-1439(b)(2)(F). Further, asserting that the property should be classified as commercial and industrial machinery and equipment, Taxpayer seeks exemption for three (3) of the twelve (12) compressors pursuant to K.S.A. 79-223. The parties have agreed to the appraised valuation of the subject compressors whether they are valued at retail cost when new less depreciation (commercial and industrial machinery and equipment) or at fair market value (oil and gas property). Upon review, the Court concludes that there is no genuine issue as to the material facts.

II.

CSI is in the business of selling and leasing natural gas compressors for use by third parties in their natural gas production and transportation activities. CSI manufactures new compressor units for sale and to be leased, and it also sells and leases used compressor units and equipment. The new and used compressor units are CSI's inventory which it uses in the course of its business of buying, selling, and leasing natural gas compressor units to third parties for their use in natural gas production and transportation.

All of the new compressors and equipment manufactured by CSI are manufactured outside the state of Kansas. Any units that are sold or leased by CSI to third parties are transported into the state of Kansas to the location requested by the purchaser/lessee. CSI does not own any real property within the state of Kansas, nor does it own the mineral interests or minerals in place with respect to any land within the state of Kansas. CSI does not operate any mineral or oil and gas leases as to any land in the state of Kansas. CSI is not a lessee under any mineral or oil and gas lease as to any land in the state of Kansas, nor does CSI have a working interest, overriding royalty interest, royalty interest, or any other interest or right in any mineral or oil and gas leases or wells in the state of Kansas.

CSI leased twelve (12) natural gas compressors for use by third parties in their natural gas production and transportation activities, which were located within Wilson County, Kansas on January 1, 2008. The twelve compressor units can be identified by the following unit numbers: 404066, 404674, 404426, 410126, 410461, 410169, 410486, 411089, 411090, 410863, 411272, and 411187. CSI does not itself use any of the twelve compressor units in the production, storage or transportation of natural gas. The compressor units are CSI's inventory located within Wilson County, Kansas on January 1, 2008. The compressor units are attached to or are being used on oil and gas leases and oil and gas wells operated by parties other than CSI. The twelve (12) compressors leased to third parties in Wilson County are large field compressors. The twelve (12) compressors leased to third parties in Wilson County are larger horsepower compressors used in the production of coalbed methane gas.

Unit 411090 was constructed in 2006. It was acquired after June 30, 2006, leased by CSI to a third party, and transported into this state after June 30, 2006 for use in the third party's natural gas production and transportation business. Units 411272 and 411187 were both constructed in 2007. Both units were acquired after June 30, 2006, leased by CSI to a third party, and transported into this state

after June 30, 2006 for use in the third party's natural gas production and transportation business.

III.

CSI asserts that its compressors located in Wilson County on January 1, 2008 should be classified as commercial and industrial machinery and equipment, and therefore should be valued at retail cost when new less straight-line depreciation and assessed accordingly pursuant to K.S.A. 79-1439(b)(2)(E). Further, CSI contends that its compressor unit numbers 411090, 411272, and 411187 were leased and/or transported into the state of Kansas after June 30, 2006, and pursuant to K.S.A. 79-223(b), these units should be completely exempt from ad valorem taxation. CSI requests that the exemption begin January 1, 2008.

The County asserts that compressors are listed as oil and gas equipment in the Kansas Department of Revenue Division of Property Valuation, 2010 Year Oil and Gas Appraisal Guide with instructions regarding how to value them. Relying upon K.S.A. 79-329, the County contends that any and all equipment used in the operation of a gas well is to be taxed as oil and gas property and assessed pursuant to K.S.A. 79-1439(b)(2)(F). Further, the County recommends that the request for exemption be denied as the property is not commercial and industrial machinery and equipment.

Article 11, § 1(a) of the Kansas Constitution provides in pertinent part as follows:

“Class 2 shall consist of tangible personal property. Such tangible personal property shall be further classified into six subclasses, shall be defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of value:

- (1) Mobile homes used for residential purposes ... 11 1/2%
- (2) Mineral leasehold interests except oil leasehold interests the average daily production from which is five barrels or less, and natural gas leasehold interests the average daily production from which is 100 mcf or less, which shall be assessed at 25% ... 30%
- (3) Public utility tangible personal property including inventories thereof, except railroad personal property including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed ... 33%

(4) All categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985 ... 30%

(5) Commercial and industrial machinery and equipment which, if its economic life is seven years or more, shall be valued at its retail cost when new less seven-year straight-line depreciation, or which, if its economic life is less than seven years, shall be valued at its retail cost when new less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property ... 25%

(6) All other tangible personal property not otherwise specifically classified ... 30%”

The enabling statute K.S.A. 2009 Supp. 79-1439(b) provides in pertinent part as follows:

“(2) Personal property shall be classified into the following classes and assessed at the percentage of value prescribed therefor:

(A) Mobile homes used for residential purposes at 11.5%;

(B) mineral leasehold interests, except oil leasehold interests the average daily production from which is five barrels or less, and natural gas leasehold interests, the average daily production from which is 100 mcf or less, which shall be assessed at 25%, at 30%;

(C) public utility tangible personal property including inventories thereof, except railroad personal property including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed, at 33%. As used in this paragraph, "public utility" shall have the meaning ascribed thereto by K.S.A. 79-5a01, and amendments thereto;

(D) all categories of motor vehicles listed and taxed pursuant to K.S.A. 79-306d, and amendments thereto, and over-the-road motor vehicles defined pursuant to K.S.A. 79-6a01, and amendments thereto, at 30%;

(E) commercial and industrial machinery and equipment, including rolling equipment defined pursuant to K.S.A. 79-6a01, and amendments thereto, which, if its economic life is seven years or more, shall be valued at its retail cost when new less seven-year straight-line depreciation, or which, if its economic life is less than seven years, shall be valued at its retail cost when new less straight-

line depreciation over its economic life, except that, the value so obtained for such property as long as it is being used shall not be less than 20% of the retail cost when new of such property at 25%; and (F) all other tangible personal property not otherwise specifically classified at 30%.”

Article 11 was amended in 1986 by House Concurrent Resolution 5018, which created the property classification scheme that exists to this day.¹ Article 11 classifies property as either real property or tangible personal property and divides each classification into various subclasses. The 1986 amendment was adopted in conjunction with statewide reappraisal. At the time, a commission called the Kansas Tax Review Commission was formed to advise the legislature on exigent property tax issues. After performing its study, the commission concluded that statewide reappraisal was appropriate because property was not being taxed uniformly and equally throughout the state. *See* Kansas Tax Review Commission, Final Report and Recommendations, P-5 (1985). In its report, the commission concluded that additional changes in the law were necessary to mitigate the shifts in tax burden among the various classes of property that would inevitably result from reappraisal. *See id.* at P-6. The commission therefore recommended “a comprehensive, straightforward classification system.” *See id.* at P-9.

The Kansas legislature amended the enabling statute K.S.A. 79-1439 to implement the assessment rate classifications set forth in the amended Article 11, § 1 of the Kansas Constitution. K.S.A. 2009 Supp. 79-1439(b)(2)(E) is nearly identical to Article 11, § 1(a) Class 2(5), except that the legislature has specifically included rolling equipment as defined pursuant to K.S.A. 79-6a01. The legislature has some authority to define “commercial and industrial machinery and equipment” so long as the legislature’s definition conforms to the commonly understood meaning of the term. *See In re Central Illinois Public Service Co.*, 276 Kan. 612, 619-620, 78 P.3d 419 (2003).

Based on settled rules of constitutional interpretation, a constitutional provision should not be narrowly or technically construed, but its language should be interpreted to mean what the words imply in common understanding. Each word should be given due force and appropriate meaning. It is also appropriate to interpret and construe the constitutional language in light of the surrounding facts and circumstances that caused the amendment. *See Central Illinois*, 276 Kan. at 620-621 (Citations omitted). It has long been recognized that the polestar of

¹ Article 11 was amended again in 1992, but that amendment left the fundamental classification structure intact, changing only the rates of assessment applicable to the various subclasses.

constitutional interpretation is the intention of the makers and adopters. *See Hunt v. Eddy*, 150 Kan. 1, 90 P.2d 747 (1939).

The underlying significance of this classification issue is a newly created ad valorem property tax exemption adopted by the legislature in 2006. K.S.A. 2009 Supp. 79-223(b) *First* provides an exemption for “[c]ommercial and industrial machinery and equipment acquired by qualified purchase or lease made or entered into after June 30, 2006, as the result of a bona fide transaction not consummated for the purpose of avoiding taxation.” K.S.A. 2009 Supp. 79-223(d)(2) defines “commercial and industrial machinery and equipment” to mean “property classified for property tax purposes within subclass (5) of class 2 of section 1 of article 11 of the constitution of the state of Kansas.”

The rules of statutory construction are clear. The intent of the legislature controls if it can be ascertained from the plain language of the statute. *See State ex rel. Stovall v. Meneley*, 271 Kan. 355, 378, 22 P.3d 124 (2001). The words contained in a statutory provision are to be given their ordinary meanings. *See State v. Stallings*, 284 Kan. 741, 742, 163 P.3d 1232 (2007). A statute should not be read as to add that which is not readily found therein. *See Director of Taxation v. Kansas Krude Oil Reclaiming Co.*, 236 Kan. 450, 455, 691 P.2d 1303 (1984).

Further, in considering a tax statute, “we must recognize:

“The right to tax is penal in nature, and this right must be strictly construed in favor of the taxpayer. [Citation omitted.] Tax statutes will not be extended by implication beyond the clear import of the language employed therein, and their operation will not be enlarged so as to include matters not specifically embraced. [Citation omitted.] Where there is reasonable doubt as to the meaning of a taxing act, it will be construed most favorably to the taxpayer. [Citation omitted.]” *In re Appeal of Director of Property Valuation*, 284 Kan. 592, 600, 161 Kan. 755 (2007) *citing In re Tax Exemption Application of Kaul*, 261 Kan. 755, 766, 933 P.2d 717 (1997).

However, when interpreting tax exemption statutes, taxation is the rule and exemption is the exception. Tax exemption statutes are strictly construed, and all doubts are resolved against exemption and in favor of taxation. Further, the applicant bears the burden of proving entitlement to exemption. *See Board of County Comm’rs v. Kansas Ave. Properties*, 246 Kan. 161, 166, 786 P.2d 1141 (1990) (Citations omitted). Strict construction does not warrant unreasonable construction. *See In re Application of Lietz Construction Co.*, 273 Kan. 890, Syl. ¶ 7, 47 P.3d 1275 (2002).

Like many constitutional provisions, the provisions of Article 11, § 1 are expressed in broad terms. In particular, class 2(5), which is identified as “commercial and industrial machinery and equipment,” is so broadly drawn that it could conceivably embrace property within the four other subclasses of tangible personal property including subclasses (1) through (4). In *In re Central Illinois Public Service Co.*, 276 Kan. 612, 616-617, 78 P.3d. 419 (2003), the Kansas Supreme Court recognized that the 1986 constitutional amendment cast a broad net. Specifically addressing the exemption for merchants’ and manufacturers’ inventory added in 1986, the Supreme Court stated:

“The issue of whether the exemption applied to the inventory of public utilities reached this court in 1990 when we determined that natural gas owned by public utilities and stored for resale came within the exemption for merchants’ inventory. *Colorado Interstate Gas Co. v. Board of Morton County Comm’rs*, 247 Kan. 654, 802 P.2d 584 (1990). This court found that the appellant public utilities were merchants under K.S.A. 79-201m because they were in the business of buying and selling natural gas and severed natural gas was tangible personal property. 247 Kan. at 661. Although we recognized that the 1986 constitutional amendment was not intended to exempt public utility inventories from taxation, we nonetheless found that the clear language of the amendment had that effect.

‘The problem here is that in enacting the proposed constitutional amendment the legislature determined the size of the mesh in the net and the requisite number of voters approved the mesh size. The mesh size is thus fixed in the constitution. The fact that unintended varieties of fish may pass through the mesh has little bearing on anything.

‘Under the circumstances, this court can only apply the clear language of the amendment. . . .

‘In the case before us, we are primarily concerned with the amendment itself and what persons of common understanding would imply from the words used therein.’ 247 Kan. at 662.”
Central Illinois Public Service Co., 276 Kan. at 616-617.

An oil and gas leasehold interest is a property right. In Kansas, such right is not subject to real estate taxation, but instead is defined as personal property. See K.S.A. 79-329; *Board of Johnson County Comm’rs v. Greenhaw*, 241 Kan. 119, 123, 734 P.2d 1125 (1987). Although, oil and gas leases covering land in Kansas

generally constitute intangible personal property, the classification can be changed for a specific purpose by statute. *Utica National Bank and Trust Co. v. G.W. Marney*, 233 Kan. 432, 434, 661 P.2d 1246 (1983). Specifically for purposes of ad valorem taxation, the Kansas Constitution and K.S.A. 2009 Supp. 79-1439 have classified mineral leasehold interests as tangible personal property.

The Kansas Supreme Court has noted that the 1986 constitutional amendment classified real and personal property in part upon usage or ownership while the prior language did not contain a classification system. See *In re Appeal of ANR Pipeline Co., et al.*, 254 Kan. 534, 541, 866 P.2d 1060 (1994). As explained previously, the six (6) subclassifications of class 2 tangible personal property were added in the 1986 amendment. Unlike *In re Application of McPherson Drilling*, Docket No. 2009-156-TX, where Lynn Kent, with Kansas Department of Revenue Division of Property Valuation (PVD), testified that drilling rigs had a history of being classified as subclass (2), as part of the mineral leasehold interest, the property herein had been classified in the past and rendered to the County for tax year 2008 as subclass (5), commercial and industrial machinery and equipment. In the present matter, the County does not specifically argue that the property should be classified as part of the mineral leasehold interest of class 2(2). Instead, the County relies on K.S.A. 79-329 to argue that the subject property should be called "oil and gas property" and classified as "[a]ll other tangible personal property not otherwise specifically classified" pursuant to class 2(6) and K.S.A. 79-1439(b)(2)(F).

K.S.A. 79-329, which was last amended in 1923, provides:

"For the purpose of valuation and taxation, all oil and gas leases and all oil and gas wells, producing or capable of producing oil or gas in paying quantities, together with all casing, tubing or other material therein, and all other equipment and material used in operating the oil or gas wells are hereby declared to be personal property and shall be assessed and taxed as such."

While K.S.A. 79-329 provides that oil and gas leases and wells and all other equipment used in operating the wells are declared personal property, the statute does not subclassify the personal property within the subclasses provided by the Kansas Constitution and K.S.A. 2009 Supp. 79-1439. If the legislature wanted to further define any subclass enumerated in K.S.A. 2009 Supp. 79-1439, the legislature is well aware of how to do so. Notably, the legislature has specifically included "rolling equipment defined pursuant to K.S.A. 79-6a01" as commercial and industrial machinery and equipment. Further, as explained in *In re Appeal of Director of Property Valuation*, 284 Kan. 592, 161 P.3d 755 (2007), the legislature specifically excluded public utility inventories from the merchants' and

manufacturers' inventory exemption after the Kansas Supreme Court found such property qualified for exemption under the provisions originally enacted.

When the 1986 amendment was enacted, county appraisers were, as they are today, delegated wide-ranging duties and authority, including the duty to subclassify all taxable and exempt real and personal property "in a manner prescribed by the director of the division of property valuation." See K.S.A. 2009 Supp. 79-1459(e); *see also* K.S.A. 79-1402 (delegating director of property valuation general supervision over system of taxation throughout state.) The Kansas Supreme Court has acknowledged the expertise wielded by the Director of Property Valuation in adopting the Oil and Gas Guide. The Court further noted that such guides have been lawfully used throughout the years and are not in violation of Kansas statutes and regulations. *Board of Co. Comm'rs of Ness Co. v. Bankoff Oil Co.*, 265 Kan. 525, 544, 960 P.2d 1279 (1998).

The Kansas Department of Revenue Division of Property Valuation (PVD) 2008 Year Oil and Gas Appraisal Guide provides in the gas rendition form instructions that the lease operator/taxpayer/tax representative is required to provide the information requested on the form and that Column B (Owner) is reserved for the lease operator/taxpayer/tax representative's use for requested adjustments. 2008 Guide at 27. Further, the Guide provides that "**Owned compressors** located on the well/lease site necessary in boosting well/lease production capability should be appraised using the following table. ... The values should be added to the gas assessment rendition in Section VI, Line 8c, as additional prescribed equipment,.... Leased compressors should not be valued per this table." 2008 Guide at 37. Reading the Guide as a whole, the term "owned compressors" is referring to compressors owned by the lease operator filing the gas assessment rendition.

A memorandum from Lynn Kent, Oil and Gas Section Manager of PVD, to county appraisers and industry representatives dated April 5, 2010 regarding gas gathering valuation explained that value added to a lease may include gathering lines, compressors, tanks, etc. She explained that "since this equipment is a necessary addition to the lease to get the gas to a marketable point ... the market value of this equipment is included ... [on] the gas assessment rendition." However, Ms. Kent further instructed that "[i]f the surface equipment is leased, it should be added in the lessor's name on personal property schedule V." Personal property schedule V is "commercial and industrial machinery and equipment." This instruction is consistent with this instruction in the Guide that leased compressors should not be valued per the table and provides a specific instruction regarding how to classify the property.

We must interpret Article 11, § 1(a) and its enabling statute K.S.A. 2009 Supp. 79-1439 by the plain language as written. The property at issue falls within the plain language of “commercial and industrial machinery and equipment.” The County has not taken the position that the subject property is a mineral leasehold interest, class 2(2). Insufficient evidence or argument has been presented to conclude that PVD’s instruction to treat leased compressors as class 2(5), commercial and industrial machinery and equipment, is inconsistent with the law. By the plain language of Article 11, § 1(a) and K.S.A. 2009 Supp. 79-1439, only property that does not fall within subclasses (1) through (5) would be properly classified as subclass (6), “other tangible personal property not otherwise classified.” Although the County encourages us to read into subclass (6) a new property subclass called “oil and gas property,” we cannot do so. The plain language of Article 11, § 1(a) and K.S.A. 2009 Supp. 79-1439 do not reference such a definition. This Court concludes that the Taxpayer is entitled to judgment on the classification issue as presented as a matter of law.

Prior to the legislature’s enactment of K.S.A. 79-223, we doubt the classification of gas compressors was a highly debated issue. Now in light of the exemption statute, we recognize that PVD’s treatment of identical property based upon whether it is leased or owned may appear inequitable without more explanation and may lead to more operators leasing compressors. Whether there is a rational basis for such disparate treatment, other than simply ownership, was not an issue herein.² As an administrative tax court, we must interpret the constitutional and statutory language at issue as applied to the specific facts of each case. It is not our role to legislate or set public policy. *Republic Natural Gas Co. v. Axe*, 197 Kan. 91, 96-97, 415 P.2d 406 (1966)(Citations omitted).

IV.

The parties stipulated to nearly all of the facts relating to K.S.A. 2009 Supp. 79-223. The only issue for this Court to decide is whether the subject property is commercial and industrial machinery and equipment “within subclass (5) of class 2 of section 1 of article 11 of the constitution of the state of Kansas.” See K.S.A. 2009 Supp. 79-223(d). As explained above, based upon the evidence and arguments presented herein, the Court finds that the property should be classified as commercial and industrial machinery and equipment within subclass (5) of class 2 of section 1 of article 11 of the constitution of the state of Kansas. As a result, the Court concludes that three gas compressors, Units 411090, 411272 and 411187, qualify for exemption pursuant to K.S.A. 2009 Supp. 79-223(a) *First* and the request for exemption is granted.

² See *In re Central Illinois*, 276 Kan. at 622-624, for a discussion of an equal protection challenge and standing.

V.

In addition to the issues raised in the Taxpayer's motion for partial summary judgment, the payment under protest appeals raised issues of valuation. Generally pursuant to Article 11, § 1(a) and K.S.A. 2009 Supp. 79-1439, the valuation standard for real and tangible personal property is fair market value, unless otherwise specified. Class 2(5) of Article 11, § 1(a) and K.S.A. 2009 Supp. 79-1439(b)(2)(E) specifically provide that commercial and industrial machinery and equipment "if its economic life is seven years or more, shall be valued at its retail cost when new less seven-year straight-line depreciation ...except that, the value so obtained for such property as long as it is being used shall not be less than 20% of the retail cost when new of such property." Upon review of the joint stipulation filed September 7, 2010, the Court hereby adopts the valuation stipulation of the parties attached hereto as Exhibit B (three pages).

IT IS THEREFORE ORDERED that, for the reasons stated above, the classification of the subject property for tax year 2008 is commercial and industrial machinery and equipment pursuant to class 2(5) of Article 11, § 1(a) of the Kansas Constitution and K.S.A. 2009 Supp. 79-1439(b)(2)(E).

IT IS FURTHER ORDERED that the application for exemption from ad valorem taxation is granted from January 1, 2008, and each succeeding year, so long as the property continues to be used for exempt purposes. In the event the exempt property ceases to be used for exempt purposes, the applicant must report that fact to the county appraiser within 30 days. K.S.A. 79-214. Any refund due and owing the applicant shall be made pursuant to K.S.A. 2009 Supp. 79-213(k), which limits the refund to the year immediately preceding the year in which the application is filed in accordance with K.S.A. 2009 Supp. 79-213(a).

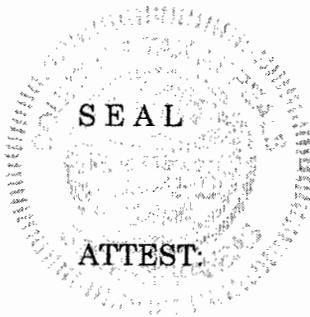
IT IS FURTHER ORDERED that the appropriate officials shall correct the county's records to comply with this Order, re-compute the taxes owed by the taxpayer and issue a refund for any overpayment.

Any party to this action who is aggrieved by this decision may file a written petition for reconsideration with this Court as provided in K.S.A. 2009 Supp. 77-529. The written petition for reconsideration shall set forth specifically and in adequate detail the particular and specific respects in which it is alleged that the Court's order is unlawful, unreasonable, capricious, improper or unfair. Any petition for reconsideration shall be mailed to: Secretary, Court of Tax Appeals, Docking State Office Building, Suite 451, 915 SW Harrison St., Topeka, KS 66612-1505. *A copy of the petition, together with any accompanying documents, shall be mailed to all parties at the same time the petition is mailed to the Court. Failure to*

notify the opposing party shall render any subsequent order voidable. The written petition must be received by the Court within fifteen (15) days of the certification date of this order (allowing an additional three days for mailing pursuant to statute). If at 5:00 pm on the last day of the specified period the Court has not received a written petition for reconsideration of this order, no further appeal will be available.

IT IS SO ORDERED

THE KANSAS COURT OF TAX APPEALS



Bruce F. Larkin
BRUCE F. LARKIN, CHIEF JUDGE

Rebecca W. Crotty
REBECCA W. CROTTY, JUDGE

J. Fred Kubik
J. FRED KUBIK, JUDGE

Joelene R. Allen
JOELENE R. ALLEN, SECRETARY

CERTIFICATION

I, Joelene R. Allen, Secretary of the Court of Tax Appeals of the State of Kansas, do hereby certify that a true and correct copy of this order in Docket Nos. 2009-799-PR, *et al.*, and any attachments thereto, was placed in the United States Mail, on this 24th day of September, 2010, addressed to:

Compressor Systems, Inc.
c/o K E Andrews & Company
PO Box 870849
Mesquite, TX 75187-0849

Will B. Wohlford, Attorney
Morris, Laing, Evans, Brock & Kennedy
300 N. Mead, Ste 200
Wichita , KS 67202

Cindy Mitchell, Wilson County Appraiser
Wilson County Courthouse
615 Madison Room 102
Fredonia, KS 66736

Jill Chard, Wilson County Attorney
Wilson County Courthouse
615 Madison, Room 201
Fredonia, KS 66736

Annette Cranmer, Wilson County Treasurer
Wilson County Courthouse
615 Madison, Rm 105
Fredonia, KS 66736

IN TESTIMONY WHEREOF, I have hereunto subscribed my name at Topeka, Kansas.


Joelene R. Allen, Secretary

Exhibit A

<u>Docket No.</u>	<u>Applicant</u>	<u>Property ID#</u>	<u>Year at Issue</u>
2009-799-PR	Compressor Systems, Inc.	103-PP-3-7233	2008
2009-800-PR	Compressor Systems, Inc.	103-PP-3-7450	2008
2009-801-PR	Compressor Systems, Inc.	103-PP-3-7451	2008
2009-802-PR	Compressor Systems, Inc.	103-PP-3-7604	2008
2009-803-PR	Compressor Systems, Inc.	103-PP-3-7607	2008
2009-804-PR	Compressor Systems, Inc.	103-PP-3-7452	2008
2009-805-PR	Compressor Systems, Inc.	103-PP-3-7605	2008
2009-806-PR	Compressor Systems, Inc.	103-PP-3-7606	2008
2009-8099-TX	Compressor Systems, Inc.	103-PP-3-7606 103-PP-3-7605	2008-

Exhibit B

SEP 7 - 2010

COURT OF TAX APPEALS

BEFORE THE COURT OF TAX APPEALS OF THE STATE OF KANSAS

IN THE MATTER OF THE APPEAL OF)
COMPRESSOR SYSTEMS, INC.,) Docket No. 2009-799-PR thru 2009-806-PR
2009-8099-TX

JOINT STIPULATION OF THE PARTIES REGARDING RETAIL COST WHEN NEW VALUATION UNDER K.S.A. 79-1439(b)(2)(E)

1. The issue of whether the compressor units at issue in this case should be classified as commercial and industrial machinery and equipment and valued at retail cost when new with 7-year straight line depreciation under K.S.A. 79-1439(b)(2)(E) or as other property valued at fair market value under K.S.A 79-1439(b)(2)(F) for taxation remains in dispute and is an issue for the Court to resolve. This stipulation provides the stipulated values for the twelve compressors valued at retail cost when new with 7-year straight line depreciation under K.S.A. 79-1439(b)(2)(E). The values should be applied if the Court finds that the compressors at issue in this case should be classified as commercial and industrial machinery and equipment under K.S.A. 79-1439(b)(2)(E).

2. The parties stipulate that the following compressor units have the following assessed values under the retail cost when new with 7-year straight line depreciation method under K.S.A. 79-1439(b)(2)(E):

Table with 3 columns: Unit Number (Age), Retail Cost When New, Value under 7-year straight-line method. Rows include units 404066 (1996), 404426 (1997), 404674 (1998), and 410126 (1999).

Sep 07 10 09:44a

WILSON CO ATTY & COORD

1 620 378 3803

P. 2

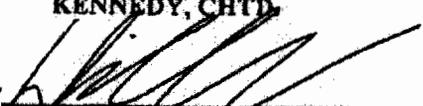
410169 (2000)	127,580	25,516 (20%)
410461 (2001)	214,212	42,842 (20%)
410486 (2002)	192,230	60,418 (31.43%)
410863 (2005)	298,649	194,420 (65.71%)
411089 (2006)	315,825	243,627 (77.14%)
*411090 (2006)	318,641	245,800 (77.14%)
*411272 (2007)	314,089	278,189 (88.57%)
*411187 (2007)	328,791	291,211 (88.57%)

3. Taxpayer contends compressors with unit numbers 411090, 411272 and 411187 are completely exempt from taxation under K.S.A. 79-223(b). Whether these units are exempt from taxation under K.S.A. 79-223(b) remains a legal question for the Court. If the Court rules that unit numbers 411090, 411272 and 411187 are exempt from taxation, the parties stipulate that the following compressor units would have the following assessed values under the retail cost when new with 7-year straight line depreciation method under K.S.A. 79-1439(b)(2)(E):

Unit Number (Age)	Retail Cost When New	Value under 7-year straight-line method
404066 (1996)	\$216,599	\$43,320 (20%)
404426 (1997)	114,764	22,953 (20%)
404674 (1998)	139,145	27,829 (20%)
410126 (1999)	114,054	22,811 (20%)
410169 (2000)	127,580	25,516 (20%)
410461 (2001)	214,212	42,842 (20%)
410486 (2002)	192,230	60,418 (31.43%)
410863 (2005)	298,649	194,420 (65.71%)
411089 (2006)	315,825	243,627 (77.14%)
*411090 (2006)	318,641	0 (exempt, K.S.A. 79-223(b))
*411272 (2007)	314,089	0 (exempt, K.S.A. 79-223(b))
*411187 (2007)	328,791	0 (exempt, K.S.A. 79-223(b))

STIPULATIONS APPROVED AND AGREED TO:

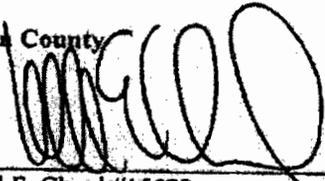
MORRIS, LAING, EVANS, BROCK &
KENNEDY, CHTD.

By 
Will B. Wohlford, #21773

Attorneys for Applicant

Wilson County

By


Jill E. Chard #15578
Wilson County Attorney