

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:50 a.m. on March 25, 2002, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Clay C. Blair III, Chairman, Kansas Board of Regents

Others attending: See attached list.

The minutes of the March 12, 2002, meeting were approved.

Senator Corbin opened an informational hearing on **HB 2569**, which was previously heard on April 30, 2001. He reminded that Committee that the 2001 Interim Committee on Taxation recommended that the Senate Assessment and Taxation Committee act favorably on **HB 2569** after changing the effective date to tax year 2002. He called upon Clay C. Blair, Kansas Board of Regents, for a review of the bill.

Mr. Blair explained that **HB 2569** concerns self-funding for the recently formed Kansas Board of Regents Foundation, which is a private, non-profit foundation. He explained that the Board would solicit funds from private donors for which a tax credit for each dollar donated would be given. The total amount appropriated to the Board of Regents by the state would be reduced by the total amount of the tax credits given. Donors would benefit because they will have also fulfilled their tax obligation to the federal government. The funds retained by the Board will be used for innovative projects at Washburn University, technical vocational schools, community colleges, and the state universities. Mr. Blair informed the Committee that the Board currently is working with a donor who is willing to participate. He emphasized that the bill would hold the State General Fund harmless. (Attachment 1)

Senator Clark moved to amend **SB 2569** by updating the dates and to recommend the bill favorably for passage as amended, seconded by Senator Praeger. The motion carried.

Senator Lynn Jenkins distributed copies of a proposed amendment to **HB 2091**, which was amended by the House Committee of the Whole in 2001. (Attachment 2) She explained that the original bill became known as “the paper clip bill” after it was heavily amended and passed the House, and it remains in conference. She proposed that the bill be “guttled” to address an issue which came to her attention a month ago. She explained further that the City of Topeka is at risk of losing the local Goodyear Tire facility and an expansion project. To encourage the retention of the current facility, the proposed amendment would increase from 15 percent to 20 percent the income tax credit for personal property tax paid on commercial and industrial machinery equipment in tax year 2003. New Section 2 addresses tax credits for all manufacturing businesses, starting with 25 percent of the property tax levied for property tax year 2004 on up to 40 percent of the property tax levied for property tax year 2007.

Senator Jenkins acknowledged that any fiscal note causes legislators to pause; however, she felt that consideration of her proposal should take into account the loss to the state’s economy if jobs and the expansion project at Goodyear are lost. In her opinion, her proposal will stimulate the economy of the state.

Senator Corbin noted that the original context of the bill came from the House New Economy Committee, but it was referred to the House Tax Committee where it was amended. As a result of the House Tax Committee amendments, the fiscal note greatly increased.

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 11:00 a.m. on February 13, 2002, in Room 519-S of the Capitol.

Senator Lee began a discussion regarding exactly what businesses are covered by Senator Jenkins' proposal and the fiscal notes for Section 1 and New Section 2. Chris Courtwright, Legislative Research Department, informed the Committee that the fiscal note on Section 1 for Fiscal Year 2003 is zero because it does not kick in for a year. For Fiscal Year 2004, he estimated the fiscal note attributable to Section 1 would be from \$7 million to \$8 million. With regard New Section 2, he estimated that the fiscal note for 2004 would be approximately \$8 million and noted that it will continue to grow. However, he was uncertain what taxpayers would be affected by New Section 2 and indicated that he would need to further research the effect of New Section 2. Bernie Koch, Wichita Chamber, stood to inform the Committee that he could furnish a list of machinery and tax incentives for all states.

Senator Jenkins moved to amend **HB 2091** by deleting lines 18 through 43 and inserting the proposed language as shown in her handout, seconded by Senator Donovan.

Committee discussion followed regarding clarification of the reference in New Section 2 to manufacturing businesses which are listed in sectors 31 through 33 and 5111 of the North American Industry Classification System. Richard Cram, Kansas Department of Revenue, stood to inform the Committee that he could furnish a list of the types of manufacturers included. In addition, the Committee determined that more information on the fiscal note was needed before voting on Senator Jenkins' motion. Senator Corbin announced that the vote on the motion would be delayed until March 26 when the information requested would be available.

The meeting was adjourned at 11:15 a.m.

The next meeting is scheduled for March 26, 2002.