

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:30 A.M. on January 30, 2007 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Amy Deckard, Kansas Legislative Research Department  
Kathie Sparks, Kansas Legislative Research Department  
Norm Furse, Revisor of Statutes  
Jackie Lunn, Committee Assistant

Conferees appearing before the committee:

Steve Kelly, Interim Secretary, Department of Commerce  
Joan Wagon, Secretary, Department of Revenue

Others attending:

See attached list.

Chairperson Brownlee announced that the Committee had a bill introduction in regard to workforce development; to request the monitoring unit of the Department of Commerce report annually to the Senate Commerce Committee and the House Committee. **Senator Emler made a motion to conceptually introduce a bill to request the monitoring unit of the Department of Commerce report annually to the Senate Commerce Committee and the House Committee . Senator Jordan seconded. Motion carried.**

Chairperson Brownlee introduced Kathie Sparks, Legislative Research to give information regarding immigration employment issues. Ms. Sparks stated Colorado had passed a bill requiring any public employment contractor be required to be a member of the "basic pilot program" requiring they will not use undocumented immigrants. Also, propose that no union dues will be held from paychecks of undocumented workers.

**Senator Emler made a motion to introduce a bill patterned after the Colorado bill. Senator Teichman seconded. Motion carried.**

Chairperson Brownlee turned the Chair over to Senator Jordan.

Chairperson Jordan introduced Tom Whitaker, Executive Director of the Kansas Motor Carriers Association, to introduce a bill. Mr. Whitaker presented written copy. (Attachment 1) He stated he was requesting to introduce legislation which would clarify the relationship between an owner-operator and a licensed motor carrier.

**Senator Emler made the motion to introduce the bill. Senator Reitz seconded. Motion carried.**

Chairperson Jordan called the Committee's attention to corrected information related to the confirmation of Timothy C. Schaller to the Kansas Development Finance Authority.

Chairperson Jordan introduced Steve Kelly, Interim Secretary, Department of Commerce, to give his presentation on the Governor's proposed tax changes.

Interim Secretary Kelly introduced Secretary Wagon stating she would give her information first. Secretary Wagon called the Committee's attention to a report comparing the current law on HPIP, Enterprise Zone, and Business/Job Credit to the New Investment Credit, New Jobs Credit and Opportunity Zone. (Attachment 2) Secretary Wagon reviewed the report.

Next, Secretary Wagon called the Committee's attention to *The Use of Corporate Income Tax Credits in Kansas*. (Attachment 3) She stated this study of corporate income tax credits in the state of Kansas which was done by David S. T. Matkin, Doctoral Candidate, Department of Public Administration, University of Kansas with the assistance of the Kansas Department of Revenue and the Department of Commerce . Secretary

## CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:30 A.M. on January 30, 2007 in Room 123-S of the Capitol.

Wagon gave a brief review highlighting the study demonstrates that:

- Corporate decisions to hire employees, increase wages, and invest in equipment and capital are based on market factors
- In most cases, the decision to claim a tax credit occurs after the qualifying business operation has already occurred.
- Corporations often conduct their business activities in multiple states. Because tax credits do not directly alter corporate operations, the benefits from tax credits profit the whole corporation, not just their Kansas operations.
- Corporations are most likely to consider tax credits prior to making a decision when they (1) expect to incur abnormally large capital and/or labor costs, (2) consider locating a new facility in Kansas that is expected to have a long-term effect on business operations, and/or, (3) are in highly competitive markets where a tax credit may help them become the low cost provider.
- Tax credits provide benefits and costs. Corporations seek out and use credits with low compliance costs in states where they have a high and stable tax liability.

She also stated empirical studies have demonstrated that state tax rates have a slight but statistically significant relationship with economic development. Bartik (1991) found that a 10 percent decrease in overall state taxes is expected to increase employment by 1 to 3 percent. Wasylenko (1997) found a similar effect. Though such findings support a state's ability to influence economic development through tax policy, enacting a 10 percent tax rate decrease is improbable.

Secretary Wagon called the Committee attention to *Update to Analysis of Kansas Corporate Income Tax Dated October 14, 2004 to Reflect Tax Year 2004 Data*. (Attachment 4). She then gave a brief review of the report.

Secretary Wagon called the Committee's attention to *Tax Credits Tax Year 2004* (Attachment 5) and gave a brief review.

Questions and answers followed.

Upon the conclusion of questions and answers, Chairperson Jordan introduced Interim Secretary Kelly to give a power point presentation entitled *HB 2170 Comparison to existing Enterprise Zone and HPIP Programs*. (Attachment 6)

Upon the conclusion of the power point presentation, Interim Secretary Kelly called the Committee's attention to a memo from the Kansas *Department of Commerce* entitled *HPIP Explanatory Information Available at [www.kansascommerce.com](http://www.kansascommerce.com)*. (Attachment 7) and a comparison of Existing Enterprise Zone program, Existing HPIP to the Proposed New Incentive Program. (Attachment 8)

Brief questions and answers followed.

Chairperson Jordan adjourned the meeting at 9:30 a.m. with the next scheduled meeting being on January 31, 2007 at 8:30 a.m. in room 123S.