

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:10 a.m. on March 22, 2000, 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:

Others attending: See attached list.

The minutes of March 14, 15, and 16, 2000, were approved.

Discussion of a previously heard bill: **SB 624-Property tax; exempting certain personal property used for manufacturing of motor vehicles**

Senator Langworthy called the Committee's attention to copies of a letter from the County Administrator's Office of the Unified Government of Wyandotte County-Kansas City, Kansas. She noted that the letter indicates the Unified Government supports **SB 624**, which exempts special tools and dies from future taxation as part of an overall agreement with General Motors to build an automobile of the future in its Fairfax plant. (Attachment 1) She called upon Whitney Damron, representing the Unified Government of Wyandotte County-Kansas City, to discuss the contents of the letter.

Mr. Damron informed the Committee that, at the time **SB 624** was heard, the Unified Government indicated to General Motors that it would remain neutral on the bill until such time as sufficient valuation information was available to make a determination of the impact it would have on Wyandotte County. That information was received from General Motors last week, and the Wyandotte County Appraiser was able to make some projections to assist in making a determination of what the bill would cost Wyandotte County. Based upon the County Appraiser's valuations, the Unified Government now supports the bill. However, the Unified Government requested that the sponsors of the bill clarify the definition of "tools and dies." That amendment was prepared with the assistance of the Department of Revenue, and the Unified Government will support the bill with the amendment. Mr. Damron commented that Wyandotte County appreciates the commitment General Motors has made to Wyandotte County, keeping in mind the impact General Motors' presence or lack of presence has upon the citizens of Wyandotte County. He stated that the bill will cost Wyandotte County a potential loss of revenue of approximately \$19 million, assuming that the new investment will remain in the plant without any other incentives.

Mr. Damron confirmed for Senator Langworthy that the Unified Government believes that the General Motors project is important enough to allow the state to override its local authority. In addition, he noted that General Motors has indicated that it would like Kansas to be on a level playing field with other states which have a statutory permanent exemption for tools and dies. General Motors feels it is preferable to have a change at the state level as opposed to seeking local abatements on a periodic approval basis.

Senator Steineger requested that Mr. Damron furnish a copy of the proposed amendment which would narrow the definition of "tools and dies." In response, John Federico, Federico Consulting, stood to explain that George Turner, General Motors, was presently in the process of clarifying the proposed language. Senator Steineger went on to ask what other capital improvements General Motors may request to be defined in connection with development of the Fairfax plant. Mr. Federico responded that it is unclear at this time what

## CONTINUATION SHEET

### MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE Room 519-S, Statehouse, at 11:10 a.m. on March 22, 2000.

remaining issues remain for General Motors in regard to developing the infrastructure of the plant. In this regard, Senator Steineger referred to a memorandum distributed last week by General Motors to legislators which includes a request for a local abatement for new machinery and equipment. Mr. Federico stated that, based upon the Unified Government's support of **SB 624**, it is his understanding that the Unified Government does not support any additional tax abatements.

Senator Lee asked Mr. Damron why the Unified Government of Wyandotte County felt it was necessary to request the bill when local governments already have the authority to grant abatements on a yearly basis. Mr. Damron responded that **SB 624** is a General Motors bill, not a Unified Government bill, and that General Motors has indicated that it prefers to have a statutory and permanent change regarding the taxation of tools and dies as opposed to continually making abatement requests at the local level as the tools and dies are installed in the plant over a period of several years. In his opinion, the Unified Government would grant abatements to General Motors if the bill is not passed.

Senator Steineger distributed copies of a memorandum he requested the Department of Revenue to prepare with regard to the legal authority for local units to grant abatements. Laura Johnson, Division of Property Valuation, summarized the memorandum which discusses exemptions under Article 11 Section 13 (EDX exemptions) if new jobs are created and under K.S.A. 79-201a *Second* (IRB exemption) if bonds fund the property. (Attachment 2)

Following Committee questions to Ms. Johnson, Mr. Federico clarified that the request for the bill relates to job retention at the Fairfax plant. The General Motors Epsilon Project would secure current staffing levels for the next ten years after the plant no longer produces the Grand Prix model, which makes up 75 percent of the plant's production. In addition to an interest in winning the Epsilon Project, the Fairfax plant is interested in winning future projects. Competitors for General Motors projects are located in states wherein General Motors manufacturing facilities enjoy tax relief related to ad valorem taxes on special tools and dies. In response, Senator Steineger pointed out that, under existing statutes, local units of government have much more leeway to negotiate than under the provisions of **SB 624**.

Senator Bond commented that the issue of interfering with home rule authority raises concerns among legislators. However, when a local unit of government supports enactment of a state law for a specific, narrow purpose, he has no concern about the issue of local control. The only concern he has about the bill is the possibility that it will be changed and broadened in the legislative process. He suggested that no action be taken on the bill until staff and the Committee has had an opportunity to review the proposed amendment.

Senator Langworthy asked Mr. Damron for a copy of the proposed amendment. Mr. Damron read the proposed amendment. The amendment changes "All special tools and dies and other manufacturing aids" on line 16 to "All special tools with a useful life of two years or less." He explained that General Motors is concerned that the change may have some limitations on certain equipment. Senator Langworthy continued the discussion on **SB 624** to March 23 at which time the Committee will be furnished with a copy of the proposed amendment in its final form.

The meeting was adjourned at 11:55 a.m.

The next meeting is scheduled for March 23, 2000.