

SESSION OF 2005

**SUPPLEMENTAL NOTE ON
SUBSTITUTE FOR HOUSE BILL NO. 2003**

As Amended by Senate Committee on
Commerce

Brief*

Sub. for HB 2003 would amend the Emerging Industry Investment Act to change the definition of base year taxation. Current law defines base year taxation as 2003 state taxes payable by biosciences companies and state universities and withholding taxes paid by their employees. Under the provisions of the bill, the definition would be amended to comprise 95 percent of the 2003 state withholding taxes paid by the entities' employees. Additional language would allow for base year taxation to be adjusted in future years to account for the addition of new companies and those that may have been inadvertently omitted from the original determination.

The definition of bioscience company would be expanded to include those with sales, services, or distribution directed towards developing bioscience products or processes, but would specifically not include entities engaged in distributing or selling pharmaceuticals or other bioscience products. New language would require the Secretary of Revenue and the Bioscience Authority to jointly determine eligibility based on verifiable evidence, including whether the company falls under certain specific bioscience industry codes. All companies designated under the specific codes would be presumed to qualify unless a joint determination would find otherwise.

The maximum amount of funds that could be diverted from the State General Fund to the Biosciences Development and Investment Fund over the next 15 years would be limited to \$581.5 million.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

The bill would allow the state treasurer to make estimated payments to the Authority more frequently based on information provided by the Secretary of Revenue with an annual reconciliation. Under current law, the State Treasurer makes an annual payment to the Authority. Finally, a technical correction is made to the bill.

Background

The original bill would have repealed a law enacted in 2004 relating to the amount of sales tax due on the isolated or occasional sale of motor vehicles. The House Taxation Committee on March 10 voted to instead recommend a substitute bill that is identical to HB 2505 as amended by the House Taxation Committee. Proponents to HB 2505 during the public hearings on that bill included the Kansas Bioscience Authority and the Kansas Technology Enterprise Corporation.

The Senate Committee on Commerce amended the bill by allowing for more frequent payments to the Authority and a technical cleanup to last year's bill is provided.

No fiscal note was available at the time the bill was heard.