

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 3:33 p.m. on February 3, 2011, in Room 783 of the Docking State Office Building.

All members were present.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Chris Courtwright, Kansas Legislative Research Department
Michael Wales, Kansas Legislative Research Department
Marla Morris, Committee Assistant
Allen Jeffus, Office Assistant

Conferees:

Richard Cram, Policy and Research Director, Kansas Department of Revenue
Ed Bryan, HPIP Manager, Kansas Department of Commerce
Katrin Osterhaus, Principal Auditor, Legislative Division of Post Audit

Others attending:

See attached list.

Bill Introductions:

Representative Schwab moved introduction of a bill to require KPERS to divest of any funds invested in Iranian interests. Seconded by Representative Brunk, the motion carried.

Representative Goico moved introduction of a bill to outlaw demonstrations at military funerals. Representative Gatewood seconded the motion. The motion carried.

Representative Calloway moved introduction of a committee bill addressing changes on the Kansas Child and Dependent Care Credits tax form. The motion was seconded by Representative Schwab and the motion carried.

Representative Kleeb moved introduction of a committee bill regarding a streamline sales tax. Seconded by Representative Schwab, the motion carried.

Representative Kleeb moved introduction of a committee bill addressing an unemployment tax deficit solution. The motion was seconded by Representative Dillmore. The motion carried.

Representative Carlson moved introduction of a bill on the tax study commission. The motion was seconded by Representative Frownfelter. The motion carried.

Representative Carlson moved introduction of a bill that cleans up language on counties certifying the amount of AdValerom tax to be levied by school districts. The motion was seconded by Representative Powell, and the motion carried.

Representative Carlson moved introduction of a bill pertaining to the submission of a one-quarter percent sales tax question for several specific purposes requested by the The Douglas County Commission. Representative Kleeb seconded the motion. The motion carried.

Rep. Kleeb moved committee introduction of a bill regarding the Promoting Employment Across Kansas (PEAK) Act. Representative Goico seconded the motion and the motion carried.

Chairman Carlson opened the hearing on:

HB 2117 – Removal of outdated sales tax imposition language

Chris Courtwright, Policy and Research Director, Kansas Legislative Research Department, briefed the Committee on **HB 2117**, repealing defunct language appearing in the sales tax code, requires no policy change, and has no fiscal note associated. He stood for questions.

CONTINUATION SHEET

Minutes of the House Taxation Committee at 3:33 p.m. on February 3, 2011, in Room 783 of the Docking State Office Building.

There were no proponents or opponents present, therefore, Chairman Carlson closed the hearing on **HB 2117**.

Without objection from the Committee, Chairman Carlson sought discussion and action on **HB 2117**.

Representative Brunk moved HB 2117 favorable for passage, the motion was seconded by Representative Schwab.

Representative Kleeb moved an amendment to HB 2117 (Attachment 1), which strikes out language pertaining to defunct projects by the Sunflower Ammunition Plant near Desoto, and the ammunition plant near Parsons. Representative Frownfelter seconded the motion. Following discussion, Representative Kleeb moved the amendment. The motion carried.

Representative Brunk moved to pass HB 2117 favorable for passage as amended. The motion carried.

In response to the Chairman's January 26, 2011, request for the Kansas Department of Revenue (KDOR) and the Kansas Department of Commerce to present a review of the High Performance Incentive Program (HPIP), Richard Cram, Policy and Research Director, KDOR, briefed the Committee on Unitary Business Concepts, Expensing and Depreciation (Attachment 2). Mike Boekhaus, Director of the Audit Bureau, and Charla Wagner, Auditor from KDOR assisted in the preparation of the briefing. Mr. Cram stood for questions.

Ed Bryan, HPIP Manager, Kansas Department of Commerce, explained the intent of the HPIP program (Attachment 3). He discussed the three main tax incentives:

- Investment Tax Credits
- Employee Training Tax Credit
- State Sales Tax Exemption

His presentation included a copy of the recently simplified Kansas HPIP application form (Attachment 4).

Katrin Osterhaus, Principal Auditor, Legislative Division of Post Audit, provided a copy of Part I of the three part report prepared by the Legislative Division of Post Audit in 2010. The *Performance Audit Report, Part I: Reviewing Tax Credits* is available online at <http://www.kansas.gov/postaudit/audits>. Her presentation directed the Committee to pages 17, 18, 27, 35 and 36 of the report relating to HPIP (Attachment 5).

Chairman Carlson thanked the Kansas Department of Revenue, Kansas Department of Commerce and the Legislative Division of Post Audit for their valuable assistance in providing the Committee insight into HPIP.

Chairman Carlson adjourned the meeting at 5:00 p.m.