

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 3:36 p.m. on February 16, 2011, in Room 783 of the Docking State Office Building.

All members were present except:

Representative Denning-excused
Representative Frownfelter-excused
Representative Schwab-excused

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 appearing before the Committee:

Secretary Nick Jordan, Kansas Department of Revenue
Secretary Pat George, Kansas Department of Commerce
Richard Cram, Kansas Department of Revenue
Dr. Art Hall, Center for Applied Economics, KU School of Business
Stan Ahlerich, President, Kansas, Inc.
Gary Allerheiligen, Kansas Society of CPA's
Dennis Lauver, Salina Area Chamber of Commerce
Betty Nelson-Ekey, CBIZ
Sheila Lenson, Associated Wholesale Grocers, Inc. (AWG)

Others attending:

See attached list.

Bill Introductions:

Representative McCray-Miller moved introduction of a committee bill to allow counties to add up to a one-half percent tax for the funding of children's programing. The motion was seconded by Representative Dillmore. The motion carried.

Chairman Carlson opened the hearing on **HB 2317- Authorizing expensing of investment expenditures as a deduction in calculating Kansas income tax liability and IMPACT program changes.**

The Chairman directed the Committee to the Kansas Department of Revenue Fiscal Note on **HB 2317** located in their daily packet (Attachment 1).

Committee members were asked to hold questions until Revisor Self, Secretary Jordan, Secretary George, Richard Cram (KDOR), and Dr. Art Hall had completed their testimonies.

Gordon Self, Office of the Revisor of Statutes, briefed the Committee on **HB 2317**. Revisor Self explained **HB 2317**, requested by the Secretary of Revenue and Secretary of Commerce on behalf of Governor Brownback, is referred to as Expensing and IMPACT bill.

Secretary Nick Jordan, Kansas Department of Revenue, directed his testimony in support of **HB 2317**, to Governor Brownback's economic growth plan (Attachment 2).

Secretary Pat George, Kansas Department of Commerce, supports passage of **HB 2317**. The Commerce Department feels this legislation will make Kansas a more attractive state to locate a business, and provides the necessary incentive to make capital investment and expand a business (Attachment 3).

Richard Cram, Kansas Department of Revenue explained the mechanics of the expensing process, and unitary group usage of the Kansas expense deduction. His testimony included a balloon amendment, technical in nature, to replace the term "Kansas taxable income" with the term with the term "Kansas net

CONTINUATION SHEET

The minutes of the House Taxation Committee at 3:36 p.m. on February 16, 2011, in Room 783 of the Docking State Office Building.

income before expensing or recapture” in Section 2(a) and (e), ([Attachment 4](#)).

Dr. Art Hall, Center for Applied Economics, KU School of Business presented a technical primer on Governor Brownback's proposal. The primer offered explanations of various aspects of the proposal that were implemented in **HB 2317** ([Attachment 5](#)). He provided the Committee with a copy of the KU School of Business publication “Expensing: A Competitive Leap for Kansas Tax Policy” ([Attachment 6](#)).

Stan Ahlerich, President, Kansas, Inc., testified in support of **HB 2317**. His testimony concerned input obtained from 19 meetings, held throughout the state, with representatives from Kansas companies of all sizes ([Attachment 7](#)).

Gary Allerheiligen, Kansas Society of CPA's, representing 2,600 members, presented neutral testimony on **HB 2317**. He expressed concerns with the proposed legislation and offered technical amendment recommendations to the Committee ([Attachment 8](#)).

Dennis Lauver, Salina Area Chamber of Commerce, offered neutral testimony on **HB 2317** ([Attachment 9](#)). His testimony summarized these responses to proposals in **HB 2317** from a number of Salina area employers:

- The HPIP program is effective and is valued.
- Making the state more neutral in decision making is a great idea
- A cash based program will be a very effective tool that will stimulate jobs and capital investment
- Eliminating the sales tax will stunt growth
- There is a sense the deduction expensing concept will disproportionately help very large employers and may have limited impact

Betty Nelson-Ekey, CBIZ testified in opposition to **HB 2317**, urging the Committee to keep the investment threshold at \$50,000 ([Attachment 10](#)). She expressed concern that the proposed raise would prevent small to mid-sized companies from qualifying for the program's investment credit.

Sheila Lenson, Associated Wholesale Grocers, Inc. (AWG), presented testimony opposing **HB 2317**. The AWG proposed that the current programs be retained, specifically HPIP with its sales tax exemptions ([Attachment 11](#)).

Chairman Carlson, held the hearing on **HB 2317** open, to continue at 3:30 p.m., Thursday, February 17, 2011, in Room 783 of the Docking State Office Building.

The meeting was adjourned 4:55 p.m.