

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:35 A.M. on February 22, 2005 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research
Martha Dorsey, Kansas Legislative Research
Gordon Self, Revisor of Statutes Office
Nancy Kirkwood, Secretary

Conferees appearing before the committee:

Others attending:

See attached list.

Final action

SB 256 - Income tax exemption for amounts received for recruitment and student loan repayments by members of military

Chairperson Allen brought the Committee's attention to **SB 256**. The Chair reminded the Committee this was the bill sent out of Committee yesterday regarding certain income tax exemptions for military personnel. Since the Committee's meeting yesterday, it has received new fiscal information from KDOR. The Chair received a memo from KDOR with a fiscal note that included all military branches, as opposed to only the Kansas National Guard. The total impact of **SB 256** including Active Duty, Reserves and Kansas National Guard is estimated to be about \$587,000 a year in reduced individual income taxes to the State.

Chairperson Allen called for a motion to reconsider the action taken yesterday to pass **SB 256** out favorably as amended. Senator Schmidt made a motion to reconsider the action taken on **SB 256**, seconded by Senator Donovan. The motion carried.

Chairperson Allen then called for a motion to strike yesterday's action, the effect of which was to apply these tax exemptions only to the Kansas National Guard, and instead return **SB 256** to its original form. Senator Donovan made a motion to remove the amendment added to **SB 256**. Senator Schmidt seconded the motion. The motion carried.

SB 256 was now restored to its original form. The Chair called for a motion to pass **SB 256** out of Committee favorably. Senator Schmidt made a motion to pass **SB 256** out favorably. Senator Apple seconded the motion. The motion carried.

SB 156 - Tax and revenue assessment report by secretary of revenue to legislature

Chairperson Allen called for final action on **SB 156**, requiring by statute that KDOR provide a Tax Expenditure Report to the Legislature annually. The Chair referred to the annual Tax Expenditure Report currently voluntarily furnished by KDOR (Attachment 1). The issue was raised that **SB 156** considered only half of the issue, expenditures, and there is another bill in the House that addresses the other half of the issue, benefits. That bill, **HB 2010**, relates to the Kansas Inc. annual report. The bill would require an evaluation of the cost effectiveness of certain income tax credits and sales tax exemptions in an annual report. **HB 2010** also transfers the responsibility to produce the annual report from Kansas, Inc., to KDOR. The Chair referred to the testimony in the packet from the Secretary of Revenue, suggesting a balloon amendment to **HB 2010**. The Chair made a request for the Committee to consider amending **HB 2010** into **SB156** (Attachment 2). Also, the packet contained testimony from Kansas Inc., opposing the transfer of responsibility for this report to KDOR (Attachment 3). Chairperson Allen related to the Committee the fiscal note indicates the bill would have no fiscal effect on KDOR.

Chairperson Allen called for the Committee to consider passing **SB 156** out, by amending **HB 2010** with the

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:35 A.M. on February 22, 2005 in Room 4519-S of the Capitol.

balloon KDOR furnished, and amending **HB 2010** into **SB 156**. The Chair reminded the Committee **SB 13** was going to be debated on the Senate floor today, and that bill repeals the requirement that Kansas, Inc., produce an annual report. After further discussion of the Committee, the Co-Chair of the Commerce Committee, Senator Jordan, expressed willingness to consider amending **SB 156** into **HB 2010**. After further Committee discussion, the Chair suggested the interested party, April Holman of Fiscal Focus, pursue **SB 156** in the Senate Commerce Committee. No action was taken on **SB 156** by the Tax Committee.

SB 192 - Property tax exemption for renewable energy resources or technologies

Chairperson Allen called for final action on **SB 192**, and explained the bill relates to tax exemptions for renewable energy resources. **SB 192** was brought to the Committee by Las Animas Landfill Gas, LLC. The Committee heard testimony from Rachel Rubin, Attorney for Las Animas, Luke Morrow, Vice President for Las Animas, and Charles Benjamin representing the Sierra Club. This particular tax exemption for renewable energy resources is currently the subject of litigation before the Board of Tax Appeals. The Chair informed the Committee she had been in contact with the Johnson County Appraiser regarding **SB 192**. The County Appraiser indicated he is trying to enforce the law as he believes it is written. The Chair referred the Committee to the proposed balloon amendment by Brad Smoot, and requested Brad to briefly describe the amendment (Attachment 4).

Questions and discussion followed the Committee's concerns about the bill. The Chair requested Senator Schmidt work with the parties involved to create a *twelfth* exemption to K.S.A. 79-201. The Chair recessed the meeting at 11:20 until 11:30 to draft language that would satisfy the concerns of those involved.

The Chair brought the meeting back to order at 11:30 a.m., and recognized Senator Schmidt. Senator Schmidt read the language for the new 12th exemption to K.S.A. 79-201. "For all taxable years commencing after December 31, 2001, all personal property actually and regularly used predominately to produce landfill gas, transport landfill gas from a landfill to a common carrier and the landfill gas produced." These three categories of property would be exempt from taxation under this amendment. The effective date of December 31, 1998 would remain as originally proposed.

Senator Schmidt made a motion to adopt the proposed language in the form of an amendment to SB 192. The motion was seconded by Senator Donovan. The motion carried.

Chairperson Allen called for a motion to pass **SB 192** as amended. Senator Lee made a motion to pass **SB 192** out favorably as amended. Senator Donovan seconded the motion. The motion carried.

No other business in Committee, the meeting adjourned at 11:40 a.m.