

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:30 A.M. on March 6, 2007, in Room 519-S of the Capitol.

All members were present except:

Terry Bruce- excused

Committee staff present:

Chris Courtwright, Kansas Legislative Research Department

Martha Dorsey, Kansas Legislative Research Department

Gordon Self, Office of Revisor of Statutes

Judy Swanson, Committee Assistant

Conferees appearing before the committee:

Joan Wagnon, KDOR

April Holman, Kansas Action for Children

Don Moler, League of Municipalities

mark Desett, KNEA

Aaron Catlin, Kansas Livestock Association

Mark Tallman, KASB

Others attending:

See attached list.

Hearing on confirmation of appointment of Bruce Larkin to State Board of Tax Appeals was opened with Mr. Larkin making a brief statement concerning his qualifications. He introduced his wife, Judy Larkin, and said he served as a State Representative for 19 years. He was a member of the House Tax Committee for 13 years, and has been employed by Kansas Department of Revenue for the past 14 months.

Joan Wagnon, Secretary of KDOR, said she would like to give reference to Mr. Larkin as her good friend, her former colleague and her current employee. He is a person of great character and good judgement. He has shown excellent judgement working with the tax appeals process.

Bill Reardon, former State Representative, gave Mr. Larkin a reference for his appointment to BOTA. (Attachment 1) He said Mr. Larkin was a person of high integrity, and one of the most knowledgeable legislators on tax issues he served with during his time in the legislature.

Senator Goodwin said Mr. Larkin was one of the fairest and highest quality people she knew, and he had every qualification necessary for this appointment.

Senator Lee moved to confirm the appointment of Bruce Larkin to the State Board of Tax Appeals. Senator Goodwin seconded the motion, and the motion carried.

Hearing on SB 305–Establishing the tax modernization commission

Joan Wagnon, Secretary of KDOR, testified in support of **SB 305**. (Attachment 2) Studies show trends point to the narrowing of the tax base in Kansas. Secretary Wagnon suggested members of the Tax Modernization Commission should represent a diverse group of Kansas citizens from a variety of geographical areas, vocations and perspectives. She further suggested the Governor appoint the chair and the vice-chair of the commission. The important thing is to get the Commission started.

April Holman, Kansas Action for Children, testified there are three key principles of good tax policy: diversity, sufficiency and equity. (Attachment 3) Currently there are 72 sales tax exemptions in Kansas. The current strong economy will not last forever, and further erosion of the tax base is inevitable. The poorest Kansans pay 32.7% of their income in taxes as opposed to the wealthiest Kansans, who pay a rate equal to 7.7% of their income. A comprehensive modernization of the Kansas tax system is long overdue.

Ms. Holman said the study should also include local units of government. She is not convinced dynamic scoring would be realistic. Senator Jordan said it is a mistake to only look at tax credits, without also looking

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at the return from granting tax credits. Ms. Holman said she had a problem with finding a means to accomplish unskewed information concerning tax credits vs. tax benefits.

Don Moler, Kansas League of Municipalities, testified all taxes should be examined, and a conclusion drawn from the information found. (Attachment 4)

Mark Desetti, KNEA, said KNEA supports a comprehensive examination of the entire tax system in Kansas. (Attachment 5) The Kansas tax system has lost vertical equity. There is a lack of progressivity in the system. He said a tax system can have vertical equity and be progressive. Mr. Desetti shared statistical information from the Institute on Taxation and Economic Policy (ITEP).

Aaron Catlin, Kansas Livestock Association, testified KLA is supportive of **SB 305**. (Attachment 6) Kansas' geographical location and topography make it ideal for agricultural production, but it is difficult to attract additional industries necessary to diversify and protect the tax base. Population shifts from rural to urban areas have taken a toll on many rural communities and counties. One member of the Commission should be from the agriculture production community.

Mark Tallman, KASB, said KASB members are concerned over recent trends in tax and funding policies, particularly in the area of school finance. (Attachment 7) The shift to property and sales tax to fund schools and other public programs has made the tax system more regressive. Left unchecked, the trend will erode the tax base; then eventually erode the quality of public services. Only a high-level independent review of the entire tax system can lead to a comprehensive solution.

During committee discussion, Senator Schmidt expressed surprise KLA would want a tax commission to take a closer look at closing some of the loopholes which currently exist for agriculture production. Senator Donovan said the percentages in the ITEP study quoted by Mr. Desetti could not be correct. Senator Jordan said Kansas is more reliant on property tax, but Mr. Tallman's remarks show since '89 the amount has gone down. Mr. Tallman said his remarks were made from Kansas Tax Facts booklet, not from the ITEP study. The hearing on **SB 305** was closed.

Chairman Allen requested April Holman prepare balloon amendments for **SB 305** for further Committee consideration.

Senator Goodwin moved to approve the February 28 and March 1 Committee minutes. Senator Apple seconded the motion, and the motion carried.

Being no further business, the meeting adjourned at 11:35 AM. The next meeting will be March 7.