

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on January 12, 2006 in Room 519-S of the Capitol.

All members were present except:

Representative Anthony Brown - excused
Representative Sydney Carlin - excused
Representative Paul Davis - excused

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Dr. John Wong, Wichita State University

Others attending:

See attached list.

The Chairman called for bill introductions

Representative O'Malley requested a bill introduction regarding property tax deferral program for seniors. It was seconded by Representative Hill. The motion carried.

Marlee Carpenter, Kansas Chamber of Commerce, requested a bill be introduced regarding a property tax exemption for telecommunications machinery and equipment. Representative Siegfried moved that in motion form and it was seconded by Representative O'Malley. The motion carried.

Representative Huff requested a Committee bill be introduced regarding the Kansas and Missouri regional investment district compact. Representative Owens seconded. The motion carried.

Representative Hill introduced his intern, Melissa Miller, a student at Emporia State University.

The Chairman introduced Dr. John Wong of Wichita State University. Mr. Wong made a presentation on the extent to which the elasticity of the major tax sources had declined over time. He said one reason behind the declining elasticity relates to the fact that the economy today is much different than it was in the 1930s when the sales and income taxes were imposed. He said that as the economy and technology continue to change, government should keep an eye on those things generating economic activity and recognize the reallocation of resources in the private market. When the economy changes and the tax structure does not, a lag in revenues is likely to occur until the tax policies have been modified.

Dr. Wong also said that the declining elasticity of major taxes was indicative of the rapid changes occurring in the Kansas economy. He said that Kansas was currently in a transitional period and was seeing agriculture and manufacturing become relatively less important while services were becoming more important. According to Wong, if Kansas is unable to begin taxing more services, the elasticity of the sales tax is expected to continue to decline, based on the expectation that the relative economic contribution of services in comparison to goods is expected to continue to grow.

Dr. Wong briefed the Committee using a power point presentation with a series of charts that reflected categories relevant to elasticity of taxes (Attachment 1). Discussion followed regarding Dr. Wong's methodology of reflecting data on his reports and his ability to pull specific information from existing data in order to provide additional information for the use of the Committee. Dr. Wong provided a CD which was converted to a Portable Document Format (PDF), which will be an attachment to the minutes.

During the interim, Chairman Wilk and staff, discussed the possibility of obtaining additional specific information that could be used to help determine the outcome of past legislative decisions.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on January 12, 2006 in Room 519-S of the Capitol.

Chris Courtwright said that Legislative Research could provide a limited amount of additional information regarding hard data, some apocryphal, as well as anecdotal. He explained the process of gathering information and the basis for determination of fiscal notes. He added that traditionally data is not tracked based on what actually happened and due to the multitude of variables, even with the help of Department of Revenue, some of the Committee requests would be nearly impossible to reconstruct.

The meeting was adjourned at 10:25 A. M. The next meeting is January 18, 2006.