

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 9, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

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

Conferees appearing before the committee:

Representative Mark Treaster
Susie Christopher, First Call For Help, Inc.
April Holman, Kansas Action for Children
Bruce Larkin, KDOR

Others attending:

See attached list.
The Chairman called for bill introductions.

Representative Siegfroid made a motion to introduce a bill regarding property taxation relating to exemptions on certain houses. Representative Kinzer seconded the motion. The motion carried.

Representative Wilk made a motion for the introduction of a bill pertaining to the Governor's Corporate Income Tax Reduction portion of her bill. Representative Carlson seconded the motion. The motion carried.

Representative Kinzer made a motion to introduce a bill regarding double taxation involving the attachment of fire districts on annexation by cities. Representative Siegfroid seconded the motion. The motion carried.

HB 2256 - Sales tax exemption for First Call for Help, Inc.

Chris Courtwright, Legislative Research Department, said the bill would provide a sales tax exemption for both the purchases and sales of First Call For Help, Inc. There are a number of non-profit groups that have this exemption and First Call for Help, Inc. would be added to the group through this legislation. The fiscal note is less than \$10,000.

The Chairman opened the public hearing on **HB 2256**.

Representative Treaster, chief sponsor of the bill, said this group is utilized so that services are not duplicated and the needy are directed to the organization(s) that are best suited to help in an efficient manner. The fiscal note is small because this group sells nothing to the people they help and operate solely on donations. He concluded by saying this group was as worthy of the sales tax exemption as any currently in that select group (Attachment 1).

Representative Treaster called attention to the written testimony of Susie Christopher, First Call For Help, Inc. in support of the bill. Attached was a summary of the programs they operated and the people they served in 2006 (Attachment 2).

The Chairman noted that written testimony had been received and distributed from April Holman, Kansas Action for Children, in opposition to the bill. It stated that their opposition was not specific to First Call for Help, Inc., but was instead a reflection of their general concern about the erosion of the sales tax base (Attachment 3).

The Chairman closed the hearing on **HB 2256**.

The Chairman acknowledged visitors in the audience. Representative Kinzer introduced his son Pearce, and Hailey, his daughter, on school break from Olathe.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on February 9, 2007 in Room 519-S of the Capitol.

Chris Courtwright, distributed a memorandum on the Local Ad Valorem Tax Reduction Fund (LAVTRF) (Attachment 4). He explained the history of the program up to the current date. He reviewed a table on the amount of LAVTRF distributions that are scheduled to be made under the partial restoration provision; and the amount of LAVTRF distributions that would occur if future Legislatures opted to restore the funding to the fixed percentage of sales and use tax receipts.

The Chairman directed the Committee's attention to **HB 2171**. A balloon was distributed (Attachment 5). Mr. Cram said that the Department had worked with Marlee Carpenter, KS Chamber of Commerce, to address two issues:

1) The limitation placed on consumers being able to come directed to the Department to claim a refund. In response to that concern, on page 9, Section 5 all the changes previously made by the Department were deleted and replaced with New Section 5, located on last page of the balloon. On page 9, line 3, language was deleted pertaining to remittance, and additional language was added pertaining to penalties on line 5. On page 3, paragraph (c), lines 9 through 11, language was deleted that referred to the limitation of direct consumer refund claims and inserted language *as required herein*.

2) The other Chamber concern pertained to the three-year statute of limitation and the time frame requirement. In response to their concern on page 3, new Section 2, language was amended to line 39 granting additional time for claimant to respond with a complete refund application. Language that addressed that same change was added to page 4, line 7 and page 5, line 34. The Chairman advised the committee that leadership had met with Marlee Carpenter and there was consensus by all parties on the changes in the bill.

Representative Owens made the motion that the balloon be adopted. Representative Treaster seconded the balloon. The motion carried.

Bruce Larkin, KDOR, distributed a spreadsheet on KDOR Sales and Use Tax Refunds - FY 06. He explained the number of full time employees; total number of claims processed; average days to process; dollar amount requested; tax amount and interest refunded; and the current number of cases (Attachment 6).

Representative Crum made a motion to move **Substitute for HB 2171** out, favorable for passage. Representative Whitham seconded. The motion carried.

A memorandum was distributed from Art Hall, Executive Director, Center for Applied Economics, KU School of Business, regarding his considerations on House Concurrent Resolution 5006 (Attachment 7).

Representative Carlson distributed a biography on Maurice McTigue, Distinguished Visiting Scholar & Director, Government Accountability Project (Attachment 8). He will present an informative analysis of economic reforms in New Zealand to the House Taxation Committee on Tuesday, February 13th, 2007.

An informational sheet on the current House and Senate 2007 Tax Credit Bills, prepared by Chris Courtwright, Legislative Research Department, was distributed. This was in response to a Committee request at the February 8th meeting (Attachment 9).

Also, in response to a committee request on February 8, two charts from KDOR, regarding data on Kansas Tax Credits, were distributed (Attachment 10). The first spreadsheet includes: Alphabetical list of programs; Descriptions; Non-refundable or refundable; Fiscal year limitation; Transferability, and Sunsets. The second spreadsheet, (data on Kansas Tax Credits, FY 2004) includes: Tabulation of the amount of credits; Number of claims for each credit, and NAICS Titles and Descriptions of Industries. Due to the complexity of the two charts, Mr. Cram agreed to re-work the data compiling it on one document.

The meeting was adjourned at 10:50 a.m. The next meeting is February 13, 2007.