

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Vice Chairman Huff at 9:00 A.M. on January 19 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, Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Secretary Joan Wagon, Department of Revenue

Others attending:

See attached list.

The Vice Chairman called for bill introductions.

Representative Thull made a motion, on behalf of Atchison County, that would allow a sales tax for the purpose of building a sports complex. Representative Treaster seconded the motion. Without objection, the motion carried.

Representative Menghini proposed a bill that would authorize Crawford County to seek voter approval of a local sales tax that would allow for economic development initiatives and public infrastructure projects. Representative Thull seconded. Without objection, the motion carried.

Vice Chairman invited Secretary Wagon back to the podium, to continue the discussion on Business Machinery/Equipment and Utility Tax Issues.

She explained hand-outs that were distributed were in response to questions and requests made by the Committee at the January 18 meeting:

- Business Machinery and Equipment Tax Credit - A table that reflected the historical machinery and equipment credits and projected numbers from 2002-2007 (Attachment 1).
- Excerpt from the Kansas Constitution, Article 11, that governs finance and taxation. The highlighted area in Class 2 (Tangible Personal Property) pertains to commercial and industrial machinery, and equipment. Also included were definitions and a CIME Appraised Factor Table from the Division of Property Valuation (Attachment 2).
- Personal Property Deadlines (Attachment 3)
- Computer Software - Tangible vs. Intangible (Attachment 4)
- Valuation Growth Analysis Data (November 2005) listed by county (Attachment 5)
- Data pertaining to November 2005 (a) IRB Value and In Lieu-of Collections (b) EDX Value and Lieu-of Collections (c) EDX/IRB Value and In Lieu-of Collections (Attachment 6)

The Secretary explained the rationale, as well as the pros and cons, behind the selection of the tax process that resulted in **HB 2619**. She described other available options to spur economic development and the benefits of providing an exemption verses credits for the business community. She concluded by stating that this is not a simple issue, but rather a huge policy change, that will require much study and work. There is much misinformation and confusion in the state and the Representatives will receive many calls on the issue. She and the DOR stands ready to help in any way to clarify issues that would enable the Legislature to determine what is best for the state.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on January 19 in Room 519-S of the Capitol.

She turned her attention to the utility portion of the bill. She explained that the technology explosion had made tax codes very complex. Copies of the Constitution of the State of Kansas - Article 11.— Finance and Taxation were distributed (Attachment 7). Highlighted was (3) under Class 2 that related to Public utility tangible personal property including inventories thereof, except railroad personal property including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed 33%.

She explained the Constitutional changes that had occurred in 1992 and 1998, as well as Chapter 79. – Taxation Article 5A.—Public Utilities. She summarized by saying that there had been an explosion of technology and Kansas has a Constitutional definition that is *frozen* regarding public utilities. She spoke of the ramifications this issue held for the telecommunications industry. The intent of the utility piece, currently being drafted, was to level the playing field for those companies.

The Vice Chairman thanked the Secretary and her department for their presentations over the past two days.

The meeting adjourned at 10:30 A.M. The next meeting is January 20, 2006.