

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on January 18, 2006 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

Others attending:

See attached list.

The Chairman called for bill introductions.

Representative Brunk made a motion to introduce a bill regarding a capital gain exemption on the sale of used machinery as applied to new machinery. Representative Siegfried seconded the motion. The motion carried.

HB 2619 - Property tax exemption for certain commercial and industrial machinery and equipment, materials and supplies.

The Chairman invited Secretary Wagon to the podium to brief the Committee on **HB 2619**. She introduced KDOR staff members: Mark Beck, Director of Property Valuation; Tony Folsom, Deputy Director of Property Valuation; and Roger Hamm, who works with county appraisers. She said they would be available to provide detailed information during the briefing, as well as answer Committee members questions at a later date.

Secretary Wagon said the purpose of the bill was to promote and stimulate economic development and the prosperity of the state of Kansas by assisting existing businesses to grow and prosper, and making Kansas an attractive place for relocating or starting a new business (Attachment 1). She reviewed Section One which exempts from property taxes all commercial and industrial machinery and equipment that is *newly purchased* or leased after January 1, 2007; and Section Two a proposal to raise the de minimus exemption from the current \$400 to \$1000.

In drafting the bill an important component was inadvertently left out, which allows the county to approve an exemption in the same manner as agriculture machinery and household goods, etc. This additional language circumvents the process of going through the Board of Tax Appeals. There will be an amendment offered to address that issue at the appropriate time.

Wagon explained the following: (1) Charts on statewide machinery and equipment value including IRB and EDX; (2) Taxable value growth; (3) Definition of business machinery and equipment exemptions; (4) Commercial and industrial/machinery and equipment value listed by county and; (5) Statistics reflecting the dollar amount in the event that all commercial and industrial machinery and equipment would be totally exempt.

Responding to various Committee member requests, Secretary Wagon agreed to provide the following information at the January 19 meeting that would clarify: (1) Current process in the Constitution compared to how it would change if **HB 2619** were passed (diagram form); (2) Definition of leases; (3) Data reflecting what amounts are currently paid on machinery and equipment compared to those that would be paid if **HB 2619** were to pass; (4) Information on Ohio's similar legislation regarding major structural changes in business tax laws, as well as any other state that has undergone similar changes (5) data on the impact on the local option sales tax; (6) Historical data by county for individual Committee members regarding the assessed value of Commercial/Industrial and Machinery/Equipment.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on January 18, 2006 in Room 519-S of the Capitol.

The Chairman noted that there was an upcoming study, expected as early as next week, that would reflect the benefit of **HB 2619** to Kansas cities and counties.

The Secretary referenced the Governor's announcement of the proposed legislation at the Prosperity Summit, and said that the Governor had also added that she believed that the legislature needed to take the chains off of local government, in terms of their ability to operate as efficiently as possible, which meant allowing local governments to consider consolidation and other efficiency measures, without the interference of state legislature.

The meeting adjourned at 10:30 A.M. The next meeting is January 19, 2006.