

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 11:10 on May 2, 2005 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research
Gordon Self, Revisor of Statutes Office
Judy Swanson, Secretary

Conferees appearing before the committee:

Others attending:

See attached list.

A letter from the City of Wichita City Manager concerning **SB 365** was distributed. (Attachment 1)

Chairman Allen led discussion on machinery and equipment tax exemptions.

Senator Apple moved to amend **SB 488, distribution of the local ad valorem tax reduction and county and city revenue sharing funds**, with provisions that would remove the “slider” portion of HB 2525, remove the House Floor amendments relating to Homestead, and insert partial reinstatement of LAVTRF funding beginning in FY 2009. Senator Lee seconded the motion.

Senator Schmidt made a substitute motion to enact a sales tax mitigator with a five-year sunset provision. Senator Jordan seconded the motion.

Discussion followed. Senator Schmidt expressed concern about a LAVTRF component. Senator Lee said this proposal would be viewed as a tax increase, and LAVTRF is not a tax increase. Senator Schmidt’s sales tax provision would be subject to protest petition. Senator Allen distributed a memo from Chris Courtwright showing estimated losses by county from the m and e tax exemption versus revenue generated by county from a .05 percent sales tax. (Attachment 2) Senator Goodwin said this is a state issue, not a county issue, and the counties must be made whole by the state for their losses.

The vote was taken on Senator Schmidt’s substitute motion, and the motion passed.

Senator Apple moved his original motion which would remove slider mitigation and replace with partial reinstatement of LAVTRF funding in FY 2009, remove Homestead amendments, and amend provisions of **HB 2619, property tax exemption for certain commercial and industrial machinery and equipment, materials and supplies** and **HB 2525, property tax exemption for certain telecommunications machinery and equipment and railroad machinery and equipment**, into **SB 488**. Senator Lee seconded the motion, and after considerable discussion the motion passed.

Senator Pine moved to amend the provisions of **SB 443, claims for exemption from property tax for farm storage and drying equipment and hay storage structures**, into **SB 488**. Senator Schmidt seconded the motion and the motion carried.

Senator Donovan moved to further amend **SB 488** by adding a property tax credit for digital broadcast equipment. Senator Jordan seconded the motion, and the motion passed. (Attachment 3)

Senator Bruce moved to further amend **SB 488** by lowering the CM&E property tax on newly acquired equipment to 20%, rather than completely eliminating it. Senator Apple seconded the motion, and the motion passed.

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 11:10 on May 2, 2005 in Room 519-S of the Capitol.

Staff noted there may be a constitutional question about Senator Bruce's motion. Senator Schmidt expressed concern about m and e owned by a business that goes through bankruptcy being treated as newly acquired property. Mark Beck, KDOR, said the House did not address businesses in bankruptcy. Is a bankruptcy a "going concern" is the question which needs a clarifying answer. Secretary of Revenue Joan Wagnon said she thought the rules and regulation authority the KDOR has in the m and e bill could take care of clarifying the definition of "newly acquired" equipment.

Senator Schmidt moved to amend **SB 488** by defining the term "acquired", and to further clarify language related to bankruptcy as needed. Senator Donovan seconded the motion, and the motion passed.

Senator Bruce moved to create a substitute bill for **SB 488**, and then report **Sub. SB 488** favorably for passage. Senator Pine seconded the motion, and the motion passed.

Being no further business, the Committee adjourned at 12:52 p.m.