

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Vice Chairman David Huff at 9:15 A.M. on February 11, 2005 in Room 519-S of the Capitol.

All members were present except:

Representative Paul Davis- excused  
Representative Pat George- excused  
Representative Mario Goico- excused  
Representative Lana Gordon- excused  
Representative Nancy Kirk- excused  
Representative Bruce Larkin- excused  
Representative Thomas Owens- excused

Committee staff present:

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

Conferees appearing before the committee:

Senator Pete Brungardt  
Jim Gregory, James Gregory Consultancy  
Gerald Cook, Salina Area Chamber of Commerce  
Tim Rogers, Salina Airport Authority  
\*Marlee Carpenter, Vice President of Government Affairs, The Kansas Chamber  
\*written testimony only

Others attending:

See attached list.

The Chairman opened the floor for bill introductions.

Representative Thull introduced a bill regarding the Sedgewick County Law Library. Representative Treaster seconded the motion. The motion carried.

**HB 2102 - Sales tax exemption for construction of facility conveyed to business qualifying for sales tax exemptions**

Mr. Courtwright stated that the bill would provide for a slight expansion of a sales tax exemption relative to manufacturing businesses that are located within an enterprise zone. Purchases associated with construction, re-construction, remodeling or enlarging facilities for these businesses are already sales tax exempt if they are located within an enterprise zone and if the company is leasing space from an economic development corporation. **HB 2102** relates to a situation in Salina where the company would otherwise qualify for the exemption, however they do not want to enter into a lease arrangement, but own that facility. This would be limited to the Salina project only and on purchases made on/after the effective date of the bill, and would sunset April 1, 2007. The fiscal note is unknown at this time.

The Vice Chairman opened the public hearing on **HB 2102**.

Senator Pete Brungardt, appeared before the Committee, in support on the bill (Attachment 1). It is an attempt to apply the spirit and intent of the current statutes to a slightly altered circumstance. Vortex, a very successful business in Salina, wants to build a bigger new facility in conjunction with the Salina Airport Authority, however instead of leasing they want to own the facility.

Jim Gregory, James Gregory Consultancy, rose in support on **HB 2102** (Attachment 2). He introduced two individuals to speak on behalf of the bill - Gerald Cook, from the business community and Tim Rogers, from the perspective of a government entity. He also called attention to the written testimony of Marlee Carpenter, from The Kansas Chamber (Attachment 3).

## CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on February 11, 2005 in Room 519-S of the Capitol.

Gerald Cook, testified on behalf of the Salina Area Chamber of Commerce and the Salina Economic Development Corporation and urged the Committee's favorable consideration of **HB 2102** (Attachment 4). The legislation would permit the transfer of ownership of a new manufacturing facility, that the Salina Economic Development would construct for their benefit. Immediate transfer of ownership to the company on completion of construction would allow the company to utilize the Federal 1031 exchange and accomplish the community and state goal of company ownership of production facilities. The new facility would provide the company with significant room for future expansion and help solidify its future in Salina.

Tim Rogers, Salina Airport Authority rose in support of **HB 2102** (Attachment 5). He stated that Salina Vortex Corporation was a worldwide leader in the manufacturing of slide gates and valves for handling bulk material for all dry and bulk industries. They have been a stellar tenant at the Salina Airport Industrial Center for over twenty-five years and the bill was an important component to a process that will enable Salina Vortex to build and own a new corporate headquarters and manufacturing campus.

A question was raised regarding why the bill was limited to Salina. Mr. Cram gave the background of the bill and expressed the Department's concern over the fiscal note if this exemption would be extended statewide, thus creating a potential loss of sales tax revenue to the state. It was suggested that a viable alternative might be to possibly narrow the language, with the intention to make it statewide, and to include protection of the exemption through a long term contract requirement. The Chairman stated that the reason behind the exclusivity of the bill to Salina was that it provided a clean bill, easier to process, with a sunset in place, consequently, they haven't made legislation that may have future unintended consequences.

Further discussions followed regarding: definition of economic development corporation, the intent of the original bill, improvement and expansion projects of Vortex, ownership of land used as building site, importance of a long-term commitment to protect the sales tax exemption and scenarios in which abuse of the law could occur.

The Vice Chairman closed the hearing on **HB 2102**.

Chairman Wilk announced a Conference Committee on **SB 23** at 3:00 p.m., February 14 in the Senate Majority's office. Conferees: (Representatives Wilk, Huff and Thull). **SB 23** should be on its way to the Governor by February 18. He explained the process of action for a bill. After the conference committee, and the required signatures are secured, it proceeds to the Governor. She has 10 days to sign the bill, after which it is published in the Kansas Register. An approximate time frame would be mid-march for the bill to take effect. The refund forms are being drafted and would be available on the Department of Revenue's website as well as the County Treasurer's offices. The Chairman requested that the Department of Revenue develop procedural guidelines that would be given to the Representatives for their use and inclusion in newsletters.

The Vice Chairman adjourned the meeting at 10:10 a.m. The next meeting is February 15, 2005.