

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 16, 2005 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
Richard Cram, Department of Revenue
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Senator Nick Jordan
Senator Mark Taddiken (written testimony only)
Secretary Wagon, Department of Revenue
Rachel Rubin, Las Animas Landfill and Gas, LLC
Luke Morrow, V. P., Las Animas Landfill and Gas, LLC
Brad Smoot, Local Counsel, Las Animas Landfill and Gas
Charles Benjamin, Ph.D., J.D. Kansas Sierra Club (written testimony only)
Col. Adam King, Adjutant General's Office

Others attending:

See attached list.

SB 192 - Property tax exemption for renewable energy resources or technologies

Mr. Courtwright stated that **SB 192** as amended, would provide a property tax exemption retroactive to tax year 2002 for all personal property actually and regularly used predominantly to produce landfill gas; all such property used to transport the gas from a landfill to a common carrier; and the gas itself. The fiscal note indicated the impact to the state, which would be attributable to less revenue from the 21.5 mills in state property tax levies is unknown.

The Chairman opened the public hearing on **SB 192**.

Rachel Rubin, Las Animas Landfill and Gas, appeared in support of **SB 192** (Attachment 1). They believe that Johnson County has interpreted Kansas tax laws such that the tax imposed puts the entire operation in jeopardy. They believe that the County's interpretation is wrong and have appealed the levy. This bill gives the Legislature an opportunity to clarify its intentions regarding the tax exemption; affirm its support for important privately funded renewable energy projects and prevent costly and unnecessary litigation.

Luke Morrow, V. P., Las Animas Landfill and Gas, testified in support of **SB 192** (Attachment 2). He stated the company was a small business which has invested heavily in the development of a landfill gas collection and treatment facility on one of the nation's largest landfills. This venture is high risk, high cost and, at least financially, low reward. He called attention to an attachment letter from the Federal Environmental Protection Agency that supports landfill gas projects, and summarized by stating that this is the type of project Kansas should encourage.

Brad Smoot, Local Counsel, Las Animas Landfill and Gas, stated that this legislation was not proposed as a change in public policy but rather a clarification of the public policy established in 1999 (Attachment 3).

SB 192 amended K.S.A. 79-201 *Eleventh*, to make it clear that the tax exemption for personal property applied whether the renewable energy was used to make electricity or some other form of energy.

His testimony included a balloon with some suggested amendments, that clarified that they don't "produce" the gas (the gas comes from decomposition of manmade waste); they collect, refine or treat the gas emitted by the landfill. At the suggestion of the Department of Revenue, they urged the Committee to amend the bill to reference a "transmission pipeline" rather than a "common carrier." They understand this is a narrower and more precise term.

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Charles Benjamin, KS Sierra Club, submitted written testimony in support of **SB 192** (Attachment 4).

There being no other conferees the Chairman closed the public hearing on **SB 192**. Hearing no committee member objection he asked the Committee to consider **SB 192**.

Representative Goico made the motion to adopt the amendment offered by Mr. Smoot in his testimony on SB 192. Representative Kelley seconded the motion. The motion carried.

Representative Goico made the motion that SB 192, as amended, be passed out favorably. Representative Kelley seconded the motion. The motion carried.

SB 256 - Income tax exemption for amounts received for recruitment and student loan repayments by members of military.

Mr. Courtwright stated the bill would provide an individual income tax exemption beginning in tax year 2005 for recruitment, sign-up, or retention bonuses received by taxpayers who are or were members of the U.S. armed forces, including the Kansas Army and Air National Guard. The bill similarly would exempt educational and student loan repayments received by taxpayers as incentives related to their service in the U.S. armed forces, including the Kansas Guard. The fiscal note indicated that the exemptions would be expected to reduce FY 2006 receipts by about \$0.600 million.

The Chairman opened the public hearing on **SB 256**.

Col. Adam King, Adjutant General's office, testified in support of **SB 256** (Attachment 5). It shows the commitment of the legislature to recognize guardsmen and provide them financial assistance in the form of tax relief for funds received as an incentive to enlist, reenlist or to repay student loans. The legislative initiative to make those funds tax exempt, greatly assists their recruiting and retention efforts as well.

Senator Mark W. Taddiken submitted written testimony in support of **SB 256** (Attachment 6), that emphasized that members of our armed services, as well as their families, make commitments and sacrifices to provide our liberty and freedom. This bill would allow them to retain more of their incentives and assure them they have the full support of the people of Kansas.

There being no other conferees the Chairman closed the hearing on **SB 256**.

SB 138 - Income tax credit for business firms employing certain teachers when school is not in session.

Mr. Courtwright stated that **SB 138** would establish a new tax credit against Kansas corporate income tax liability for any business that enters into a partnership agreement with the local board of education and the businesses which employ the math or science teachers in positions that required math or science skills commensurate with the classes that the teachers regularly teach during the times school is not in session. The fiscal note indicated the bill would reduce revenues to the State General Fund by \$2.8 million during FY 2006.

Senator Nick Jordan, appeared in support of **SB 138** (Attachment 7). He stated that the bill was an attempt to fill a significant need in Kansas education by attracting more degreed science and math teachers through a partnership with the business community. The need for degreed science and math teachers is documented in Kansas and nationally.

The five points of the bill follow:

- Encourages partnerships between school districts, teachers and businesses by agreement.
- Offers a 25% tax credit on the salary paid by a business to a teacher for work outside of school.
- Offers a 30% tax credit if a teacher is in a school in a rural, under served, or underperforming urban area.
- Caps the amount of tax credits in any given year to \$500,000.

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- The position that the teacher is hired to do must require mathematics and science skills commensurate with the classes that the teacher regularly teaches.

As our economy moves toward jobs requiring math and science skills, there is a disturbing trend in education reflecting a shortage of degreed science and math teachers. **SB 138** is one of three bills introduced this session to address this need. He explained the success of the Business Education Success Team (BEST) program in Wichita that is similar in nature to the proposed legislation.

The Chairman asked if Senator Jordan would have an objection, to amending the bill to ensure that the tax credits were distributed equitably by congressional districts, based on where the teacher resided, not where they worked. The Senator stated they had tried to address that issue with the percentage difference in the bill.

Secretary Wagon, appeared before the Committee to offer a balloon amendment that would allow the bill to operate as intended (Attachment 8). The bill imposes an annual cap of \$500,000 in tax credits allowed per year. Under the balloon, before claiming the tax credit, business firms must first apply to the Secretary of Revenue for tax credit approval on prescribed forms. They must also submit copies of any partnership agreements and salary amounts paid to teachers. With approval of the tax application, the business firm may claim the tax credit on the appropriate schedule.

The balloon amendment requires that the partnership agreement contain a description of the duties of the position sufficient to establish that it satisfies the qualifying criteria: the position requires math or science skills commensurate with the teacher's classes. She voiced concern over the teacher leaving education to work for business, therefore she recommended an additional amendment that no tax credit would be given if the teacher does not return to the classroom, after being employed for the summer.

The Chairman closed the hearing on **SB 138**.

SB 58 - Authorizing countywide retailers' sales tax for Sedgwick county arena.

Representative Larkin offered a conceptionsal amendment that would prospectively define in statute that any vote taken prior to Legislative approval was not binding. Representative Kirk seconded the motion. The motion failed.

Representative Brunk moved that SB 58 be passed out favorably. Representative Goico seconded the motion. The motion carried. Representatives Dillmore and Goico requested that their yes votes be recorded.

SB 126 - Amendment of tax rolls by county appraiser in certain circumstances and payment of tax under protest.

Representative Carlin made a motion to adopt a balloon amendment (Attachment 9) that would address the issue of exemptions on property or ad valorem taxes on any building constructed on property of a state educational institution, owned by a municipality and operated by a Kansas not-for-profit entity for the purpose of strategic technology acquisition and commercialization. Representative Thull seconded the motion. The motion carried.

Representative Carlin made the motion that SB 126, as amended, be moved out favorably for passage. Representative Davis seconded the motion. The motion carried.

SB 13 - Confidentiality and disclosure requirements of tax information

Representative Wilk made the motion to adopt a balloon amendment (Attachment 10) that would insert language in which reports of violations shall be investigated by the attorney general. Representative Goico seconded the motion. The motion carried.

Representative Dillmore moved that the House Taxation Committee recommend SB 13, as amended, favorably for passage, Representative Carlin seconded the motion.

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Representative Goico made a substitute motion to table the bill in order to study the issues further. Representative Kelley seconded the motion. The motion failed (8-13).

The motion to move **SB 13**, as amended, favorably for passage carried.

The Chairman adjourned the meeting at 11:00 a.m. The next meeting is March 17, 2005.