

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:45 A.M. on February 15, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Jason Thompson, Office of Revisor of Statutes
Judy Swanson, Committee Assistant

Conferees appearing before the committee:

Eric Sartorius, City of Overland Park
Mike Taylor, Wyandotte County Unified Government
Don Mohler, League of Municipalities
Matt Shatto, City of Lenexa
Marlee Carpenter, Kansas Chamber (written only)
John Frederick, Boeing Company (written only)
Senator Terry Bruce
Duane Simpson, Association of Ethanol Processors
Kenlon Johannes, Kansas Soybean Association
Jere White, Kansas Corn Growers Association
Brad Harralson, Farm Bureau (written only)
Leslie Kaufman, Kansas Cooperatives (written only)
Tony Reinhard, Ford Company (written only)
Tom Palace, Petroleum Marketers (written only)
Jarrod Forbes, Orion Ethanol
Ken Peterson, Kansas Petroleum Council

Others attending:

See attached list.

Hearing on HB 2044--Distributions from the business machinery and equipment tax reduction assistance fund and the telecommunications and railroad machinery and equipment tax reduction assistance fund

Eric Sartorius, City of Overland Park, testified **HB 2044** would correct an error in the law enacted last year. (Attachment 1) He presented a proposed amendment. (Attachment 2) Chris Courtwright said there is no fiscal note for this bill. Senator Schmidt recalled debate and discomfort with the slider provision in conference committee last year, and said this bill is actually a change in policy, not a technical fix.

Mike Taylor, Unified Government of Wyandotte County/Kansas City, concurred with the amendment offered by Mr. Sartorius. (Attachment 3) He said there was little debate on the House side on this bill. If **HB 2044** is not passed, Unified Government will receive \$8.6 million less than under current law. He said none of the House members thought the end product of the bill last year was intended to be the law as currently written. He said the entities that lose under the proposed amendment are those with no machinery and equipment tax currently. He did not consult with Montgomery County officials to see how Montgomery County will be affected if this bill is enacted.

Senator Apple expressed the same concerns as Senator Schmidt about the bill, and also said in the 2006 M & E conference committee report, the Senate agreed to reinstate demand transfers of \$54 million. In conference, a compromise was reached regarding slider, and now that compromise is being portrayed as a mistake. Senator Donovan said nearly 20% of total property taxes come from machinery and equipment already, and new equipment is all that will be affected. He did not feel the loss ratio would be very big.

Don Moler, League of Kansas Municipalities, testified in favor of **HB 2044**. (Attachment 4)

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Matt Shatto, City of Lenexa, testified in favor of **HB 2044** (Attachment 5) and agreed with the amendment offered by Eric Sartorius.

During discussion, Senator Schmidt said he remembers a specific conversation in conference committee concerning this issue. The House conferees wanted reimbursement tied to the aggregate amounts lost under the proposed M & E exemption. Senator Lee concurred with Senator Schmidt. Mr. Sartorius said there are entities receiving money from the slider provision who actually do not lose any M & E dollars. Mike Taylor will provide information on how much property in Wyandotte County has been abated, that will come back on the books in the next few years, (i.e. General Motors.) The hearing was closed.

Hearing was opened on SB 240--Apportionment of net income for income tax purposes for certain taxpayers

Department of Revenue Secretary Joan Wagon reviewed how a single factor computation would work in Kansas, as compared to the way it is currently done using the three factors. (Attachment 6) There is a disincentive for businesses to locate in Kansas using the three-factor apportionment.

Denise Walsh, Hill's Pet Nutrition, supports **SB 240**. (Attachment 7) The bill will have a long-term positive effect on any potential expansions and investments Hill's will consider for its current and proposed Kansas manufacturing facilities.

Christy Caldwell, Greater Topeka Chamber of Commerce, testified **SB 240** would be a positive step to determine if the single factor formula will create a positive outcome of growth in high-wage jobs, and growth in business investment, within the state. (Attachment 8) She provided a copy of the "21st Annual Corporate Survey" for attachment to the Committee minutes. (Attachment 9)

Senator Lee requested the Committee review, after legislative turn-around week, how corporations could be taxed in a more friendly manner in Kansas. The hearing closed.

Hearing was opened on SB 334--Changes in the Kansas retailer's sales tax act related to exemptions

Richard Cram, KDOR, reviewed proposed changes in the streamlined sales and use tax agreement included in **SB 334**. (Attachment 10) This is a revenue-neutral bill.

Written testimony from Marlee Carpenter, Kansas Chamber, and John Frederick, Boeing Company, supporting **SB 334**, was received. (Attachment 11) (Attachment 12)

Senator Apple requested a blessing on this bill. Senator Lee volunteered to carry the bill on the Floor. The hearing was closed.

Hearing was opened on SB 327--Renewable fuels; income tax credits

Senator Bruce testified **SB 327** would create two income tax incentives, one for "alternative fuels" and the other for biodiesel. (Attachment 13) He concluded that at most, the fiscal impact would be approximately \$5 million in FY '08. Other states are making steps to promote use of alternative fuels and are reaping the benefits. **SB 327** is a modified version of Iowa's current law. Only 16 sites in Kansas sell E-85 fuel. Senator Donovan lauded Senator Bruce for his efforts on this bill.

Duane Simpson, Association of Ethanol Processors, testified in favor of **SB 327**. (Attachment 14) He believes this bill is a major step forward in keeping Kansas competitive for new ethanol plants.

Kenlon Johannes, Kansas Soybean Association, testified **SB 327** would provide incentives for the further development of current fuel marketing systems. (Attachment 15) It is an incentive with minimal budget impact.

Jere White, Kansas Corn Growers Association, testified this bill benefits Kansas. (Attachment 16) By providing incentives to retailers, this bill will make biofuels more available to consumers throughout the state,

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and those incentives should result in lower fuel prices at the pump for biofuels.

Written testimony in support of **SB 327** was received from the following:

Brad Harrelson, Kansas Farm Bureau ([Attachment 17](#))
Tony Reinhard, Ford Motor Company ([Attachment 18](#))
Tom Palace, Petroleum Marketers ([Attachment 19](#))
Leslie Kaufman, Kansas Cooperative Council ([Attachment 20](#))

Jarrold Forbes, Orion Ethanol, testified in opposition to **SB 327**, because this bill does not achieve the goal of supporting ethanol as an economic development tool for rural Kansas. ([Attachment 21](#)) He would like to see the bill blessed and held for further study. Orion Ethanol has committed to spend \$500 million on plant development, and he would like to see some of that money spent in Kansas.

Ken Peterson, Kansas Petroleum Council, testified the Council is not opposed to the Legislature's efforts through the years to promote ethanol with tax incentives, but suggests extending the effective date for the tax credits to tax year 2009. This would allow retailers to establish procedures for tax credits, and would allow more renewable fuels to come online. ([Attachment 22](#))

Richard Cram, KDOR, said the Department is still gathering information concerning: 1) the number of fuel retailers in the state; 2) what their current sales volumes are, and 3) current percentage of sales attributable to renewable fuels. Thus, a fiscal impact for the bill cannot yet be calculated. Currently, KDOR has no fiscal note for **SB 327**. ([Attachment 23](#)) The hearing was closed.

Being no further business, the meeting adjourned at 12:15 p.m. The next meeting will be February 19.