

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 1, 2006 in Room 519-S of the Capitol.

All members were present except:
Representative Dillmore - excused

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, KDOR

Others attending:
See attached list.

The Chairman asked for bill introductions.

Representative Goico made a motion to introduce a bill concerning fair fares in Wichita. Representative Huff seconded the motion. The motion carried.

Representative Goico moved for a bill introduction regarding maintaining reasonable distance from military funerals. Representative Treaster seconded. The motion carried.

Representative Dillmore made a motion to introduce a bill to modify the Homestead Exemption Act. Representative Thull seconded the motion. The motion carried.

The minutes from the January 10, 11, 2006 Taxation Committee Meetings were approved by consensus of the Committee.

HB 2619 - Property taxation; relating to exemptions; certain commercial and industrial machinery and equipment.

Representative Siegfroid explained that on Tuesday, he had introduced what he called the "Slider" amendment, that developed a partnership between state and local governments. This amendment allows sharing of the tax burden of implementing this tax; and does this by creating a buy down of the costs over a period of five years. The "slider" considers tax revenues on a baseline date, and that date as considered in the bill is 2005. He used an example to show how the formula will work. The money will be sent from DOR to the County clerks and distributed based on the payment in lieu of tax. This assures that this money has its normal distribution to all taxing jurisdiction, within that local county. There will be a requirement for an annual review, in the House and Senate Tax Committees, to assure the formula is working as intended and make adjustments if necessary.

Representative Siegfroid made a motion that **HB 2619** be amended to include the "Slider" amendment. Representative Hill seconded the motion.

Chris Courtwright explained a data sheet that was distributed to the Committee (Attachment 1). It lists the 105 counties and the amount of tax dollars collected by all taxing sub-divisions within each county for tax year 2005. These figures would provide the baseline for the computation in the "Slider" amendment.

Conversation continued regarding: issues related to the unknown fiscal impact of the bill; the urgency to continue work on the bill to move it along in the legislative process; and possible other amendments and alternatives.

Secretary Wagon explained a memo on the *Fiscal Impact Analysis of **HB 2619*** that was distributed (Attachment 2). She reviewed four Charts: 1) Historical and Projected Assessed

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on February 1, 2006 in Room 519-S of the Capitol.

Valuation of CIME; 2) Total Property Valuation, CIME Valuation Under Current Law and **HB 2619**; 3) Revenue Decline on 21.5 Mill Levy v.s. Decrease in CIME Credit; and 4) Net State Fiscal Impact.

Representative Goico spoke of other alternatives available to the Committee for their consideration of **HB 2619**.

Representative Thull made a Substitute motion that would establish the amount of \$40 million, demand transfer that will be sent to the Counties to mitigate the impact of **HB 2619** It would be administered through the Local Ad Valorem Tax Reduction Fund (LAVTRF) and would be a five year program with a 20% decrease each year. Representative Dillmore seconded the motion.

The Chairman explained the difference in the roles of the Tax Committee and Appropriations.

Representative Thull closed his substitute motion. The motion failed.

Conversation continued regarding: pros and cons of the various options; potential offsetting benefits of **HB 2619** for economic growth in Kansas; and clarification of specific details in the bill and amendments.

Two other memo's were distributed to the Committee (**Attachment 3**): 1) A chart reflecting a "Comparison of Year One Property Tax Expense on \$1,000 Investment in Machinery & Equipment", provided by Denise Walsh, Hill's Pet Nutrition, Inc. on January 25, 2006; 2) Testimony from Brad Hamilton, KS County Commissioners Association in opposition to **HB 2618** and **HB 2619**.

The Chairman advised the Committee that there would be an extra meeting on February 2, Thursday, at noon, to continue to work **HB 2619**.

The meeting was adjourned at 10:30 A.M. The next meeting is February 2, 2006.