

## MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:00 a.m. on January 22, 2009, in Room 535-N of the Capitol.

All members were present.

## Committee staff present:

Hank Avila, Kansas Legislative Research Department  
Chris Courtwright, Kansas Legislative Research Department  
Gordon Self, Office of the Revisor of Statutes  
Scott Wells, Office of the Revisor of Statutes  
Kathy Beavers, Committee Assistant

## Conferees appearing before the committee:

Joan Wagon, Secretary, Kansas Department of Revenue (KDOR)  
Duane Goossen, Director of Division of Budget (KDOR)  
Mark Desetti, Kansas Association of School Boards and Kansas National Education Association  
April Holman, Kansas Action for Children  
John Donley, Assistant General Counsel for Kansas Livestock Association  
Kent Eckles, Kansas Chamber of Commerce  
Dan Murray, National Federation of Independent Business (NFIB)  
Dave Holtwick, Overland Park Chamber of Commerce  
Mike Murray, Embarq  
Natalie Bright, Wichita Independent Business Association  
Kenneth Daniel, Exec. Director, Topeka Independent Business Association

## Written Testimony only:

Brad Harrelson, Kansas Farm Bureau  
Christy Caldwell, Greater Topeka Chamber of Commerce  
Ashley Sherard, Lenexa Chamber of Commerce

## Others attending:

See attached list.

## Bill Introductions:

Representative Julie Menghini made a motion, at the request of Representative Jerry D. Williams, to introduce a bill concerning property taxation relating to real property taxes due and unpaid interest and penalties redemption procedures. Representative Frownfelter seconded the motion. The motion carried.

Mr. John Peterson, on behalf of the Kansas Health and Fitness Association, requested an introduction of a bill dealing with sales tax exemptions. It is a continuation of a discussion, by the committee on the House floor,

last year regarding tax sales exemptions. This bill does not ask for any additional exemptions but it would treat all currently granted ones on an equal basis. A motion was made by Representative Carlson and seconded by Representative King. The motion carried.

**HB 2028** - Continuation of the franchise tax.

Staff Chris Courtwright gave a brief introduction and history of the Corporation Franchise Tax (Attachment 1). He stood for questions.

Mr. Duane Goossen explained that the FY 2009 budget would be \$142 million in the red and explained that a wide gap has opened up between our expected State General Fund revenues and our planned or expected State General Fund (SGF) Expenditures (Attachment 2). He provided detailed information and made suggestions on how to close the gap in the budget, mainly by reducing the expenditures. Mr. Goossen asked the committee to make policy changes to reduce the budget. He stated the decisions will be difficult but they have to be made to close the negative gap. Even with help from the federal government stimulus package, the cuts still need to be considered. He stated the main business before the Legislature is to close the gap and find 944 million dollars worth of solutions between FY 2009 and FY 2010. Mr. Goossen stood for questions.

## CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:00 a.m. on January 22, 2009, in Room 535-N of the Capitol.

Secretary Wagon testified in support of **HB 2028** (Attachment 3). The number of business entities subject to the corporate franchise tax has been drastically reduced due in part to the passage of **SB 247**. During 2004 and 2007 those entities subject to the tax have decreased from 80,000 to 7,000. Enactment of **HB 2028** will have a positive fiscal impact. She stated the administrative costs to implement this proposal would be absorbed by the Department of Revenue. Secretary Wagon stood for questions.

The Chairman requested that the conferees testifying on this bill stand for questions at the conclusion of the oral testimony.

Mark Desetti, Kansas Association of School Boards and Kansas National Education Association, testified in support of **HB 2028**. He stated that increased school funding has led to a large improvement in student achievement. Reduction in school funding would result in significant economic consequences for struggling families (Attachment 4).

April Holman, Kansas Action for Children, testified in support of **HB 2028** (Attachment 5). Kansas Action for Children works to promote policies that improve education, healthcare for children, and family economic success. The phasing out and elimination of the franchise tax would decrease the monies in the State General Fund by \$26 million dollars.

Mr. Desetti and Ms. Holman stood for questions.

The Chairman called attention to the submitted written neutral testimony from Ashley Sherard, Vice President of Lenexa Chamber of Commerce (Attachment 6).

Mr. John Donley, Assistant General Counsel for Kansas Livestock Association, testified in opposition to **HB 2028** (Attachment 7). He stated that this franchise tax is simply a tax companies pay for the privilege of doing business in Kansas and continuing the tax is not fair to Kansas businesses.

Mr. J. Kent Eckles, Kansas Chamber of Commerce, testified in opposition to **HB 2028** (Attachment 8). He stated that "Repealing the recently passed franchise tax phase-out will only serve to exacerbate the competitive disadvantage and hurt investment and job creation in the State."

Dan Murray, NFIB, testified in opposition to **HB 2028**. He stated that a repeal of the franchise tax phase-out could negatively impact the promotion of small business growth (Attachment 9).

Dave Holtwick, Overland Park Chamber of Commerce, testified in opposition to **HB 2028**. He stated that this bill will negatively impact the business climate and give companies seeking to locate in Kansas or retain their facilities in the state one more reason to question that decision. Kansas needs incentives to help attract and retain businesses in the state. Passage of **HB 2028** will reduce competitiveness (Attachment 10).

Mike Murray, Embarq, testified in opposition to **HB 2028** (Attachment 11).

Natalie Bright, Wichita Independent Business Association, testified in opposition to **HB 2028** (Attachment 12).

Mr. Kenneth Daniel, Topeka Independent Business Association testified in opposition to **HB 2028** (Attachment 13). His written testimony stated the franchise tax is an aggressively anti-business tax. He compared the Kansas franchise tax with other states and found that Kansas has one of the most regressive taxes in the nation.

The Chairman called attention to the written testimony of the following persons (Attachment 14 and 15):

Brad Harrelson, Kansas Farm Bureau

Christy Caldwell, Greater Topeka Chamber of Commerce

The meeting was adjourned at 10:55 a.m. The next meeting is scheduled for January 27, 2009.