

Approved: March 21, 2012
(Date)

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 3:35 pm Wednesday, February 8, 2012, in Room 783 of Docking State Office Building.

Members excused were: Representative Denning.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Chuck Reimer, Office of the Revisor of Statutes
Chris Courtwright, Kansas Legislative Research Department
Chris Sevedge, Kansas Legislative Research Department
Allen Jeffus, Office Assistant
Phyllis Fast, Committee Assistant

Conferees appearing before the Committee:

Nick Jordan, Secretary of Kansas Department of Revenue (KDOR)
Richard Cram, KDOR
Dan Murray, National Federation of Independent Business
Kent Eckles, Kansas Chamber of Commerce
Jason Watkins, Wichita Metro Chamber
Doug Wareham, Kansas Bankers Association
Ashley McMillan, Kansans for NO Income Tax
Kit Starr, Starr Homes
Fred Willich, Hi-Tech Interiors, Inc.
Dave Trabert, Kansas Policy Institute
Dennis Lauver, Salina Area Chamber
Bob Vancrum, Kansas City Chamber
Emily Hurst, Interfaith Housing Services
Gary Allerheiligen, Kansas Society of CPAs
Earl Long, Fair Tax KC

Others attending: See attached list.

Introduction of Bills:

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

Minutes of the HOUSE TAXATION Committee at 3:35 PM on Wednesday, February 8, 2012 in 783-DSOB.

Representative Carlson made a motion for the House Republican Tax Reform bill. Representative Kleeb seconded the motion. Motion carried.

Chairman Carlson opened a hearing on:

HB 2560 - Reduction of income tax rates for individuals and determination of income, income tax credits, sales tax rate of 6.3%, severance tax exemptions, homestead property tax refunds and food sales tax refunds.

Secretary Nick Jordan testified in support of **HB 2560**, by describing Governor Brownback's tax plan to increase net income of Kansas families, to increase employment in the private sector, and to increase capital flow in Kansas. (Attachment 1) He stood for questions.

Richard Cram testified in support of **HB 2560** by presenting Secretary Jordan's information: a narrative of **HB 2560**, a fiscal note for **HB 2560**, a detailed analysis of all changes to **HB 2560**, information concerning the business income exemption, a list of all income tax credits affected, and example income returns to demonstrate the effect **HB 2560** has on Kansas families. During his presentation, Cram provided a balloon amendment created by Kansas Society of CPAs. (Attachment 2) He stood for questions.

Dan Murray testified in support of **HB 2560**, indicating the elimination of income tax alleviates concerns small businesses have regarding the high rate of taxes and tax complexity. (Attachment 3) He stood for questions.

Kent Eckles testified in support of **HB 2560**, because it eliminates corporate and income tax over time. He suggested that lower tax rates would attract enough businesses to Kansas to provide more tax monies than today's economy does. (Attachment 4) He stood for questions.

Jason Watkins testified in support of **HB 2560**, by offering studies which indicate states with lower taxes have a greater economy than Kansas because businesses are attracted to those states. (Attachment 5) He stood for questions.

Doug Wareham testified in support of **HB 2560**, and proposed including the privilege tax in the formula for economic growth. (Attachment 6) He stood for questions.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

Minutes of the HOUSE TAXATION Committee at 3:35 PM on Wednesday, February 8, 2012 in 783-DSOB.

Ashley McMillan testified in support of **HB 2560**, by describing the effect lowering taxes is having on adjacent states which have reduced their business income taxes. (Attachment 7) She stood for questions.

Kit Starr testified in support of **HB 2560**, described the effect business taxes have on his business. (Attachment 8) He stood for questions.

Fred Willich testified in support of **HB 2560**, by discussing the impediments the individual income tax created on non-wage business income for business entities organized as LLC's, S-corps, sole proprietors and the like. (Attachment 9) He stood for questions.

Dave Trabert testified in support of **HB 2560**, by providing information on the status of Kansas tax situation over the next 10-15 years unless Kansas has major tax reform. (Attachment 10) He stood for questions.

Written only testimony in support of **HB 2560** was presented by Ron Seeber, Association of Ethanol Processors (Attachment 11); Ron Seeber, Kansas Grain & Feed Association (Attachment 12); Derrick Sontag, Americans for Prosperity (Attachment 13); and Kevin Tubbesing, The Land Source (Attachment 14).

Dennis Lauver testified as neutral for **HB 2560**, indicating his concern for the elimination of the PEAK program as a funding mechanism for local governments. (Attachment 15) He stood for questions.

Bob Vancrum testified as neutral for **HB 2560**, showing concern for not taxing businesses which have no employees. (Attachment 16) He stood for questions.

Emily Hurst testified as neutral for **HB 2560**, showing concern of the elimination of taxes which fund community services such as the individual development account program. (Attachment 17) He stood for questions.

Gary Allerheiligen testified as neutral for **HB 2560**, showing concern for the elimination of mortgage deductions, shareholders basis when selling interest in specific small businesses, and depreciable property when sold. (Attachment 18) He stood for questions.

Earl Long testified as neutral for **HB 2560**, by suggesting that the elimination of income tax should be now, not over a ten-year period. (Attachment 19) He stood for questions.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

Minutes of the HOUSE TAXATION Committee at 3:35 PM on Wednesday, February 8, 2012 in 783-DSOB.

Written only testimony as neutral for **HB 2560** was presented by Jennifer Bruning, Overland Park Chamber (Attachment 20); and Michael Schuttloffel, Kansas Catholic Conference (Attachment 21).

The next meeting of the Committee is scheduled for 3:30 pm Thursday, February 9, 2012, 783 DSOB to hear opposition to **HB 2560**.

The meeting adjourned at 5:33 pm.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.