

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 3:31 p.m. on March 14, 2011, in Room 783 of the Docking State Office Building.

All members were present except:

Representative Schwab-excused

Committee staff present:

Gordon Self, Office of the Revisor of Statutes  
Scott Wells, Office of the Revisor of Statutes  
Chris Courtwright, Kansas Legislative Research Department  
Michael Wales, Kansas Legislative Research Department  
Marla Morris, Committee Assistant  
Allen Jeffus, Office Assistant

Conferees appearing before the Committee:

Senator Terry Bruce, 34<sup>th</sup> District  
Senator Ty Masterson, 16<sup>th</sup> District  
Kent Eckles, The Kansas Chamber  
Daniel Murray, National Federation of Independent Business (NFIB)  
Derrick Sontag, Americans for Prosperity  
Jason Watkins, Wichita Metro Chamber of Commerce  
Bernie Koch, Kansas Economic Progress Council

Conferees providing written-only testimony:

Jennifer Bruning, Overland Park Chamber of Commerce

Others attending:

See attached list.

Bill Introductions:

Representative Hayzlett moved to introduce a bill dealing with wind towers, guy wires and the risk to aerial spray airplanes. The motion was seconded by Representative Powell and the motion carried.

Chairman Carlson opened the hearing on **HB 2381-Reduction to state income tax rates based on selected actual state general fund receipt computations, and sales tax rates and distribution.**

Chris Courtwright briefed the Committee on the bill, and circulated a written explanatory note on **HB 2381 (Attachment 1)**. **HB 2381**, the March to Economic Growth Act (MEGA), would provide for reductions in individual and corporation income tax rates beginning in the tax year 2012 based on the extent to which a certain specified group of State General Fund (SGF) tax sources have increased over the base year of FY 2010. The bill also would permanently freeze the sales and compensating use tax rate at 6.3 percent. Mr. Courtwright discussed the income tax rate rollback provisions and sales tax rate increase provisions provided in the bill. He stood for questions.

Senator Terry Bruce, 34<sup>th</sup> District, spoke in support of **HB 2381** explaining “why” this type of tax policy is needed (Attachment 2). This bill is similar to legislation being considered in the Senate Assessment and Taxation Committee via Senate Substitute for **SB 95**, and Senator Bruce addressed those similarities. His testimony provided a compilation of IRS data showing a trend from high income tax states to those with no income tax. In closing, he stated Kansas has to become more competitive in order to grow business and create jobs.

Senator Ty Masterson, 16<sup>th</sup> District, spoke in support of **HB 2381** and explained the “how” of this bill, by addressing the fundamental formula that shifts taxpayers away from a personal income tax to a broader and fairer basis. The formula, in a simplistic written form: if the most currently concluded fiscal year actual receipts, in totaled income and excise taxes, are greater than the immediately preceding fiscal year actual receipts in the same categories; then the income tax rates applied to the following calendar year will be reduced by the calculated percentage of receipt growth calculated from the base fiscal year (FY2010) actual receipts to the most currently concluded fiscal year actual receipts (Attachment 3). He

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stood for questions.

Kent Eckles, The Kansas Chamber, testified in support of **HB 2381**. A poll of 300 businesses shows 49% want lower taxes on business. The Chamber wants Kansas to grow economically and ultimately generate more tax receipts. By lowering the right mix of taxes that presently discourage capital investment and job creation, the state can certainly grow its way out of this economic downturn and further insulate itself from future recessions (Attachment 4). He urged the committee to pass favorably **HB 2381**.

Daniel Murray, National Federation of Independent Business (NFIB), testified in support of the bill. Stating, taxes matter to small business, and Kansas must improve its tax climate (Attachment 5). The proposal in **HB 2381** to “buy down” individual income tax levels as Kansas experiences growth will most certainly help our small businesses grow and compete. He stood for questions.

Derrick Sontag, Americans for Prosperity, testified in support of **HB 2381**, which would allow for reductions in the individual and corporate income tax rates dependent upon growth in tax receipts. His testimony offered a chart indicating some of Kansas' tax rates compared to neighboring states, indicating the current Kansas tax environment is uncompetitive. Another chart presented sales tax revenue comparisons between Kansas and Oklahoma (Attachment 6). He stood for questions.

Jason Watkins, Wichita Metro Chamber of Commerce, testified in support of **HB 2381**. The Chamber sees this legislation as a way to make Kansas a more competitive and productive business environment through a more reliable and efficient tax structure (Attachment 7). The Wichita Metro Chamber believes policy makers should strive to create a system of taxation and economic policy that creates economic vitality while also providing the necessary funding for state government, **HB 2381** accomplishes this goal. He stood for questions.

Bernie Koch, Kansas Economic Progress Council, spoke in opposition to **HB 2381**. The Council is concerned that narrowing the revenue base makes us more vulnerable to fluctuations that can be especially harmful during economic hard times (Attachment 8). He urged committee to take a broader view of what impacts an economy and delay action on **HB 2381**. He stood for questions.

The Chairman directed the Committee to the written-only testimony in opposition to **HB 2381** from Jennifer Bruning, Overland Park Chamber of Commerce (Attachment 9).

Chairman Carlson closed the hearing on **HB 2381**.

Discussion and action on:

**SB 61 - Increasing income tax credit for contributions made by program contributors under the individual development account program**

**HB 2051 - Business and job development carryforward credits under Kansas income tax act**

Representative Dillmore moved SB 61 favorable for passage and given the non-controversial nature of the bill, be placed on the consent calendar. Representative Frownfelter seconded the motion.

Representative Kleeb moved to include the contents of HB 2051 into SB 61. Representative Kleeb moved a conceptual amendment to HB 2051 (Attachment 10). Representative Powell seconded the motion. The motion to amend HB 2051 carried by a show of hands vote.

Representative Kleeb moved to place HB 2051, as amended, into SB 61 and pass SB 61 favorably as amended. The motion was seconded by Representative Goico, and the motion carried.

Discussion and action on:

**HB 2317 - Authorizing expensing of investment expenditures as a deduction in calculating Kansas income tax liability and IMPACT program changes**

**SB 196 - Authorizing expensing of investment expenditures as a deduction in calculating Kansas income tax liability and IMPACT program changes**

Representative Kleeb moved to include the contents of HB 2317 into SB 196 and delete the current

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language in **SB 196**. The motion was seconded by Representative Goico. The motion carried.

Representative Kleeb moved to place the contents of **Substitute HB 2220 - PEAK act, qualification for benefits and income tax credit**, into **SB 196**. The motion was seconded by Representative Goico and the motion carried. Representative Goico moved to rename **SB 196** the **House Substitute for SB 196** and pass favorable as amended. The motion was seconded by Representative Kleeb. The motion carried unanimously.

The next meeting is scheduled for 3:30 p.m., March 15, 2011, in Room 783 of the Docking State Office Building for the purpose of hearing **SB 10-An ACT concerning sales taxation**, and **HB 2366 – Sales tax authority for Douglas County**.

The meeting was adjourned at 5:48 p.m.