

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 11:45 a.m. on April 11, 2002, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department  
April Holman, Legislative Research Department  
Don Hayward, Revisor of Statutes Office  
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Tony R. Folsom, Kansas Board of Tax Appeals  
Tim Holverson, Lawrence Chamber of Commerce

Others attending: See attached list.

The minutes of the April 5 and 10, 2002, meetings were approved.

Senator Corbin distributed copies of a suggested tax increase proposal to be recommended by the Committee as an amendment to **HB 2009**. (Attachment 1) He noted that he was aware that the proposal would not be acceptable to all committee members; however, the intent of his proposal was simply to serve as a starting point for conference.

Senator Pugh commented that making the Class C inheritance tax retroactive was very unusual and asked staff where he could research the law on the subject. In response, Don Hayward, Revisor of Statutes Office, stated that making the inheritance tax retroactive would neither impair any rights guaranteed by the federal constitution nor impair any contract.

Senator Jenkins moved to amend **HB 2009** as proposed by Senator Corbin, seconded by Senator Praeger.

Senator Donovan indicated that he would vote “no” on the motion because he does not support the reimposition of the Class C inheritance tax or making it retroactive. In addition, he does not support doubling the franchise fee because he feels that it would send a message to the corporate world that Kansas does not welcome businesses. In response, Senator Jenkins commented that, although the proposed bill is not perfect and she does not agree with all of the provisions, she is willing to vote in favor of it to get a proposal out of Committee as a starting point to keep the process moving so that the full Senate can begin a debate. Senator Haley commented that, while he appreciated Senator Jenkins’ comments, he could not support the proposal because several of the tax increases are highly regressive and would disproportionately impact a large segment of the population.

Senator Corbin called for a vote on Senator Jenkins’ motion, and it appeared that the motion failed. On a call for a division by Senator Jenkins, the motion failed.

**SB 660–Board of Tax Appeals membership**

Tony Folsom, general counsel for the Board of Tax Appeals, pointed out technical problems with the wording in **SB 660** with regard to the effective dates for the changes in membership, the expiration date for the terms of two members, and the requirement for the votes of two members. In addition, Mr. Folsom discussed policy considerations, pointing out that, if the legislation is proposed only as a means of finding funds in a tight budget year, there are other ways to meet the goal. In his opinion, if the intent of the bill is a to change how the Board is constituted, time should be taken to address policy concerns raised by such a change. In conclusion, he called attention to a copy of a memorandum dated November 16, 2001, from the Board addressed to the Director of the Budget, which offers four other options which would achieve the same fiscal goals. (Attachment 2)

## CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 11:45 a.m. on April 11, 2002, in Room 519-S of the Capitol.

Senator Allen asked Mr. Folsom if he knew who requested the introduction of **SB 660**. Mr. Folsom answered that it was introduced by the Ways and Means Committee, but he did not know who drafted it. Senator Corbin explained that the bill relates to the Ways and Means Committee budget proposal which includes a cut in the Board membership from five to three and that the bill would authorize that cut. Mr. Folsom confirmed for Senator Allen that the November memorandum was not presented to the Ways and Means Committee, and the Board was not asked to assist in drafting the bill. Senator Allen stated that she strongly opposes the bill. There being no further questions or comments, the hearing on **SB 660** was closed.

Senator Corbin distributed copies of another revenue enhancement package which he proposed to amend into **HB 2009**, and he briefly outlined each proposed tax increase. (Attachment 3)

Senator Taddiken moved to adopt the proposal as presented by Senator Corbin, seconded by Senator Lee.

Senator Pugh commented that the proposal was in spreadsheet form rather than in a bill. For the record, he expressed his objection to voting on the proposal without first seeing the language in bill form. In his opinion, the proposal should not be voted out of committee until it is on the record in the form of a bill. In response, Senator Praeger noted that the Committee has often adopted conceptual amendments. Senator Pugh noted that he has never been in favor of conceptual amendments.

Senator Donovan expressed his opposition to the expansion of the earned income tax credit (EITC). In addition, he asked what the percentage of increase in the three different income tax levels would be. Staff responded that the 3.5 percent rate under current law would go to 3.6 percent, the 6.25 percent rate would go to 6.55 percent, and 6.45 rate percent would go to 6.75 percent. Senator Donovan expressed his objection to any income tax increase. He commented that the proposal will permanently increase taxes and will raise much more money than needed to meet what is considered to be a temporary budget shortfall. Furthermore, he expressed his objection to the large increase in the cigarette tax, noting that the increase will result in Kansans purchasing cigarettes elsewhere to avoid the increased tax. However, he felt the overall approach was acceptable. Senator Allen stated that she would not support an income tax increase, especially with no sunset provision.

In response, Senator Lee commented that over the past years she has observed that anything the Legislature passes one year can be undone the next year. Therefore, it is possible that any tax increase put in place this year can be removed next year. She pointed out that taxes were decreased by \$4 billion between 1995 and 2001. In response, Senator Pugh argued that taxes were not decreased but rather a few tax rates were lowered. Senator Corbin commented that in the past a growing economy generated increased tax revenue collections rather than a tax increase.

In an effort to move the process and address concerns about an income tax increase, Senator Praeger moved amend the proposal by adding a provision to sunset the income tax increase in 2006, seconded by Senator Taddiken.

Senator Jenkins reiterated that she would not vote for the proposed package on the floor of the Senate; however, she would support any motion to get a tax bill out of Committee to the Senate floor for debate.

On a call for a vote on Senator Praeger's motion to amend, and the motion passed.\*

Senator Allen moved to remove the income tax increases from the proposed package, seconded by Senator Donovan. The motion failed.

Senator Corbin returned the Committee's attention to the original motion by Senator Taddiken to adopt the proposal. Senator Lee called for a question, and the motion carried. On a call for a division, the motion passed on a 6 to 5 vote with Senator Haley voting "No."

Senator Goodwin moved to amend the proposed tax package into **HB 2009** and to recommend **HB 2009** favorably as amended, seconded by Senator Praeger. The motion carried.

CONTINUATION SHEET

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**HB 2828--Sales tax; authorizing Douglas County to impose a countywide tax for certain purposes**

Tim Holverson, Lawrence Chamber of Commerce, testified in support of **HB 2828** on behalf of Kelvin Heck, who was unable to attend the meeting. (Attachment 4) Mr. Holverson explained that the goal of a Lawrence task force called EC02 is to secure a funding stream to provide much needed resources for economic development and to provide access to and protection of open space. The bill would provide an opportunity for Douglas County residents to vote on a 0.25 percent sales tax increase to fund efforts for preservation, access, and management of open space and for industrial and business part-related economic development. He noted that the proposed sales tax increase would sunset in ten years.

Senator Praeger commented that support for the bill was gained through a cooperative effort born out of controversy. She commended the task force's planning process, noting that the process could be a model for the rest of the state, especially in rapidly growing areas.

Senator Corbin noted that two other conferees in support of **HB 2828** were present and had submitted testimony--Charles Jones, Douglas County Commissioner, (Attachment 5) and Mike Rundle, Lawrence City Commissioner (Attachment 6). Due to the time factor, both Mr. Jones and Mr. Rundle choose not to testify.

Senator Praeger moved to recommend **HB 2828** favorably for passage, seconded by Senator Donovan. The motion carried.

The meeting was adjourned at 12:30 p.m.

No further meetings have been scheduled.

\*Upon adjournment, staff distributed copies of a spreadsheet with revised data on income tax increases with the sunset provision. (Attachment 7)