

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 7, 2008 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Legislative Research Department  
Gordon Self, Office of Revisor of Statutes  
Ryan Hoffman, Legislative Research Department  
Scott Wells, Office of Revisor of Statutes  
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Secretary Wagnon, KDOR  
Secretary Kerr, KDOC  
Richard Cram, KDOR

Others attending:

See attached list.

Representative Joe Patton requested a committee bill to introduce legislation that would reduce property tax reduction dedicating the gaming money to reducing the state property tax load. Representative Wilk moved the request. Representative Owens seconded. The motion carried.

Representative McCray-Miller requested a bill introduction for a sales tax exemption for Mid-America Minority Business Development Association. Representative Menghini seconded the motion. The motion carried.

**HB 2762 - Corporate income taxation changes relating to apportionment of net income, business income and surtax on corporations.**

Chris Courtwright said that the committee had amended **HB 2762** and he explained the current bill contains: 1) New language in section 1 that would provide for greater apportionment of business income by authorizing the state to use the functional test in addition to the transactional test as a method for identifying such income; 2) A new provision in section 2 would clarify the definition of gross receipts to prevent companies from utilizing income “churning”, and 3) the top corporation income tax rate that is 7.35 percent would be reduced to 6.85 percent. The combination of these changes makes the bill close to revenue neutral. These changes would be effective FY 2009.

Secretary Wagnon, Secretary Kerr and Richard Cram answered various committee questions during the meeting.

Gordon Self distributed a balloon amendment on **HB 2762** (Attachment 1). He pointed out that only the hi-lighted additions are new and the other language, as noted in the bill, was amended into the bill at the February 21<sup>st</sup> meeting.

Representative Wilk made a motion to adopt the additional language (highlighted) in the balloon. The changes include: 1) move enactment date to January 1, 2008; 2) corporate tax reduction from 6.85 percent to 7 percent; 3) amending HPIP by inserting a unitary clause, language in **SB 578**, which includes a retroactive provision; 4) included is a unitary clause that is included in **HB 2603**, which deals with the job and enterprise zone, and 5) included are the provisions in **HB 2288** as presented in the balloon they heard Wednesday. Representative Carlson seconded the motion. The motion carried.

Representative Holland offered a conceptual amendment that would include a research and development sales tax exemption, as specified on page 13, line6-9 in **HB 2739**. Representative Menghini seconded. The motion carried.

Representative Lukert made a motion to delete the contents of the HPIP unitary clause in **HB 2762**

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 7, 2008 in Room 519-S of the Capitol.

Representative McCray Miller seconded the motion.

Representative Owens made a substitute motion to delete the Unitary retroactive portion of the bill. Representative Davis seconded. The motion carried.

The Chairman advised the Committee that with the Owens substitute motion, which replaced Representatives Lukert's motion, they are back on the bill.

Representative Davis made a motion to amend language that would state in order for any one else in the unitary group to claim the credit they must have more than a sales presence in Kansas. Representative Menghini seconded. After discussion Representative Davis closed his motion. The motion failed.

Representative Kinzer made a motion to amend the corporate tax reduction from 7% to 6.85%. Representative Peck seconded the motion. The motion carried.

Representative Carlson made a motion that a substitute bill for **HB 2762** be passed out as amended, favorable for passage. Representative Siegfried seconded.

Discussion and clarification of the fiscal impact of the bill, FY 09 through FY 12, with Representative Kinzer's amendment, followed. Chris Courtwright provided data on a worksheet matrix (Attachment 2).

Representative Carlson closed on his motion. The motion carried. Representative Goyle voted yes.

The Chairman announced they will return to the issue of sales tax exemptions at the next meeting.

The meeting was adjourned at 10:40 a.m. The next meeting is March 10, 2008.