

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:45 A.M. on January 31, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Jason Thompson, Office of Revisor of Statutes
Judy Swanson, Committee Assistant

Conferees appearing before the committee:

Derrick Sontag, NFIB
Marlee Carpenter, Kansas Chamber
Duane Simpson, Kansas Grain & Feed Assn/Agribusiness Retailers Assn
Natalie Bright, Wichita Independent Business Association
Bernie Koch, Wichita Metro Chamber of Commerce
Betty Nelson, CBIZ
Kelly Schoen, Z3 Graphix
Ashley Sherard, Lenexa Chamber of Commerce
Andrew Nave, Overland Park Chamber of Commerce
Roxanne Helphingstine (Written only)

Others attending:

See attached list.

SB 213—Creating the Kansas investment credit act and the Kansas jobs credit act and providing changes to the franchise tax and the income tax on corporations

Hearing was opened.

Derrick Sontag, NFIB, testified NFIB supports the elimination of the franchise tax. (Attachment 1) He said the minimum investment requirement of \$1,000,000 would eliminate a very large percentage of small businesses, and NFIB would like the amount to be closer to \$100,000. He encouraged the committee to consider lowering the net new job requirement to a number smaller than 20.

Marlee Carpenter, The Kansas Chamber, said the Chamber supports **SB 213**, but would prefer a repeal of the franchise tax. (Attachment 2) The Chamber also supports the simplification of the tax credits. The Chamber would prefer a threshold between \$100,000 and \$200,000, and the new job requirement be reduced to under 10. The Chamber wants the investment tax credit to be claimed by a unitary group.

Duane Simpson, Kansas Grain & Feed Association and Kansas Agribusiness Retailers Association testified while his members may not qualify for business incentives and tax credits, they believe the simplification will make it likely members who qualify will be more likely to receive the incentive. (Attachment 3) They want a full repeal of the state franchise tax.

Natalie Bright, Wichita Independent Business Association and Kansas Independent Business Coalition, testified in favor of the total elimination of the franchise tax. (Attachment 4) WIBA welcomes the simplification of the application process, but has concerns about the threshold levels. She encouraged lower threshold levels.

Bernie Koch, Wichita Metro Chamber of Commerce, testified his Chamber supports the elimination of the franchise tax. (Attachment 5) The reduction of the corporate tax rate is a positive. At some point Kansas should look at how the corporate tax rate is applied, but the fiscal note would be huge. He would like to see the thresholds lowered and the job credit for employees lowered. He was concerned about the transition from the current system to the new system, because he did not want any businesses to be hurt by the transition.

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:45 A.M. on January 31, 2007 in Room 519-S of the Capitol.

Betty Nelson, CBIZ, testified she had three concerns about the bill. (Attachment 6) She would like: 1) the investment tax threshold be no more than \$200,000, 2) the new jobs requirement be lowered to five, and 3) to make training a separate tax credit, and allow companies who meet the NAICS code requirements to qualify for a tax credit. Ms. Nelson will provide an additional chart to the Committee concerning current benefits. She said the bill as written will hinder businesses from locating in Kansas.

Kelly Schoen, Z3 Graphix, gave a brief history of his company. (Attachment 7) He decided to locate his business in Kansas because of HPIP, and said the investment tax credit is critical to a company the size of his company. He is concerned the investment credit threshold is too high, the elimination of the training credit will reduce the incentive for small businesses to properly train their employees, increasing the jobs creation requirement will eliminate the incentive for small businesses, and lowering the Kansas corporate income tax rate will not benefit most small businesses.

Ashley Sherard, Lenexa Chamber of Commerce, said her Chamber does not believe increasing the investment tax credit threshold to \$1 million is good public policy. (Attachment 8) She supports a minimum job creation threshold of five to seven new jobs. The Chamber supports the tax reduction and simplification concepts in **SB 213**.

Andrew Nave, Overland Park Chamber of Commerce, supports creation of a cash grant program. (Attachment 9)

Written testimony was entered by Roxanne Helphingstine, Mission Electronics. (Attachment 10)

Committee discussion was held. Bernie Koch said he had no proposal to replace the \$44 million that would be lost. Betty Nelson said she did not look into O-Zones when she did her research. Kelly Schoen said he did not locate in another area because he bought an existing company and could not move his employees and their families.

Secretary of KDOR Joan Wagon said hopefully by next week KDOR will have compromise numbers to present to the Committee for consideration. Marlee Carpenter said she is not ready with compromise numbers as she is waiting on her members to respond to her survey.

Secretary Wagon said a Strategic Reserve Fund was in KDOR's original proposal. KDOC has an Impact Fund of approximately \$40-\$45 million of which they use only \$16 million. Hopefully that reserve could be used for cash incentives. The KDOR proposal was a consensus of the Corporate Tax Advisory Committee members as to what would generate the most economic growth for the state. Secretary Wagon testified the top 200 corporations in Kansas pay approximately 80% of the corporate income tax, and retail giants pay the bulk of the tax. Secretary Wagon will provide the number of employees in Kansas who work for companies with less than 10 or 20 employees in response to Senator Apple's request. She will procure the information from the Kansas Department of Labor.

Being no further business the hearing was closed and the meeting adjourned at 11:50 a.m. The next meeting will be February 1.