

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:30 A.M. on March 19, 2008 in Room 519-S of the Capitol.

All members were present except:

Nick Jordan- excused

Committee staff present:

Gordon Self, Office of Revisor of Statutes

Chris Courtwright, Kansas Legislative Research Department

Scott Wells, Office of Revisor of Statutes

Ryan Hoffman, Kansas Legislative Research Department

Mary Jane Brueck, Committee Assistant

Conferees appearing before the committee:

Steve Warren, Vice-Provost for Research, Kansas University

Christy Caldwell, Greater Topeka Chamber of Commerce

Rick Wienckowski, Hill's Pet Nutrition

Secretary David Kerr, Department of Commerce

Bernie Koch, Wichita Metro Chamber of Commerce

Senator Dennis Pyle

Others attending:

See attached list.

Chairman Allen introduced Mary Jane Brueck, on loan from Sen. Donovan's office in Judy's absence.

Senator Allen announced that the revision in this week's agenda did not get to the printer to reflect changes. The committee will not meet Thursday, March 20 or Friday, March 21. Watch for agenda for next week. Bills assigned to that date have been moved to Monday.

Chairman Allen opened the hearing on **HB 2750-- An act concerning property tax; exempting certain property leased to companies for research and development purposes.** Explanation of the bill was given before recognizing conferees.

Proponents:

Steve Warren, Vice Provost for Research, KU explained the purpose of HB 2750 is to ensure continued property tax exemption status to the universities when said property is used by for-profit entities for research and development purposes. The House amended the bill to include post-secondary educational institutions. The Kansas Department of Revenue (KDOR) has indicated since this property is currently not on the tax role, there is no fiscal note. (Attachment 1)

Sen. Lee expressed concern this bill would put private companies at a disadvantage. Mr. Warren explained the research being done in state institutions' labs is only start-up research, not advanced research. By allowing research to begin in our educational institutions, an idea that may have an impact on the future may attract inventors and companies to come to and remain in Kansas. This bill is primarily intended for companies doing research in the very early stages.

Fiscal note attached to the day's agenda. (Attachment 2)

Seeing no one else to speak to this bill, Chairman Allen closed the hearing on **HB 2750** and opened the hearing on **SB 686--An act concerning income taxation; relating to apportionment of net income. SB 686** is being referred to as this year's version of last year's "Hill's bill" (i.e. **SB 240**).

Proponents:

## CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:30 A.M. on March 19, 2008 in Room 519-S of the Capitol.

Christy Caldwell, Vice President of Government Relations, Greater Topeka Chamber of Commerce, said last year's fiscal note and briefs are attached to her testimony. (Attachment 3) Sen. Lee asked how this bill will help the unnamed company seeking this legislation. Ms. Caldwell explained **SB 686** would lower the income tax liability for that company.

Rick Wienckowski, Chief Financial Officer, Hill's Pet Nutrition, Inc. gave his support to this bill. (Attachment 4) There were several questions concerning loss of income taxes to the state during the first few years a company is located in Kansas. A corporation takes a long term look at the tax environment. In the short term under current law there would be lower taxes if a company qualifies for HPIP credits. But after that period expires (i.e. 10 years), corporate income taxes will go up. Therefore, corporations also look at taxes in surrounding states. This bill would make Kansas more inviting. Sen. Lee asked if this will penalize the companies already here, and suggested perhaps we should change our corporate income tax laws.

Sen. Bruce asked why there is a sunset in this bill. The sunset was targeted to last year's **SB 240**. Sen. Bruce asked about a House bill on a similar issue, and was told it does not relate to this bill.

David Kerr, Secretary of Commerce, said his support of this bill is contingent on the fiscal note. (Attachment 5) He thinks this offer should be available to all companies who want to apply. Sen. Lee asked Mr. Kerr if this will be a disadvantage to present companies. Mr. Kerr thinks present companies could also benefit from this bill.

Bernie Koch, Vice President and Government Relations, Wichita Metro Chamber Commerce spoke in support of this bill. (Attachment 6)

Bud Burke, Cessna Aircraft, submitted his written testimony in favor of this bill. (Attachment 7)

Sen. Allen closed the hearing on **SB 686**.

Subcommittee report on **SB 617--Income tax credit for property taxes paid by certain taxpayers** was presented by Sen. Pyle. Sen Pyle distributed handouts from the subcommittee. (Attachment 8) An acronym for this program would be Selective Assistance For Effective Senior Relief (SAFE SR)

Motion was made by Senator Schmidt to adopt the subcommittee recommendation; seconded by Sen. Pine. The motion passed.

Sen Schmidt made a motion to remove the contents of **HB 2529** and replace it with the amended contents of **SB 617**. Seconded by Sen. Pine. Motion carried.

Sen. Schmidt moved **Sub HB 2529** be passed. Sen Pine seconded the motion. Motion carried.

Regarding **SUB HB 2018--An act creating the state court of tax appeals and abolishing the state board of tax appeals**. Senator Allen asked what is the will of the committee. Sen. Lee offered an amendment to put language back into the bill reinstating regional representation of COTA Board members and moved the amendment. Sen. Schmidt seconded the motion and the motion carried.

Sen. Schmidt moved the committee recommend the bill favorably as amended. Sen. Lee seconded the motion. The motion carried.

Next, Sen. Allen brought up **HB 2520--Liability for taxes and other expenses related to conversion of lands into condominiums**. Discussion was heard. Sen. Lee moved the bill be passed out of committee favorably. Sen. Donovan seconded the motion. The motion carried.

Sen. Allen reiterated no meeting tomorrow or Friday.

There was no objection to taking action on **HB 2750--An act concerning property tax; exempting certain property leased to companies for research and development purposes**.

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Sen. Schmidt moved the bill be amended by adding contents of already passed bills **SB 383** and **SB 444**. Senator Donovan seconded the motion, and the motion carried.

Sen. Donovan moved the committee recommend **HB 2750** as amended favorable for passage. Sen Pine seconded the motion. The motion carried.

Being no further business, the meeting adjourned. The next meeting is scheduled for March 24.