

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:45 A.M. on March 15, 2006 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research
Martha Dorsey, Kansas Legislative Research
Gordon Self, Revisor of Statutes Office
Judy Swanson, Secretary

Conferees appearing before the committee:

Others attending:

See attached list.

Committee discussion was held on:

HB 2619--Property tax exemption for certain commercial and industrial machinery and equipment, materials and supplies

Sub HB 2525--Property tax exemption for certain telecommunications machinery and equipment and railroad machinery and equipment

Alan Conroy, Director of Legislative Research, provided SGF profiles. (Attachment 1) He explained the figures are based on the assumption of a 4% growth rate in the State. He said the real growth rate for FY06 was over 10%. Senator Donovan requested a SGF profile using a growth rate of 4.5% and new education funding of \$100 million per year for three consecutive years. Senator Lee requested a SGF profile using the same information for Senator Donovan's run, with the addition of the House Floor amendments from **HB 2619**. Senator Apple requested information reflecting additional costs including KPERS bonds, monies borrowed from KDOT, repayment schedules, etc. resulting from decisions the Legislature made in 2001-2004 to balance the budget. Mr. Conroy will have the new runs and information ready by tomorrow's Committee meeting.

Chris Courtwright provided information regarding previously enacted legislation and SGF receipt information. (Attachment 2) He also distributed information on mitigation funding for local units from other states who have exempted M/E from property tax. (Attachment 3) Iowa reimbursed cities based on the loss of property tax revenues for a short time, but state funds were subsequently reduced, and finally eliminated earlier than planned, because of state budgetary pressures. Maine has a constitutional requirement for reimbursement of at least 50 percent relative to any new exemptions.

Chairman Allen thanked KDOR for their assistance in getting reports generated for the Committee.

Senator Apple said both **HB 2619** and **Sub HB 2525** need to be passed to be fair. He stated if **HB 2619** includes cell towers, all new cell towers will be exempt, and existing cell towers will continue to be taxed. Senator Lee said rate-based utilities have the capability of recuperating property taxes lost by passing revenue losses on to subscribers. Senator Donovan said the Governor did not build the M/E exemption into her budget until 2008.

Senator Apple requested information on the cost of raising the de minimus from \$400 to \$1000, and on the cost of raising it to \$1500 and \$2000. Mark Beck, KDOR, said it would cost \$940,000 per year for the increase to \$1000, and he would try to get the cost of the other raises, but it would be cumbersome to get that information quickly.

Richard Cram presented balloon amendments to **SB 389**, income taxation, credit for biofuels mixing facilities. (Attachment 4) He noted Senator Taddiken requested the bill be further amended to limit the tax credits.

Senator Apple moved to amend **SB 389** as presented in the balloon and to have the Revisor further amend the bill by adding Taddiken's requested amendment. Senator Schmidt seconded the motion, and the motion

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:30 A.M. on March 15, 2006 in Room 519-S of the Capitol.

passed.

Senator Lee moved to report **SB 389**, as amended, favorable for passage. Senator Pine seconded the motion, and the motion passed.

Senator Donovan made a motion to approve the Minutes of the March 13 and March 14 Committee meetings. Senator Schmidt seconded the motion, and the motion passed.

Being no further business, the meeting adjourned at 11:30 a.m.