

Approved April 11, 2002  
Date

## MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by Vice Chairman Huff at 9:00 a.m. on February 25, 2002 in Room 519-S of the Capitol.

All members were present except: Representative Edmonds, excused  
Representative Mays, excused  
Representative T. Powell, excused

Committee staff present: Chris Courtwright, Legislative Research Department  
April Holman, Legislative Research Department  
Don Hayward, Revisor  
Winnie Crapson, Secretary

Conferrees appearing before the Committee: Marlee Carpenter, Kansas Chamber of Commerce & Industry  
Hal Hudson, National Federation of Independent Business  
Christy Caldwell, Topeka Chamber of Commerce  
Bernie Koch, Wichita Chamber of Commerce  
Charles Gregor, Leavenworth-Lansing Chamber of Commerce  
Jeff Berke, CJS Industries, Topeka  
Rick Wienckowski, Hills Pet Nutrition, Topeka  
Dennis D'Orvilliers, Goodyear, Topeka  
Curtis Sneden, Payless Shoe Source, Topeka  
Ken Daniel, Midway Sales and Distributing, Topeka

Others Attending: See attached list.

### Hearing was opened on

### HB 2714 - Income tax credit for property tax paid upon commercial and industrial machinery and equipment.

Marlee Carpenter presented testimony in support of **HB 2714** on behalf of the Kansas Chamber of Commerce and Industry (Attachment #1) and expressed the thanks of KCCI for improving the business climate with passage in 1998 of the 15% income tax credit for property taxes paid on business machinery and equipment. She testified such property tax continues to be singled out as the most burdensome tax on Kansas businesses and reported results of a member survey about this tax. In response to questions she said this would apply to both new and existing machinery and equipment used in manufacturing on a seven-year depreciation schedule.

Hal Hudson presented testimony in support of **HB 2714** on behalf of the National Federation of Independent Business (Attachment #2). He mentioned small business and said he understands **HB 2091** to be dormant in the Senate committee although House of Representatives passed those provisions three times.

Christy Caldwell presented testimony in support of **HB 2714** on behalf of the Greater Topeka Chamber of Commerce (Attachment #3). She described layoffs at several Topeka companies, noting that as decisions are made to reinvest in plants, add new product lines and create new jobs, Kansas tax structure must be competitive. She also presented the written testimony of Curtis Sneden on behalf of Payless Shoesource, Inc. (Attachment #4).

Bernie Koch presented testimony in support of **HB 2714** on behalf of the Wichita Area Chamber of Commerce (Attachment #5). He said that because of the strong manufacturing base in Sedgwick County taxes on business personal property are a concern. He said there was a rapid growth in manufacturing and aviation in the Wichita area in the 1990s and referred to the history of property tax legislation.

Chris Courtwright explained in response to a question that this is current law and **HB 2714** would change the percentages.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

## CONTINUATION SHEET

Charlie Gregor presented testimony in support of **HB 2714** on behalf of the Leavenworth-Lansing Area Chamber of Commerce (Attachment #6). He urged approval of this bill that will begin the process of alleviating the tax burden on machinery and equipment that is one of the primary obstacles to be overcome when competing with surrounding states for a manufacturing business looking to expand or relocate to the Midwest.

Jeff Burke, General Manager of CJS Industries, Inc. in Topeka presented testimony in support of **HB 2714** (Attachment #7). He said manufacturing is by nature a capital-intensive business with production equipment becoming more computer reliant, making it increasingly expensive to acquire and maintain. He noted the investment by manufacturing businesses in plant and equipment is usually the most significant in a community, that decisions to locate or expand are long-term and bring the highpaying jobs usually sought by communities.

Rick Wienckowski presented testimony in support of **HB 2714** on behalf of Hill's Pet Nutrition in Topeka (Attachment #8). He testified Hill's has four manufacturing facilities in the United States: Topeka; Los Angeles, California; Richmond, Indiana; and Bowling Green, Kentucky. He compared taxes for each facility and outlined issues businesses quantify when making decisions regarding where to make new investments. When asked if work force and schools are considered, Mr. Wienckowski said where you can avail yourself of employees was a factor and that it was not difficult to attract qualified labor with their wage rates at better than average across the U.S. at \$19-20 per hour. In response to a question, he said Kentucky had provided an investment tax credit of about 30% which was roughly equivalent to Kansas. He said that without that special incentive Kansas would have been very competitive although there still would have been a property tax difference.

The testimony of Larry Robbins in support of **HB 2714** on behalf of Goodyear was presented by Dennis D'Orvilliers (Attachment #9), and included information that the Topeka plant is Goodyear's largest manufacturing and distribution facility in North America with 1,700 employees generating an annual payroll of over \$100 million with hourly wages and benefits averaging \$40 per hour. The testimony of Mr. Robbins indicates the positive financial impact exercised by Goodyear on the local community and the state would be placed at-risk without the passage of **HB 2714** which comes at a time when Topeka is under consideration with other locations, both domestic and foreign, for significant capital investment in machinery and equipment that would provide the newest technology available in radial truck tire manufacturing. The testimony of Mr. Robbins noted high cost and non-competitive plants are being eliminated as the tire industry in general and Goodyear in particular is faced with global manufacturing. In response to questions Mr. D'Orvilliers said some factors considered in locating plants are geographic location, highway system, rail lines, midwest work ethic. The testimony indicated the Topeka Goodyear plant pays \$1.5 million in property taxes.

Ken Daniel, Jr. presented testimony in support of **HB 2714** on behalf of Midway Sales and Distributing, Inc. (Attachment #10). He testified the high taxes on machinery and equipment are an impediment to attracting, expanding and keeping key industries. He stated that the 15% income tax credit presently in effect was one important factor last year in helping him decide to venture into manufacturing for the first time and to locate those jobs in Topeka rather than in Kansas City, Missouri.

Mr. Daniels also made reference to **HB 2091** and the importance of raising the present \$250 to \$1,000 which is more an issue of excessive paperwork than a tax issue.

Hearing on HB 2714 was closed.

Meeting adjourned at 9:55 a.m. Next meeting is February 26.

