

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by the Chairman Edmonds at 9:04 a.m. April 4 in Room 519-S of the Capitol.

All members were present except: Rep. Findley, excused
Rep. Flora, excused
Rep. Gilbert, excused
Rep. Sharp, excused

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

Conferees appearing before the committee:

Clay Blair, Chairman, Kansas Board of Regents
Jack Wempe, Vice Chairman, Kansas Board of Regents
Steve Richards, Secretary of Revenue
Melissa Wangemann, Office of the Secretary of State
Mark Stafford, Board of Healing Arts
Stan Andeel, Attorney, Wichita
Ron Hein, Mental Health Credentialing Coalition
John Peterson, Assn of Professional Employer Organizations
Bill Maness, Oasis Outsourcing
Larry Magill, Kansas Assn of Insurance Agents
Terry Humphrey, Kansas Trial Lawyers Association

Others attending: See attached list.

Without objection bill will be introduced as requested by Representative Powers to provide an income tax credit for dependent home school children. [HB 2584 - Income tax deduction for dependent home schooling]

Without objection bill will be introduced as requested by Representative Powers to provide an income tax credit for operation of a home school. [HB 2585 - Income tax credit for home school operation]

Hearing was opened on:

SB 176 - Professional corporation to include licensed clinical professional counselors

Ron Hein presented testimony that the Mental Health Credentialing Coalition supports **SB 176** as it was amended and recommended by the Senate Commerce Committee (Attachment #1). The Coalition consists of the Kansas Association for Marriage and Family Therapy, the Kansas Association of Masters in Psychology, and the Kansas Counseling Association/Mental Health Counselors Association. The Senate Commerce Committee added several clinical level mental health practitioners licensed by the Behavioral Sciences Regulatory Board to the statutory list permitting use of the professional corporation code as an alternative to other business organizations. As amended on the Senate floor the list was abolished and generic language added. The Coalition believes such action causes unforeseen problems and urges the Committee to return the bill to the form in which it left the Senate Commerce Committee. A proposed balloon amendment was included in his testimony and he answered questions from Committee members.

Stanley G. Andeel, Wichita, an attorney specializing in taxation primarily in corporate, partnership and LLC law, provided testimony in opposition to the substitution of generic language for listing specific professions (Attachment #2). He noted changes he believes should be made to the Professional Corporation Statutes including clarification that license to incorporate under the Professional Corporation Statutes is exclusive and the profession cannot incorporate under the General Business Corporation Code (K.S.A. 17-2708; as well as clarification concerning issuance of stock. Mr. Andeel responded to questions.

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Mark Stafford, Legal Counsel for the Kansas Board of Healing Arts, testified in opposition to **SB 176** as amended by the Senate Committee of the Whole (Attachment #3). He described the Board and its responsibilities and identified some possible unintended consequences of **SB 176** which are of concern to the Board. He responded to questions from members of the Committee.

Melissa Wangemann, Deputy Assistant, presented testimony of the Secretary of State (Attachment #4) outlining concerns with provisions of **SB 176** which would no longer provide clear guidelines on who can form a professional association. The testimony included the history of the statute and intent of the law and informed the Committee that the Kansas Bar Association and the Secretary of State have formed a committee to begin work this summer with the intent of reviewing the corporate code and introducing legislation next session to revise it. This review will include the professional corporation statutes. Ms. Wangemann responded to questions.

Hearing was closed on **SB 176**.

Hearing was opened on

Senate Substitute for SB 121 - Standards for employing leasing firms.

John Peterson presented testimony in support of **Senate Substitute for SB 121** on behalf of the Association of Professional Employer Organizations (Attachment #5). He called attention to the language in line 33, page 2 proposed by the Department of Revenue concerning tax benefits and apportionment. He responded to questions concerning Professional Employer Organizations.

Bill Maness, District Manager with Oasis Outsourcing, provided testimony in support of the **Senate Substitute for SB 121** (Attachment #6) and described services provided by his organization. He answered questions from members of the Committee.

Larry Magill presented testimony in opposition to **Senate Substitute for SB 121** on behalf of the Kansas Association of Insurance Agents (Attachment #7). While appreciating the changes made by the Senate, the Association still has concerns with the drafting and intent of the bill. He identified potential problems in connection with Workers Compensation coverage and sale of insurance. The Association recommends an interim study to allow time to address this complex issue and gather additional information. Mr. Magill responded to questions from Committee members.

Terry Humphrey, Executive Director of the Kansas Trial Lawyers Association, presented oral testimony stating that they had opposed the bill when it was introduced, believing the relationship between Professional Employer Associations and their business clients can best be defined in contract, not statute. She later provided a written copy of her oral testimony (Attachment #8). Ms. Humphrey responded to questions.

Hearing was closed on **Senate Substitute for SB 121**.

Hearing was opened on

HB 2569 - Tax credit for donations to Kansas Regents Foundation

Clay Blair, Chairman of the Board of Regents, testified in support of the bill and requested it be amended by deletion of lines 33 and 34, page 1, amount of tax credits being offered, and by adopting additional language emphasizing the high priority the Regents place on creation of the Kansas Board of Regents Foundation. He testified the bill had the support of the Regents institutions and specifically the six Universities with endowments.

Jack Wempe, Vice Chairman of the Board of Regents, also responded to questions from the Committee.

In response to a question about whether or not this concept which is good for the Board of Regents would also be good for K-12 education, Mr. Blair said it is an innovative initiative and the Regents would be glad to share the concept with a K-12 focus.

CONTINUATION SHEET

Hearing on **HB 2569** was closed.

Representative Larkin called the attention of the Committee to information prepared by the Department of Education in response to his request through Legislative Research. The data provides information on 1999-2000 and 2000-2001 average salary, including fringe benefits, of teachers and principals for each school district (Attachment #9). This information relates to discussion on March 30 of **HB 2577** - School district finance, teachers' enhancements for affordable community housing weighting.

The Committee considered **SB 252** - Streamlined sales tax project participation authorized, on which hearing was held on March 16.

Representative Larkin moved to recommend **SB 252** favorable for passage. Representative Huff seconded.

Representative T. Powell expressed concerns about consequences of passage of **SB 252**.

Steve Richards, Secretary of Revenue, responded to questions about the effect of passage of **SB 252**.

Representative T. Powell moved to table **SB 252**. Representative Palmer seconded and motion to table was adopted.

The meeting adjourned at 10:58 a.m. The next scheduled meeting is April 5.