

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 3, 2005 in Room 519-S of the Capitol.

All members were present except:

Representative Kasha Kelley- excused

Committee staff present:

Chris Courtwright, Legislative Research Department

Martha Dorsey, Legislative Research Department

Gordon Self, Revisor of Statutes

Richard Cram, Department of Revenue

Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Tracy Taylor, President/CEO, KTEC

Clay Blair, Chairman, KS Bioscience Authority

Dan Schmisser - Vice President of Policy and Strategy, KTEC

Mike Peck - KTEC

Others attending:

See attached list.

Representative Huff made the motion to introduce a bill regarding the license and regulation of certain amusement machines. The motion was seconded by Representative Wilk. The motion carried.

HB 2505 - Emerging Industry Investment Act

An act concerning the Emerging Industry Investment Act that was included in the Kansas Economic Growth Act legislative package from a year ago.

The Chairman opened the public hearing on **HB 2505**.

Tracy Taylor, President and CEO, KTEC, spoke in support of **HB 2505** (Attachment 1). He introduced Dan Schmisser, KTEC Vice President of Policy and Strategy and Clay Blair, Chairman of the KS Bioscience Authority. He stated that KTEC in partnership with the Secretary of Revenue and her staff at KDOR, are proposing modification to the Emerging Industry Investment Act language to 1) simplify the administrative burden on KDOR to measure and calculate the revenues that should accrue to the Bioscience Authority and, 2) clarify that the Authority and the Secretary of Revenue jointly share the ability to identify companies that are clearly doing bioscience in Kansas and include them in the revenue calculation regardless of the NAICS code they use for reporting purposes.

The proposed changes to **HB 2505** present the modifications advocated by the Chairman and the Board of the Bioscience Authority. With the inclusion of the balloon amendment, the Secretary of Revenue has agreed to these modifications after numerous discussions and joint evaluations between the KDOR and KTEC staffs.

Clay Blair, Chairman, KS Bioscience Authority rose in support of **HB 2505** (no written testimony). He spoke of the formation of the Board of Directors, selected from a national class group of individuals and described recent activities since their inception. They have been contacted by many organization that had expressed interest in becoming biosciences companies. The bill is a collaborative effort and presents an opportunity to accomplish the goals that were intended when the legislation was past last year.

The Chairman called attention to a memo from the office of the governor, which contained a balloon that clarified the intent of the original piece of legislation and addressed the Department of Revenue's concerns (Attachment 2). It has been reviewed by all parties and agreed upon. Secretary Wagnon described the fiscal impact of the bill.

The Chairman closed the hearing on **HB 2505**.

HB 2448 - Angel Investor Credit Act This is the third segment of the Kansas Economic Growth Act that

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was designed to facilitate the availability of equity investment in businesses in the early stage of commercial development and to assist in the creation and expansion of Kansas businesses which are job and wealth creating enterprises, by granting tax credits for investors against Kansas income tax liability.

The Chairman opened the public hearing on **HB 2448**.

Tracy Taylor, President and CEO, KTEC, appeared to speak on behalf of **HB 2448** and act concerning the Angel Investor Tax Credit Act (Attachment 3). He introduced Mike Peck, Vice President of Investment. Demand for the tax credits has far exceeded the supply available for allocation and in 42 days, one year's worth of budgeted fiscal impact was absorbed. **HB 2448** proposes that a change be made to last year's legislation that would grant KTEC greater discretion to allocate this limited resource of the state to investors in the companies most likely to yield the greatest economic returns to the state.

At the Chairman's request Mr. Taylor explained who would qualify as an angel investor and the process of selection. The Chairman stated that the KTEC Investment Committee meetings are public and suggested anyone interested in observing those investment process to attend those meetings. After discussions that clarified specific issues regarding the bill the Chairman closed the public hearing on **HB 2448**.

HB 2131- Delay of destination sourcing rules for sales tax purposed until action of Congress.

The Chairman directed the Committee's attention to **HB 2131**, and requested Secretary Wagnon return to the podium for questions. Written testimony from Ken Daniel, Midway Wholesale was distributed to Committee members (Attachment 4).

Discussions followed regarding local use tax and resulting income figures, hardships on small businesses imposed by SSTP conversion, restricting factor of the commerce clause, philosophical differences in governance, rationale behind changing to destination sourcing or SSTP and the pros and cons of delay until Congress acts.

The Secretary stated that she was very sympathetic to the difficulties encountered by many small business, and the Department has spent countless hours to make that conversion easier. She suggested that perhaps the legislature should consider some sort of compensation or a tax credit to those businesses to facilitate compliance to SSTP, however she added that changing again or backing away from the progress, just as the new system is almost in place, is not the right choice. SSTP is the future and would provide the sales tax base needed to fund Kansas education, health care as well as other future needs.

Representative Siegfried will represent the Legislature and accompany KDOR staff to participate in the SSTP Implementing States Meeting on April 16. The Secretary outlined the time line for implementation of the national program. Due to additional questions, the Chairman requested the Secretary return tomorrow, Friday, March 4th for further discussion.

The Chairman asked the Secretary to explain the core of SSTP, setting aside the fundamental shifts occurring. She responded the policy is to make sure that the broadest sales tax base possible is used, so rates do not continually climb due to the erosion of consumers purchasing on the internet. Various scenarios were given to reflect the differences between before and after implementation of SSTP.

Documents regarding **HB 2023** were distributed from Mayor Mike Boehm, City of Lenexa and Douglas J. Patterson, Property Law Firm, P.C. that was heard on February 18, 2005 (Attachment 5).

The Chairman adjourned the meeting at 10:30 a.m. The next meeting is March 4, 2005.