

MINUTES OF THE SENATE ASSESSMENT & TAXATION COMMITTEE

The meeting was called to order by Vice Chairman Pat Apple at 10:37 a.m. on March 15, 2011, in Room 152-S of the Capitol.

All members were present except:

Chairman Les Donovan – excused

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Chris Courtwright, Kansas Legislative Research Department
Mary Jane Brueck, Committee Assistant

Conferees appearing before the Committee:

Sen. Ty Masterson
Sen. Terry Bruce
Dan Murray, Kansas Director, National Federation of Independent Business
Kent Eckles, Vice President of Government Affairs for the Kansas Chamber of Commerce
Jason Watkins, Wichita Metro Chamber of Commerce
Derrick Sontag, State Director of Americans for Prosperity Kansas
Jennifer Bruning, Vice President of Government affairs with Overland Park Chamber of Commerce

Others attending:

See attached list.

Vice-Chairman Apple opened today's meeting introducing Chris Courtwright, Kansas Legislative Research Department to explain **Senate Substitute for SB 95 – Concerning taxation; relating to income tax rates adjustment , procedure and requirements; sales and compensating use tax rates and distribution.** This bill provides a new section 1, that the base fiscal year selected actual state general fund receipts is fiscal year 2010. The selected general fund receipts are: individual and corporation income taxes, financial institutions privilege taxes, retail sales taxes, compensating use taxes, cigarette and tobacco product taxes, cereal malt beverage and liquor gallonage taxes. Liquor enforcement taxes, liquor drink taxes, corporation franchise taxes, annual franchise fees and mineral severance taxes. The passage of this bill will reduce state general fund revenues in fiscal year 2012 by \$135.9 million and by \$603.5 million in fiscal year 2013. (Attachment 1)

Sen. Ty Masterson spoke favorably to this bill. He said this bill embeds an apolitical formula into statute that methodically shifts us structurally away from a tax on personal income and incentives a broader and fairer excise tax base. It moves the state away from reliance on revenue estimates and projected profiles to an actual look back and reaction to real numbers. According to the IRS, with an estimated \$600M in income having migrated out of the state, to no and low income tax states, how can the state afford not to do this. (Attachment 2)

Sen. Terry Bruce also spoke favorable of this bill, saying it is vital to the continued prosperity of Kansas to adopt a tax policy that is both regionally and nationally competitive. In our region, Kansas has the highest individual income tax, making it less desirable in attracting continued investment into our state. There is a migration trend from Kansas to low- or no-income tax states. This bill will balance Kansas' need for lowering its taxes with the obligation to fund the state's budget. Sen. Bruce said Kansas has to become more competitive and this bill will allow us to do that. (Attachment 3)

Representing the National Federation of Independent Business, Dan Murray, Kansas State Director, told the committee that taxes matter to small businesses, being one of the largest concerns of NFIB members. The tax climate must be improved. Kansas' tax score is 32. He said NFIB supports this bill because they hope this is the next step in making Kansas the best state for members to own, operate, and grow their businesses. (Attachment 4)

Kent Eckles, Vice President of Government Affairs for the Kansas Chamber, told the committee that they commission an Annual Competitive Index which compares nearly 80 metrics against our peer states. In State Business Tax Structure, Kansas ranks 37th; and in Business Tax Burden, 39th. The Kansas Chamber

CONTINUATION SHEET

The minutes of the Senate Assessment & Taxation Committee at 10:30 a.m. on March 15, 2011, in Room 152-S of the Capitol.

believes our state should capitalize on this economic climate. ([Attachment 5](#))

Jason Watkins spoke on behalf of the Wichita Metro Chamber of Commerce, telling the committee they are supportive of this bill and believe it will move the state toward a more competitive and productive business environment through a more reliable and efficient tax structure. ([Attachment 6](#)) Derrick Sontag, State Director for Americans For Prosperity Kansas, contributed written testimony in favor of this bill. He stated, "We believe enactment of this legislation would preserve funding for essential government services while providing a tax environment that would help stimulate economic growth." ([Attachment 7](#))

The Vice President of Government Affairs with the Overland Park Chamber of Commerce, Jennifer Bruning, submitted written testimony "in reluctant opposition" to this bill. She explained that while the reduction of state income tax and possible elimination of such, it is uncertain how it would affect revenue streams and quality of our state's largest budgetary items. She also expresses concern that not knowing if the gradual reduction of both personal and corporate income taxes could eventually lead to increases in other taxes. She urged our policymakers to take time to fully understand this bill's future ramifications. ([Attachment 8](#))

Seeing no others present wishing to speak to this bill, Vice-Chairman Apple closed the hearing on **Senate Substitute for SB 95**.

He asked if the committee had any requests for information? Sen. King asked what the impact would be to defer the baseline year from 2010 to 2011; also leaving the baseline constant at 2010; and delaying the reduction of income tax to 2013. Sen. Bruce indicated those changes would not cause a problem.

Sen. Hensley asked if Vice-Chairman Apple was intending to work this bill now. Vice-Chairman Apple replied he would like to give the committee time to think about this bill, and told the committee he would like to meet tomorrow. If, after further discussion, there is interest to work bill, he will do so.

Sen Holland asked clarification of Sen. King's questions. He asked Sen. King if his question about changes to the baseline were made assuming that the 4.13 sales tax be kept in place for the first two questions Sen. King asked. It was.

Seeing no further questions, Vice-Chairman Apple closed this meeting.

The next meeting will be tomorrow, March 17, 2011.

The meeting was adjourned at 11:28 a.m.