

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 3:38 p.m. on February 14, 2011, in Room 783 of the Docking State Office Building.

All members were present except:

Representative Schwab-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
Michael Wales, Kansas Legislative Research Department
Marla Morris, Committee Assistant
Allen Jeffus, Office Assistant

Conferees appearing before the Committee:

Representative Marvin Kleeb
Pat George, Kansas Secretary of Commerce
Dr. Art Hall, Center for Applied Economics, KU School of Business
Lavern Squier, Johnson County Partnership
Jason Watkins, Wichita Metro Chamber of Commerce
Bradley Eilts, Montgomery County Action Council
Kent Heermann, Regional Development Association of East Central Kansas
Larry Powell, Salina Chamber of Commerce

Conferees providing written testimony only:

Tim McKee, Olathe Chamber of Commerce
Kent Eckles, The Kansas Chamber
Christy Caldwell, Greater Topeka Chamber of Commerce

Others attending:

See attached list.

Bill Introductions:

Representative Brookens requested a bill introduction concerning a tax exemption credit available to not yet built pipelines of a certain length, that will run through the state, and provide for a proportional payment in lieu of tax to local entities. Representative Carlson moved introduction of the requested bill, and Representative Dillmore seconded the motion. The motion carried.

Representative Frownfelter moved to introduce a bill placing a consumer fee on Western Union Moneygrams sent from Kansas. The motion was seconded by Representative Kleeb. The motion carried.

Representative Kleeb moved to introduce a data center incentive bill. The motion was seconded by Representative Schwartz, and the motion carried.

Chairman Carlson opened the hearing on:

HB 2220 - Promoting employment across Kansas act; qualification for benefits

The Chairman directed the Committee to the Kansas Department of Revenue Fiscal Note on **HB 2220** located in their daily packet (Attachment 1).

Representative Marvin Kleeb, sponsor of **HB 2220**, briefed the Committee on the enhancements and changes to the current P.E.A.K. bill (Promoting Employment Across Kansas), proposed in **HB 2220** (Attachment 2). He stated the proposed changes are designed to improve the competitiveness of Kansas to win relocation and expansion opportunities, for potential businesses.

Pat George, Kansas Secretary of Commerce, spoke in support of **HB 2220**, stating the number one mission of each department is to grow the economy, and feels Kansas could lead the nation out of the

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recession. He stated the original version of the P.E.A.K. bill has been a valuable tool in recruiting businesses to Kansas. The provisions in **HB 2220** will help Kansas attract and retain companies and jobs (Attachment 3). He stood for questions. Representative Tyson and Representative Frownfelter requested Secretary George to provide names of the companies that have used the P.E.A.K. incentives, the location from which they moved, the amount of incentive they were given.

Dr. Art Hall, Center for Applied Economics, KU School of Business, spoke in support of **HB 2220**. His testimony provided success statistics on the ten P.E.A.K. contracts executed to date (Attachment 4):

- Projected Job Count: 1,800
- Projected Payroll: \$131 million
- Average payroll per Job: \$72,778
- Estimated Annual Payroll Withholding Retained: \$5.3 million (4% of payroll)

His testimony also presented a “Dynamic” Economic Analysis of P.E.A.K., demonstrating how the money lost by P.E.A.K. in tax revenue losses is gained by economic impact from the jobs created. Dr. Hall stood for questions.

Lavern Squier, Johnson County Partnership, asked the Committee to consider **HB 2220** favorable for passage (Attachment 5). He stated over 22 states have this type of program including the neighboring states of Oklahoma and Missouri, typically called a Jobs Opportunity Program. He reported the P.E.A.K. program is a simpler program and will be used as a model for other states. He stood for questions.

Jason Watkins, Wichita Metro Chamber of Commerce, stated the November snapshot indicated the city of Wichita had a 9.2% unemployment rate, and a rate of 9.8% for south-central Kansas which is above the average for the state of Kansas. The Wichita Metro Chamber of Commerce stands in support of **HB 2220**, stressing the need for a tool to retain jobs (Attachment 6).

Bradley Eilts, Montgomery County Action Council (MCAC), testified in support of the enhancements to P.E.A.K. offered in **HB 2220**, by expanding its scope, widening eligibility, creating more flexibility and amplifying its possibilities for economic development (Attachment 7).

Kent Heermann, Regional Development Association of East Central Kansas, supports the following changes to **HB 2220**:

- Removal of the \$4.8 million cap for in-state expansions
- Allow in-state expansions
- Allowing the company to choose median or average wage in the determination of qualification
- Allow the company the choice under **HB 2220** (P.E.A.K.) to pay the Department of Revenue and then be reimbursed the qualifying amount back
- Fix the “unrelated third party” issue for companies with separate entities under common ownership

He provided a map of Kansas counties identifying metropolitan and micropolitan areas, and a map designating the maximum population of each county by census date (Attachment 8).

Larry Powell, Salina Chamber of Commerce, spoke in support of **HB 2220**, offering examples of the benefits Salina derived from the current P.E.A.K. program (Attachment 9). The Salina Chamber of Commerce urges passage of **HB 2220** and removal of a cap related to in-state expansion projects.

Chairman Carlson directed the Committee to the written testimony in support of **HB 2220** from Tim McKee, Olathe Chamber of Commerce (Attachment 10), Kent Eckles, The Kansas Chamber (Attachment 11), and Christy Caldwell, Greater Topeka Chamber of Commerce (Attachment 12).

The Chairman closed the hearing on **HB 2220**.

The next meeting is scheduled for February 15, 2011, in Room 783 of the Docking State Office Building for the purpose of hearing **HB 3331 – Rural Opportunity Zones**.

The meeting was adjourned at 5:02 p.m.