

MINUTES OF THE SENATE ASSESSMENT & TAXATION COMMITTEE

The meeting was called to order by Vice Chairman Pat Apple at 10:30 a.m. on February 16, 2011, in Room 152-S of the Capitol.

All members were present except:

Chairman Les Donovan – excused
Sen. Bob Marshall – excused

Committee staff present:

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

Conferees appearing before the Committee:

Secretary Nick Jordan, Department of Revenue
Secretary Pat George, Department of Commerce
Richard Cram
Stan Aliech
Kent Eckles, Vice President of Public Affairs, Kansas Chamber of Commerce
Jennifer Bruning, Overland Park Chamber of Commerce
Christy Caldwell, Vice President Government Relations, Greater Topeka Chamber of Commerce
Blake Schreck, President, Lenexa Chamber of Commerce
Mark Murrey, National Federation In. (Independent?) Business (late testimony)
Art Hall
Angela Pitale, Director of Tax for NextEra Resources, LLC
Bernie Koch, Kansas Economical Progress Council
Dennis Lauver, President & CEO, Salina Area Chamber of Commerce
Sheila Lenson, Associated Wholesale Grocers, Inc.
Betty Nelson -Ekey, Managing Director, Tax Incentives Group
Shawn Sullivan, Vice President of Tax Services, Allen Gibbs, & Houlik, L.C. Of Wichita KS
Ronald C. Seeber, Kansas Association of Ethanol Producers
Chris Vering, Knit-Rite, Inc.
Manolis Alatziniotakis, Karatzis USA LLC
Thomas Reed, Popstar Networks, Inc.
Tim Huttegegr, CEO Marathon Solutions, Inc.
Richard Mills III, CBIZ
Rick Katz, The Katz Law Firm
Eli Bowman, representing Codero

Others attending:

See attached list.

Vice-Chairman Pat Apple opened the meeting and explained he would start the hearing on today's bill with the an explanation of the bill by Gordon Self, First Assistant Revisor of Statutes, followed by hearing comments from Secretary Jordan, Secretary George, Richard Cram, and Stan Alrich., followed by brief questions. Then we will start moving through the list of conferees, giving them five minutes apiece to speak. We will try to give people who are here today and not able to be here tomorrow, even if they are opponents, time to speak.

He then opened the hearing on **SB 196 - Authorizing expensing of investment expenditures as a deduction in calculating Kansas income tax liability and IMPACT program changes.** by introducing Secretary Nick Jordan, Department of Revenue. He feels this bill will be beneficial to small businesses and the entire state of Kansas. This is a revenue neutral package. HPIP tax credits will be “grandfathered in” this bill. (Attachment 1) Secretary Pat George, Department of Commerce told the committee this bill will not only be good for new businesses but also existing businesses by creating an environment favorable to business – from farming to manufacturing. (Attachment 2) Richard Cram discussed various aspects of this bill: expense deduction and other provisions. (Attachment 3) Richard introduced the committee to Stan Ahlerich, President, Kansas, Inc. He said Kansas Inc.'s montra is “every business

CONTINUATION SHEET

The minutes of the Senate Assessment & Taxation Committee at 10:30 a.m. on February 16, 2011, in Room 152-S of the Capitol.

matters". This bill will allow the state to build up moneys for the job creation fund, and it is revenue neutral. (no written testimony provided).

Vice-Chairman Apple introduced Kent Eckles, Vice President of Public Affairs, Kansas Chamber of Commerce. He spoke highly about aspects of this bill increasing economic growth. The Chamber recommends three provisions contained in HB 2051 included in SB 196: "allowing a corporation with multiple unitary groups to apply existing HPIP credits against the tax liability of any member or members of its unitary group in their combined tax report; extending from ten to twenty years the deadline for corporations to claim existing HPIP investment tax credits; eliminating the requirement that a company attains recertification before utilizing the tax credits." (Attachment 4)

Jennifer Bruning, Overland Park Chamber of Commerce said they feel there are many good aspects to this bill. She urged the committee to consider their suggestions to eliminate the HPIP sunset provision and the inclusion of contents of HB 2051. (Attachment 5) Christy Caldwell, Vice President Government Relations, Greater Topeka Chamber of Commerce, addressed four items: Expensing, making HPIP stronger by adding language from HB 2051; the job creation fund; and the machinery and equipment (M&E) property tax credit. (Attachment 6) Blake Schreck, President, Lenexa Chamber of Commerce; Art Hall, Executive Director, Center for Applied Economics, Kansas University School of Business submitted written testimony in favor of the bill. (Attachments 7 and 8)

Dennis Lauver, President & CEO, Salina Area Chamber of Commerce was recognized to speak as a neutral party. They feel the HPIP program is effective and is valued; making the state more neutral in decision making is a great idea; a cash based program will be a very effective tool that will stimulate jobs and capital investment; eliminating the sales tax exemption will stunt growth; there is a sense the deduction expensing concept will disproportionately help very large employers and may have limited impact. (Attachment 9)

Gary C. Allerheilgen, CPA and Immediate Past President of the Kansas Society of CPAs told the committee that after discussion with the leadership of KSCPA their position is neutral (Attachment 10) Bernie Koch, Kansas Economic Progress Council, submitted neutral written testimony on SB 196. (Attachment 11)

Sheila Lenson, representing Associated Wholesale Grocers, Inc. spoke in opposition to the bill because in five years, it eliminates the High Performance Incentive Program (HPIP), which includes the sales tax exemption, while immediately increasing the investment credit threshold from \$50,000.00 to \$5,000,000.00 (Attachment 12) Betty Nelson -Ekey, Managing Director, Tax Incentives Group, representing CBIZ. She is in opposition to this bill because it would sunset the High Performance Incentive Program (HPIP) in five years while raising the investment threshold to \$5,000,000.00. (Attachment 13) Shawn Sullivan, Vice President of Tax Services, Allen Gibbs, & Houlik, L.C. Of Wichita KS told the committee this bill will have a crippling effect on the state's economic development efforts to recruit new businesses and retain our existing businesses in Kansas, resulting in the likely loss of capital, jobs and businesses in Kansas. (Attachment 14)

Written testimony in opposition was submitted by: Ron Seeber, Association of Ethanol Processors (Attachment 15); Chris Vering, Knit-Rite, Inc. (Attachment 16); Manolis Alatziniotakis, representing KARATZES USA LLC (Attachment 17); Thomas Reed, representing Popstar Networks, Inc. (Attachment 16); Thomas Reed representing Popstar Networks, Inc. (Attachment 18); Tim Hutteger, Marathon Solutions, Inc. (Attachment 19); Richard Mills, III representing CBIZ (Attachment 20); Rick Katz, Katz Law Firm (Attachment 21); and Eli Bowman, representing Codero (Attachment 22)

Vice-Chairman Apple asked if there were any other conferees who would not be able to attend tomorrow's continuation of this hearing. Seeing none, we will continue this hearing tomorrow, and we are adjourned.

The next meeting is scheduled for February 17, 2011.

The meeting was adjourned at 11:49 a.m.