

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 18, 2005 in Room 519-S of the Capitol.

All members were present.

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:

Secretary Wagon, Department of Revenue

Others attending:

See attached list.

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

The Chairman opened the floor for discussion.

In response to questions and many requests, a pamphlet of information, regarding Streamlined Sales Tax, was distributed from the Department of Revenue (Attachment 1) Data included: (1) Time line and organizational structure, (2) Fiscal impact on exemption for florists, (3) Tax credit for sales and use tax retailers, (4) Sales and use tax filing reimbursements, (5) State and local revenue projections (6) Sales and use taxes, and (7) Data on number of retailers by the amount of state and local sales tax reported on Sept. 2004 tax return.

Representative Siegfried distributed copies of a balloon amendment for **HB 2131** that would allow a retailer to elect to continue to apply the destination based sourcing provisions tax rules or apply the origin based sourcing provisions contained in the act, until the time that legislation enacted by the United States Congress becomes effective (Attachment 2).

Representative Siegfried made a motion to amend the balloon into **HB 2131**. Representative Brunk seconded the motion.

Discussion regarding the pros and cons of the moratorium and ramifications of the amendment to the business community.

Representative Siegfried closed his motion for his amendment. The motion carried. (13-9)

Representative Siegfried made the motion that **HB 2131**, as amended,, be passed out favorable for passage. Representative Kelley seconded the motion.

The Chairman commended the Committee for the respect and consideration that they had exhibited during the intense debate, stating that this is the legislative process and worthy of the time spent. He stressed that this was a profound policy matter that would have an enormous effect on the next generation. He thanked Secretary Wagon and staff for their extensive efforts pertaining to SSTEP. Several Committee members recognized and expressed appreciation for the Chairman's leadership during the procedures.

Representative Siegfried closed his motion to pass out **HB 2131**, as amended. The motion passed (12-11). The following Committee members requested that their "yes" votes be recorded: Representatives Brown, Brunk, Carlson, George, Goico, Kelley, Kinzer, Peck and Siegfried.

The meeting was recessed at 10:10 a.m. and reconvened at 1:25 p.m.

SB 138 - Income tax credit for business firms employing certain teachers when school is not in session.
The Chairman opened the floor for discussion.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 18, 2005 in Room 519-S of the Capitol.

Secretary Wagon reviewed a balloon that addressed issues the Committee had previously raised regarding **SB 138** (Attachment 3). The amendments related to: (1) division of no more than \$125,000 in credits shall be allowed for business firms located in any one congressional district per fiscal year, on a first come-first served basis. (2) issues relating to procedures for businesses seeking approval (3) rules pertaining to the partnership agreement between business and teacher (4) requirement of written description of the duties and skill level of the proposed position. (5) Secretary of Revenue shall submit an annual report to the Legislative Educational Planning Committee regarding utilization of credits to evaluate the program and (6) contract between the business and teacher with provisions for payback if the teacher does not return to the classroom and (07) sunset clause of January 1, 2008.

Representative Dillmore made a motion to amend the language from Secretary Wagon's balloon into **SB 138**. Representative Menghini seconded the motion. The motion carried.

Representative Owens made a motion to adopt a conceptual amendment to **SB 138**, that would allow for a transfer of an allocation of a particular Congressional district to another district where there are more requests. Representative Thull seconded the motion. The motion carried.

In response to the Chairman's question regarding the details of the bill, Secretary Wagon stated that the Department had very broad general rules and regulation authority that allowed them to administer any legislation enacted by the Legislature.

Representative Huff made the motion the House Taxation Committee move **SB 138**, as amended, favorable for passage. Representative Thull seconded the motion.

Representative Thull made a conceptual substitute motion to **SB 138** that would prohibit direct family members from being hired by direct family members of the business that applied for this program. Representative Owens seconded the motion. It was agreed that the Secretary of Revenue be given the latitude to insert proper legal language to achieve that intent. The motion carried.

Representative Owens raised a concern over the varying percentages of exemptions between the districts. After discussion, he agreed to hold that issue until the 2006 session.

Representative Owens made a motion that **SB 138**, as amended, be moved out favorably for passage. Representative Goico seconded the motion. The motion carried.

SB 37 - Franchise fee law modifications relating to fee name, extensions and information required.

Representative O'Malley moved to amend the request by Secretary Wagon, regarding a franchise tax interpretation issue, into **SB 37**. Representative Thull seconded the motion. The motion carried.

Representative O'Malley made the motion that the House Taxation Committee pass out **SB 37**, as amended, favorable for passage. Representative Carlin seconded the motion.

Representative Brunk made a conceptual substitute motion that would change the fee structure to a total of \$40, instead of \$55. (\$25 would go to the General Fund and \$15 to the Secretary of State's office). Representative Owens seconded the motion. The fiscal impact would be a loss of revenue \$1.5 million to the general fund. The motion carried.

Representative O'Malley made the motion that the House Taxation Committee pass out **SB 37**, as amended, favorable for passage. Representative Brunk seconded the motion. The motion carried.

SB 158 - Property tax exemption for hay and cotton storage structures.

Representative Dillmore moved that the House Taxation Committee recommend **SB 158** favorably for passage. Representative Carlin seconded the motion. The motion carried.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 18, 2005 in Room 519-S of the Capitol.

SB 209 - Transportation Development District Act, district sales tax

Representative Owens moved **SB 209** favorable for passage. Representative Thull seconded the motion.

Representative O'Malley made a substitute motion to amend **SB 209** to insert language (Attachment 4) that would allow for the funds to be used for *utility relocations; sanitary and storm sewers and lift stations; drainage conduits, channels and levees; street light fixtures, connection and facilities; underground gas, water, heating and electrical services and connections located within or without the public right-of-way; sidewalks and pedestrian underpasses or overpasses; water mains and extensions.* Representative Owens seconded the motion. The motion carried.

Representative Owens made the motion that **SB 209**, as amended, be passed out favorably. Representative Carlin seconded the motion. The motion carried.

The Chairman reviewed the Committee's work for March 21 and 22. The meeting was adjourned at 2:20 p.m. The next meeting is March 21, 2005.