

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 19, 2008 in Room 519-S of the Capitol.

All members were present except: Representative Menghini

Committee staff present:

Chris Courtwright, Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Ryan Hoffman, Legislative Research Department
Scott Wells, Office of Revisor of Statutes
Richard Cram, Department of Revenue
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Secretary Wagon, KDOR
Jim Bartle, General Counsel, KDOR

Others attending:

See attached list.

The following bill introductions were requested:

John Peterson, appearing on behalf of the Health and Fitness Association, requested a bill introduction dealing with sales tax exemption; establishing a uniform methodology for granting those exemptions, both current and proposed. Representative Owens moved the request and Representative Carlson seconded The motion carried.

On behalf of Representative Proehl, Chairman Wilk requested a sales tax exemption for the Wells Christmas basket. Representative Wilk moved the request, seconded by Representative Carlson. The motion carried.

The Chairman announced the formulation of the **HB 2694 Sub committee**: Representative Brown - Chair, Representative Bowers and Goyle. On behalf on the Committee, he asked that they review the bill that went in last year and make a determination on the change in definition. Should the definition or should it return to the federal policy. If they recommend a move to the federal policy, the committee needs an idea of how that would work, as it sounds like Kansas would have to lock on with the current program. Finally, since it appears the legislation is not necessarily working, the Sub-committee should make recommendations if changes are necessary. He reminded them there are limited funds.

HB 2520 - Liability for taxes and other expenses related to conversion of lands into condominiums

Gordon Self distributed a memorandum on the bill and explained the bill simply amends statute to provide that condominium owners would not be taxed on real state taxes owed on convertible lands, but rather those taxes would be the responsibility of the condominium developers (Attachment 1). He explained the definition of "convertible" lands.

Rep Dillmore made the motion the Taxation Committee recommend **HB 2520** favorable for passage. Representative Rardin seconded the motion. The motion carried.

HB 2750 - An act concerning property tax; exempting certain property leased to companies for research and development purposes.

Ryan Scott, Legislative Research Department, briefed the Committee on **HB 2750** which provides a property tax exemption for certain property owned by universities, or the Board of Regents for those universities, and it basically assures that this property remains exempt when it is leased out for use by professors for site and start up projects. There is no fiscal impact, and has a five year limit.

Representative Holland moved that the Committee pass out **HB 2750** favorably. Representative

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seconded the motion.

Rep Owens referred to page 6, line 9, “State educational institutions” and questioned its definition.. Gordon Self, Office of Revisor of Statutes, recommended that “post-secondary educational institutions” be considered, as it defines the intent of the Committee. Representative Owens moved that the change in language be amended to the bill. Rep Brown seconded the motion. The motion carried.

Representative Holland made the motion to pass out **HB 2750** favorably, as amended. Representative Peck seconded. The motion carried.

HB 2762 - Corporate income taxation changes relating to apportionment of net income, business income and surtax on corporations.

Chris Courtwright, Legislative Research Department, said the bill was introduced by the Special Committee on Assessment and Taxation. It would allow full apportionment of business income for all tax years commencing after December 31, 2008. In addition, **HB 2762** would allow a taxpayer to include only the net gain from sales of business assets when calculating the sales factor. Finally, the bill would reduce the surtax rate for corporations with Kansas taxable income in excess of \$50, 000 from 3.35 percent to 2.85 percent. The fiscal note is close to neutral.

Representative Carlson made the motion to amend the “negotiated consensus language” into **HB 2762**. Representative Dillmore seconded the motion. Discussion followed. The motion failed.

The Chairman directed Gordon Self, Office of the Revisor, to draft a balloon for the consensus language. The balloon will be brought back to Committee for review. Mr. Self requested permission to work with the department on technical changes.

Secretary Wagon, Marlee Carpenter and Mr. Bartle came to the podium to answer Committee questions pertaining to:

1. Members of the consensus group
2. How the consensus language changes the bill
3. Understanding of impact and rationale of the bill
4. Merit of Election for 10 years or annually and what effect would occur if the stability piece was removed
5. Examples of “churning” in business.

After discussion, at the Chairman’s request, Mr. Bartle agreed to provide examples of various scenarios under given rules.

The meeting adjourned at 10:30 A.M. The next meeting is February 20, 2008.