

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:40 A.M. on March 21, 2006 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research
Martha Dorsey, Kansas Legislative Research
Gordon Self, Revisor of Statutes Office
Judy Swanson, Secretary

Conferees appearing before the committee:

Others attending:

See attached list.

HB 2548, Three-year phase out of the franchise tax, was discussed. Senator Donovan suggested a return to pre-2002 franchise tax law. Chris Courtwright presented fiscal information if Senator Donovan's suggestion was implemented. (Attachment 1)

Senator Donovan said he would prefer a total phase out of the franchise tax, but felt it would be fiscally impossible to do this. Therefore, he said his suggested bill would be a good compromise to provide at least some tax relief and lower the fiscal note. Senator Lee said this would make it a regressive tax, and place a heavier burden on the smaller businesses who would then pay a franchise tax on their entire net worth.

Senator Schmidt requested Staff amend the fiscal note Senator Donovan requested to reflect that the current law exemption for entities with less than \$100,000 in net worth would be retained.

Senator Donovan made a motion to amend **HB 2548** by exempting from the franchise tax businesses with a net worth under \$100,000, and leaving in all other provisions as requested. Senator Pine seconded the motion, and the motion passed. Senator Lee voted No.

Chairman Allen reviewed the House Tax Committee amendment to **SB 384, income tax checkoff for Kansas military emergency relief and Breast Cancer Research.**

Senator Donovan moved to put **SB 384**, as amended by the House, into **HB 2548**. Senator Schmidt seconded the motion, and the motion passed.

Senator Bruce moved to amend **SB 365** into **HB 2548**. Senator Donovan seconded the motion, and the motion passed.

Senator Lee moved to further amend **HB 2548** by adding in language that would allow Phillips County to retain prospectively the revenues from a 0.5 percent sales tax previously adopted by voters and no longer be required to share the monies with cities located in that county. Senator Goodwin seconded the motion, and the motion passed.

Senator Apple moved to further amend **HB 2548** by amending in the original language of **HB 2581** (without the filtering amendment). Senator Goodwin seconded the motion, and the motion passed.

No final action was taken on amended **HB 2548** by the Committee.

Hearing on **HB 2794, classification of cities for sales taxation purposes**, was opened.

Senator Apple testified the City of Paola would like to propose a three-fourth cent sales tax on their ballot. KDOR said Paola already has the ability to do this under a charter ordinance. Hearing was closed.

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:30 A.M. on March 21, 2006 in Room 519-S of the Capitol.

Martha Dorsey briefed the Committee on:

HB 2900--Oil refineries; tax incentives; K DFA bonds; permits

HB 2901--Crude oil pipelines; tax incentives; K DFA financing

HB 2902--Integrated coal or coke gasification nitrogen fertilizer plants; tax incentives; K DFA bonds

HB 2903--Cellulosic alcohol plants; tax incentives; K DFA financing

HB 2904--Electric generation facilities; tax credits and exemptions; K DFA bonds; safety requirements

She said the House Utilities Committee amended the above listed bills into **SB 303** at today's meeting, and passed **SB 303**, as amended, out of Committee. She also reviewed the fiscal impact of these bills. (Attachment 2)

Representative Carl Holmes and Mary Galligan, Legislative Research, answered questions concerning these bills. Rep. Holmes provided information from Sunflower Electric Power Corporation on its support of the bills. (Attachment 3) Committee discussion was held with Rep. Holmes. Richard Cram, KDOR, reviewed possible future projects and how the timelines of the projects were used to create KDOR's fiscal figures.

Written testimony supporting the bills was received from Kansas Cooperative Council (Attachment 4) and Coffeyville Resources (Attachment 5). The informational hearing was closed.

Senator Donovan moved to approve the Minutes of the March 20 Committee Meeting. Senator Schmidt seconded the motion, and the motion passed.

Chairman Allen announced there was no date set for future Committee meetings, but they will be scheduled as needed.

Being no further business, the meeting adjourned at 11:35 a.m.