

Approved March 16, 1984  
Date

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Representative Jim Braden at  
Chairperson

9:00 a.m./~~p.m.~~ on March 8, 1984 in room 519S of the Capitol.

All members were present except: Representatives Frey, Roe and King, who were excused.

Committee staff present:

Tom Severn, Legislative Research Department  
Wayne Morris, Legislative Research Department  
Don Hayward, Revisor of Statutes' Office  
Nancy Wolff, Secretary to the Committee

Conferees appearing before the committee:

Bill Abbott, Boeing Military Airplane Company  
Ron Gaches, Kansas Chamber of Commerce & Industry  
Glen Walker, City of Concordia

Hearings were held on Senate Bill 515 which would extend the period during which exempt freeport goods may be held in Kansas from two years to five years.

Tom Severn, Legislative Research Department, briefly reviewed Senate Bill 515 and Senate Bill 733.

Linda Terrill, Chief Counsel for the Board of Tax Appeals, briefly outlined some problems encountered by the Board with regard to the current freeport laws. She stated that one of the primary problems encountered is the fact that the registration for a bonded warehouse runs from July 1 to June 30 and the filing dates for taxes if January 1 to December 31.

Bill Abbott, Boeing Military Airplane Company, testified as a proponent of Senate Bill 515. (Exhibit I)

Ron Gaches, Kansas Chamber of Commerce & Industry, testified as a proponent of both Senate Bill 515 and Senate Bill 733.

Hearings were then held on Senate Bill 733 which would amend the freeport law to decrease from 35 to 30 percent the minimum percentage of goods to be shipped outside of Kansas to qualify a warehouse or storage area as a freeport. Once the area qualifies, the average inventory of goods shipped outside the state will be exempt.

Glen Walker, City of Concordia, testified as a proponent of Senate Bill 733. (Exhibit II)

The meeting was adjourned.

**BOEING**

**BOEING MILITARY AIRPLANE COMPANY**

A Division of The Boeing Company  
Wichita, Kansas 67210 • Seattle, Washington 98124

March 8, 1984

House Assessment and  
Taxation Committee  
State House  
Topeka, Kansas

Mr. Chairman:  
Members of the Committee:

My name is Bill Abbott, I am the Public Affairs Manager for the Boeing Military Airplane Company in Wichita.

I am appearing today in support of S.B. 515.  
~~introducing the bill.~~

We at Boeing find our business is changing and we are now in the used airplane business. In today's commercial airplane market it is necessary to take airplanes in trade for new aircraft -- new 737s, 747s, 757s or 767s -- when we take the airplane in trade we store it on our flight line in Wichita under the provisions of KSA79-201 for "Freeport." As the statute now reads we are limited to storing the aircraft for a maximum of two years and have it exempt from ad valorem taxes. Our projections are that for the next several years we will have from 25 to 50 aircraft in storage. Because of the economic conditions (excess capacity) that exist within the commercial airplane industry we are retaining some of these aircraft in storage in excess of two years -- we have, in the past six months, transferred three aircraft to Las Vegas, Nevada for storage. Nevada has an unlimited Freeport as do the states of Washington and Arizona.

We would like to retain these aircraft in Wichita, because it means jobs for Kansans -- we have approximately 150 employees that maintain the systems of the aircraft while in storage. We have an additional 400 to 900 employees, depending on the number of aircraft involved, that do modification work on the aircraft when we sell it to a new owner. If we store the airplane in another state, these jobs go with the plane. It is not a question of retaining the airplanes in the warehouse and paying taxes on it; because of the mobility of the planes they can be flown to any location in the world and stored. When we do this we export jobs.

Our research indicates we are the only company in the state that has products in storage in excess of two years -- we feel that changing the statute to a maximum of five years will allow us to retain these jobs in Kansas.

Mr. Chairman, I respectfully request the passage of S.B. 515.

Respectfully,


  
William T. Abbott

EXHIBIT I

3/8/84

Ladies and Gentlemen of the committee, my name is Glen Walker and I am director of Economic Development for the city of Concordia. Thank you for the opportunity to comment on this legislation.

A major employer in our community--Boogaarts, a grocery wholesaler, has prompted our interest in this legislation. This firm has recently undertaken a significant expansion of its service territory into Nebraska. They have found that Nebraska does not levy an inventory tax. Although this would not seem to have a major impact on the cost of doing business, this type of wholesaler operates on an extremely narrow margin.....traditionally 1% or less. Because of this highly competitive narrow margin, the Kansas inventory tax paid is a factor in Boogaarts competitiveness in this market place.

This corporation fully understands and accepts its responsibility as a corporate citizen, and does not seek to be relieved of that responsibility. However it is important that the state of Kansas provide a business climate that maintains the competitive position of Kansas businesses as they seek to grow and expand into multi-state and national market places.

Therefore we urge that this bill be reported favorably to the House floor.