

Approved 4-29-84
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Senator Paul "Bud" Burke at
Chairperson

11:00 a.m./p.m. on February 1, 1984 in room 526-S of the Capitol.

All members were present ~~except~~

Committee staff present: Tom Severn, Research Dept.
Wayne Morris, Research Dept.
Don Hayward, Revisor's Office

Conferees appearing before the committee:

Senator Harder
Ron Gaches, KACI
Bill Henry, Kansas Engineering Society (Executive Vice President)
Bob Kelly, Kansas Independent Colleges Association
Stanley Koplik, Executive Director, State Board of Regents

The committee held a hearing on SB 487 which allows any Kansas taxpayer, individual, or corporation to donate qualified instructional equipment to post-secondary institutions, area vocational technical schools, community colleges and municipal universities and receive an income tax credit. Unified school districts are excluded.

The following persons appeared in support of SB 487: Senator Harder explained to the committee how this bill came about. He said he believed there were safeguards built into the bill so that industries could not donate an old computer and get rid of it for a tax break; it would have to be approved by the State Board of Regents or the recipient. He said the bill did not include private colleges, and the committee might wish to consider an amendment to do this. (Attachment 1)

Ron Gaches, KACI, stated they did not have a policy position dealing with this specific type of tax credit but would encourage cooperation of the private and public sector to the benefit of Kansas education. He said this bill would be one small step toward those goals, and they would endorse the bill.

Bill Henry, Kansas Engineering Society, told the committee the capital budget for the Regent schools has been shrinking the past few years while the equipment needs of the state's schools of engineering have changed dramatically. There is a critical need in industry for people who can use computer aided graphics, computer aided design and computer aided manufacturing, but the three engineering schools in Kansas do not have those tools today. While SB 487 will not cure the equipment needs in our schools of engineering, it will provide a strong incentive for those outside the university community to contribute equipment that will aid in the education of our students. (Attachment 2)

Bob Kelly, speaking for the Kansas Independent Colleges Association, indicated to the committee that their colleges would like to be included in this bill.

Stanley Koplik, State Board of Regents, said there was enormous potential for providing much needed equipment at all institutions of higher education. He stated concern in implementing the bill as to who determines what is qualified instructional equipment and to whether books such as technical engineering books are included in this category. While the bill provides credit for something tangible such as computers and computer software, he asked who would determine how useful is that piece of equipment. He said a better way might be to allow for cash contributions to be eligible for that same tax credit and the cash could be used to purchase the equipment.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,
room 526-S, Statehouse, at 11:00 a.m./p.m. on February 1, 1984.

Representative Apt told the committee this was a conservative and purposefully limited bill, until it had been in place long enough to ascertain the cost and how it works out.

There was discussion as to the company providing a person to teach technical skills and then deducting the salary of the person.

The chairman requested the staff to prepare further information on SB 487 pertaining to the federal law in this area.

The chairman adjourned the meeting at 11:35 a.m. The committee will meet on February 2 at 11:00 a.m.

Session of 1984

SENATE BILL No. 487

By Legislative Educational Planning Committee

Re Proposal No. 37

1E-20

0018 AN ACT relating to the taxation of income; providing for a credit
0019 therefrom for contributions of qualified instructional equip-
0020 ment to certain institutions of postsecondary education;
0021 amending K.S.A. 1983 Supp. 79-32,120 and 79-32,138 and
0022 repealing the existing sections.

0023 *Be it enacted by the Legislature of the State of Kansas:*

0024 New Section 1. As used in this act: (a) "State board" means,
0025 in relation to contributions of equipment to be made to any
0026 institution of postsecondary education which is a state educa-
0027 tional institution, the state board of regents; and in relation to
0028 contributions of equipment to be made to any institution of
0029 postsecondary education which is an area vocational school, an
0030 area vocational-technical school, a community college, or a mu-
0031 nicipal university, the state board of education.

0032 (b) "Institution of postsecondary education" means any area
0033 vocational school, area vocational-technical school, community
0034 college, municipal university or state educational institution.

0035 (c) "Area vocational school" and "area vocational-technical
0036 school" have the meanings respectively ascribed thereto in
0037 K.S.A. 72-4412, and amendments thereto.

0038 (d) "Community college" means any community college or-
0039 ganized and operating under the laws of this state.

0040 (e) "Municipal university" means a municipal university es-
0041 tablished under the provisions of article 13a of chapter 13 of
0042 Kansas Statutes Annotated.

0043 (f) "State educational institution" has the meaning ascribed
0044 thereto in K.S.A. 76-711, and amendments thereto.

0045 ~~(g)~~
(h) "Equipment" means any scientific, technical, or com-

or accredited
independent
institution

(g) "accredited
independent in-
stitution" has
the meaning
ascribed thereto
in K.S.A. 72-6107
and amendments
thereto.

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0046 ~~puter~~ equipment, including computer software.
0047 ~~(4)~~ "Qualified instructional equipment" means equipment
0048 which is useful for instructional purposes and which has been
0049 approved and certified as approved by the appropriate state
0050 board pursuant to section 3.

0051 New Sec. 2. (a) There shall be allowed as a credit against
0052 the tax liability imposed and computed under the provisions of
0053 the Kansas income tax act, and amendments thereto, of any
0054 taxpayer an amount equal to 30% of the cost of any new qualified
0055 instructional equipment or 20% of the book value of any used
0056 qualified instructional equipment contributed by such taxpayer
0057 to and for the exclusive use of any ~~publicly-backed~~ institution of
0058 postsecondary education located within this state.

and defined
in section 1.

0059 (b) In order to claim the credit allowed by subsection (a), a
0060 taxpayer must provide the secretary of revenue with a copy of the
0061 certificate of approval issued by the appropriate state board
0062 pursuant to section 3, a statement that the contribution of quali-
0063 fied instructional equipment was actually made, and the date the
0064 contribution was made.

0065 (c) The credit allowed by subsection (a) shall not exceed the
0066 lesser of the amount of \$25,000 or the amount of the tax imposed
0067 by K.S.A. 79-32,110, and amendments thereto, reduced by the
0068 sum of any other credits allowable pursuant to law.

0069 New Sec. 3. (a) Each state board shall: (1) Adopt rules and
0070 regulations (A) establishing procedures under which taxpayers
0071 may have equipment certified as qualified instructional equip-
0072 ment, (B) for determining performance and quality standards
0073 which equipment must meet to be approved as qualified, and (C)
0074 for determining the cost or book value of qualified instructional
0075 equipment; (2) approve or disapprove contributions of equip-
0076 ment for the credit allowable pursuant to section 2; and (3)
0077 prepare and certify to the secretary of revenue, at such times as
0078 the secretary shall request, a list of equipment which has been
0079 approved as qualified instructional equipment for contribution
0080 to institutions of postsecondary education during the taxable
0081 year and which qualifies for the credit allowable under section 2.
0082 (b) Equipment shall only be approved as qualified instruc-



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Executive Vice President

Testimony before the Senate Assessment & Taxation Committee,
February 1, 1984

Mr. Chairman, members of the committee, I am Bill Henry, Executive Vice President of the Kansas Engineering Society and appear before you today as a proponent of S.B. 487.

In addition to my testimony I have also distributed the Society's 1984 Policy Statement. On page 2 of that booklet is our statement on one of the Society's priorities; more funding for college of engineering equipment needs.

As most of you are aware the base budgets for our Regent schools have been shrinking considerably the past few years. This has had a deteriorating effect on the condition of our physical structures, our buildings on campus and on the laboratory equipment needs of those same universities. This is no news to those of you who served on the Interim Committee on Infrastructure this past summer.

What is particularly debilitating about this financial situation is that the equipment needs of our state's schools of engineering have changed dramatically. Today each school has equipment that dates from the 1950's and is not representative of modern industrial practice.

Several years ago, the Engineer's Council for Professional Development (ECPD) studied the teaching equipment problems and estimated that the new equipment needed by an engineering college costs \$100,000 per year per program plus \$150.00 per student per year. Based upon this estimate, a national program with 50,000 degrees per year would cost approximately \$200 million per year. Of course, costs now are considerably higher, and engineering colleges have nothing close to this amount of money at their disposal. The integrated backlog of the shortage that is being produced is now enormous and growing.

Today our country is on the threshold of a new era in manufacturing technology and in engineering design. Computer-aided graphics (CAG), Computer-aided design (CAD), Computer-aided Manufacturing (CAM) have more potential to increase productivity than any of the developments of technology since World War II. There is a critical need in industry for people who can use these tools. Unfortunately, students at the three engineering schools in Kansas do not have these tools today.

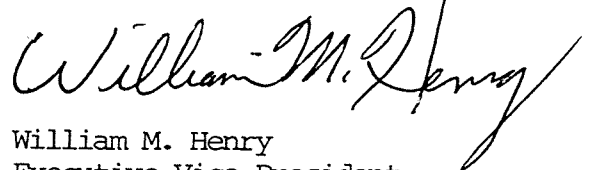
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Thus, today our problem is providing our students at our schools of engineering with the training that is desired most by the private sector.

This problem affects our students in another way as well. The salary levels for Ph.D.s who wish to stay and teach in schools of engineering are deplorable. An engineering graduate today can match the salary of his instructor over night as he walks down and picks up his sheepskin. In addition to having more competitive salaries one way of retaining our quality instructors is to see that they have up to date equipment with which to experiment and perform research. The conditions of our equipment today at the Schools of Engineering in the State of Kansas simply do not provide that incentive. We feel S.B. 487 as introduced by the Legislative Educational Planning Committee, is one step in the right direction. It will not by any stretch of the imagination cure our equipment needs in our Schools of Engineering. It will however provide a strong incentive for those outside our university community to contribute equipment that will aid in the education of our students and hopefully help retain the quality of our faculty.

As a result, the Kansas Engineering Society, strongly supports S.B. 487, and is hopeful that this committee will recommend it favorable for passage.

Respectfully submitted,



William M. Henry
Executive Vice President
Kansas Engineering Society