

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./~~xxx~~ on March 20, 1984 in room 526-S of the Capitol.

All members were present except: Senator Chaney, excused

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

Conferees appearing before the committee:

Representative Bill Bunten
Christy Young, Manager, Governmental Affairs, Topeka Chamber of Commerce
Bud Grant, Kansas Chamber of Commerce and Industry
Harley Duncan, Secretary of Revenue

The committee held a hearing on HB 2806 which authorizes the refund of the state sales tax on the purchase of manufacturing machinery and equipment under prescribed conditions.

The chairman called on Representative Bunten, sponsor, to brief the committee on the bill. He said this is an effort to encourage businesses, existing businesses or potential businesses to come into this state and do business here. The bill provides for refunding the sales taxes to a business if at least \$50,000 or more was expended for the purchase or expansion of that plant and at least two new employees were hired. A year after the plant had been expanded the Department of Revenue could refund the tax paid on this new equipment and on the construction of the building if it was proven that for each \$50,000 of expenditures, two new employees were hired. He said a new plant would create new jobs which pick up sales tax and income tax from these employees which would offset the loss from these funds.

He said the state spends millions on universities, vocational schools and colleges, but once the students get out of school they have to go somewhere else to find jobs.

Senator Angell said more should be done for existing businesses, rather than just to attract new ones.

Christy Young, Greater Topeka Chamber, testified they support this bill which provides incentives for the recruiting of new and expanding industry to Topeka. She said it is a progressive step in making Kansas more competitive with our surrounding states. (Attachment #1)

Bud Grant, KCCI, said his organization supports this bill which provides sales tax exemption on equipment for new and expanding new facilities. His only negative comment is the sunset provision. He thinks two years is an unrealistic amount of time to give the law to work. He said at the last count, there were 28 states which offered sales tax exemptions for manufacturing machinery and equipment.

Senator Kerr questioned whether this bill would help only major businesses and not the small businessman.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,
room 526-S, Statehouse, at 11:00 a.m. ~~p.m.~~ on March 20, 1984

Secretary Duncan requested the committee to consider striking the language on page 2, line 51, of HB 2806 which limits them to 90 days to produce refunds. He said this time limit does not trigger an interest provision and his preference would be for no time limit, or 180 days.

The committee considered HB 2827 regarding the penalty imposed for late remittances of income tax withholdings and the penalties for certain excise taxes.

The chairman reported to the committee that Secretary Duncan had indicated to him that Representative Rolfs had no objection to a compromise penalty of a flat 15% for late filing of delinquent returns.

Senator Johnson made a conceptual motion to amend HB 2827 on line 371, page 10, by striking 10% and inserting 15% of the amount of the underpayment, and striking the remainder of the sentence. Senator Mulich seconded the motion and the motion carried.

Senator Allen moved and Senator Thiessen seconded a motion to report HB 2827 as amended favorable for passage. The motion carried.

There was discussion that SB 798 provisions be amended into this bill. The chairman asked if there was a motion to reconsider action on HB 2827.

Senator Angell moved and Senator Thiessen seconded a motion to reconsider action on HB 2827. The motion passed.

The chairman asked if there was a motion to amend SB 798, a Department of Revenue cleanup bill, into the provisions of HB 2827.

Senator Johnston moved to amend into HB 2827 the provisions of SB 798. Senator Mulich seconded the motion and the motion passed.

Senator Angell moved to further amend into HB 2827 the provisions regarding the federal income tax limitation to allow up to 75% to be deducted (rather than 50%) for the tax year 1984. The motion died for lack of a second.

Senator Montgomery moved and Senator Johnston seconded a motion to report HB 2827 as amended favorable for passage. The motion passed.

The committee considered HB 3076, a tax amnesty bill which allows the taxpayer to pay unreported or under reported excise taxes for any period prior to January 1983 without penalty.

Senator Mulich moved and Senator Hayden seconded a motion to report HB 3076 favorable for passage. The motion passed.

The chairman adjourned the meeting at 11:55 a.m. The committee will meet March 21 at 11:00 a.m.



Testimony before the Senate Assessment
and Taxation Committee
March 20, 1984

Christy Young, Manager, Governmental Affairs, Greater Topeka Chamber of Commerce

Chairman Burke and members of the Committee:

The Greater Topeka Chamber of Commerce would like to express our support for HB 2806, Representative Bunten's bill, providing for refunds of sales tax paid for machinery and equipment purchased when a plant or facility is established or is expanding. We further agree with the amendment by the House which reduces the expenditure claimed as a basis for the refund from \$500,000 to \$50,000 per year.

In a time when the Mayor of the City of Topeka is in the process of developing local incentives, such as waiving building permit fees, deferring the cost of public improvements, establishing a Topeka Enterprise Fund, and looking at the development of a foreign trade zone, passage of Representative Bunten's bill can only be an additional positive tool in the recruitment of new and expanding industry to Topeka.

The Topeka Chamber asks for your support of HB 2806 and commends Representative Bunten and the members of the legislature for taking a progressive step in making Kansas more competitive with our surrounding states and a state where business and industry will want to grow.