

Approved On: _____

Minutes of the House Committee on Assessment and Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on March 24, 1986 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Aylward

Committee staff present:

Tom Severn, Legislative Research
Melinda Hanson, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

Mary Ellen Conlee, representing Kansas Association for Small Business, spoke as a proponent for SB-511, an act relating to sales taxation; providing for the refund thereof upon sales of certain machinery and equipment. (Attachment 1)

Dr. Severn explained SB-467, an act concerning income taxation; relating to modification of Kansas adjusted gross income for the renting or selling of land to farmers, and discussed the fiscal note on the bill. John K. Blythe, Assistant Director Public Affairs Division Kansas Farm Bureau, appeared as a proponent of SB-467. (Attachment 2) After considerable committee discussion, the public hearing on SB-467 was concluded.

After further discussion of SB-511, Representative Leach moved, second by Representative Erne, that HB-511 be reported favorably. The motion carried.

The next bill considered was HB-3004, an act relating to income taxation; providing a credit therefrom for qualified research expenditures. Representative Wagnon moved, second by Representative Crowell, that HB-3004 be reported favorably.

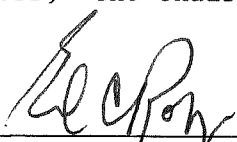
Representative Erne made a substitute motion, second by Representative Lowther, that line 22 be amended to allow a 2% credit for research and development expenditures. After considerable discussion, the motion passed.

Representative Vancrum moved, second by Representative Crowell that unlimited carry-over credit be authorized. Representative Leach second by Representative Moomaw. made a substitute motion, that credit be allowed only for research done in the state of Kansas. The motion passed. Representative Vancrum again moved, second by Representative Crowell, that unlimited carryforward of the credit be authorized. The motion carried.

Representative Wagnon moved, second by Representative Erne, that HB-3004, as amended, be passed favorably. The motion passed.

The minutes of March 21 were reviewed and approved by the committee.

There being no further business, the chairman adjourned the meeting.



Ed C. Rolfs, Chairman



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TESTIMONY ON SB511
PRESENTED TO THE
HOUSE ASSESSMENT & TAXATION COMMITTEE
MARCH 24, 1986

Chairman Rolfs, members of the Committee, I am Mary Ellen Conlee, representing the Kansas Association for Small Business.

The elimination of the sales tax on machinery and equipment used in manufacturing is a priority concern for the members of our association. Our companies live in a competitive environment that crosses state lines. When a Kansas business invests in new equipment either to keep up with the requirements of a rapidly changing demand or to expand capacity and employment the added sales tax lessens our ability to compete in that national marketplace.

While we support the tax policy in SB511, we believe that the exemption should be automatic for major machinery and equipment expenses. The current system is confusing and difficult to activate. If business should fall off during the year's delay written into the procedure and lay-offs become necessary, the individual business loses both operating income and a promised sales tax refund. The procedure does not encourage investment and expansion. It rewards success - a success often dependent upon board market factors.

Please consider a full sales tax exemption on machinery and equipment. Such a move would provide a signal to small business that the Kansas legislature supports economic development and business growth from within.

Thank you for your time. I'd be happy to answer any questions.



PUBLIC POLICY STATEMENT

Statement to:
HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS
Representative Ed Rolfs, Chairman

RE: Senate Bill 467
Topeka, Kansas
March 24, 1986

Presented by:
John K. Blythe, Assistant Director
Public Affairs Division
KANSAS FARM BUREAU

Mr. Chairman and Members of the Committee:

We appear before you today as a proponent of S.B. 467.

Our Kansas Farm Bureau policy states in part: **"Farmers and ranchers need a variety of credit facilities to finance operating and ownership expenses. Special programs should be designed to specifically deal with the problems of young farmers and ranchers who are trying to get established."**

Federal legislation that would provide similar modifications of adjusted gross income would be much more helpful, but Kansas should do their part and we believe that S.B. 467, in a small way, will help finance agricultural borrowers.

S.B. 467 provides for modifications to the Kansas adjusted gross income. This bill provides for a subtraction of income, not to exceed \$5,000, from the federal adjusted gross income if the owner of the farmland meets certain requirements of sale or rental agreements.

We must remember that this is a reduction in the taxable income and not the income tax, therefore, the revenue lost to the state will be very small. We also believe that the safeguards and restrictions of the use of this proposal will prohibit its abuse.

The best feature of this proposal, we believe, is the contract for deed on the sale of 20 acres or more with the stipulation that the contract be for a term of not less than 15 years at an interest rate of 2 percentage points below the rate of 90 day treasury bills on the date of execution of the contract.

The proposal also restricts any one landowner to a deduction of not more than \$5,000 of income in any one year.

Thank you Mr. Chairman and Members of the Committee.