

Date 4-24-86MINUTES OF THE HOUSE COMMITTEE ON FEDERAL & STATE AFFAIRSThe meeting was called to order by REPRESENTATIVE ROBERT H. MILLER at  
Chairperson10:00 a.m./p.m. on April 22, 1986 in room 526S of the Capitol.

All members were present except:

Representative Hensley-E  
Representative Peterson-E

Committee staff present:

Lynda Hutfles, Secretary  
Arden Ensley, Revisor's Office  
Tom Severn, Research Department  
Russ Mills, Research Department

Conferees appearing before the committee:

John Wurth, Securities Commission

The meeting was called to order by Chairman Miller.

The Chairman explained a request for the introduction of a bill dealing with the donation of organs and tissues.

Representative Sughrue made a motion, seconded by Representative Ramirez, to introduce this as a committee bill. The motion carried.SB756 - Statewide Risk Capital System (R/K Rec. #18,19,30,&34)SB757 - Venture Capital Tax Credit (R/K Rec. #4)

John Wurth, Securities Commission, explained to the committee the pros and cons of exemptions of securities and registering of securities and also explained the definition of "sophisticated investors".

Bill Edds, Revenue Department, expressed the concerns of the department about the credit provisions in the bill. He suggested that the investor should only be allowed to carry back that amount by which the credit exceeded 25% of the credit in the first year. He also suggested that the carry back be prohibited. He distributed suggested amendments. See attachment A.

Representative Vancrum made a motion, seconded by Representative Roe, to eliminate the carry back provision in SB756 and SB757.

Jim Maag suggested that some of the bankers might invest because of the carry back provision. Raising \$10 million is not going to be easy.

Representative Vancrum withdrew his motion and made a new motion, seconded by Representative Roe, to amend SB756 as (per attachment B.) and to amend SB757 in line 73 by inserting after "made" the words "and the taxable years following such taxable year until the total amount of the credit is used"; in line 77, by striking "of any remaining"; in line 78, by striking "unused credit" and inserting "by which that portion of the credit allowed by the preceeding sentence to be claimed in any one taxable year exceeds 25% of the taxpayer's tax liability in such year". The motion carried.Representative Vancrum made a motion, seconded by Representative Walker, to add in SB756 on line 520 before "taxable" insert "all investements made in". The motion carried.Representative Sprague made a motion, seconded by Representative Walker, to amend SB757 in line 160 after the period by inserting a new sentence to read as follows: "As part of such information, each Kansas venture capital company shall report the name, address, taxpayer identification number of each taxpayer who has invested in such company and the amounts invested by the taxpayer. The motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL & STATE AFFAIRS,  
 room 526S, Statehouse, at 10:00 a.m./p.m. on April 22, 1986

There was discussion concerning the registering of securities and the liability of the Board members.

Representative Vancrum made a motion, seconded by Representative Walker, to amend SB756 to provide that securities of Kansas Venture Capital Corp. would be exempt under KSA 17-1261. The motion carried.

Representative Vancrum made a motion, seconded by Representative Walker, to insert in line 83 of SB757 after the period "which shall include not more than \$10 million for Kansas Capital Venture Inc. The motion carried.

SB756 - Statewide Risk Capital

There was discussion of the existing Kansas Venture Capital, Inc.

The following amendments were made with the unanimous consent of the committee:

- line 30 - add a "." after "Kansas" and strike rest of language
- line 31 - strike language to "."
- line 32 - strike "idle", "in order", and insert "an" in lieu of "a", and strike "substantially"
- line 33 - strike "larger and "in primarily" insert a "." after "investment"
- line 34 - strike all before "This"
- line 36 - insert "the Kansas economy in all geographic regions" in lieu of "all geographic regions of the Kansas economy"
- line 37 - insert "concerned with" in lieu of "which export"
- line 38 - insert "create" in lieu of "import quality"
- line 39 - strike "into the state" and insert a "." after "Kansans"
- line 40 - strike all language
- New Sec. 1 (b) insert definition for "small business" strike definition of "Kansas business"

Representative Brady made a motion, seconded by Representative Ramirez, to delete lines 41-73. The motion carried.

The meeting was recessed for lunch.

The meeting reconvened at 1:00.

The following amendments were made with the unanimous consent of the committee:

- line 121 - insert "elected" in lieu of "nominated"
- line 122 - strike all after "shareholders" and insert a "." after "shareholders"
- line 123 - delete all language
- line 124 - delete all language
- line 125 - delete all language
- line 135 - insert "the" in lieu of "primary, job creating, value-added"
- line 139 - strike "has conducted a search and"
- line 143 - strike "and near equity"
- line 154 - strike ", specifically"
- line 524 - strike "claim"

There was a conceptual motion to amend New Sec. 12 to read that investors taking credits pursuant to Sec. 10 & 11 are not allowed to take the credit again.

SB757 - Venture Capital

The following amendments were made with unanimous consent of the committee:

- line 29 - delete "primarily"
- line 31 - delete "primary,"
- line 43 - delete "near equity or mezzanine finance" and insert "financing" thereof.
- line 46 - delete all language
- line 47 - delete all language

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL & STATE AFFAIRS

room 526S, Statehouse, at 10:00 a.m./p.m. on April 22, 1986

- Sec. 3 - add definition for "small business"
- line 155 - insert after "determined" "by the Secretary within the terms of the Uniform Trade Secrets Act"
- line 97 - delete everything after the seconde ", "
- line 98 - delete all language
- line 99 - delete all language
- line 165 - insert "in compliance with" in lieu of "abiding by"
- line 182 - insert a "." after "practice" and delete all after the "."
- line 183 - delete all language
- line 184 - delete all language
- combine (e) and (f) under Sec. 8
- line 185 - insert after "in" the word "substantial"
- line 190 - insert after "in" the word "substantial"
- line 192 - delete "grace"

Representative Barr made a motion, seconded by Representative Brady, to insert language to allow Post Audit access to records in SB757. The motion carried.

Representative Eckert made a motion, seconded by Representative Roe to report SB757 favorably as amended. The motion carried.

SB756 - Statewide Risk Capital

- line 39 - insert after "Kansans" the words "especially in nonmetropolitan areas of the state."

Representative Walker made a motion, seconded by Representative Vancrum, to adopt the amendment suggested by Harold Stones, KBA, in line 115 by inserting after "in" the words "one or more Kansas Venture Capital" and by striking "small business investment", in line 117 delete "and", in line 118 delete "of this act and", and on line 119 delete " , enacting the Kansas venture capital company act." and insert "Such investment shall not qualify for tax credit contained in Sec. 4 of Substitute for 1986 Senate Bill No. 757. The motion carried.

Representative Sughrue made a motion, seconded by Representative Long, to adopt SB757 favorably as amended. The motion carried.

The meeting was adjourned.

adopted

Proposed Amendments to Sub. for S. B. 757  
(As Amended by Senate Committee of the Whole)

On page 2, in line 73, by inserting after "made" "and the taxable years following such taxable year until the total amount of the credit is used"; in line 77, by striking "of any remaining"; in line 78, by striking "unused credit" and inserting "by which that portion of the credit allowed by the preceding sentence to be claimed in any one taxable year exceeds 25% of the taxpayer's tax liability in such year";

On page 5, in line 160, after the period by inserting a new sentence to read as follows: "As a part of such information, each Kansas venture capital company shall report the name, address and taxpayer identification number of each taxpayer who has invested in such company and is entitled to claim the credit allowed by section 4.";

*amt. inv.*

*and amts invested by such*

*taxpayer.*

*carry back prob. help some banks  
max carryback 1/16 of total amt.  
am carryback out of both.  
carry forward only*

ATTACHMENT A

H. FISA  
4/22/86

adopte

Proposed Amendment to Sub. for S. B. 756  
(As Amended by Senate Committee of the Whole)

On page 14, in line 516, by striking "carried back not"; in line 517, by striking "more than three years or"; in line 518, by striking "exhausted" and inserting "used"; also in line 518, after the period by inserting a new sentence to read as follows: "The amount by which that portion of the credit allowed by this section to be claimed in any one taxable year exceeds 25% of the taxpayer's tax liability in such year may be carried back for not more than three taxable years or carried forward until the total amount of the credit is used.";

On page 15, in line 532, by striking "back"; in line 533, by striking all before "forward"; in line 534, by striking "exhausted" and inserting "used"; also in line 534, by inserting a new sentence to read as follows: "The amount by which that portion of the credit allowed by this section to be claimed in any one taxable year exceeds 25% of the taxpayer's tax liability in such year may be carried back for not more than three taxable years or carried forward until the total amount of the credit is used.";

*fiscal impact: both bills  
6m tax cr over 4 yrs = 1.5m/yr.*

ATTACHMENT B  
H. FLSA  
4/22/86