

Approved April 23, 1986
Date

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

The meeting was called to order by Senator Fred A. Kerr at
Chairperson

11:00 a.m./~~XX~~ on Wednesday, April 9, 1986 in room 519-S of the Capitol.

All members were present ~~except~~

Committee staff present:

Tom Severn, Research Department
Melinda Hanson, Research Department
Don Hayward, Revisor's Office
LaVonne Mumert, Secretary to the Committee

Conferees appearing before the committee:

C. J. "Jamie" Schwartz, Department of Economic Development
Bill Edds, Department of Revenue
Bud Grant, Kansas Chamber of Commerce and Industry
Charles Belt, Wichita Chamber of Commerce, Kansas Industrial Developers Assn.

H.B. 3121 - Business and job development tax incentives

C. J. "Jamie" Schwartz testified in support of the bill. He said the bill is designed to make the enterprise zone credit law easier to understand and easier for a business to qualify. H.B. 3121 changes the current sales tax refund to an exemption.

Bill Edds suggested an amendment to the bill (Attachment 1). He said the amendment clarifies that only new or expanded investments or employees can be considered in qualifying for the exemption.

Senator Parrish asked how many businesses have made use of the current enterprise refund. Of the 19 applications filed, 3 have been approved. Mr. Schwartz said that 125 cities currently have enterprise zones. He said that KDED has a very liberal interpretation for determining what qualifies as an enterprise zone. Mr. Schwartz noted that the investment must be made before an application for exemption can be made. Answering a question from Senator Salisbury, Mr. Schwartz replied that while taxes are not the first item considered by a company deciding where to make an investment, they can eventually be the determining factor.

Bud Grant testified in support of the bill. He described the history of the job investment credit act. Mr. Grant stated that this bill can have an immediate favorably impact.

Charles Belt spoke in favor of the bill.

Senator Mulich moved that the amendment proposed by Mr. Edds (see Attachment 1) be adopted. Senator Karr seconded the motion, and the motion carried. Senator Karr moved that the bill, as amended, be recommended favorably for passage. Senator Salisbury seconded the motion. There was discussion that the bill provides that the creation of two new jobs is a requirement for qualification. Mr. Schwartz said that large businesses easily qualify now, it's the small businesses who are having trouble qualifying. Harley Duncan (Department of Revenue) explained that the employment figure is based on a report filed at the end of a tax year compared to the average of the three prior years to determine whether or not at least two new jobs have been created. It was noted that one of the recommendations of the Redwood report is that machinery and equipment be exempt. Upon a vote, the motion carried.

H.B. 2960 - State economic development policy committee, continuing formulation of plan

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S, Statehouse, at 11:00 a.m. ~~XXX~~ on April 9, 19 86

Senator Mulich moved that the clean-up changes mentioned by the Revisor be adopted, i.e., on line 279 replacing "council" with "Kansas, Inc." and on line 309 making the percentage figures 66 2/3% and 33 1/3%. Senator Salisbury seconded the motion, and the motion carried. Senator Karr moved that "easily understandable language" be deleted from lines 283-284. Senator Salisbury seconded the motion, and the motion carried. Senator Salisbury moved that section one be deleted and that the language in lines 71-76 be included in section two. Senator Karr seconded the motion, and the motion carried. Senator Hayden moved that the captions be deleted from the bill. Senator Karr seconded the motion, and the motion carried. Senator Mulich moved that "in order to meet with need" be deleted from line 113. Senator Karr seconded the motion, and the motion carried. Senator Mulich moved that the bill be amended to provide that the appointees described in subsections 3, 4, 6 and 7 of section three be subject to Senate confirmation. Senator Hayden seconded the motion, and the motion carried. Senator Hayden moved that the language after the word "fields" in line 129 be deleted, that the language after the word "field" in lines 129-130 be deleted and that the language after the word "economy" in lines 137-138 be deleted. Senator Karr seconded the motion, and the motion carried. Senator Parrish moved that line 228 be deleted and that the exemption from competitive bid requirements beginning in line 268 be deleted. Senator Mulich seconded the motion, and the motion carried. Senator Mulich moved that the bill, as amended, be recommended favorably for passage. Senator Hayden seconded the motion, and the motion carried.

Senator Karr moved that the minutes of the April 7 and 8 meetings be approved. Senator Thiessen seconded the motion, and the motion carried.

Meeting adjourned.

(Note: Written testimony from C. L. Johnson, The Procter & Gamble Distributing Company, in support of H.B. 3121 has been received and is attachment 2).

Suggested Amendments of the
KANSAS DEPARTMENT OF REVENUE
to
House Bill No. 3121
As Amended by House Committee of the Whole

On page 7, in line 241, by adding a new sentence to read as follows:
"Notwithstanding the provisions of this subsection, for the purpose of computing the credit allowed by K.S.A. 79-32,153, and amendments thereto, in the case of an investment in a qualified business facility, which facility existed and was operated by the taxpayer or related taxpayer prior to such investment, the number of qualified business facility employees employed in the operation of such facility shall be reduced by the average number, computed as provided in this subsection, of individuals employed in the operation of the facility during the three taxable years preceding the taxable year in which the qualified business facility investment was made at the facility."

On page 8, in line 280, by adding a new sentence to read as follows:
"Notwithstanding the provisions of this subsection, for the purpose of computing the credit allowed by K.S.A. 79-32,153, and amendments thereto, in the case of an investment in a qualified business facility, which facility existed and was operated by the taxpayer or related taxpayer prior to such investment the amount of the taxpayer's qualified business facility investment in such facility shall be reduced by the average amount, computed as provided in this subsection, of the investment of the taxpayer or a related taxpayer in the facility for the three taxable years preceding the taxable year in which the qualified business facility investment was made at the facility."



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April 9, 1986

Senator Fred Kerr
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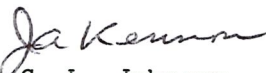
Dear Senator Kerr:

Please accept our recommendation that your Committee support House Bill No. 3121 which amends the existing Job Expansion and Investment Credit Act of 1976.

Procter & Gamble's Kansas City facility manufactures consumer products and industrial chemicals for shipment throughout the United States. We currently employ approximately 350 people. During the past several years our facility, like others in Kansas, has experienced declining enrollment as we worked to improve our productivity and competitiveness to attract new business. The economic and sales tax incentives provided by the Job Expansion and Investment Credit Act of 1976 are important to us as we attempt to justify capital projects that would allow us to expand and add to our business. However, the current Act makes it virtually impossible to qualify for these incentives because criteria for qualification requires added employment relative to a period of time when most firms were in a declining enrollment situation. House Bill No. 3121 would allow qualification based upon the number of employees engaged or maintained as a direct result of new investment relative to the tax year for which the credit is claimed. We wholeheartedly support this proposal since we feel it is within the intent of the Act originally passed by Kansas Legislators.

Thank you for consideration of our recommendation. We have included ten copies of this letter, should you desire to share it with the members of your committee.

Sincerely,


for C. L. Johnson
Plant Manager

JAK/cd