

Approved March 28, 1988  
Date

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Senator Wint Winter, Jr. at  
Chairperson

12:40 ~~xxx~~/p.m. on March 3, 1988 in room 254-E of the Capitol.

All members were present except:  
Senator Paul Burke - Excused

Committee staff present:  
Bill Edds, Revisor of Statutes' Office  
Lynne Holt, Legislative Research Department  
Mary Allen, Secretary to the Committee

Conferees appearing before the committee:  
Emery Fager, Kansas Venture Capital, Inc.  
Mark Burghart, Department of Revenue  
Senator Eugene Anderson, Kansas Senate

The meeting was called to order at 12:40 p.m. by the Chairman, Senator Wint Winter, Jr.

Senate Bill 673 - An Act relating to economic development; concerning tax credits for investments in certified Kansas Venture Capital companies and Kansas Venture Capital, Inc.

The Chairman stated that SB 673 was requested by the Kansas Bankers Association. He called on Emery Fager, Chairman of the Board of Kansas Venture Capital, Inc. (KVCI), to explain the bill. Mr. Fager observed that insurance companies in Kansas do not pay very much privilege tax but they do pay quite a lot of premium tax. SB 673 is needed so that these companies can take advantage of the investment tax credit if they purchase stock in KVCI. He said that SB 673 also addresses the problem that Kansas law on tax credits does not allow subchapter S corporations to invest in KVCI. He noted that these corporations could be potential stock buyers. SB 673 provides that the same tax credit which applies to other domestic corporations and financial institutions will be applied to subchapter S corporations. Mr. Fager stated that this bill is important to KVCI because they are continuing their drive to raise their \$10 million capital and they do not want to exclude anyone from making an investment in KVCI.

Mark Burghart, Department of Revenue, told the Committee that, in order to provide consistent treatment, SB 673 should be amended to provide that credits claimed by subchapter S corporations or partnerships for investments in seed capital pools should be allowed to flow through to the subchapter S shareholders or partners.

Senator David Kerr moved that SB 673 be amended in line 31 by striking the words "or 40-2801". Senator Vidricksen seconded the motion. The motion carried.

Senator David Kerr moved that SB 673 be amended to provide that credits claimed by subchapter S corporations or partnerships for investments in seed capital pools should be allowed to flow through to the subchapter S shareholders or partners. Senator Karr seconded the motion. The motion carried.

Senator Daniels moved that SB 673 be amended to remove the twenty-five percent limitation on the amount of the credit which could be claimed in a given year consistent with the amendment in SB 473. Senator David Kerr seconded the motion. The motion carried.

Senator David Kerr moved that SB 673 be recommended favorably for passage as amended. Senator Vidricksen seconded the motion. The motion carried.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

room 254-E, Statehouse, at 12:40 ~~xxx~~ p.m. on March 3, 1988.

Senate Bill 176 - An Act creating the small contractors and small businesses' revolving loan fund.

Senate Bill 652 - An Act establishing a small business enterprise loan guarantee program and the small business enterprise loan guarantee fund; providing duties for an advisory council and the secretary of commerce.

The Chairman reminded the Committee that Senator Eugene Anderson introduced SB 176 last year. Earlier this year the Committee made the policy decision that the loan fund provided for in SB 176 should be a loan guarantee fund. The result of that decision is incorporated in SB 652. Hearings were held on SB 652 at a previous Committee meeting and amendments were made to the bill.

Senator Eugene Anderson, sponsor of SB 176, told the Committee that it is important that the concerns be addressed of small businesses who have no ready access to capital. He observed that one of the problems in Kansas is that we use the same definition of a small business as the federal government uses, thus leaving out a lot of small businesses. Senator Anderson observed that if a small business wishes to borrow less than \$250,000.00, it is difficult to do. He said that the state has to play an active role in fostering the development of small businesses.

Senator Feleciano moved that SB 652 be amended in line 56 by inserting after the words "The secretary" the words "or the secretary's designee". Senator Daniels seconded the motion. The motion carried.

Senator Vidricksen offered a conceptual motion that SB 652 be amended in Section 2 (d) to provide that one of the members of the Advisory Council be one of the directors of the eight Kansas Small Business Development Centers. This member shall be appointed by the state administrator of the small business development program. This member shall be in addition to the members already listed in the bill. Senator Daniels seconded the motion. The motion carried.

Senator Vidricksen moved that SB 652 be amended in Section 4(a) in line 65 to provide that the advisory council shall meet periodically, but no less than quarterly, instead of monthly. Senator Salisbury seconded the motion. The motion carried.

Senator Feleciano moved to amend SB 652 in Section 4(a) in line 68 by striking "75%" and inserting in lieu thereof "90%". Senator Hayden seconded the motion. The second to the motion was withdrawn. The motion died for lack of a second.

Senator Karr moved to amend the language of SB 652, as amended, into SB 176 and to recommend it favorably for passage. Senator Feleciano seconded the motion.

Senator David Kerr offered a substitute motion that SB 652 be amended in Section 2(b) to provide that to be eligible for a loan guarantee under the small business loan guarantee program a business must be a Kansas basic industry. Senator Vidricksen seconded the substitute motion. The substitute motion failed.

A vote was taken on the primary motion. The primary motion carried.

Staff was given permission by the Committee to make SB-176 a Substitute for SB 176 if staff deems it necessary.

The meeting was adjourned at 1:30 p.m. by the Chairman.

GUEST LIST

<u>NAME</u>		<u>REPRESENTING</u>
Salvador Smith		WIBA
MARK A. BURGHART		REVENUE
Debbie Zabel		IPPBR Univ. of Ks.
Dan Ramlow	Topeka	Ks. Contractors Assn.
JACK MONTGOMERY		KDOC
Beal McLean		Commerce
Tommy August		Commerce
DIWAYNE ZIMMERMAN		KDOC
DON GRAGG		KDOC
Garry Jager		KVC
Janet Stubbs		HBAK