

Approved: April 6, 1995  
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:00 a.m. on March 30, 1995 in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Corbin, Senator Martin,  
Senator Bond, Senator Clark,  
Senator Hardenburger, Senator Ranson,  
Senator Sallee and Senator Wisdom.

Committee staff present: Tom Severn, Legislative Research Department  
Elizabeth Carlson, Secretary to the Committee

Conferees appearing before the committee: Karen Warner, Arthur Andersen, LLP

Others attending: See attached list

**APPROVAL OF MINUTES**

Senator Martin made a motion to approve the minutes of March 29, 1995 as corrected. The motion was seconded by Senator Corbin. The motion carried.

**SB 316--BUSINESS INCOME DEFINED FOR UDITPA PURPOSES**

Karen Warner, representing Arthur Andersen LLP, went over the balloon for **SB 316** and said the changes are made so businesses will not be double taxed on the same income. (Attachment I)

Senator Bond made a motion to adopt the balloon and amend it into **SB 316**. The motion was seconded by Senator Ranson. The motion carried.

**HB 2008--INCOME AND PRIVILEGE TAX CREDIT FOR EMPLOYMENT OF DEVELOPMENTALLY DISABLED PERSONS**

Senator Bond made a motion to amend **HB 2008** to make the bill prospective, insert language that there is a one time credit only, and to add Psychologists into the bill in line 40. The motion was seconded by Senator Wisdom. The motion carried.

Senator Bond made a motion to amend **HB 2008** by inserting **SB 316** into the bill, make the bill effective when printed in the Register, the Chairman request the issue of the business income defined in **SB 316** be put into an interim study of the entire issue with particular emphasis on non-domiciled Kansas businesses and the bill be passed favorably. The motion was seconded by Senator Ranson. The motion carried.

The meeting adjourned at 11:15 a.m.

# SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: March 30, 1995

NAME	REPRESENTING
Gordon Handwig	Koch Industries
Karen Warner	Arthur Andersen
Jonathan Small	Koch Industries, Inc.
Ron Hein	MESA
Steve Rickard	Yellow Corporation
JEFF RUSSELL	SPRINT
Ken Peterson	KS Petroleum Council
Jim Ludwig	WESTERN RESOURCES
DAVE SCHNEWEIS	WESTERN RESOURCES
Mike Stadler	Western Resources
JANET STUBBS	KBIA
MARK A. BURGHART	AA & M
Bill Lane	BOEING
Bob Corkins	KCCI
Lucy DeJure	CD & N
DAVID WEEKS	YELLOW CORP.
TERRY FREDERICK	SPRINT
MARIE Beshears	Sprint

SENATE BILL NO. 316

AN ACT relating to taxation; regarding the definition of business income; amending K.S.A. 1994 Supp. 79-3271 and repealing the existing section.

Section 1. K.S.A. 1994 Supp. 79-3271 is hereby amended to read as follows: 79-3271. As used in this act, unless the context otherwise requires: (a) "Business income" means income arising from transactions and activity in the regular course of the taxpayer's trade or business and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. ~~Provided, however, that if a taxpayer's commercial domicile is in the state of Kansas, the income arising from the acquisition, management, use or gain or loss from the disposition of tangible or intangible property shall constitute business income.~~

- (b) "Commercial domicile" means the principal place from which the trade or business of the taxpayer is directed or managed.
- (c) "Compensation" means wages, salaries, commissions and any other form of remuneration paid to employees for personal services.
- (d) "Financial organization" means any bank, trust company, savings bank, industrial bank, land bank, safe deposit company, private banker, savings and loan association, credit union, cooperative bank, investment company, or any type of insurance company, but such term shall not be deemed to include any business entity, other than those hereinbefore enumerated, whose primary business activity is making consumer loans or purchasing retail installment contracts from one or more sellers.
- (e) "Nonbusiness income" means all income other than business income.
- (f) "Public utility" means any business entity which owns or operates for public use any plant, equipment, property, franchise, or license for the transmission of communications, transportation of goods or persons, or the production, storage, transmission, sale, delivery, or furnishing of electricity, water, steam, oil, oil products or gas.
- (g) "Sales" means all gross receipts of the taxpayer not allocated

Provided, however, that a taxpayer may elect that all income arising from the acquisition, management, use, or disposition of tangible or intangible property constitutes business income. The election shall be effective and irrevocable for the taxable year of the election and the following nine years. The election shall be binding on all members of a unitary group of corporations. Notwithstanding the above, the Secretary of Revenue may upon the request of the taxpayer, grant permission to terminate the election under this paragraph prior to expiration of the ten-year period.

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under K.S.A. 79-3274 through 79-3278, and amendments thereto.

(h) "State" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country or political subdivision thereof.

(i) "Telecommunications company" means any business entity or unitary group of entities whose primary business activity is the transmission of communications in the form of voice, data, signals or facsimile communications by wire or fiber optic cable.

New Sec. 2. ~~The provisions of section 1 shall be applicable to all taxable years commencing after December 31, 1979.~~

Sec. 3. K.S.A. 1994 Supp. 79-3271 is hereby repealed.

Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.

New Section 2. The election in Section 1 shall be made by July 1, 1995 for any tax years ending prior to July 1, 1995. Elections for tax years ending after July 1, 1995 shall be made by including a statement with a timely filed tax return indicating that the taxpayer elects to apply the provision of Section 1.
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