

Approved: 1-23-98
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairman Bill Mason at 3:30 p.m. on February 18, 1998 in Room 423-S of the Capitol.

All members were present except: Broderick Henderson (E)
Barbara Allen (A)
Lisa Benlon (E)
Annie Kuether (E)
Bonnie Sharp (E)

Committee staff present: Lynne Holt, Legislative Research Department
Renae Jefferies, Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee: none

Others attending: See attached list

Representative Long moved that the minutes for the February 17 meeting be approved, Representative Osborne seconded the motion and the motion carried.

Chairman Mason opened the discussion on **HB 2646** - an act amending the Kansas enterprise zone act; concerning eligibility for exemptions for sales taxation.

Representative Beggs moved that **HB 2646** be passed out favorably. Representative Showalter seconded the motion.

Chairman Mason said that there is not a new fiscal note on the bill and it is a substantial amount. General discussion followed. Chairman Mason suggested that if the fiscal note was a concern that the committee would be meeting on Monday and could have the updated information by that time.

Representative Beggs withdrew his motion and Representative Showalter withdrew her second.

Chairman Mason advised the committee that the bill would be tabled until Monday and worked at that time.

Chairman Mason directed attention to **SB 416**. Lynne Holt reviewed the amendments. General discussion followed.

Representative Vickrey moved that **SB 416** be amended to include balloons (Attachment 1), that clarify the language of the bill. Representative Long seconded and the motion carried.

Representative Tomlinson moved the committee pass out **SB 416** favorably as amended. Representative Henry seconded the motion and the motion carried.

The meeting was adjourned at 4:00 p.m.

The next meeting is scheduled for February 23, 1998.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE
COMMITTEE GUEST LIST

DATE: February 18, 1998

NAME	REPRESENTING
Larry Cope	Jefferson County EDC
David L. Ross	KDOCH
Bill Sneed	Am Inv Life Ins Co.
Roger Trautze	KS. Gov Consulting

[As Amended by Senate Committee of the Whole]

As Amended by Senate Committee

Session of 1998

SENATE BILL No. ~~4160~~ 9 1998

By Committee on Commerce

1-13

12 AN ACT concerning economic development; expanding the availability
13 of certain investment incentives; amending K.S.A. 79-32,153, 79-
14 32,154 and, 79-32,160a, 79-32,195 and 79-32,196 and K.S.A. 1997
15 Supp. 40-2813, 74-50,114 and 74-50,132 and repealing the existing
16 sections.

17
18 *Be it enacted by the Legislature of the State of Kansas:*

19 *Section 1. K.S.A. 1997 Supp. 40-2813 is hereby amended to*
20 *read as follows: 40-2813. For all taxable years commencing after*
21 *December 31, 1993, any taxpayer who makes expenditures for the*
22 *purpose of making all or any portion of an existing building or fa-*
23 *cility accessible to persons with a disability, which building or fa-*
24 *cility is on real property located in this state and used in a trade or*
25 *business or held for the production of income, shall be entitled to*
26 *claim a tax credit in an amount equal to 50% of such expenditures*
27 *or, the amount of \$10,000, whichever is less, against the tax liability*
28 *imposed against such taxpayer pursuant to article 28 of chapter 40 of the*
29 *Kansas Statutes Annotated premium tax or privilege fees imposed pur-*
30 *suant to K.S.A. 40-252, and amendments thereto. Such tax credit shall*
31 *be deducted from the taxpayer's tax liability for the taxable year*
32 *following the year in which the expenditures are made by the tax-*
33 *payer. If the amount of such tax credit exceeds the taxpayer's tax*
34 *liability for such taxable year, the amount thereof which exceeds*
35 *such tax liability may be carried over for deduction from the tax-*
36 *payer's tax liability in the next succeeding taxable year or years*
37 *until the total amount of the tax credit has been deducted from tax*
38 *liability, except that no such tax credit shall be carried over for*
39 *deduction after the fourth taxable year succeeding the taxable year*
40 *in which the expenditures are made. Terms used in this section shall*
41 *have the same meanings as ascribed thereto in K.S.A. 79-32,175,*
42 *and amendments thereto.*

43 *Section 2. K.S.A. 1997 Supp. 74-50,114 is hereby amended to read*

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due under K.S.A. 40-253 and amendments thereto from a taxpayer not organized under the laws of this state, the credit allowed by Section 1 shall be treated as a tax paid under K.S.A. 40-252 and amendments thereto.

OR "KSA 40-2813

House Economic Development

2/18/98

ATTACHMENT I

SB 416—Am. by SCW

1 as defined in subsection (b) of K.S.A. 79-32,154, and amendments
 2 thereto, shall be allowed a credit for such investment, in an amount de-
 3 termined under subsection (b) against the tax imposed by the Kansas
 4 income tax act, ~~the privilege tax on net income of insurance companies~~
 5 ~~imposed under chapter 40, article 28 of the Kansas Statutes Annotated,~~
 6 ~~the premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and~~
 7 ~~amendments thereto~~ or the privilege tax as measured by net income of
 8 financial institutions imposed pursuant to chapter 79, article 11 of the
 9 Kansas Statutes Annotated for the taxable year during which commence-
 10 ment of commercial operations, as defined in subsection (f) of K.S.A. 79-
 11 32,154, and amendments thereto, occurs at such qualified business facil-
 12 ity, and for each of the nine succeeding taxable years. No credit shall be
 13 allowed under this section unless the number of qualified business facility
 14 employees, as determined under subsection (d) of K.S.A. 79-32,154, and
 15 amendments thereto, engaged or maintained in employment at the qual-
 16 ified business facility as a direct result of the investment by the taxpayer
 17 for the taxable year for which the credit is claimed equals or exceeds two.
 18 Where an employee performs services for the taxpayer outside the qual-
 19 ified business facility, the employee shall be considered engaged or main-
 20 tained in employment at the qualified business facility if (1) the em-
 21 ployee's service performed outside the qualified business facility is
 22 incidental to the employee's service inside the qualified business facility,
 23 or (2) the base of operations or, the place from which the service is di-
 24 rected or controlled, is at the qualified business facility.

25 (b) The credit allowed by subsection (a) for any taxpayer who invests
 26 in a qualified business facility shall be a portion of the ~~income~~ tax, but
 27 not in excess of 50% of such tax, otherwise imposed on or measured by
 28 the taxpayer's qualified business facility income, as defined in subsection
 29 (g) of K.S.A. 79-32,154, and amendments thereto, for the taxable year for
 30 which such credit is allowed. Such portion shall be an amount equal to
 31 the sum of the following:

32 (1) One hundred dollars for each qualified business facility employee
 33 determined under K.S.A. 79-32,154, and amendments thereto; plus

34 (2) one hundred dollars for each \$100,000, or major fraction thereof
 35 (which shall be deemed to be 51% or more), in qualified business facility
 36 investment as determined under K.S.A. 79-32,154, and amendments
 37 thereto.

38 (c) No credit shall be allowed under this section for investment in a
 39 public utility, as such term is defined in K.S.A. 66-104, and amendments
 40 thereto.

41 *Sec. 45* K.S.A. 79-32,154 is hereby amended to read as follows: 79-
 42 32,154. As used in this act, the following words and phrases shall have
 43 the meanings respectively ascribed to them herein:

Sec. 6

due under K.S.A.253 and amendments thereto from a taxpayer not organized under the laws of this state, the credit allowed under K.S.A. 79-32,153(a) shall be treated as a tax paid under K.S.A. 40-252 and amendments thereto.

SB 416—Am. by SCW

1 prizes must operate an auto racetrack in the state involving capital im-
2 provements costing not less than \$100,000,000.

3 Any ancillary support business which would otherwise be eligible for a
4 sales tax exemption or an income, premium or privilege tax credit pur-
5 suant to this subsection shall incorporate in its tax filing for the exemption
6 or credit a statement from the secretary of commerce and housing which
7 includes a finding by the secretary that the job expansion incident to the
8 exemption or credit claimed would not have occurred in the absence of
9 the credit or exemption.

10 (h) "Nonmetropolitan region" means a region established under
11 K.S.A. 74-50,116 and amendments thereto and is comprised of any county
12 or counties which are not metropolitan counties.

13 (i) "Retail business" means: (1) Any commercial enterprise primarily
14 engaged in the sale at retail of goods or services taxable under the Kansas
15 retailers' sales tax act; (2) any service provider set forth in K.S.A. 17-2707,
16 and amendments thereto; (3) any bank, savings and loan or other lending
17 institution; (4) any commercial enterprise whose primary business activity
18 includes the sale of insurance; and (5) any commercial enterprise deriving
19 its revenues directly from noncommercial customers in exchange for per-
20 sonal services such as, but not limited to, barber shops, beauty shops,
21 photographic studios and funeral services.

22 (j) "Secretary" means the secretary of the Kansas department of com-
23 merce and housing.

24 (k) "Standard industrial classification code" means a standard indus-
25 trial classification code published in the Standard Industrial Classification
26 manual, 1987, as prepared by the statistical policy division of the office
27 of management and budget of the office of the president of the United
28 States of America.

29 Sec. 23. K.S.A. 1997 Supp. 74-50,132 is hereby amended to read as
30 follows: 74-50,132. A qualified firm shall be entitled to a credit toward
31 its corporate income tax liability against the tax imposed by the Kansas
32 income tax act, the premium tax or privilege fee imposed pursuant to
33 K.S.A. 40-252, and amendments thereto or the privilege tax as measured
34 by net income of financial institutions imposed pursuant to chapter 79,
35 article 11 of the Kansas Statutes Annotated in an amount equal to the
36 portion of the qualified business facility cash investment in the training
37 and education of the firm's employees that exceeds 2% of the firm's total
38 payroll costs. The maximum amount of the credit that may be claimed
39 by a single corporate taxpayer in any single tax year under this section
40 shall not exceed \$50,000. Tax credits earned by a qualified business under
41 this section must be claimed in their entirety in the tax year eligible.

42 Sec. 24. K.S.A. 79-32,153 is hereby amended to read as follows: 79-
43 32,153. (a) Any taxpayer who shall invest in a qualified business facility,

due under K.S.A. 40-253 and amendments thereto from a taxpayer not organized
under the laws of this state, the credit allowed by Section 3 shall be treated as
as tax paid under K.S.A. 4--252 and amendments thereto.

el
KSA 1997 SUPP
74-50,132

SB 416—Am. by SCW

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1 carried forward for credit in the succeeding taxable year or years until
 2 the total amount of the tax credit is used, except that no such tax credit
 3 shall be carried forward for deduction after the 10th taxable year suc-
 4 ceeding the taxable year in which such credit initially was claimed and no
 5 carry forward shall be allowed for deduction in any succeeding taxable
 6 year unless the taxpayer continued to be qualified and was recertified for
 7 such succeeding taxable year pursuant to K.S.A. 1997 Supp. 74-50.131,
 8 and amendments thereto.

9 (f) This section and K.S.A. 79-32,160b and amendments thereto shall
 10 be part of and supplemental to the job expansion and investment credit
 11 act of 1976 and acts amendatory thereof and supplemental thereto.

12 *Sec. ~~40~~ K.S.A. 79-32,195 is hereby amended to read as follows:*
 13 *79-32,195. As used in this act, the following words and phrases shall*
 14 *have the meanings ascribed to them herein: (a) "Business firm"*
 15 *means any business entity authorized to do business in the state of*
 16 *Kansas which is subject to the state income tax imposed by the pro-*
 17 *visions of the Kansas income tax act, any national banking associ-*
 18 *ation, state bank, trust company or savings and loan association*
 19 *paying an annual tax on its net income pursuant to article 11 of*
 20 *chapter 79 of the Kansas Statutes Annotated, or any insurance com-*
 21 *pany paying an annual tax on its net income pursuant to article 28*
 22 *of chapter 40 of the Kansas Statutes Annotated [the premium tax*
 23 *and privileges fees imposed pursuant to K.S.A. 40-252, and amend-*
 24 *ments thereto];*

25 (b) "community services" means:

26 (1) The conduct of activities which meet a demonstrated com-
 27 munity need and which are designed to achieve the objectives set
 28 forth in the blueprint for investment in Kansas children and their families
 29 of the 1001 special committee on children's initiatives and which have
 30 been approved by local planning councils established in accordance with
 31 such blueprint improved educational and social services for Kansas chil-
 32 dren and their families, and which are coordinated with communities;

33 (2) crime prevention; and

34 (3) health care services.

35 (c) "crime prevention" means any nongovernmental activity
 36 which aids in the prevention of crime in an impoverished area.

37 (d) "community service organization" means any organization
 38 performing community services in Kansas and which:

39 (1) Has obtained a ruling from the internal revenue service of
 40 the United States department of the treasury that such organization
 41 is exempt from income taxation under the provisions of section
 42 501(c)(3) of the federal internal revenue code; or

43 (2) is incorporated in the state of Kansas or another state as a

7
 Section 7. For purposes of calculating any tax due under K.S.A. 40-253 and amendments thereto from a taxpayer not organized under the laws of this state, the credits allowed under K.S.A. 79-32,160a shall be treated as a tax paid under K.S.A. 40-252 and amendments thereto.