

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Chairperson Phill Kline at 9:00 a.m. on January 30, 1998 in Room 519-S of the Capitol.

All members were present except: Rep. Powell
Rep. Howell
Rep. Shore
Rep. Franklin
Rep. Johnston

Committee staff present: Chris Courtwright, Legislative Research Department
Tom Severn, Legislative Research Department
Don Hayward, Revisor of Statutes
Ann McMorris, Committee Secretary

Conferees appearing before the committee:
Roger Viola, Security Benefit Group
Dan Hermes, Director of Governmental Relations
Mark S. Beck, Department of Revenue
Bob Corkins, KCCI
Bernie Koch, Wichita Area Chamber of Commerce
Hal Hudson, NFIB
Don Schnacke, KIOGA
Arthur Brown, Mid-America Lumberman's Assn.

Written testimony from
Christy Caldwell, Topeka C of C
Don Snodgrass, Kansas Food Dealers

Others attending: See attached list

Chair opened hearing on:

HB 2668 - Sales tax exemption for aircraft

Proponent:
Roger Viola, Security Benefit Group (Attachment 1)

Closed hearing on **HB 2668.**

Chair opened hearing on:

HB 2706 - Business tax relief act of 1998

Proponents:
Dan Hermes, Director of Governmental Relations (Attachment 2)
Mark S. Beck, Department of Revenue (Attachment 3)
Bob Corkins, KCCI (Attachment 4)
Bernie Koch, Wichita Area Chamber of Commerce (Attachment 5)
Hal Hudson, NFIB (Attachment 6)
Don Schnacke, KIOGA (Attachment 7)
Arthur Brown, Mid-America Lumberman's Assn. (Attachment 8)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, ROOM 519-S Statehouse, at 9:00 a.m. on January 30, 1998.

Written testimony from:

Christy Caldwell, Topeka Chamber of Commerce (Attachment 9)
Don Snodgrass, Kansas Food Dealers (Attachment 10)

Due to lack of time for all to testify, the hearing on **HB 2706** was continued to Tuesday, February 3.

The next meeting is scheduled for February 3, 1998.

Adjournment

Attachments - 10

TAXATION COMMITTEE GUEST LIST

DATE: JANUARY 30, 1998

NAME	REPRESENTING
Mart Friedrichs	Kansas City Business Journal
Lee Eisenhauer	Propane Marketers Assoc of KS
DAN SNODGRASS	KS FOOD DEALERS ASSOCI
Bob Corkins	KCCI
Hal Hudson	NFIB / KS
Rebekah Chavez	SBA
Roger Viola	SBA
Trish Copeland	SBA
John Peterson	Security, Bond, + Group
Christy Caldwell	Topeka Chamber of Com

TAXATION COMMITTEE GUEST LIST

DATE: JANUARY 30, 1998

NAME	REPRESENTING
Ashley Shevard	Overland Park Chamber
Michelle Miller	Johnson County
Bud Janice	BOEING
Art Deam	Mid. M. Lumber
Kelly Kuttala	City of Overland Park
Rene Adams	Western Leases
Tom Whitaker	KS MOTOR CARRIAGES ASSN.

Date: January 30, 1998

To: Members of the Kansas House Committee on Taxation

From: Roger K. Viola
Security Benefit Group, Inc.

Re: House Bill 2668 to Amend K.S.A. 79-3606(g)

My name is Roger Viola. I am Senior Vice President and General Counsel of Security Benefit Group, Inc. I am here today to speak in favor of House Bill 2668. This bill clarifies that a taxpayer may contract with a third party agent to operate its aircraft for charter purposes in interstate commerce while maintaining the exemption from sales/use tax contained in K.S.A. 79-3606(g). The proposed legislation has a tax neutral impact and will greatly ease the administrative burdens and cost of licensing for companies using aircraft for charter operations in interstate commerce.

The applicable exemption statute, K.S.A. 79-3606(g), currently provides an exemption covering **“sales of aircraft. . . to persons using such aircraft . . . as certified or licensed carriers of persons or property in interstate . . . commerce under authority of the laws of the United States. . .”** This exemption is made applicable to lease transactions by K.S.A. 79-3704(d).

In 1992, Security Benefit leased an aircraft which is used for charter operations and contracted with a third-party agent to maintain and operate the aircraft on its behalf. In order to use an aircraft for charter operations, federal law requires that the owner of the aircraft (*or the owner's operator*) must hold an FAA Air Carrier Certificate and that the aircraft itself meet the standards and requirements for being listed on the certificate. Accordingly, Security Benefit's operator obtained an FAA Air Carrier Certificate and listed Security Benefit's aircraft on the certificate which enabled Security Benefit to use its aircraft for charter operations.

Certain that its use of the aircraft fell squarely within the use tax exemption contained in K.S.A. 79-3606(g), Security Benefit relied on the exemption for tax years 1992 through 1996. However, during a sales/use tax audit conducted by the Kansas Department of Revenue in 1996, the department took the position that Security Benefit was not entitled to rely upon the exemption because the FAA Air Carrier Certificate on which Security Benefit's aircraft was listed was not held directly in Security Benefit's name. As a result, Security Benefit was forced to expend in excess of \$50,000 to obtain and maintain an FAA Air Carrier Certificate in its own name in order to rely upon the exemption going forward.

We think that the distinction made by the Kansas Department of Revenue in Security Benefit's audit is artificial and not intended by legislature. The current wording of the statute indicates that if a company has met the requirements of federal law for the charter operation of its aircraft then it is entitled to rely on the sales/use tax exemption available under Kansas law. Since federal law permits the charter use of its aircraft in interstate commerce *regardless of whether the aircraft is listed on the owner's FAA Air Carrier Certificate or listed on an FAA Air Carrier Certificate issued to the owner's operator*, K.S.A. 79-3606(g) should be amended to clarify that a taxpayer may rely on the exemption when it is using its aircraft for charter operations in interstate commerce, whether directly or through an authorized agent (i.e. *whether the aircraft is listed on the taxpayer's own FAA Air Carrier Certificate or listed on a certificate issued to a third party agent operating the aircraft on the taxpayer's behalf*).

In conclusion, the proposed legislation has a tax neutral impact and will greatly ease the administrative burdens and licensing costs to Kansas companies using aircraft for charter operations in interstate commerce (i.e. either the taxpayer or its contracted agent could hold the certificate as a licensed carrier in interstate commerce). Further, the purpose of the statute – to encourage commercial aircraft charter usage by companies located in the State of Kansas – would be furthered by the amendment. Accordingly, we urge the Committee to vote favorably on H.B. 2668.

STATE OF KANSAS

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Topeka, Kansas 66612-1590



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OFFICE OF THE GOVERNOR

LEGISLATIVE TESTIMONY

TO: Chairman Phill Kline and Members of the House Committee on Taxation

FROM: Dan Hermes, ^{DAM} Director of Governmental Affairs

DATE: January 30, 1998

BILL: HB 2706 -- Business Tax Relief Act

Mr. Chairman and members of the committee, thank you for the opportunity to appear today in support of this component of the Governor's tax relief package.

If we are to continue to maintain the pace of our economy, an economy that has provided us the opportunity to cut taxes for a record four straight years, we must continue to address the relative imbalances in taxation of the state's businesses.

The state is clearly out of step with the rest of the region for property taxes on business machinery and equipment. The time has come to reduce this tax burden. The Governor is recommending that the state allow an income tax credit equal to 15 percent of the tax paid by businesses for property taxes on machinery and equipment.

Personal property taxes on these items is also an administrative headache. The Governor is recommending that if an item is valued at less than \$500, it does not need to be included in the tax base and should be exempt from the tax.

Thank you for the opportunity to visit about the Governor tax relief package and I will be happy to stand for any questions.

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Attachment 2-1

MEMORANDUM

To: Representative Phill Kline, Chairman
Taxation Committee

From: Mark S. Beck, Director
Division of Property Valuation, Kansas Department of Revenue

Date: January 30, 1997

Subject: House Bill 2706, Section 1.

This bill contains language that assures the personal property exemption provided to low cost items will qualify for exemption, even if the property is leased for a non-exempt use.

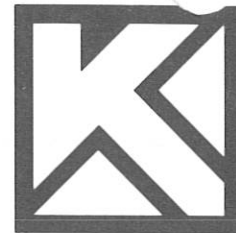
The Board of Tax Appeals (in a decision based on a ruling by the Court of Appeals) has ruled that pagers were not exempt where the owner, a business, could not prove that the pagers were used exclusively for business purposes. (Docket No. 96-5870-TX). Evidence was presented that people leasing pagers were using them for a variety of personal uses. In following the Court ruling, the Board had little choice but to rule that pagers were taxable. This puts business owners who lease or rent items to the general public in the impossible situation of having to prove what use the lessee is making of the property. The new language will prevent a heavy burden being placed upon taxpayers to show that low cost items qualify for exemption.

There are many low cost items that a business may lease or rent to a person who in turn would use for non-business purposes. For example, chairs rented to individuals who use them for weddings; various hand tools rented to people who use them to repair or improve their homes; videos rented to individuals seeking entertainment; satellite dishes leased to individuals for home television viewing. This language will assure that items satisfying the dollar threshold amount will be exempt, regardless of how the lessee uses the property. The focus of the exclusive use requirement will now be solely at the business level, which is what we believe was originally intended.

The new language should prove to be effective given the history behind another property tax exemption, K.S.A. 79-201k, for business aircraft. This exemption originally had language very similar to the language in the property tax exemption at issue. The Court of Appeals held that an aircraft used to generate income by the business owner was not exempt because some of the lessees used the aircraft for personal purposes. (Kenneth Godfrey Aviation, Inc. v. Smith, 12 K.A. 2d 434, 746 P.2d 1068 (1987)). In response to that case, the legislature revised K.S.A. 79-201k in a manner identical to the revision proposed in Section 1 of House Bill 2706.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



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HB 2706

January 30, 1998

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Committee on Taxation

by

Bob Corkins
Director of Taxation

Honorable Chair and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry. I am pleased to have this opportunity to express our members' strong support for the business personal property tax changes in HB 2706.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 47% of KCCI's members having less than 25 employees, and 77% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Please recall and apply again today the public testimony submitted last year regarding the proposed income tax credit for property taxes paid on business M&E. KCCI supported that plan

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...n was overwhelmingly approved by both the House and Senate in 1997 and we support the similar (i.e. larger) plan included in this bill. Such incentives for M&E operation and modernization have historically had a direct correlation with Kansas job growth, as indicated by the strong support for these measures by business and labor alike.

We cannot overemphasize the importance of tax relief for M&E to the economic development of this state. This summer a highly sophisticated computer analysis of M&E tax relief was performed by Kansas Inc. The results show that a 50% reduction in M&E property taxes would create over 2,500 new jobs and boost state personal income by \$59 million in just its first year of implementation. Kansas M&E tax burdens are oppressive -- our 1996 effective property tax rate exceeds three percent while neighboring states range from zero to two percent. We are also at a disadvantage with respect to M&E sales taxes. Kansas does not exempt installation and repair services and parts for M&E as do most other states. Furthermore, the M&E sales tax exemption has been narrowed due to the Alsop Sand decision I spoke to this committee about on HB 2643. In short, Kansas should extend every bit of tax relief to M&E that is reasonably possible this year.

That theme carries over into the next topic on the personal property tax threshold exemption. KCCI was one of the leading organizations to push for this provision in 1995 to counteract a new wave of aggressive county audits across the state. Given the difficulty in accurately completing an annual tax rendition form that lists every item of business personal property, given the very small percent of our tax base that such lesser expensive property represents, and given the extremely high tax penalties (the highest in the nation by far) for unreported or underreported property (however innocent the mistake), this threshold exemption has ample justification.

When the 1995 bill was introduced, the threshold was proposed at \$2,500 per item. The Property Valuation Department surveyed all counties -- most of which responded -- and their conclusion was that a threshold of \$1,000 would cause less than a 1% loss of statewide tax base.

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House overwhelmingly approved a \$500 threshold and in conference committee the compromise was struck at \$250.

Of course, "loss" of tax base is a relative term. The actual change in statewide tax base between 1995 and 1996 was a 7.6% growth in M&E assessed value and a 12.5% growth in the "all other" category which is largely composed of small non-machinery business property.

This threshold approach has been enormously popular with KCCI members. As recently as last autumn, our member surveys ranked the popularity of an increase in this threshold as a close third (all types of tax relief compared) -- preceded only by mill levy reductions and M&E relief.

KCCI supports any increase in the current \$250 level, including the Governor's \$500 recommendation in today's bill. We urge your favorable recommendation of this proposal, and I thank you for your time and consideration.

Testimony of Bernie Koch
VP/Government Relations
Wichita Area Chamber of Commerce

House Taxation Committee
January 30, 1998
H.B. 2706

Good morning Mr. Chairman and committee members. Thank you for the opportunity to appear before you today. I'm Bernie Koch with the Wichita Area Chamber of Commerce.

We strongly support House Bill 2706, the business tax relief act of 1998.

In particular, the 15% refundable tax credit for property taxes paid on machinery and equipment is very important. Anything we can do to encourage investment in machinery and equipment, such as reducing property taxes, helps make our businesses more competitive. Our surveys indicate that as much as 40 percent of the products manufactured in the Wichita Area end up overseas. Our major competitors are the manufacturers in foreign countries.

As you know, overseas labor rates can be dramatically lower. We can only stay competitive and keep our higher paying jobs by being more productive than those foreign competitors. To do that you need two things; a well trained workforce and the best, most modern machinery and equipment.

We believe that this proposal was advanced, in part, by what the State of Iowa did. Iowa repealed the property tax on new machinery and equipment effective January 1, 1995. The property tax on machinery and equipment which existed before that date is being phased out over a three-year period.

We contacted two officials in Iowa about the impact of their legislation: Mr. Harvey Siegelman, Iowa's State Economist, and Mr. Dick Sorenson, Business Development Manager.

Not enough time has passed since the change to evaluate the impact in a statistical manner and no studies have been done. However, both officials report considerable anecdotal evidence that the change has stimulated manufacturing employment and productivity. Mr. Sorenson believes that the change has helped Iowa win several recent large projects.

Mr. Siegelman observed that recent strong state economies have resulted in budget surpluses and tax-cutting in a number of Midwestern states. The repeal or significant reduction of machinery and equipment property tax has been a common strategy for the use of this money. Mr. Sorenson cited Illinois, Iowa, Minnesota and Wisconsin as states that have fully repealed the machinery and equipment property tax.

What you are considering is not full repeal, but I believe it's a good start and encourage your support for it.

We also support the increased exemption on business person property from \$250 to \$500, which is also in the bill. The \$250 exemption was practically invisible in its impact on local governments in our area. You can't even tell it happened. With that \$250 exemption and the McGraw Supreme Court Case last year which redefined "retail cost when new," the Sedgwick County machinery and equipment tax base still grew by about 4 and a half percent.

Thank you for the opportunity to appear before you today. I would be pleased to respond to questions.

VALUE OF COMMERCIAL/INDUSTRIAL MACHINERY AND EQUIPMENT IN SEDGWICK COUNTY

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	<u>ASSESSED VALUE</u>		<u>TOTAL M&E VALUE</u>	<u>NET \$ CHANGE IN TOTAL M&E VALUE</u>	<u>NET % CHANGE IN TOTAL M&E VALUE</u>		
1984	\$183,930,207	/ 30% =	\$613,100,690				
1985	\$187,085,820		\$623,619,400	+\$10,518,710	+1.72%	1985-88 Average Annual Growth Rate was +3.62%	
1986	\$185,445,528		\$618,151,760	-\$5,467,640	-0.88%		
1987	\$195,126,906		\$650,423,020	+\$32,271,260	+5.22%		
1988	\$211,576,704		\$705,255,680	+\$54,832,660	+8.43%		
<hr/>							
1988 - 1/3 =	\$141,051,136	<i>(Assessment percentage reduced from 30% to 20% in 1989)</i>					
1989	\$180,826,219	/ 20% =	\$904,131,095	+\$198,875,415	+28.20%	1989-92 Average Annual Growth Rate was +12.40%	
1990	\$177,862,882		\$889,314,410	-\$14,816,685	-1.64%		
1991	\$212,948,990		\$1,064,744,950	+\$175,430,540	+19.73%		
1992	\$220,016,005		\$1,100,080,025	+\$35,335,075	+3.32%		
<hr/>							
1992 + 1/4 =	\$275,020,006	<i>(Assessment percentage increased from 20% to 25% in 1993)</i>					
1993	\$281,394,061	/ 25% =	\$1,125,576,244	+\$25,496,219	+2.32%	1993-97 Average Annual Growth Rate was +3.48%	
1994	\$282,127,156		\$1,128,508,624	+\$2,932,380	+0.26%		
1995	\$295,632,718		\$1,182,530,872	+\$54,022,248	+4.79%		
1996	\$309,179,886		\$1,236,719,544	+\$54,188,672	+4.58%		
1997	\$326,055,773		\$1,304,223,092	+\$67,503,548	+5.46%		

THE TOTAL VALUE OF COMMERCIAL/INDUSTRIAL MACHINERY AND EQUIPMENT IN SEDGWICK COUNTY

INCREASED BY ONLY 15.03% DURING THE FOUR YEAR PERIOD 1985-88 (USING 1984 AS THE BASE)

**TOTAL VALUE INCREASED BY 55.98% DURING THE NEXT FOUR YEAR PERIOD (1989-92), FOLLOWING
REDUCTION OF THE ASSESSMENT PERCENTAGE FROM 30% TO 20% (USING 1988 AS THE BASE)**

**TOTAL VALUE INCREASED BY ONLY 12.42% DURING THE NEXT FOUR YEAR PERIOD (1993-96), FOLLOWING
INCREASE OF THE ASSESSMENT PERCENTAGE FROM 20% TO 25% (USING 1992 AS THE BASE)**

LEGISLATIVE TESTIMONY

NFIB Kansas



Purpose: To influence public policy at the State and Federal level for the benefit of Small and Independent Business in America.

**Statement by Hal Hudson, State Director
Kansas Chapter,
National Federation Of Independent Business
to the
Kansas House Taxation Committee
re: House Bill ~~2606~~ 2706
January 29, 1997**

Mr. Chairman and members of the Committee: Thank you for this opportunity to appear in support of House Bill 2706, the Business Tax Relief Act of 1998. My name is Hal Hudson, and I am here today representing the more than 7,000 small & independent business owners of Kansas who are members of the National Federation of Independent Business.

First of all, we support the increase in the exemption of business machinery, equipment, materials and supplies the original cost of which was \$500.00 or less.

Those of you who were on this committee in 1995 will recall that NFIB was a leading proponent of the "Paper Clip Tax" bill, which established the present \$250.00 threshold exemption for business property tax. You may also remember that we started by requesting a much higher exemption.

It was this committee that then approved the \$500.00 exemption, and the \$250.00 figure finally enacted was the result of a conference committee compromise. This measure is, as it was two years ago, more a paperwork reduction measure than tax relief.

Second, we support the Kansas income tax credit equal to 15% of the property tax actually paid during the taxable year.

You have heard me say before: Small Business owners dislike all taxes, but the tax they dislike the most is property tax. That is because property tax has no relevance to the taxpayer's ability to pay.

Keep in mind that property tax reduction was our members' top priority for 1998. We view the refundable income tax credit provision, as another way to encourage business investment in machinery and equipment and the creation of jobs for Kansans. Many small businesses, in the years they are growing and expanding, may make investments that substantially increase their property tax liability. It is this very growth that may reduce their income, hence their ability to pay property taxes.

Some will argue that this proposal allows local government to collect and keep the property tax, while the state gives the credit or makes the refund. So be it. It is a way to

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National Federation of Independent Business

3601 S.W. 29th St., Suite 116-B • Topeka, KS 66614-2015 • 913-271-9449 • Fax 913-27

...and NFIB works for small business.

stimulate business investment without reducing local property tax revenues -- and the cost has been built into the Governor's budget.

Finally, we must question the intent of the new language on lines 21 and 22: "*to earn income for the owner thereof in the conduct of such owner's business.*" What does this exclude that was included in the old language: "~~for business purposes?~~"

We previously have taken care of the portable outhouse, and dealt with equipment no longer used or useful. What about pictures or wall decorations in an office. Will they be declared as not necessary to earn income?

HB 2706 is a bill with good intent. It should serve as a stimulus to all Kansas business to update, improve and/or add to their machinery and equipment to become more productive. It should provide savings that will encourage business owners to provide more jobs and/or improve wages and benefits for present employees.

We support increasing the threshold exemption to \$500.00, and the implementation of the 15% refundable income tax credit. I just would like some assurance that this new language doesn't take away from that which is granted under present law.

Thank you.

Hal Hudson, State Director
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60th
YEAR

KIOGA

KANSAS INDEPENDENT OIL & GAS ASSOCIATION

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* EXECUTIVE COMMITTEE

House Committee on Taxation
January 30, 1998
Testimony of Donald P. Schnacke
Kansas Independent Oil & Gas Association
RE: HB 2706 - Business Tax
Relief Act of 1998

I am Don Schnacke, representing the Kansas Independent Oil & Gas Association, appearing in favor of HB 2706.

We are especially wanting to support the 15% tax credit for taxes paid on machinery and equipment. The definitions found in the bill on line 39 are the proper references within the state constitution that refers to machinery and equipment related to the oil and gas industry in Kansas.

Earlier this week you heard the President of our Association John O. Farmer III. tell you about the plight of the Kansas oil industry. I will not repeat what he said except to say there is a great deal of back up support from the IOGCC, KGS and Kansas, Inc. that justifies tax reduction help for the oil industry in Kansas. HB 2706 will contribute to that help.

The recent robust economic recovery has been a big help in returning Kansas agriculture and manufacturing back to normal after devastating economic decline since the oil price bust in 1986. This renewed economic recovery has not helped the Kansas oil industry. We thought prices were devastating in 1986 at \$10.50. Just this last week oil prices were at \$12.75, where most all operators are losing money.

In this atmosphere, we support the 15% tax credit on machinery and equipment related to the oil and gas industry, as contained in HB 2706.

Donald P. Schnacke

DPS:sm

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Attachment 7-1



MID-AMERICA LUMBERMENS ASSOCIATION

TESTIMONY FOR THE HOUSE TAXATION COMMITTEE

HB ²⁷⁰⁶2607--BUSINESS TAX RELIEF ACT OF 1998

JANUARY 30, 1998

Mister Chairman, members of the House Taxation committee. My name is Art Brown, and I stand before you representing the retail lumber and building material dealers in Kansas as a proponent for House Bill No. 2706. Passage of this bill would raise the current tax exemption on items used in business as stated in K.S.A. 79-306 from the current \$250.00 level to \$500.00 as suggested on line 25 of the bill, and has the endorsement of the Governor in his State of the State address.

I think it important for the committee to note some background as to why we as a membership are supportive of this bill. As you may recall, tangible personal property is valued as "retail costs when new." Changes that were brought about by the passage of the 1989 classification amendment was the tax policy on machinery, equipment and supplies, that incorporated the language that such items be taxed on a rate of 30% of "retail costs when new." In 1992, again by Constitutional amendment, the rate was re-established at 25% of the "retail costs when new" of the item up to a period of seven years. At such time, the value is then figured at 20% of the costs of the said item, up until the item has no value in the eyes of the appraiser.



Business people felt that this was a "glitch". You can see in my example that in regards to some machinery, some really big and in some cases, almost punitive taxes are being paid in this area by some of our businesses throughout the State. Realizing this, it was felt some sort of statutory relief was needed which could be provided to take some of the tax burden off of this area of business taxation. Along with a group of small and large businesses, we originally supported a bill which would have provided an exemption on such items up to a value of \$2500.00. We were subsequently scolded by a variety of municipalities who were convinced imminent bankruptcy would occur in their communities if this concept were to become law. Therefore, as a group of business people, we put our tail between our legs and graciously took the \$250.00 that we were begrudgingly allowed to have after all the dust had settled.

We now fast forward to 1998 and the leader of our State now realizes that this sort of statutory relief is necessary and has asked that this level of exemption be raised to \$500.00. Speaking for our membership, we appreciate his acknowledging this concern. However, I feel we should try to raise the bar a little higher. Here is why:

What I have listed here for you are some common prices for office equipment as I browsed through OFFICE DEPOT on January the 29th.

5-Drawer file Cabinet

\$599.99

<i>Legal size file cabinet (fire proof)</i>	<i>789.99</i>
<i>Brother MFC-4450 all in one fax-copier-printer</i>	<i>599.99</i>
<i>Brother MFC-4550 all in one fax-copier printer</i>	<i>699.99</i>
<i>KX-FH220 Panasonic all in one fax-copier-printer</i>	<i>417.99</i>

A variety of faxes were in the \$240 to \$550.00 range, depending on the number of features one wanted. As many of you know, these type of machines are considered "disposable," and as such repair on them when there is a severe malfunction is not available. Rather, you just are left with no option but to purchase a new one. As such, given the prices above, we are back to paying taxes on those items (save for the last Panasonic all in one.)

I remember the furrowed brows and wrinkled noses when it was suggested that a total moratorium was not possible on unemployment insurance taxes. I remember the headlines and the debate about the inability to provide tax relief on motor vehicles that finally came to bear. I now suggest to this committee that it takes bold action and raises the level shown on line 25 of the bill to \$1000.00, and yes, I would say that the small business owners in this State would applaud this aggressive effort.

No, I do not know the fiscal note for this increase, but I do know that in visiting with our membership, this item came out as the number 2 item on their agenda that they want to see action taken in regard to tax policy. Our business people are like any other business people in the State. I have to believe, this is definitely

one area in tax policy that I honestly can say that they would see instant value, some honest "money in their pocket," type of tax savings in their business. They would notice the difference immediately. I think this to be a bold move on your part. It is giving more than is being asked in an area where the Constitution ties our hands for any other type of relief in this area.

I absolutely do not want this change to be construed as a criticism of the Governor's action in this matter, or that we are ungrateful for his support in addressing this issue. As stated, we appreciate his acknowledgement of this concern. It is my hope the committee as a whole will consider this change, and pass HB ²⁷⁰⁶2607 favorably with the \$1000.00 recommendation in the final language of this bill as it passes out of this Committee.

I thank you for your time, and stand for questions and/or comments.



120 SE 6th Avenue, Suite 110 • Topeka, Kansas 66603-3515
(913) 234-2644 • FAX (913) 234-8656



January 29, 1998

The Honorable Phill Kline
Chair, House Taxation Committee
Statehouse
Topeka, KS 66612

Dear Chairman Kline and Members of the Tax Committee,

The Greater Topeka Chamber of Commerce would like to express our strong support for a 15% tax credit for property taxes paid on machinery and equipment. This tax reduction will provide significant relief that business can use to create more jobs and/or modernize their equipment or facilities.

Last year, I asked some local employers to provide testimony to your committee on the proposed 10% tax credit. Two of those companies have updated their testimony for your review, as attached. Goodyear Tire & Rubber, Hill's Pet Nutrition and the Greater Topeka Chamber of Commerce, on behalf of over 1,000 other member firms ask your favorable consideration of HB 2706, the business tax relief act of 1998.

Sincerely,

A handwritten signature in black ink that reads "Christy A. Caldwell".

Christy A. Caldwell
Vice President Government Relations

c:\wpdoc\legislar\HB2706.doc

House Taxation
1-30-98
Attachment 9-1

ev. 1)

The Goodyear Tire & Rubber Company

P. O. BOX 1069
TOPEKA, KS 66601

PHONE (913) 295-7111

January 26, 1998

Chairperson Langworthy and Members of the Committee:

My name is Robert Manis, and I am the Plant Controller at the Goodyear Tire and Rubber Company's Topeka Plant.

Goodyear strongly supports Legislation to implement a refundable income tax credit equal to 15% of property taxes paid on manufacturing machinery and equipment, as well as legislation designed to increase the "Retail Cost When New" exemption from \$250 to \$500. Both of these initiatives represent effective ways to improve the tax climate for manufacturing concerns and ultimately increase the number of quality manufacturing jobs in the State of Kansas.

As has been pointed out in the past, Goodyear's Topeka facility is burdened with the highest property tax bill among Goodyear's North American tire plants. Our 1997 real and personal property tax bill is in excess of \$2.57 million, of which \$1.96 million represents tax on personal property, almost all of which is industrial machinery and equipment. These proposals would provide for some relief on our overall personal property tax bill through a higher "Retail Cost When New" Exemption, as well an income tax credit to Goodyear of approximately \$300,000. This is a substantial amount, and would contribute to "leveling the playing field" not only between Goodyear Topeka and our sister plants throughout the United States, but also with our competition worldwide.

We believe that this legislation would go far towards showing Kansas' determination to rectify the property tax burden on industries such as ours. We hope that the Committee will support this legislation.

Thank you.



R P Manis
Plant Controller

9-2



Hill's Pet Nutrition, Inc.
P.O. Box 148
Topeka, Kansas 66601-0148
913-354-8523

January 26, 1998

Senator Audrey Langworthy
State of Kansas
Capitol Building
Topeka, KS 66612

Dear Senator Langworthy:

My name is Joe Douglas and I am the Senior Vice President of Global Product Supply for Hill's Pet Nutrition, Inc., headquartered here in Topeka. Part of my responsibilities are to manage our worldwide manufacturing plants. I am writing you to urge your support for the proposal to provide a 15 percent income tax credit for property tax paid on machinery and equipment. Hill's Pet Nutrition, Inc., is the leading producer of specialty pet foods under the Science Diet® and Prescription Diet® labels, for dogs and cats. We are a division of the Colgate-Palmolive Company and like our parent company, distribute both domestically and internationally.

We continue to enjoy very positive growth in both arenas and as such have been continually challenged to develop additional capacity. We have four domestic plants that are located in California, Kentucky, Indiana, and here in Topeka. In order to support our growth we recently completed a \$70 million expansion at our Indiana facility and a \$20 million acquisition in Holland. One of the critical factors that we considered in where to build the additional capacity was the overall tax structure of the states where we are located.

We continue to believe that both the real estate and property tax burdens in Kansas are very oppressive and discourage major business from either relocating to or expanding in Kansas. **In fact, on an equal value of assets basis, taxes for our Kansas plant are 10 times higher than our Kentucky plant, 4 times higher than our Indiana plant, and 3 times higher than our California plant.**

Senator Langworthy
January 26, 1998
page 2

In summary, Hill's is encouraged that you are addressing these tax issues and believes this legislation is a critical first step toward making it more attractive to expanding the business base in Kansas.

Thank you very much for your attention and consideration.

Sincerely,

A handwritten signature in cursive script that reads "Joseph A. Douglas". The signature is written in black ink and includes a horizontal line extending to the right from the end of the name.

Joseph A. Douglas
Senior VP of Global Product Supply



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Shawnee Mission

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DIRECTOR OF
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FRANCES KASTNER

HOUSE TAXATION COMMITTEE

1-30-98

SUPPORTING HB 2706

The Kansas Food Dealers Association supports HB 2706. Both portions of that bill will be very beneficial to our members.

Our membership includes retailers, distributors and manufacturers of food products throughout the State.

Passage of HB 2706 will not only allow them an income tax credit equal to 15% of their property taxes paid, but will also increase the \$250 exemption to \$500 which we believe is needed.

We firmly believe that whatever you do to provide tax relief to businesses will ultimately benefit the citizens of Kansas. Unless business and industry thrives, the community they serve cannot survive.

We urge your support and passage of HB 2706.


Donald Snodgrass


Frances Kastner

House Taxation
1-30-98
Attachment 10-1