

Approved: February 17, 1998  
(date)

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on February 16, 1998 in Room 123-S of the Capitol.

Members present: Senators Salisbury, Barone, Brownlee, Donovan, Feleciano, Gooch, Jordan, Ranson, Steffes, Steineger and Umbarger.

Committee staff present: Lynne Holt, Legislative Research Department  
Bob Nugent, Revisor of Statutes  
Betty Bomar, Committee Secretary

Conferees appearing before the committee:  
Tom Blackburn, Executive Vice President, Kansas Venture Capital, Inc.  
Michael R. Murray, Sprint

Others attending: See attached list

Upon motion by Senator Steineger, seconded by Senator Feleciano, the Minutes of February 13, 1998 Meeting were unanimously approved.

The Chair called the Committee's attention to a letter from the Department of Commerce and Housing stating its concerns about **SB 573** and **SB 580**, the telemarketing bills. (Attachment 1)

**SB 487 - privatize Kansas Venture Capital, Inc.**

Bob Nugent, Revisor of Statutes, submitted balloon amendments of **SB 487**, (Attachment 2) together with two different versions of subsection (j). Mr. Nugent explained subsection (j) (Attachment 3) sets forth the agreement with initial payment of \$1 million payable on or before July 31, 1998, and with a provision that the payment obligation of KVC I shall be deferred as to any scheduled payment or portion thereof in the event that the making of such payment would result in the corporation have a book value of less than \$10 million. This language was submitted by corporate counsel of KVC I and reflect the repayment terms supported by its board of directors.

Senator Ranson moved, seconded by Senator Steffes, that subsection (j) be further amended by adding, "Any deferred payment shall be payable on the next scheduled payment date when such amount shall either be paid or further deferred to the next payment date of the payment is still subject to deferral", and that subsection (j) as amended be adopted. The voice vote was unanimous in favor of the motion.

Senator Steffes moved, seconded by Senator Ranson that **SB 487** be amended on Page 3, line 30 by striking the date "1985" and inserting in lieu thereof the date "1997"; Page 4, line 10, strike the date "1985" and insert in lieu thereof the date "1997". The voice vote was unanimous in favor of the motion.

Senator Steffes moved, seconded by Senator Ranson that **SB 487** be recommended favorable for passage as amended. The recorded voice was unanimous in favor of the motion.

**SB 554 - Privatize Ad Astra Funds I and II**

Bob Nugent, Revisor of Statutes, submitted balloon amendments to **SB 554**. (Attachment 4)

Senator Steffes moved, seconded by Senator Donovan, that **SB 554** be amended on page 3, line 7 by striking the following: "The provisions of this section, and amendments thereto, shall be applicable to cash investment made in any taxable year commencing after December 31, 1985, and prior to January 1, 1998". ; line 43 by striking the word "the" and inserting "allowed cash investment for which"; strike the words "which" and the word "for"; Page 4 line 1, strike the words "investments made" and on line 3 strike the words "venture capital". The voice vote was unanimous in favor of the motion.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on February 16, 1998.

Senator Steffes moved, seconded by Senator Ranson that **SB 554** be recommended favorable for passage as amended. The recorded vote was unanimous in favor of the motion.

**SB 573 - Consumer protection; telephone solicitation**

**SB 580 - Consumer protection; telemarketing fraud and prize notification**

The Chair reviewed the issues of the telemarketing bills as heard by the Committee. **SB 573** was introduced at the request of the Direct Marketers Association (DMA) and repeals legislation adopted last year in KSA 50-670, and replaces it with portions of federal regulatory language. **SB 580** would place additional restrictions and requirements on telemarketers and would require additional resources in the Attorney General's office. An additional issue raised during the hearing is unintended consequences of 1997 language pertaining "to any person with whom the telephone solicitor has an existing business relationship."

Senator Ranson moved, seconded by Senator Jordan that a substitute for **SB 573** be drafted inserting the provisions of KSA 50-670, and in (2)(C) following the word "relationship;" add "provided that the solicitor is not an employee or a contract employee of a provider of telecommunications services." The voice vote was in favor of the motion.

Senator Barone moved, seconded by Senator Steineger, to include in the Substitute for **SB 573** the language found in **SB 573**, Page 1, lines 38 and 39, as follows: "*after the consumer has had at least seven days to review the goods or services,*" The voice vote was in favor of the motion.

The Chair deferred final action or further consideration on **SB 573** until such time as the Revisor has prepared a Substitute Bill.

The meeting adjourned at 9:00 a.m.

The next meeting is scheduled for February 17, 1998.



# KANSAS

DEPARTMENT OF COMMERCE & HOUSING

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February 13, 1998

Bill Graves, Governor  
Gary Sherrer, Lt. Governor / Secretary

Senator Alicia Salisbury  
Chairperson  
Senate Commerce Committee  
Statehouse, Room 120-S  
Topeka, KS 66612

Dear Senator Salisbury:

I wish to take this opportunity to share with the Senate Commerce Committee the position of the Kansas Department of Commerce & Housing on Senate Bills 573 and 580. These bills, which seek to increase regulation of call center operations by the State of Kansas, pose some concern for this agency. While we are not opposed to the spirit of this legislation, we would urge approaching this matter with caution.

Lt. Governor/Secretary Gary Sherrer earlier presented to this committee results of a business market study recently completed by an outside consultant. In this study, we have targeted several key industries for the purpose of business recruitment and retention. One of these is the call center industry, which has positive implications for many of our smaller communities. We anticipate they will be a significant component in our long-term, economic development strategy.

If we impose regulations that are too restrictive, our ability to recruit these companies could be quite limited. This is a very competitive industry, known for making swift relocation decisions. It is a business that can move quickly out of an adverse environment. We are concerned that restrictions beyond those existing in other states may have a negative impact on our ability to attract and retain such projects. The same note of caution also applies to call centers already located within the state.

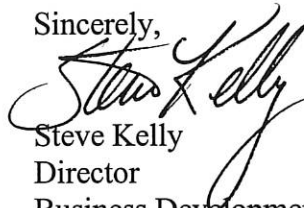
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Attachment # 1-1 thru 1-2

Should you have any questions or concerns regarding these issues, please do not hesitate to contact me at (785) 296-5298. We appreciate your consideration on this matter.

Sincerely,

A handwritten signature in black ink that reads "Steve Kelly". The signature is written in a cursive style with a large, looping "S" and "K".

Steve Kelly

Director

Business Development Division

Kansas Department of Commerce & Housing

cc: Lt. Governor/Secretary Gary Sherrer

SENATE BILL No. 487

By Committee on Commerce

1-22

9 AN ACT concerning Kansas Venture Capital, Inc.; providing a me  
10 the redemption of the state's investment therein; amending K.S.  
11 8203 and 74-8303 and K.S.A. 1997 Supp. 74-8205, 74-8206, 7  
12 74-8307 and 74-8401 and repealing the existing sections.  
13

14 *Be it enacted by the Legislature of the State of Kansas:*

15 Section 1. K.S.A. 74-8203 is hereby amended to read as follows:  
16 74-8203. The secretary of the department of commerce is authorized to  
17 certify investment in nonvoting preferred stock of Kansas Venture Cap-  
18 ital, Inc. in a total not to exceed ~~\$10,000,000~~ \$5,000,000 by the pooled  
19 money investment board as provided in K.S.A. 75-4205, and amendments  
20 thereto, under the following terms and conditions:

21 (a) When banks, savings and loan associations, individuals, corpora-  
22 tions or other entities have invested \$3,500,000 of private, equity capital  
23 in voting common stock in Kansas Venture Capital, Inc., the pooled  
24 money investment board shall match that amount in nonvoting preferred  
25 stock. Subsequent investments by the pooled money investment board  
26 shall occur quarterly and shall equal the amount of additional common  
27 stock subscribed and called by Kansas Venture Capital, Inc. At no time  
28 shall the investment in preferred stock exceed the amount of investment  
29 in common stock, at no time shall the investment in preferred stock ex-  
30 ceed \$5,000,000 until subscriptions have been accepted for at least  
31 \$10,000,000 of common stock, and at no time shall the pooled money  
32 investment board's aggregate investment exceed \$10,000,000.

33 (b) The nonvoting preferred stock invested in by the pooled money  
34 investment board will receive the same rate of dividend and the same  
35 rate of capital appreciation at the same time on the same terms as the  
36 voting common stock invested in by banks, savings and loan associations,  
37 individuals, corporations or other entities.

38 (c) Every outstanding share representing the nonvoting preferred  
39 stock is assured of being fully repaid to the pooled money investment  
40 board before one share of the voting common stock is repaid to any bank,  
41 savings and loan association, individual, corporation or other entity. In  
42 the event that capital impairment compromises the ability of Kansas Ven-  
43 ture Capital, Inc. to repay fully the nonvoting preferred stock, the pooled

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Attachment # 2.1 thru 2.3

*Continued*

See attached  
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1 or processed within the state.  
 2 (j) On or before July 1, 2003, the board of Kansas Venture Capital,  
 3 Inc. may redeem the nonvoting preferred stock representing the invest-  
 4 ment made by the pooled money investment board pursuant to this sec-  
 5 tion. The nonvoting preferred stock shall be redeemed in exchange for a  
 6 payment of \$5,000,000. Such payment may be made in such installments  
 7 as the board of Kansas Venture Capital, Inc. deems appropriate. After  
 8 each installment payment is received, a percentage of the nonvoting pre-  
 9 ferred stock shall be redeemed proportionally to the percentage of the  
 10 \$5,000,000 payment made by the board. All such redemption payments  
 11 shall be made to the pooled money investment board. The pooled money  
 12 investment board shall remit to the state treasurer all moneys received by  
 13 or for it from Kansas Venture Capital, Inc. for the redemption of the  
 14 nonvoting preferred stock. Upon receipt of each such remittance, the state  
 15 treasurer shall deposit the entire amount in the state treasury to the credit  
 16 of the public water supply loan fund.

17 Sec. 2. K.S.A. 1997 Supp. 74-8205 is hereby amended to read as  
 18 follows: 74-8205. (a) Except as otherwise provided in K.S.A. 74-8207, and  
 19 amendments thereto, every national banking association, state bank, sav-  
 20 ings and loan association or insurance company investing in stock issued  
 21 by Kansas Venture Capital, Inc. shall be entitled to a credit in an amount  
 22 equal to 25% of the total amount of cash investment in such stock against  
 23 the tax liability imposed against such taxpayer pursuant to K.S.A. 79-1106  
 24 to 79-1116, inclusive, and amendments thereto or K.S.A. 40-252 or 40-  
 25 2801, and amendments thereto, as the case requires. The amount by  
 26 which that portion of the credit allowed by this section exceeds the tax-  
 27 payer's tax liability in any one taxable year may be carried forward until  
 28 the total amount of the credit is used.

29 (b) The provisions of this section shall be applicable to investments  
 30 made in all taxable years commencing after December 31, 1985, and prior  
 31 to January 1, 1998 until all allowed credits are exhausted.

32 Sec. 3. K.S.A. 1997 Supp. 74-8206 is hereby amended to read as  
 33 follows: 74-8206. (a) Except as otherwise provided in K.S.A. 74-8207, and  
 34 amendments thereto, every taxpayer investing in stock issued by Kansas  
 35 Venture Capital, Inc. shall be entitled to a credit in an amount equal to  
 36 25% of the total amount of cash investment in such stock against the  
 37 income tax liability imposed against such taxpayer pursuant to article 32  
 38 of chapter 79 of the Kansas Statutes Annotated. The amount by which  
 39 that portion of the credit allowed by this section exceeds the taxpayer's  
 40 tax liability in any one taxable year may be carried forward until the total  
 41 amount of the credit is used. If the taxpayer is a corporation having an  
 42 election in effect under subchapter S of the federal internal revenue code  
 43 or a partnership, the credit provided by this section shall be claimed by

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1 the shareholders of such corporation or the partners of such partnership  
 2 in the same manner as such shareholders or partners account for their  
 3 proportionate shares of the income or loss of the corporation or partner-  
 4 ship.

5 (b) No taxpayer claiming a credit under this section for cash invest-  
 6 ment in stock issued by Kansas Venture Capital, Inc. shall be eligible to  
 7 claim a credit for the same investment under the provisions of K.S.A. 74-  
 8 8301 to 74-8311, inclusive, and amendments thereto.

9 (c) The provisions of this section, and amendments thereto, shall be  
 10 applicable to all taxable years commencing after December 31, 1985, and  
 11 prior to January 1, 1998 until all allowed credits are exhausted.

12 Sec. 4. K.S.A. 74-8303 is hereby amended to read as follows: 74-  
 13 8303. For the purposes of this act, the following terms shall have the  
 14 meanings provided herein, unless the context clearly indicates otherwise:

15 (a) "Department" means the department of commerce;

16 (b) "equity" means all forms of equity such as common stock, pre-  
 17 ferred stock with or without voting rights and without regard to seniority  
 18 of equity position, forms of subordinate or convertible debt, or both, with  
 19 warrants or other means of equity conversion attached, or any other  
 20 means of financing which meet generally accepted national standards for  
 21 venture capital investment in the United States;

22 (c) "Kansas business" means any small business owned by an individ-  
 23 ual, any partnership, association or corporation domiciled in Kansas, or  
 24 any corporation, even if a wholly owned subsidiary of a foreign corpora-  
 25 tion, that does business primarily in Kansas or does substantially all of its  
 26 production in Kansas;

27 (d) "Kansas venture capital company" means any for-profit partner-  
 28 ship, *limited liability company* or corporation that has as its primary busi-  
 29 ness activity the investment of funds in return for equity in ventures that  
 30 are in need of capital for expansion, new product development or similar  
 31 business purposes and that may be certified by the secretary as meeting  
 32 the criteria of this act and thus eligible for the tax credit provided in this  
 33 act;

34 (e) "secretary" means the secretary of the department of commerce;

35 (f) "cash investment" means money or its equivalent in consideration  
 36 for:

37 (1) An equity interest, such as a general or limited partnership inter-  
 38 est, common or preferred stock with or without voting rights and without  
 39 regard to seniority position, forms of subordinate or convertible debt, or  
 40 both, with warrants or other means of equity conversion attached; or

41 (2) a debt instrument, such as a note or debenture, which is unse-  
 42 curred, subordinated to the general creditors of the debtor, and requires  
 43 no payments of principal (other than principal payments required to be

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(j) The pooled money investment board shall enter into an agreement with Kansas venture capital, inc., by which the board of Kansas venture capital, inc. will redeem and the pooled money investment board will sell the non-voting preferred stock representing the boards investment in Kansas venture capital, inc pursuant to this section. The agreement shall provide that the preferred stock shall be redeemed in exchange for total consideration of \$5,000,000. Such payment may be made in such installments as the board of Kansas venture capital, inc. Deems appropriate. Kansas venture capital, inc. shall make an initial minimum payment of \$1,000,000 payable on or before July 31, 1998. Kansas venture capital, inc. shall continue to make minimum payments of \$1,000,000, or with respect to the last payment, such lesser amount as will permit full redemption of the stock on or before July 31st of each successive year until the entire amount of the stock is redeemed. The agreement shall further provide that the payment obligation of Kansas venture capital, inc. shall be deferred as to any scheduled payment or portion thereof in the event that the making of such payment would result in the corporation having a book value of less than \$10,000,000 or cause the corporation to be in violation of the minimum capital requirements or other provisions of the small usiness investment act of 1958, and amendments thereto, or the rules and regulations thereunder. ~~Any deferred payment shall be payable on the next scheduled payment date, when such amount shall either be paid or further deferred to the next payment date if the payment is still subject to deferral.~~ After each installment payment is received, a percentage of the nonvoting preferred stock shall be redeemed proportionally to the percentage of the \$5,000,000 payment to be made by the corporation. All such redemption payments shall be made to the pooled money investment board. The pooled money investment board shall remit to the state treasurer all moneys received by or for it from Kansas Venture Capital, Inc. for the redemption of the nonvoting preferred stock. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the public water supply loan fund.

senate Commerce Committee

Date 2-16-98

Attachment # 3

SENATE BILL No. 554

By Committee on Commerce

2-2

9 AN ACT concerning the Kansas venture capital company act; reau  
10 izing tax credits for cash investments in venture capital funds in v  
11 the Kansas technology enterprise corporation or its subsidiaries  
12 investor; amending K.S.A. 74-8303 and K.S.A. 1997 Supp. 74-830;  
13 74-8401 and repealing the existing sections.

14  
15 *Be it enacted by the Legislature of the State of Kansas:*

16 Section 1. K.S.A. 74-8303 is hereby amended to read as follows:  
17 74-8303. For the purposes of this act, the following terms shall have the  
18 meanings provided herein, unless the context clearly indicates otherwise:

- 19 (a) "Department" means the department of commerce;
- 20 (b) "equity" means all forms of equity such as common stock, pre-  
21 ferred stock with or without voting rights and without regard to seniority  
22 of equity position, forms of subordinate or convertible debt, or both, with  
23 warrants or other means of equity conversion attached, or any other  
24 means of financing which meet generally accepted national standards for  
25 venture capital investment in the United States;
- 26 (c) "Kansas business" means any small business owned by an individ-  
27 ual, any partnership, *limited liability company*, association or corporation  
28 domiciled in Kansas, or any corporation, even if a wholly owned subsidiary  
29 of a foreign corporation, that does business primarily in Kansas or does  
30 substantially all of its production in Kansas;
- 31 (d) "Kansas venture capital company" means any for-profit partner-  
32 ship, *limited liability company* or corporation that has as its primary busi-  
33 ness activity the investment of funds in return for equity in ventures that  
34 are in need of capital for expansion, new product development or similar  
35 business purposes and that may be certified by the secretary as meeting  
36 the criteria of this act and thus eligible for the tax credit provided in this  
37 act;
- 38 (e) "secretary" means the secretary of the department of commerce;
- 39 (f) "cash investment" means money or its equivalent in consideration  
40 for:
- 41 (1) An equity interest, such as a general or limited partnership inter-  
42 est, common or preferred stock with or without voting rights and without  
43 regard to seniority position, forms of subordinate or convertible debt, or

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Attachment # H-1 thru H-4

1 both, with warrants or other means of equity conversion attached; or  
2 (2) a debt instrument, such as a note or debenture, which is unse-  
3 curred, subordinated to the general creditors of the debtor, and requires  
4 no payments of principal (other than principal payments required to be  
5 made out of any future profits of such debtor) for at least a seven-year  
6 period after commencement of its term;

7 (3) *the purchase of an interest in a Kansas venture capital company*  
8 *from the Kansas technology enterprise corporation.*

9 Sec. 2. K.S.A. 1997 Supp. 74-8304 is hereby amended to read as  
10 follows: 74-8304. (a) There shall be allowed as a credit against the tax  
11 imposed by the Kansas income tax act on the Kansas taxable income of a  
12 taxpayer and against the tax imposed by K.S.A. 40-252 or 40-2801, and  
13 amendments thereto, on insurance companies for a cash investment in a  
14 certified Kansas venture capital company in an amount equal to 25% of  
15 such taxpayer's cash investment in any such company in the taxable year  
16 in which such investment is made and the taxable years following such  
17 taxable year until the total amount of the credit is used. The amount by  
18 which that portion of the credit allowed by this section exceeds the tax-  
19 payer's liability in any one taxable year may be carried forward until the  
20 total amount of the credit is used. If the taxpayer is a corporation having  
21 an election in effect under subchapter S of the federal internal revenue  
22 code, *a limited liability company* or a partnership, the credit provided by  
23 this section shall be claimed by the shareholders of such corporation *the*  
24 *members of such limited liability company* or the partners of such part-  
25 nership in the same manner as such shareholders, *members* or partners  
26 account for their proportionate shares of the income or loss of the cor-  
27 poration, *limited liability company* or partnership.

28 (b) The secretary of revenue shall allow credits that are attributable  
29 to not more than \$50,000,000 of cash investments in certified Kansas  
30 venture capital companies and certified local seed capital pools allowable  
31 pursuant to K.S.A. 74-8401 and amendments thereto, which shall include  
32 not more than \$10,000,000 for Kansas Venture Capital, Inc. The credits  
33 shall be allocated by the secretary for cash investments in certified Kansas  
34 venture capital companies in the order that completed applications for  
35 designation as Kansas venture capital companies are received by the sec-  
36 retary. Any certified Kansas venture capital company may apply to the  
37 secretary at any time for additional allocation of such credit based upon  
38 then committed cash investments, but priority as to such additional al-  
39 location shall be determined at the time of such subsequent application.  
40 Notwithstanding the provisions of subsection (c), investors in Kansas ven-  
41 ture capital companies established after July 1, 1984, which otherwise  
42 meet the requirements specified in this act, shall be, upon certification  
43 of the Kansas venture capital company, entitled to the tax credit provided

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1 in subsection (a) in the calendar year in which the investment was made.  
 2 (c) No taxpayer shall claim a credit under this section for cash invest-  
 3 ment in Kansas Venture Capital, Inc. No Kansas venture capital com-  
 4 pany shall qualify for the tax credit allowed by Chapter 332 of the 1986  
 5 Session Laws of Kansas for investment in stock of Kansas Venture Capital,  
 6 Inc.

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7 (d) The provisions of this section, and amendments thereto, shall be  
 8 applicable to cash investments made in any taxable year commencing after  
 9 ~~December 31, 1985, and prior to January 1, 1998~~ Taxpayers may con-  
 10 tinue to claim the credits allowed pursuant to K.S.A. 74-8401 until such  
 11 credits are exhausted.

12 Sec. 3. K.S.A. 1997 Supp. 74-8401 is hereby amended to read as  
 13 follows: 74-8401. (a) There shall be allowed as a credit against the tax  
 14 imposed by the Kansas income tax act on the Kansas taxable income of a  
 15 taxpayer and against the tax imposed by K.S.A. 40-252 and amendments  
 16 thereto on insurance companies for cash investment in a certified local  
 17 seed capital pool an amount equal to 25% of such taxpayer's cash invest-  
 18 ment in any such pool in the taxable year in which such investment is  
 19 made and the taxable years following such taxable year until the total  
 20 amount of the credit is used. The amount by which that portion of the  
 21 credit allowed by this section exceeds the taxpayer's liability in any one  
 22 taxable year may be carried forward until the total amount of the credit  
 23 is used. If the taxpayer is a corporation having an election in effect under  
 24 subchapter S of the federal internal revenue code or a partnership, the  
 25 credit provided by this section shall be claimed by the shareholders of  
 26 such corporation or the partners of such partnership in the same manner  
 27 as such shareholders or partners account for their proportionate shares  
 28 of the income or loss of the corporation or partnership.

29 (b) The total amount of credits allowable pursuant to this section and  
 30 credits allowable pursuant to K.S.A. 74-8205, 74-8206 and 74-8304, and  
 31 amendments thereto, shall be attributable to not more than \$50,000,000  
 32 of cash investments in Kansas venture capital companies, Kansas Venture  
 33 Capital, Inc. and local seed capital pools. With respect to the additional  
 34 amount of cash investments made eligible for tax credits by this act,  
 35 \$10,000,000 of such amount shall be dedicated and reserved until De-  
 36 cember 31, 1990, for cash investments in a seed capital fund or funds in  
 37 which the Kansas technology enterprise corporation, or its subsidiaries,  
 38 is an investor. The \$50,000,000 amount of cash investments now eligible  
 39 for the tax credits allowed pursuant to this section and K.S.A. 74-8205,  
 40 74-8206 and 74-8304 and amendments thereto shall be reduced to the  
 41 extent that the total amount of cash investments received by such seed  
 42 capital fund or funds before January 1, 1991, is less than \$10,000,000.  
 43 However, any such \$6,012,345 of the credits which were not claimed for

allowed cash investment  
for which

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1 ~~investments made~~ prior to January 1, 1991, may be allowed to a taxpayer  
 2 for cash investment made in ~~taxable years prior to January 1, 2000, in the~~  
 3 ~~technology-based~~ ~~venture-capital~~ company authorized pursuant to K.S.A.  
 4 74-8316, and amendments thereto, not to exceed the \$10,000,000 re-  
 5 served under this subsection pursuant to subsection (f)(3) of K.S.A. 74-  
 6 8303 and amendments thereto.

7 (c) As used in this section;

8 (1) "local seed capital pool" means money invested in a fund estab-  
 9 lished to provide funding for use by small businesses for any one or more  
 10 of the following purposes: (A) Development of a prototype product or  
 11 process; (B) a marketing study to determine the feasibility of a new prod-  
 12 uct or process; or (C) a business plan for the development and production  
 13 of a new product or process;

14 (2) "Kansas business" means any small business owned by an individ-  
 15 ual, any partnership, association or corporation domiciled in Kansas, or  
 16 any corporation, even if a wholly owned subsidiary of a foreign corpora-  
 17 tion, that does business primarily in Kansas or does substantially all of its  
 18 production in Kansas.

19 (d) No credit from income tax liability shall be allowed for cash in-  
 20 vestment in a local seed capital pool unless: (1) The amount of private  
 21 cash investment therein is \$200,000 or more; (2) the moneys necessary  
 22 to administer and operate the pool are funded from sources other than  
 23 the private and public cash investments; and (3) funds invested by the  
 24 local seed capital pool shall be invested at 100% in Kansas businesses.

25 (e) Public funds may be invested in a local seed capital pool except  
 26 that each dollar of public funds, other than that which may be used to  
 27 administer and operate a pool, shall be matched by not less than \$2 of  
 28 private cash investment. Public funds shall have a senior position to any  
 29 private cash investment and may receive a lower rate of return than that  
 30 allowable for a private cash investment.

31 (f) The provisions of this section, and amendments thereto, shall be  
 32 applicable to all taxable years commencing after December 31, 1986.

33 Sec. 4. K.S.A. 74-8303 and K.S.A. 1997 Supp. 74-8304 and 74-8401  
 34 are hereby repealed.

35 Sec. 5. This act shall take effect and be in force from and after its  
 36 publication in the Kansas register.