Approved 2-14-00

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairman William G. Mason at 3:37 p.m. on March 7, 2000 in Room 522-S of the Capitol.

All members were present except: Representative Geringer - E
Representative Morrison - E

Committee staff present: April Holman, Legislative Research Department
Bob Nugent, Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee: Steve Kelly, Business Development, KDOCH
Others attending: See Attached List

The Chairman asked April Holman to brief the committee on **SB 451** and **SB 521**.

SB 451 would repeal the statute requiring Kansas, Inc. to contract for periodic evaluations of the Kansas Performance Review Board. **SB 521** would amend the Kansas Enterprise Zone Act to specify the conditions under which an owner of a leased building would be eligible for a sales tax exemption when constructing, reconstructing, remodeling, or enlarging the building.

Chairman Mason opened the hearing on **SB 521.** Steve Kelly, Director of Business Development, testified on behalf of **SB 521**, a provision, which would clarify the calculation and award of sales tax exemption for eligible property when there has been a commitment to a long-term lease by a tenant for a portion of the facility (Attachment 1). The lack of clarity has led to confusion and misunderstandings and these proposed changes represent clarifying language which identifies more clearly the eligibility for the sales tax exemption and prescribe a method(s) for its calculation. He added that in the Senate Commerce committee added a couple of technical amendments that clarified language that was consistent in other statutes dealing with similar credit.

Discussion followed regarding the fiscal impact of the exemptions. Chairman Mason stated the fiscal note, according to the Dept. of Revenue, with its clarifying amendments would not affect state revenue. Mr. Nugent said that the explanation the Dept. of Revenue gave for the fiscal note was to codify existing practice.

The Chairman closed the hearing on **SB 521**. Representative Aday moved, seconded by Representative Osborne to pass **SB 521** out favorably and place it on the consent calendar The motion carried.

The Chairman opened the hearing on **SB 451**. In response to the question of why they didn't want the review Charles Ranson, President, Kansas, Inc. responded that the bill has mechanisms built in that will allow the Legislature to amend the effectiveness of it in terms of the implementations of its recommendations. The requirement to conduct an external audit, to begin after July 1, 2000 would be very expensive, ranging in price from $52,000 to $135.000. The Kansas, Inc. Board believed that was exorbitant and the consensus of the Board was that there were already mechanisms in place that would enable sufficient analysis of the effectiveness of the board. The Chair asked Mr. Ranson to give an overview and mission of the Kansas Review Board. He said that the Performance Review Board, comprised of five business and industry leaders, was created to provide a continuing process to review functions of state government to determine the efficiencies and effectiveness of program execution, function performance, and agency operations.

Chairman Mason stated that the existing statute creates an obligation to pay for the cost of triennial audits, starting in fiscal July 1, 2001. Repeal of the statute would remove this obligation. There are no funds included in the Governor's FY 2001 budget recommendations for this audit; therefore, the bill would have no effect relative to the FY 2001 Governor's Budget Report.

Representative Aday moved and Representative Stone seconded that **SB 451** be passed out favorably. The motion carried.

The next meeting is Tuesday, March 14, 2000.

The Chairman adjourned the meeting at 4:05 p.m

HOUSE ECONOMIC DEVELOPMENT COMMITTEE
COMMITTEE GUEST LIST

DATE: March 7, 2000

NAME	REPRESENTING
Steve Kelly	KDOC&H
Danielle Noe	D of A
Roger Franzke	KGC
Stephanie Buchanan	DOB
Charlie Ronson	KS Inc.
Bud Burke	Issues Mgmt Group

TESTIMONY TO:

HOUSE ECONOMIC DEVELOPMENT COMMITTEE

SENATE BILL NO. 521

BY: STEVE KELLY

BUSINESS DEVELOPMENT DIVISION

KANSAS DEPARTMENT OF COMMERCE & HOUSING

Tuesday, March 7, 2000

Room 522-S

Economic Development Committee
March 7, 2000
Attachment 1

Testimony Before the House Economic Development Committee

March 7, 2000

Mr. Chairman, Members of the Committee:

My name is Steve Kelly, I serve as the Director of Business Development for the Kansas Department of Commerce & Housing. I am here today to testify on behalf of Senate Bill No. 521, a provision, which would, if enacted, clarify the status of sales tax exemption for construction, reconstruction, remodeling, or enlarging qualifying leased property, when the property leased is less than the total facility.

The need for this amendment to K.S.A. 74-50 is brought to your committee in response to concerns brought to us by the business community. This in its simplest expression is an amendment, which would clarify the calculation and award of sales tax exemption for eligible property when there has been a commitment to a long-term lease by a tenant for a portion of the facility. Currently, such property is eligible to receive a sales tax exemption, but the statutory language does not speak specifically to that eligibility or to a methodology(s) for the calculation of this exemption. This lack of clarity has led to confusion and misunderstandings which negatively impact the development of qualifying facilities in our state.

As proposed, this amendment would insert language clarifying that the exemption is available for appropriate costs in facility, which will be leased *in whole or in part* for a minimum of five years. This measure, also, prescribes two methods under which that portion of the facility and the corresponding construction costs would be apportioned for calculation of the sales tax exemption, as follows: *(1) The total cost of constructing, reconstructing, remodeling or enlarging, the facility, multiplied by a fraction given by dividing the number of leased square feet eligible for the sales tax exemption by the total square feet being constructed, reconstructed,* *remodeled or enlarged,* i.e., the eligible leased portion divided by the total, or *(2) the actual cost of construction, reconstructing, remodeling, or enlarging that portion of the facility to be occupied by the eligible business.* The first method would be most applicable when an entire building or major portion of a building was undergoing some sort of construction/modification The second option would more likely be utilized when a specifically identified portion of a structure was undergoing modification for the tenant, or when costs of construction for a particular tenant substantially exceeded the average for the building because of special requirements or finish levels.

In our view, these proposed changes represent clarifying language which identifies more clearly the eligibility for the sales tax exemption and prescribe a method(s) for its calculation. We urge your support and positive action on this amendment.

Thank you for the opportunity to appear before the committee this afternoon.