

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by the Chairman Edmonds at 12:15 p.m. March 27 in Room 519-S of the Capitol.

All members were present except: Representative Gilbert, excused
Representative Howell, excused

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor
Winnie Crapson, Secretary

Conferees appearing before the committee:
Senator Schmidt
Representative Huebert
Mike Mabrey, Southeast Kansas, Inc.

Others attending: See attached list.

Hearing was opened on
HB 2574 - Property taxation concerning valuation of vessels

Representative Huebert addressed the Committee stating he had introduced this bill in response to request from a constituent who had brought to his attention that purchasers of boats were required to pay property taxes for the full year while in transfer of title to automobiles the taxes are prorated.

Hearing on HB 2574 was closed.

Hearing was opened on
SB 146 - Expand job investment credit to rural counties

Senator Schmidt appeared in support of the bill and provided testimony (Attachment #1) describing the development initiatives and explained amendments made before it passed the Senate on a 40 to 0 vote. He said the bill was brought forward by Southeast Kansas, Inc., the regional economic development entity for Southeast Kansas, to expand the sales tax incentive that exists in the current Kansas Enterprise Zone Act to encourage retail business to locate or expand in the smallest and poorest counties in Kansas. Senator Schmidt responded to questions from the Committee members.

Mike Mabrey presented testimony in support of SB 146 on behalf of Southeast Kansas, Inc. which had requested its introduction.

Written testimony in support of the bill was presented by Leslie Kaufman on behalf of the Kansas Farm Bureau (Attachment #2); Whitney Damron on behalf of the Coffey County Commission and Coffee County Economic Development (Attachment #3); and by Jon Hotaling, Director of the Coffey County Economic Development Department. (Attachment #4).

Hearing on SB 146 was closed.

CONTINUATION SHEET

The Committee considered **SB 68** and **SB 69** on which hearings were held March 20.

Representative Palmer moved to amend **SB 68** to change the residential exemption from \$20,000 to \$30,000. Representative Sharp seconded. Motion to amend was adopted.

Representative T. Powell moved to recommend **SB 68** favorable for passage as amended. Representative Huff seconded. Motion was adopted.

Representative Gatewood moved to merge provisions of **SB 68** as amended into **SB 69**. Representative L. Powell seconded. Motion was adopted.

Representative Mays moved to amend **SB 69** to reauthorize 20 mills for 2001-02 school year and drop the mill levy to 18 mills for 2002-2003 school year. Representative T. Powell seconded. Motion was adopted.

Representative Palmer moved to amend **SB 69** to include amendment of K.S.A. 79-2952b to require that the resolution or ordinance be adopted "following the publishing thereof once each week for two consecutive weeks in the newspaper having the greatest circulation and widest dissemination within the taxing subdivision". Representative Findley seconded.

Representative Wilson moved a substitute motion to designate "official newspaper of the county" in place of "newspaper having the greatest circulation and widest dissemination within the taxing subdivision". Representative Gatewood seconded. Motion was adopted.

Representative Mays moved **SB 69** be recommended favorably for passage as amended. Representative Vickrey seconded. Motion was adopted.

Meeting adjourned at 12:55 p.m. Next scheduled meeting is March 28.

GUEST LIST

DATE March 27

NAME	REPRESENTING
Jacey Farmer	KARB
Ann Drenkes	DOB
Mike Mahoney	Southeast Kansas, Inc.
Bill Yanek	KS Assn of REALTORS
Karen France	"
Erik Sartorius	K.C. Regional Assoc. of Realtors
Scott Anglemeyer	KDOC#N
Hal Hudson	WFIB/KS
Kevin Boren	Her/uer.
Martha Lee Smith	KMHA
Julie Molen	KAC
Bob Cortina	KPPI
Karl Peterjohn	KS Taxpayers Network
Whit's Jaw	Copper Co.

15th District
Allen, Chautauqua,
SE Coffey, Montgomery,
Wilson and Woodson counties



KANSAS SENATE

Committee Assignments
Chairman: Agriculture
Member: Judiciary
Reapportionment
Natural Resources
Elections and Local
Government
Legislative Post Audit

**Testimony Before House Taxation Committee
In Support of Senate Bill 146
by Senator Derek Schmidt
March 27, 2001**

Mr. Chairman and members of the committee, thank you for conducting this hearing and allowing me to appear before you in support of Senate Bill 146. I introduced this legislation on January 29 and am please to report it won approval in the Senate on a 40 to 0 vote.

In many parts of our state, "economic development" means luring a new manufacturing plant or taking a new technology from its birth at one of our universities to its application in a high-technology business. We are all proud of our state's successes in manufacturing, in telecommunications, in pharmaceuticals, in biomedical research, and in many other sectors in which our economy is world-class.

But as we work hard to make our state as a whole competitive in the new economy of this 21st century, we also have to work hard to ensure that our poorest and most rural communities are not left behind. This legislation is about helping our state's smallest and poorest counties – counties where "economic development" is not about Boeings or Sprints or shopping malls but about getting a new convenience store or opening a small mom-and-pop shop.

Our bill would expand a sales tax incentive that exists in our current Kansas Enterprise Zone Act for the purpose of encouraging retail businesses to locate or expand in the state's most rural areas. Under current law, a retail business that creates at least two new jobs by opening or expanding in a town of 2,500 or fewer people can be exempt from paying sales tax on materials and labor used in the expansion. Our proposal would expand eligibility for this sales tax exemption so it is also available to retail businesses that locate or expand in the unincorporated areas of a county of 10,000 or fewer people.

This expansion will make the incentive available to the new bait shop that wants to open along the highway between town and the fishing lake. Or to the new gas station that wants to open at the junction where the new highway bypassed town. Or to the small hardware or grocery store that wants to open in the unincorporated town on the far side of the county.

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House Taxation
Date 3-27-01
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Topeka, Kansas 66612-1504
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Sixty-two of our 105 counties have 10,000 or fewer people, according to the 2000 census. Yet virtually all of our non-metropolitan counties would benefit from this regional approach to economic development – and our metropolitan areas benefit from a healthy rural Kansas.

That is why this measure was conceived and brought forward by SEK, Inc., the regional economic development entity for Southeast Kansas. We have many counties in Southeast Kansas that would not directly benefit from the expansion we are proposing – including my home county of Montgomery. But we in Southeast Kansas understand that what helps our least-developed counties is good for all of our region. The same is true throughout the state.

The Division of the Budget has had difficulty in estimating the fiscal impact of this legislation. That is why the fiscal note does not set forth a bottom-line cost – rather, it walks the reader through a cost analysis that relies on several stated assumptions. Of course, the fiscal note does not take into account any additional state or local revenues that would be generated from expanded economic activities. Nor does it take into account the economic benefits from job expansion in these rural areas.

The bottom line is that the cost in lost revenue, if there is one, is nearly impossible to measure – although it would certainly be minimal. Because of that uncertainty, I agreed to a Senate floor amendment to sunset this expanded incentive after three years. That three-year trial period should allow us to see how well this incentive program actually works.

Mr. Chairman, thank you again for considering this bill in your committee. I would be happy to answer any questions, and I hope to work with you and your committee members to advance this proposal through the legislative process and get it to the governor's desk this year.

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PUBLIC POLICY STATEMENT

HOUSE TAXATION COMMITTEE

RE: SB 146 – Expanding the Job Investment Credit Act

**March 27, 2001
Topeka, Kansas**

**Prepared by:
Leslie Kaufman, Associate Director
Public Policy Division
Kansas Farm Bureau**

Chairman Edmonds and members of the House Taxation Committee, thank you for the opportunity to express our support for SB 146. I am Leslie Kaufman, Associate Director of Public Policy for Kansas Farm Bureau.

Our farmer and rancher members are extremely concerned with the viability and stability of our rural communities. Our policy supports:

- Improving the general potential of rural communities to attract people, businesses and industry, and
- Making revitalization of our rural communities a high priority for private citizens and all levels of government.

SB 146 provides a mechanism to help bring business opportunities to smaller cities and rural areas of lower populated counties. We believe this bill can have a positive impact on our rural communities.

We encourage you to act favorably on this measure. Thank you!

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SUBMITTED TESTIMONY

TO: The Honorable John Edmonds, Chairman
And Members Of The
House Taxation Committee

FROM: Whitney Damron
On Behalf Of The
Coffey County Commission

RE: SB 146 – Expand Job Investment Credit Act to Rural Counties

DATE: March 27, 2001

Mr. Chairman and Members of the House Taxation Committee:

On behalf of the Coffey County Commission and Coffey County Economic Development, I am pleased to submit comments in support of SB 146 that expands the sales tax exemption for retail businesses locating or expanding in communities of 2,500 or less or in counties having a population of 10,000 or less.

This incentive would provide additional economic development tools for cities and counties, such as Coffey County due to current geographical restrictions that are limited by city and county limits. For example, SB 146 may help spur development on the I-75 corridor of Burlington, Kansas that is currently limited by the frontage available on the highway. SB 146 would allow for the use of this tax exemption by development just outside the city limits, but still along I-75 highway frontage.

SB 146 will be yet another tool available to help with rural Kansas economic development. On behalf of Coffey County, your support of SB 146 is requested and appreciated. Thank you.

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**Testimony to House Taxation Committee
March 27, 2001
Jon Hotaling, Director
Coffey County Economic Development Department**

It is my opinion that the sales tax exemption provided to qualifying retail businesses locating in communities having a population of 2,500 or less under the 1992 Kansas Enterprise Zone Act, was adopted for several reasons:

1. To provide an incentive for business development to small communities who may not have the infrastructure or labor pool to attract small manufacturing firms.
2. To increase retail sales in small communities.
3. Increase property values in small communities.
4. Increase bank deposits in small communities.

A retail business that employs 4 or 5 people in a community with a population under 2,500 provides as much economic impact to that community as a new manufacturing operation employing 15 to 20 people in a community of 10,000 population.

Many small communities cannot compete with the larger communities in the recruitment of manufacturing businesses. The retail sales tax exemption for new or expanding retail businesses also provides an incentive for existing qualified retail stores to renovate and expand their operations. This is important to small communities who are fighting to keep stores open on main street. The economic impact of retail businesses opening or closing in larger communities is not nearly as great. Retail businesses open and close almost daily in large communities but when a new retail store opens in a community under 2,500 population the entire community celebrates.

The change in the existing legislation will address several problems:

1. Retail operations desiring to locate on a highway outside the city limits of a community of 2,500 would not be eligible under the current act. This impacts businesses such as motels, convenience stores, restaurants, car dealers, etc., that desire to locate along highways outside of the city limits. The proposed change in the legislation would make these businesses

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eligible for the sales tax exemption even if they located outside the city limits as long as the county is 10,000 or less in population.

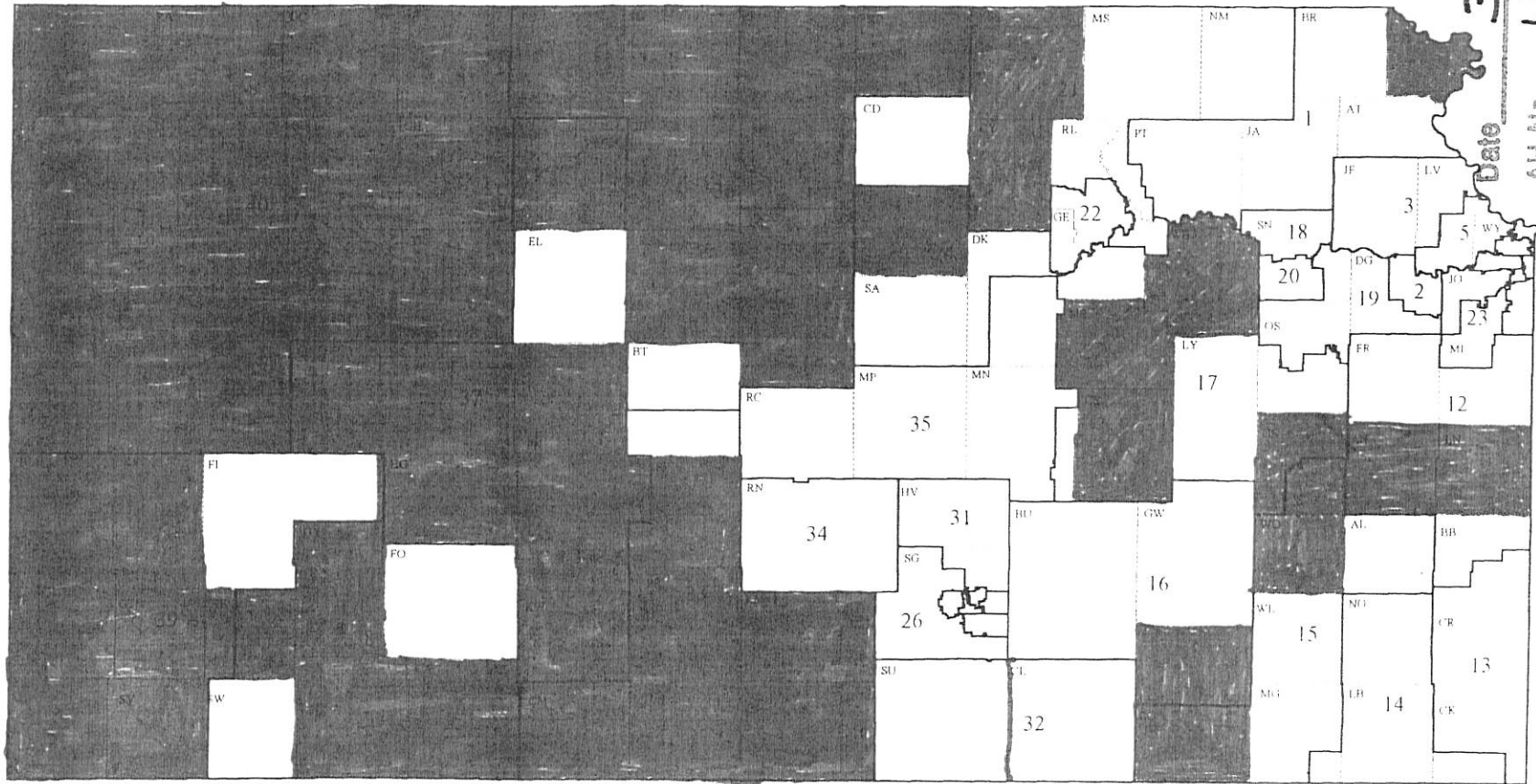
2. If the county has a community over 2,500 in population, retail development outside that community would be eligible for the sales tax exemption if the county is 10,000 or less in population. Burlington, in Coffey County, is an example of a community that is over 2,500 that could benefit under this change to the legislation. Since highway frontage available within the city is very limited, development along the highway outside the city limit is the best option for business wanting to locate in high traffic areas.

I think the sales tax exemption for qualifying retail businesses in the 1992 legislation was implemented to provide an incentive for business development in the small communities most needing this type of incentive. I don't think the population limit needs to be increased for the city requirement or the county requirement proposed in the change to the act. Larger cities and counties do not have near the challenge in recruiting retail businesses that the small (under 2,500) communities and counties (under 10,000) have because retailers want to go where the population numbers provide a larger and growing customer base.

Jon Hotalung
3-26-01

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COUNTIES WITH POPULATION OF 10,000 OR LESS



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COUNTIES UNDER 10,000 POPULATION
WHICH WOULD BENEFIT FROM SB 146

There are 62 counties in Kansas with populations under 10,000 based on estimated figures from the 2000 Census.

Anderson	Morris
Barber	Morton
Chase	Ness
Chautauqua	Norton
Cheyenne	Osborne
Clark	Ottawa
Clay	Pawnee
Coffey	Phillips
Comanche	Pratt
Decatur	Rawlins
Doniphan	Republic
Edwards	Rooks
Elk	Rush
Ellsworth	Russell
Gove	Scott
Graham	Sheridan
Grant	Sherman
Gray	Smith
Greeley	Stafford
Hamilton	Stanton
Harper	Stevens
Haskell	Thomas
Hodgeman	Trego
Jewell	Wichita
Kearny	Wallace
Kingman	Washington
Kiowa	Wabaunsee
Lane	Woodson
Lincoln	
Linn	
Logan	
Meade	
Mitchell	

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