

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:45 a.m. on March 14, 2001, in Room 519-S of the Capitol.

All members were present except: Senator Allen

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: None

Others attending: See attached list.

The minutes of the March 13, 2001, meeting were approved.

Chairman Corbin began committee discussion on the following previously heard bills: **HB 2055**, authorizing research and development income tax credits; **HB 2063**, exempting certain school dormitory personal property from taxation; **HB 2221**, authorizing Riley and Labette Counties to impose a countywide sales tax for economic development initiative and infrastructure purposes; and **SB 40**, granting the Secretary of Revenue subpoena powers.

Senator Jenkins moved to amend **HB 2055** on line 13 by deleting "taxable years 2001, 2002, 2004 and 2005" and inserting "all taxable years after 2001", seconded by Senator Donovan. The motion carried.

Senator Lee moved to report **HB 2055** favorably for passage as amended, seconded by Senator Jenkins. The motion carried.

With regard to **HB 2063**, Don Hayward, Revisor of Statutes Office, noted that bill specifically refers to vocational schools, vocational-technical schools, and technical colleges. In order to include the regents schools, he suggested that the bill be amended to allow a free standing, generic property tax exemption for school dormitories. In addition, he suggested that it be dated back to tax year 1998. Senator Clark moved to amend **HB 2063** as suggested by Mr. Hayward, seconded by Senator Praeger. The motion carried.

Senator Clark moved to report **HB 2063** favorably for passage as amended, seconded by Senator Goodwin. The motion carried.

With regard to **HB 2221**, Mr. Hayward explained that the first cent of a sales tax authorized by counties and cities goes to the general fund and is not earmarked for any specific purpose; therefore, it can be used for anything that promotes public welfare, including schools. Taxes in addition to the first cent usually are earmarked for a specific purpose.

Chairman Corbin reminded the Committee that a portion of another previously heard bill, **SB 311**, allows the sales tax collected over and above one cent to go toward paying off school bonds. The other portion of the bill deals with uniformity. Mr. Hayward noted that currently the local sales tax has been viewed by the Supreme Court to be non-uniform. He explained that approximately eight years ago, the Legislature passed a health care services option tax, and the court found that it destroyed uniformity because it did not apply uniformly to all cities of the same class. In 1998, the Legislature attempted to remedy that non-uniformity by declaring all health care service tax impositions to apply only to Class B cities. Since 1998, there has not been an appellate decision to determine whether or not the 1998 attempt accomplished the intended purpose. To bolster uniformity in the local sales tax act, Mr. Hayward suggested that pages one and three of Section 1 in **SB 311** be inserted in **HB 2221**. He explained that the amendment would provide a stronger defense against another attack on the uniformity of the sales tax law.

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Mr. Hayward informed the Committee that currently there are at least two existing charters out of the sales tax act. One is for the Bonner Springs Renaissance Festival admission fee, and the other is for the tax imposed on development in Overland Park. Currently, the City of Independence is in the process of chartering out of the local sales tax act with regard to rates. The Department of Revenue has not acted upon that charter.

Senator Donovan moved to amend **HB 2221** by inserting the language (including the stricken and italicized) of Section 1 on pages one and three of **SB 311**, seconded by Senator Jenkins. The motion carried.

Mr. Hayward explained that **HB 2221** needed to be further amended to cure a conflict with **SB 216**, which amended K.S.A. 2000 Supp. 12-189, also included in **HB 2221**. Senator Lee moved to amend **HB 2221** with regard to K.S.A. Supp. 12-189 as suggested by Mr. Hayward, seconded by Senator Goodwin. The motion carried.

Senator Donovan moved to recommend **HB 2221** favorably for passage as amended, seconded by Senator Clark. The motion carried.

Chairman Corbin turned the Committee's attention to **SB 40**. He recalled that it was one of six bills requested by the Department of Revenue early in the session. Richard Cram, Kansas Department of Revenue, stood to clarify that the Department requested subpoena power in order to be able to avoid doing an estimated assessment, which may or may not be accurate. The subpoena power would simplify and speed up the process of obtaining the books of a business for the purpose of determining the correctness of the amount of tax due.

Senator Jenkins moved to recommend **SB 40** favorably for passage, seconded by Senator Lee.

Senator Clark pointed out **SB 40** had not been "blessed," therefore, could not be acted upon if passed out of Committee. With this knowledge, Senator Jenkins withdrew her motion, and Senator Lee withdrew her second to the motion.

The meeting was adjourned at 11:15 a.m.

The next meeting date is to be announced.

