

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:50 a.m. on March 25, 2002, in Room 519-S of the Capitol.

All members were present except:

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: Clay C. Blair III, Chairman, Kansas Board of Regents

Others attending: See attached list.

The minutes of the March 12, 2002, meeting were approved.

Senator Corbin opened an informational hearing on **HB 2569**, which was previously heard on April 30, 2001. He reminded that Committee that the 2001 Interim Committee on Taxation recommended that the Senate Assessment and Taxation Committee act favorably on **HB 2569** after changing the effective date to tax year 2002. He called upon Clay C. Blair, Kansas Board of Regents, for a review of the bill.

Mr. Blair explained that **HB 2569** concerns self-funding for the recently formed Kansas Board of Regents Foundation, which is a private, non-profit foundation. He explained that the Board would solicit funds from private donors for which a tax credit for each dollar donated would be given. The total amount appropriated to the Board of Regents by the state would be reduced by the total amount of the tax credits given. Donors would benefit because they will have also fulfilled their tax obligation to the federal government. The funds retained by the Board will be used for innovative projects at Washburn University, technical vocational schools, community colleges, and the state universities. Mr. Blair informed the Committee that the Board currently is working with a donor who is willing to participate. He emphasized that the bill would hold the State General Fund harmless. (Attachment 1)

Senator Clark moved to amend SB 2569 by updating the dates and to recommend the bill favorably for passage as amended, seconded by Senator Praeger. The motion carried.

Senator Lynn Jenkins distributed copies of a proposed amendment to **HB 2091**, which was amended by the House Committee of the Whole in 2001. (Attachment 2) She explained that the original bill became known as "the paper clip bill" after it was heavily amended and passed the House, and it remains in conference. She proposed that the bill be "guttled" to address an issue which came to her attention a month ago. She explained further that the City of Topeka is at risk of losing the local Goodyear Tire facility and an expansion project. To encourage the retention of the current facility, the proposed amendment would increase from 15 percent to 20 percent the income tax credit for personal property tax paid on commercial and industrial machinery equipment in tax year 2003. New Section 2 addresses tax credits for all manufacturing businesses, starting with 25 percent of the property tax levied for property tax year 2004 on up to 40 percent of the property tax levied for property tax year 2007.

Senator Jenkins acknowledged that any fiscal note causes legislators to pause; however, she felt that consideration of her proposal should take into account the loss to the state's economy if jobs and the expansion project at Goodyear are lost. In her opinion, her proposal will stimulate the economy of the state.

Senator Corbin noted that the original context of the bill came from the House New Economy Committee, but it was referred to the House Tax Committee where it was amended. As a result of the House Tax Committee amendments, the fiscal note greatly increased.

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:50 a.m. on March 25, 2002, in Room 519-S of the Capitol.

Senator Lee began a discussion regarding exactly what businesses are covered by Senator Jenkins' proposal and the fiscal notes for Section 1 and New Section 2. Chris Courtwright, Legislative Research Department, informed the Committee that the fiscal note on Section 1 for Fiscal Year 2003 is zero because it does not kick in for a year. For Fiscal Year 2004, he estimated the fiscal note attributable to Section 1 would be from \$7 million to \$8 million. With regard New Section 2, he estimated that the fiscal note for 2004 would be approximately \$8 million and noted that it will continue to grow. However, he was uncertain what taxpayers would be affected by New Section 2 and indicated that he would need to further research the effect of New Section 2. Bernie Koch, Wichita Chamber, stood to inform the Committee that he could furnish a list of machinery and tax incentives for all states.

Senator Jenkins moved to amend **HB 2091** by deleting lines 18 through 43 and inserting the proposed language as shown in her handout, seconded by Senator Donovan.

Committee discussion followed regarding clarification of the reference in New Section 2 to manufacturing businesses which are listed in sectors 31 through 33 and 5111 of the North American Industry Classification System. Richard Cram, Kansas Department of Revenue, stood to inform the Committee that he could furnish a list of the types of manufacturers included. In addition, the Committee determined that more information on the fiscal note was needed before voting on Senator Jenkins' motion. Senator Corbin announced that the vote on the motion would be delayed until March 26 when the information requested would be available.

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

The next meeting is scheduled for March 26, 2002.

SENATE ASSESSMENT AND TAXATION COMMITTEE  
GUEST LIST

DATE: March 25, 2002

NAME	REPRESENTING
Nike DeLoach	Up Gait Consulting
Bill Brady	" " "
Andy Dratona	Budget
Eric Jarrell	BOEING
Lucky D'Fries	Collman D'Fries Northern
Bernie Koch	Wichita Chamber
Andy Shaw	Goodyear Tire & Rubber
Myrtle Lee Smith	KMHA
Christy Caldwell	Topeka Chamber of Com.
Markie Carpenter	KCCT
Wayne Maucha	K AFL-CIO
Larry R Bass	LKM
Ed O'Malley	O.P. Chamber
Kim Wilcox	KBOR
Jamie DeBarge	KBOR
J. Paul Carter	KBOR
Rachael Crum	KDOR



# KANSAS BOARD OF REGENTS

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Statement to the  
Senate Committee on Assessment and Taxation

HB 2569

Clay C. Blair, III  
Chairman  
Kansas Board of Regents

March 25, 2002

- This private, non-profit foundation is innovative in its approach and will empower the Board to accomplish things never done before.
- The KBOR will be able to self-fund activities such as new research, student assistance and system wide improvements to achieve the overall mission of the Board.
- Through a system of tax credits, donors will benefit from helping higher education reach its goals – and fulfill their tax obligation to the government (\$1 million becomes \$1.5 million).
- A number of donors have been approached and commitments are being secured.
- The Kansas Regents Foundation represents “out of the box” new economy thinking and will help Kansas higher education transition into the next century.
- The current version of the bill would hold the State General Fund harmless, in that any unmet obligations would be taken from the Board of Regents budget in the following fiscal year.

*Senate Assessment & Taxation  
3-25-02  
Attachment 1*

On page 1, by striking all in lines 18 through 43 and inserting the following:

"Section 1. K.S.A. 2001 Supp. 79-32,206 is hereby amended to read as follows: 79-32,206. For all taxable years commencing after December 31, ~~1997~~ 2001, there shall be allowed as a credit against the tax liability of a taxpayer imposed under the Kansas income tax act, the premiums tax upon insurance companies imposed pursuant to K.S.A. 40-252, and amendments thereto, and the privilege tax as measured by net income of financial institutions imposed pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, an amount equal to 15% of the property tax levied for property tax year ~~1998~~ 2002, and 20% of the property tax levied for property tax year 2003, and all such years thereafter, actually and timely paid during an income or privilege taxable year upon commercial and industrial machinery and equipment classified for property taxation purposes pursuant to section 1 of article 11 of the Kansas constitution in subclass (5) or (6) of class 2 and machinery and equipment classified for such purposes in subclass (2) of class 2. If the amount of such tax credit exceeds the taxpayer's income tax liability for the taxable year, the amount thereof which exceeds such tax liability shall be refunded to the taxpayer. If the taxpayer is a corporation having an election in effect under subchapter S of the federal internal revenue code, a partnership or a limited liability company, the credit provided by this section shall be claimed by the shareholders of such corporation, the partners of such partnership or the members of such limited liability company in the same manner as such shareholders, partners or members account for their proportionate shares of the income or loss of the corporation, partnership or limited liability company.

New Sec. 2. For all taxable years commencing after December 31, 2003, there shall be allowed as a credit against the tax liability of a taxpayer imposed under the Kansas income tax act who is engaged in a manufacturing business listed in sectors 31

*Senate Assessment + Taxation  
3-25-02  
Attachment 2*

through 33 and 5111 of the North American Industry Classification System, United States 2002 edition as in effect on January 1, 2002, an amount equal to 25% of the property tax levied for property tax year 2004, 30% of the property tax levied for property tax year 2005, 35% of the property tax levied for property tax year 2006, and 40% of the property tax levied for property tax year 2007, and all such years thereafter, actually and timely paid during an income taxable year upon commercial and industrial machinery and equipment classified for property taxation purposes pursuant to section 1 of article 11 of the Kansas constitution in subclass (5) of class 2. If the amount of such tax credit exceeds the taxpayer's income tax liability for the taxable year, the amount thereof which exceeds such tax liability shall be refunded to the taxpayer. If the taxpayer is a corporation having an election in effect under subchapter S of the federal internal revenue code, a partnership or a limited liability company, the credit provided by this section shall be claimed by the shareholders of such corporation, the partners of such partnership or the members of such limited liability company in the same manner as such shareholders, partners or members account for their proportionate shares of the income or loss of the corporation, partnership or limited liability company. Any taxpayer claiming a credit pursuant to this section shall not be allowed a credit pursuant to K.S.A. 2001 Supp. 79-32,206, and amendments thereto.

Sec. 3. K.S.A. 2001 Supp. 79-32,206 is hereby repealed.";

In the title, in line 12, by striking all after "to"; by striking all in lines 13 through 15 and inserting "income taxation; allowing credits therefrom for property tax paid on certain machinery and equipment; amending K.S.A. 2001 Supp. 79-32,206 and repealing the existing section."