

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 11:30 a.m. on March 28, 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: None

Others attending: See attached list.

**HB 2091—relating to income taxation; allowing credits therefrom for property tax paid on certain machinery and equipment**

Senator Corbin opened a discussion regarding **HB 2091** which was amended by the Committee on March 26 as proposed by Senator Jenkins and was passed out of Committee. He reminded the Committee that, while the central purpose of amending the bill was to offer a tax incentive for Goodyear Tire to remain in the state, other classes of manufacturing businesses were included the amendment. Soon after the Committee's action, he became aware that the inclusion of other classes was not workable at this time when the state is facing an economic crises. Due to his concerns about the fiscal note on **HB 2091**, he requested that it be returned to the Committee for reconsideration. Senator Corbin proposed that the bill be amended so that it would affect only Goodyear Tire. In this regard, he distributed copies of a memorandum concerning the fiscal note if the bill were amended to apply only to tire manufacturers. (Attachment 1) He pointed out that, if applied to tire manufacturers only, the estimated six-year total is \$1.760 million.

In addition, Senator Corbin proposed that the contents of **SB 501**, pertaining to corporation income tax apportionment for financial services companies, be amended into **HB 2091**. He noted that the intent of **SB 501** is to keep Kansas competitive with other states and, in particular, to encourage Waddell and Reed to remain in Johnson County rather than moving across the border to Missouri. He informed the Committee that **SB 501** passed out of the Senate Commerce Committee and passed on the Senate floor 38-2. However, it is being held in the House Taxation Committee.

With regard to Goodyear, Senator Donovan observed that, if Goodyear is given a tax incentive, there is no assurance that the company would not close its plant in Kansas and move to another state. He went on to say that, in his opinion, narrowly limiting the bill to two specific companies may not be the proper approach. He discussed the reasons he feels that "decoupling" from the new Federal Tax Act would be a preferable approach. In response, Senator Jenkins commented that Senator Donovan's suggestions could be discussed later in conference committee.

Senator Lee commented that, in past years, when an extraordinary tax break was given to a company as an enticement to stay in the state, it has been traditional to tie the tax break to a return to the state such as a provision that the company must stay in the state and continue to employ a given amount of people. Senator Goodwin noted that a similar tax break was given to Rubbermaid seven years ago which included a provision requiring Rubbermaid to maintain the payroll it had for several years. In response, Senator Jenkins reasoned that a company would not take advantage of a tax incentive and make an investment unless it intended to stay in the state and employ a given amount of people for several years. In her opinion, an attempt to entice Goodyear Tire to stay and expand in Kansas should not be tied to an employment agreement.

**Senator Jenkins moved to amend 2091 to narrow the focus to tire manufacturers and to insert SB 501 as passed by the Senate, seconded by Senator Allen.**

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 11:30 a.m. on March 28, 2002, in Room 519-S of the Capitol.

Senator Lee made a substitute motion to amend **HB 2091** as in Senator Jenkins' motion and to add a provision that would require tire manufacturers to maintain or increase their number of employees as in the Waddell and Reed provision, seconded by Senator Goodwin.

Senator Jenkins indicated that she would be voting "No" on the substitute motion. She emphasized that Kansas is competing with other states which have no tax on machinery and equipment, and the intent of her proposal is to provide an incentive that would keep Goodyear in the state. In her opinion, including requirements to qualify for the tax break would greatly decrease the chances of Goodyear staying in Kansas.

On a call for a vote on Senator Lee's substitute motion, the Chairman ruled that the motion carried.

Senator Jenkins called for a division. The motion carried.

Senator Jenkins moved to report **HB 2091** favorably for passage as amended, seconded by Senator Lee. The motion carried.

The meeting was adjourned at 12:15 p.m.

The next meeting, if any, is to be announced.



MEMORANDUM

March 28, 2002

To:  
From: Chris W. Courtwright  
Re: Tire Manufacturer Tax Credit Expansion Fiscal Note

This memo is to respond to your request for a fiscal note relative to a possible amendment to HB 2091.

The amendment you described to me would expand ONLY FOR TIRE MANUFACTURERS the income, privilege, and premiums tax credits pursuant to KSA 2001 Supp. 79-32,206 that offset a portion property taxes actually and timely paid on business machinery by increasing the percentage of such taxes eligible for the credit from 15 to 20 percent for property tax year 2003. The percentage of such taxes eligible for the credit would be further increased to 25 percent for property tax year 2004; 30 percent for property tax year 2005; 35 percent for property tax year 2006; and 40 percent for property tax year 2007 and thereafter.

Richard Cram of the Department of Revenue has provided the following information, based on the assumption that only Goodyear would qualify. Richard also added a caveat in an email to me that these figures are based on Goodyear's current level of investment, and does not take into account the additional fiscal impact "should Goodyear make substantial new investment in manufacturing equipment, increasing the property tax bill and amount of accompanying tax credit."

(\$ in millions)

FY 03	---	
FY 04		\$0.091
FY 05		\$0.199
FY 06		\$0.328
FY 07		\$0.481
FY 08		\$0.661
6-yr total		\$1.760

*Senate Assessment & Taxation  
3-28-02  
Attachment 1*