

MINUTES OF THE SENATE TRANSPORTATION COMMITTEE.

The meeting was called to order by Chairperson Senator Les Donovan at 8:30 a.m. on March 27, 2002 in Room 245-N of the Capitol.

All members were present except: Senator Goodwin

Committee staff present: Hank Avila, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Marian F. Holeman, Committee Secretary

Conferees appearing before the committee: Bud Burke, Olathe Chamber of Commerce
Richard Cram, Ks. Dept. Of Revenue
Don Seifert, City of Olathe

Others attending: See attached list

HB 2949: Re transportation development districts

At the request of the Chairman, Bud Burke, representing the City of Olathe, explained the request for this bill came about when the economic development people in Olathe realized they had a disadvantage in competing with Missouri because of Missouri's transportation development district law. Missouri's law provides a mechanism for the construction of roads, in and around developments, without it being a property tax burden on the developers.

Staff Revisor Kinzie reviewed information from the hearing; i.e., the original bill was to allow for implementation of a sales tax for the district, with the tax to be collected and administered by the Department of Revenue in the same manner as all other sales tax. The fiscal note came in fairly high for this procedure. Following the hearing, principals met with Kansas Department of Revenue's Secretary Richards. Secretary Richards' solution was to take it out of the sales tax arena by making it a special transportation district excise tax. It was further proposed that the locals be allowed to administer and collect the tax. The state would not be involved, thereby eliminating the fiscal note. Current Statue #12-194 provides for three exemptions from the general provisions prohibiting imposition of a tax in the nature of an excise tax. This amendment would provide a fourth exemption to allow in subsection(d) levying a tax for the purpose of financing a transportation district as defined in this act.

Richard Cram, KDOR advised the original high fiscal note is attributed to the administrative costs the Department would have to implement collecting this special local tax. They do administer local taxes, but the software is designed for use with an entire county or municipality. Adding a transportation district enclave within those taxing areas would require installation of some very expensive software to separate out that type of local tax. Local government collecting a local sales tax runs afoul of the "Streamlined Sales Tax Agreement," a multi-state compact which Kansas is considering joining. This agreement would allow for collection of sales tax for products bought in other states. Internet/catalog sales really cut into sales tax revenue in the state with a loss of \$71.4M last year. One of the principals of the "Streamlined Sales Tax Agreement" requires that each state provide state level administration of local sales tax. It is important we do not imperil this potential agreement. That is why they came up with the "excise tax" approach.

Lengthy discussion ensued regarding why the State of Kansas should have to accommodate businesses versus why businesses should not accommodate the way the State of Kansas operates. Other questions concerned the burden on small businesses, etc. Members were assured this system is working well in Missouri. It is a creative way to finance development areas and keep the cost off general property taxes. Since this is designed for new projects, businesses choose to be involved. Senator Pugh moved to amend page 5; new section 8©), striking the words, "a portion or". Senator Gooch seconded the motion. Motion carried.

The reason the effective date was extended to January 2003 was to give the Department of

CONTINUATION SHEET

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Revenue time to attain the administrative ability to accommodate this legislation. The proposed amendment changes that procedure. Therefore, it is no longer necessary to delay the date to the year 2003. The effective date in the original bill will remain. Don Seifert answered questioned regarding Olathe's role in the administration and collection of the transportation development district tax. The City wants this to happen, therefore they are willing to take on the responsibility for making it work. Several more questions were raised and discussed. Senator Schodorf moved to adopt the balloon amendment. Senator Harrington seconded the motion. Members were still not comfortable with provisions of this bill. Following further debate a substitute motion was offered. Senator Salmans moved a substitute motion to recommend requesting an interim study on transportation development districts. Senator Gooch seconded the motion. Motion carried.

Approval of minutes

Senator Larry Salmans moved to approve minutes of the March 26, 2002 meeting. Senator Schodorf seconded the motion. Motion carried.

The meeting adjourned at 9:35 a.m.

The next meeting is on call of the Chair.

SENATE TRANSPORTATION COMMITTEE
GUEST LIST

DATE: MARCH 27, 2002

NAME	REPRESENTING
GARY DAVENPORT	KS MOTOR CARRIERS ASSN
Christi Stewart	KS Motor Carriers Assoc
Don Seifert	City of Olathe
Tom Whiraker	KS MOTOR CARRIERS ASSN
H. W. Miller	KDOT
Bud Burke	Olathe Chamber of Commerce
Ronne Ann Power	KS Govt Consulting