

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 18, 2005 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Others attending:

See attached list.

Representative Thull made a motion to introduce a bill related to current poverty tax exemption for independent living centers operated by not-for-profit nursing homes. The motion was seconded by Representative Kirk. The motion carried.

Representative Siegfroid made a motion to introduce a bill regarding uniformity and local sales taxes. Representative Dillmore seconded the motion. The motion carried.

HB 2023 - Classes of cities for sales tax purposes; uniformity

Representative Siegfroid gave the Committee a Sub-Committee Report regarding **HB 2023**. Sub-Committee Members: Representative Siegfroid - Chair, Representatives Owens and Davis.

A Sub-Committee meeting was held on February 14, 2005 at 9:30 a.m. in Room 519-S at the Capital. Staff provided an explanation on the history of uniformity and they have now begun to lay the foundation to proceed in an orderly fashion.

The bill Representative Siegfroid introduced at today's meeting will be used to compare to **HB 2023** and return to the committee soon to be able to lay out four options for the Committee to consider.

- HB 2023 in its original form
- New bill Representative Siegfroid introduced today
- Discussion of possible consequences if no action were taken
- Suggestion that it be recommended as the subject of a summer interim study

The subject is complex and will require considerable discussion and deliberation.

The other subject closely related to this subject is the developmental excise tax. He suggested that the excise tax subject be separated from the uniformity issue if possible. The excise tax could be handled on its own, so it doesn't add confusion to the issue of uniformity.

Representative Owens, member of sub-committee, added that there are multiple opportunities for error and they needed to proceed with caution on the uniformity issue. He suggested that the complexities and possible unintended consequences indicate that the subject deserves extensive research and discussion through an interim study dedicated solely to this purpose.

Discussions followed regarding: dialogue between all interested parties, advantages of removing the excise tax portion of **HB 2023**, complications of additional classes of cities, implications of home rule and chartering out of existing ordinances, importance of policy decisions that would avoid court challenges, previous two interim studies, importance of 100 hour audit of "How Cities can raise money at the local level" as a resource tool.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on February 18, 2005 in Room 519-S of the Capitol.

Staff advised they would follow-up on the 100 hour audit suggested by Representative Carlin.

Chairman Wilk suggested that Committee members speak with Representatives Siegfried, Owens, and Davis regarding their concerns, questions or recommendations as discussions continue. He expressed appreciation to the sub-committee members for their on-going efforts regarding this very complicated issue.

HB 2102 - Sales tax exemption for construction of facility conveyed to business qualifying for sales tax exemption.

Mr. Courtwright stated that the bill narrowly expands a sales tax exemption that is available under the enterprise zone law and was related specifically to a project for the Vortex Company in Saline county. Upon the completion of the new facility, ownership would change hands therefore they wouldn't be entitled to the tax exemption under a lease agreement. The fiscal note on the bill stated that for every million dollars in expenditures the state would lose \$53,000 in sales taxes. Proponents of the bill stated that the project would not take place unless the sales tax exemption was granted. The bill sunsets and is drafted for one project in Saline county.

Representative Huff made the motion to move **HB 2102** out favorably for passage. Representative Thull seconded the motion.

Representative Kinzer made a substitute motion to amend **HB 2102** that would strike the words on page 2, line 14, ~~located within Saline County~~. Representative Brunk seconded the motion.

Discussions followed regarding the implications of removing or leaving the sunset rule in place, possible abuse of companies that might use the tax exemption laws without a long term commitment to the community, advantages of requiring case-by-case review by legislators when requesting tax exemptions, concern over the unknown fiscal impact to the state, and possible unintended consequences when laws are stretched to fit a variety of uses beyond the original intent of a law.

Representative Kinzer closed his motion to amend **HB 2102**. The motion failed.

Representative Huff closed his motion to move **HB 2102** out favorably. The motion carried.

The meeting adjourned at 10:10 a.m. The next meeting is scheduled for February 22, 2005.

