

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:45 A.M. on February 21, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Jason Thompson, Office of Revisor of Statutes
Judy Swanson, Committee Assistant

Conferees appearing before the committee:

Others attending:

Senator Pine presented a balloon amendment to **SB 278**—Sales tax exemption for precision farming equipment. (Attachment 1) The amendment clarifies current practice for exempting precision farm equipment from sales tax, so there is no fiscal note for the bill.

Senator Pine moved to adopt the balloon amendments to **SB 278**. Senator Donovan seconded the motion, and the motion carried.

Senator Pine moved to report **SB 278**, as amended, favorably for passage. Senator Donovan seconded the motion, and the motion carried.

Richard Cram reviewed new fiscal information on **SB 240**—Apportionment of net income for income tax purposes for certain taxpayers. (Attachment 2) He said there is no fiscal note for **SB 240**.

Senator Lee moved to report **SB 240** favorable for passage. Senator Jordan seconded the motion, and the motion carried.

Senator Schmidt moved to amend the language in **SB 98, SB 199, SB 200, SB 227, SB 241, SB 256, SB 261** and **SB 290** into **SB 126**. Senator Donovan seconded the motion, and the motion passed.

Senator Jordan moved to further amend **SB 126**, as amended, to add the Rotary Club of Shawnee Foundation and the Community Center of Shawnee. Senator Donovan seconded the motion, and the motion carried.

Senator Allen moved to further amend **SB 126**, as amended, to include **HB 2150**, the American Cancer Society, Inc. in **SB 126**. Senator Bruce seconded the motion, and the motion carried.

Senator Bruce said **SB 327** will be blessed, and he would like to consider it at a later time.

Senator Allen asked if there were additional requests. Being none, the meeting adjourned at 11:02 a.m. The next meeting will be February 28.

[portable or is]

1 ~~“Farm machinery and equipment” includes precision farming equipment~~
 2 ~~that is installed or purchased to be installed on farm machinery and equip-~~
 3 ~~ment, including, but not limited to, tractors, harvesters, sprayers, plant-~~
 4 ~~ers, seeders, spreaders or all-terrain vehicles, and “farm machinery and~~
 5 ~~equipment” includes computers, sensors, software and related equipment~~
 6 ~~used primarily in the computer assisted operation of production agricul-~~
 7 ~~ture facilities, equipment and activities. “Precision farming equipment”~~
 8 ~~includes, but is not limited to, soil testing sensors, yield monitors, com-~~
 9 ~~puters, monitors, software, global positioning and mapping systems, guid-~~
 10 ~~ing systems, modems, data communications equipment and any necessary~~
 11 ~~mounting hardware, wiring and antennas. Each purchaser of farm ma-~~
 12 ~~chinery and equipment or aquaculture machinery and equipment ex-~~
 13 ~~empted herein must certify in writing on the copy of the invoice or sales~~
 14 ~~ticket to be retained by the seller that the farm machinery and equipment~~
 15 ~~or aquaculture machinery and equipment purchased will be used only in~~
 16 ~~farming, ranching or aquaculture production. Farming or ranching shall~~
 17 ~~include the operation of a feedlot and farm and ranch work for hire and~~
 18 ~~the operation of a nursery;~~

[the following items used only in computer-assisted farming, ranching or aquaculture production operations:]

19 (u) all leases or rentals of tangible personal property used as a dwell-
 20 ing if such tangible personal property is leased or rented for a period of
 21 more than 28 consecutive days;

22 (v) all sales of tangible personal property to any contractor for use in
 23 preparing meals for delivery to homebound elderly persons over 60 years
 24 of age and to homebound disabled persons or to be served at a group-
 25 sitting at a location outside of the home to otherwise homebound elderly
 26 persons over 60 years of age and to otherwise homebound disabled per-
 27 sons, as all or part of any food service project funded in whole or in part
 28 by government or as part of a private nonprofit food service project avail-
 29 able to all such elderly or disabled persons residing within an area of
 30 service designated by the private nonprofit organization, and all sales of
 31 tangible personal property for use in preparing meals for consumption by
 32 indigent or homeless individuals whether or not such meals are consumed
 33 at a place designated for such purpose, and all sales of food products by
 34 or on behalf of any such contractor or organization for any such purpose;

35 (w) all sales of natural gas, electricity, heat and water delivered
 36 through mains, lines or pipes: (1) To residential premises for noncom-
 37 mercial use by the occupant of such premises; (2) for agricultural use and
 38 also, for such use, all sales of propane gas; (3) for use in the severing of
 39 oil; and (4) to any property which is exempt from property taxation pur-
 40 suant to K.S.A. 79-201b *Second* through *Sixth*. As used in this paragraph,
 41 “severing” shall have the meaning ascribed thereto by subsection (k) of
 42 K.S.A. 79-4216, and amendments thereto. For all sales of natural gas,
 43 electricity and heat delivered through mains, lines or pipes pursuant to

From: Judy Swanson
To: Richard_Cram@kdor.state.ks.us
Subject: Re: SB 240 Fiscal Note

>>> <Richard_Cram@kdor.state.ks.us> 2/20/2007 1:38 PM >>>

We need to correct what may have previously been provided as a fiscal note for SB 240. Given that the bill requires a \$100 million investment for a new facility and creation of 100 new jobs at above average wages, then assuming the entity generating the taxable income makes the investment and earns the credits, the HPIP credits generated by such an investment should more than offset the reduction in corporate income tax liability attributable to allowing a qualifying entity to use single sales factor apportionment, instead of 3-factor apportionment. Thus, until the HPIP credits and any carryforwards of those credits are used or expire, the fiscal impact from the reduction in corporate income tax liability due to single sales factor apportionment will not be apparent for possibly ten years after the investment (the carryforward period for HPIP credits). In the near term then (at least the next 5 fiscal years), the fiscal impact for SB 240 will be neutral.

Richard

Assessment & Taxation
Date 2-21-07
Attachment # 2

From: Judy Swanson
To: Richard_Cram@kdor.state.ks.us
Subject: Re: Precision Farming Equipment

>>> <Richard_Cram@kdor.state.ks.us> 2/19/2007 1:03 PM >>>

Under current law, the Department considers precision farm equipment used exclusively in farm production to be exempt under the "farm machinery & equipment" sales tax exemption. We would define "precision farming equipment as follows:

"Farm machinery and equipment" includes precision farming equipment that is portable or is installed or purchased to be installed on farm machinery and equipment. "Precision farming equipment" includes the following items used only in computer-assisted farming, ranching or aquaculture production operations: soil testing sensors, yield monitors, global positioning and mapping systems, guiding systems, modems, datacommunications equipment and any necessary mounting hardware, wiring and antennas, computers, monitors and software.

If the above items are not used exclusively in farm production operations (even if they are used "primarily" in such operations), they would not qualify for the exemption, under current law.

Let me know if you have any questions or anything further is needed regarding this. Thanks, Richard

"Judy Swanson"
<judyKS@senate.state.ks.us>
To
"Richard Cram"
02/19/2007 08:46 AM <Richard_Cram@kdor.state.ks.us>
cc
Subject
SB 240 Fiscal

Assessment & Taxation
Date 2-21-07
Attachment # 2-2