

Approved: 04-27-07 Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:30 A.M. on March 15, 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
Judy Swanson, Committee Assistant

Conferees appearing before the committee:

Others attending:

See attached list.

Hearing was opened on SB 314, Kansas angel investor tax credit act.

Senator Jordan reviewed **SB 314**, which was a result of recommendations by the Kansas Economic Growth Act, to bring investment money into the State. Senator Jordan also distributed and reviewed the 2006 Angel Tax Credit Annual Report. (Attachment 1) The bill would raise the \$2 million tax credit limit to a \$4 million cap in FY2007, and to a \$6 million cap in FY2008. Animal health research companies would have first opportunity to apply for the additional dollars. KTEC must certify companies before they can apply for the funds. The hearing was closed.

Chairman Allen said she would like to divide the bills into three tax categories, sales, income and property, then put the bills in each category into one bill to be considered.

SB 172, income tax credit for fees paid to public schools for textbooks and workbooks, was discussed. Numerous members thought the fiscal note was incorrect for the bill.

Senator Apple moved to report SB 314, Kansas angel investor tax credit act, favorably for passage. Senator Donovan seconded the motion, and the motion carried. Senator Jordan will carry the bill.

Senator Apple was concerned that **HB 2440**, Kansas film production investor tax credit act, would allow a 50% tax credit which is refundable. This seems an excessive buy-in by the state.

After discussion no action was taken on **HB 2440**, **SB 172** and **SB 344**.

Senator Bruce moved to report SB 327, as amended, favorably for passage. Senator Donovan seconded the motion, and the motion carried.

HB 2240, sales tax exemptions for services for rebuilding of public utility facilities was discussed. Mark Schreiber, Westar, reviewed outside labor expenses to repair storm damage for the years 2002-2006. (Attachment 2) The majority of the expenses were due to ice storms. Kansas utility companies pay double sales tax. They pay sales tax on "labor" bills received from out-of-state companies, and Kansas utilities have already paid sales tax on the services out-of-state companies used, (i.e. hotel, food, etc.) Doug Shepherd, Kansas Electric Cooperatives, said cooperatives get about 75% damage refunded from FEMA. Chairman Allen requested information on who gets what from FEMA. Several Committee members concurred with Mr. Schreiber that double taxation is an issue, and suggested an interim study on the matter.

Discussion was held on **HB 2038**, nuclear power plants, application of siting act, property tax exemption.

Senator Schmidt moved to amend HB 2038 to have utility companies make payment in lieu of taxes from the time they purchase land until the completion of construction, and give the Revisor discretion to draft appropriately. Senator Apple seconded the motion, and the motion carried.

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:30 A.M. on March 15, 2007 in Room 519-S of the Capitol.

Representative Holmes was available to answer questions concerning **HB 2405**, incentives for production of energy from renewable resources and use of waste energy from electric generation; sunset of certain tax credits, and **HB 2476**, incentives for purchase and installation of equipment for blending and storing biofuel. The bills will be discussed further next week.

Chairman Allen said Staff will review all the bills for the Committee at the next Committee meeting. Senator Apple requested **SB 291**, excise tax on certain sexually explicit businesses, be further considered by the Committee next week.

Being no further business, the meeting adjourned at 11:58 A.M. The next meeting will be March 19.

SENATE
ASSESSMENT & TAXATION COMMITTEE

GUEST LIST

DATE: THURSDAY, MARCH 15, 2007

NAME	REPRESENTING
Ryn Gaches	GBBA
Mark Dasetti	KN EA
Emily Geier	Hein Law Firm
BRANDON BOHNING	DAMBON
Whitney Damm	Coffy Co Commission
TOM DAI	KCC
Alan Stotts	KDOR
Steve Bronkard	KDOR
Ben Cleaves	DOIR
Paul J. Poland	Sen. Schmidt's Office
Ken Peluso	KS Petroleum Council
PHIL WAGES	KEPCO
Dave Hottelhaus	KEC
Doug Skyles	KEC
Steve Miller	Sunflower Petric
LARRY BEEB	MIDWEST ENERGY
Kimberly Jensen	ITC Great Plains
Mark Schwerber	Westar Energy
Wes Ashton	Aquila

2006 ANGEL TAX CREDIT ANNUAL REPORT

	2005	2006	2007	2008	Total (from inception)
Total Angel Tax Credits Issued	\$ 1,932,500.00	\$1,833,832.63			\$ 3,766,332.63
Capital Infusion					
Stock or LLC Interest	\$ 7,857,753.00	\$ 26,701,188.00			
Convertible Debit/Other	\$ 1,388,000.00	\$ 955,000.00			
Total	\$ 9,245,753.00	\$ 27,656,188.00			\$ 36,901,941.00
Jobs					
New Jobs	37	33			70
Preserved Jobs	60	9			69
TOTAL	97	42			139
Estimated Effect on the Kansas Economy (factor of 2.5)	242.5	105			347.5
Total Annual Payroll	\$ 5,814,987.00	\$ 7,695,310.00			\$ 13,510,297.00
Total Revenue	\$ 5,804,987.00	\$ 17,864,942.00			\$ 23,669,929.00

*Assessment & Tax
3/15/07
attach 1*

Kansas Electric Utilities
 Estimated Outside Labor Expense to Repair Storm Damage
 For the Years 2002-2006

			Estimated Outside Labor Expense		
			Ice Storm	Wind	Tornado
			(currently non-exempt)	(currently non-exempt)	
2002	January	Co-ops- Butler, Caney Valley, Lyon-Coffey, Sumner-Cowley Westar Energy (115,700 customers @ peak)	\$3,900,000		
	May	Co-op- Ninnescah	\$11,320,754		\$60,000
2003		None			
2004	July	Midwest Energy		\$300,000	
2005	January	Co-ops- Ark Valley, Butler, Caney Valley, Flint Hills, Kaw Valley, Leavenworth- Jefferson, Lyon-Coffey, Ninnescah, Sedgwick County, Sumner-Cowley Westar Energy (261,000 customers @ peak)	\$22,200,000		
	July	Co-op- Ark Valley	\$28,300,000	\$25,000	
	November	Co-ops- Lane-Scott, Midwest Energy, Prairie Land, Western	\$2,800,000		
2006	December	Co-ops- Lane-Scott, Midwest Energy, Prairie Land, Pioneer, Sunflower, Western, Wheatland	\$44,800,000		
Five Year Total			\$113,320,000	\$325,000	\$60,000
Average Annual Expense			\$22,664,000	\$54,167	\$10,000
Average Annual State Sales Tax			\$1,140,734	\$2,726	Exempt
Range of Sales Tax = \$0 (2003) to \$2,826,225 (2005)					

Notes: 2006 December ice storm expenses are still ongoing.
 KCPL has reported no significant outages from 2002 through 2006.
 Ice storms and windstorms are infrequent, unplanned events.

Assessment & Taxation
 Date 3-15-07
 Attachment # 2