

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 19, 2008 in Room 519-S of the Capitol.

All members were present except: Representative Menghini - Excused

Committee staff present:

Chris Courtwright, Legislative Research Department  
Gordon Self, Office of Revisor of Statutes  
Ryan Hoffman, Legislative Research Department  
Scott Wells, Office of Revisor of Statutes  
Richard Cram, Department of Revenue  
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Secretary Wagnon, KDOR  
Jim Bartle, General Counsel, KDOR

Others attending:

See attached list.

The following bill introductions were requested:

John Peterson, appearing on behalf of the Health and Fitness Association, requested a bill introduction dealing with sales tax exemption; establishing a uniform methodology for granting those exemptions, both current and proposed. Representative Owens moved the request and Representative Carlson seconded The motion carried.

On behalf of Representative Proehl, Chairman Wilk requested a sales tax exemption for the Wells Christmas basket. Representative Wilk moved the request, seconded by Representative Carlson. The motion carried.

The Chairman announced the formation of the **HB 2694** Sub-committee: Representative Brown - Chair, Representative Bowers and Goyle. On behalf on the Committee, he asked that they review the bill that went in last year and make a determination on the change in definition. Should the definition or should it return to the federal policy. If they recommend a move to the federal policy, the committee needs an idea of how that would work, as it sounds like Kansas would have to lock on with the current program. Finally, since it appears the legislation is not necessarily working, the Sub-committee should make recommendations if changes are necessary. He reminded them there are limited funds.

**HB 2520 - Liability for taxes and other expenses related to conversion of lands into condominiums**

Gordon Self distributed a memorandum on the bill and said it simply amends statute so condominium owners would not be taxed on real state taxes owed on convertible lands, but rather those taxes would be the responsibility of the condominium developers (Attachment 1). He explained the definition of "convertible" lands.

Rep Dillmore made the motion the Taxation Committee recommend **HB 2520** favorable for passage. Representative Rardin seconded the motion. The motion carried.

**HB 2750 - An act concerning property tax; exempting certain property leased to companies for research and development purposes.**

Ryan Scott, Legislative Research Department, said **HB 2750** provides a property tax exemption for certain property owned by universities, or the Board of Regents for those universities, and it basically assures that this property remains exempt when it is leased out for use by professors for site and start up projects. There is no fiscal impact, and has a five year limit.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on February 19, 2008 in Room 519-S of the Capitol.

Representative Holland moved that the Committee pass out **HB 2750** favorably. Representative seconded the motion.

Rep Owens questioned the definition of "State educational institutions" referenced on page 6, line 9. Gordon Self, Office of Revisor of Statutes, recommended that "post-secondary educational institutions" be used as it defines the intent of the Committee. Representative Owens moved that the change in language be amended into the bill. Rep Brown seconded the motion. The motion carried.

Representative Holland made the motion to pass out **HB 2750** favorably, as amended. Representative Peck seconded. The motion carried.

**HB 2762 - Corporate income taxation changes relating to apportionment of net income, business income and surtax on corporations.**

Chris Courtwright, Legislative Research Department, said the bill was introduced by the Special Committee on Assessment and Taxation. It would allow full apportionment of business income for all tax years commencing after December 31, 2008. In addition, **HB 2762** would allow a taxpayer to include only the net gain from sales of business assets when calculating the sales factor. Finally, the bill would reduce the surtax rate from 3.35 percent to 2.85 percent, for corporations with Kansas taxable income in excess of \$50,000. The fiscal note is close to neutral.

Representative Carlson made the motion to amend the "negotiated consensus language" into **HB 2762**. Representative Dillmore seconded the motion. Discussion followed. The motion failed.

The Chairman directed Gordon Self, Office of the Revisor, to draft a balloon for the consensus language. The balloon will be brought back to Committee for review. Mr. Self requested permission to work with the department on technical changes.

Secretary Wagon, Marlee Carpenter and Mr. Bartle came to the podium to answer Committee questions pertaining to:

1. Members of the consensus group
2. How the consensus language changes the bill
3. Understanding of impact and rationale of the bill
4. Merit of Election for 10 years or annually and what effect would occur if the stability piece was removed
5. Examples of "churning" in business.

After discussion, at the Chairman's request, Mr. Bartle agreed to provide examples of various scenarios under given rules.

The meeting adjourned at 10:30 A.M. The next meeting is February 20, 2008.

# HOUSE TAXATION COMMITTEE

DATE: 2-19-08

NAME	REPRESENTING
Hatley Utgen	KIBFA
Tony Folson	KDOR
David R. Colbin	KDOR
Ben Cleaves	DOR
Jacquelyn Koehler	Kansas, Inc.
Derek Glasgow	Intern for Rep. Davis
Mailee Carpenter	KS Chamber
Shahira Stafford	KS Grain & Feed Assn.
John Peterson	KS Health & Fitness
Sandy Braden	Hallmark Cards
Jim May	Spirit AeroSystems
Nelson Krueger	LEL
Michelle Peterson	Capitol Strategies
STAN FROWNFELTEN	House 31 <sup>ST</sup>
BUD BURKE	CESSNA AIRCRAFT CO
Kathy Damon	KU
Dina Fisk	Verizon
Bernie Koch	Wichita Chamber
Paul WELCOME	JOHNSON County



Date: 02/21/2007

Subject: House Bill 2520  
Introduced as a House Bill

Brief of Bill

2007 House Bill 2520, as introduced, amends K.S.A. 58-3115a concerning conversion of convertible lands associated with condominium projects. The amendment adds language to provide that the declarant (owner or developer of the condominium project) is liable for real property taxes assessed against the convertible land and any improvements thereon and all other expenses in connection with that real estate until conversion takes place or the time for conversion expires. It is further provided that no other condominium unit owner and no other portion of the condominium shall be subject to a claim for payment of such taxes or expenses. Finally, unless the declaration provides otherwise, any income or proceeds from the convertible land and any improvements thereon shall inure to the declarant.

The bill would take effect and be in force from and after publication in the statute book.

Fiscal Impact

None.

Administrative Impact

None.

Administrative Problems and Comments

We believe this bill was introduced after a developer who had constructed a few condominium units and had excess land where several additional units were approved to be constructed, argued that a county could not separately value the excess land and assess the taxes against the developer because of language in K.S.A. 58-3115a and 58-3122 providing that the excess land is considered common area of the condominium project and is to be taxed against the condominium units that were already built. The county believed the excess land had to be separately valued and assessed pursuant to K.S.A. 79-503a. We believe this bill was introduced to clarify that the developer should be responsible for the taxes on the excess land.

Taxpayer/Customer Impact

Developers will have their property taxes increased if they have excess land for which the taxes have been assessed against the condominium owners. The condominium owners will have their taxes decreased.

Legal Impact

None.