

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairman Lana Gordon at 3:30 p.m. on February 16, 2009, in Room 711 of the Docking State Office Building.

All members were present except:

Representative Don Hill- excused
Representative Sharon Schwartz- excused
Representative Ron Worley- excused

Committee staff present:

Doug Taylor, Office of the Revisor of Statutes
Reed Holwegner, Kansas Legislative Research Department
Ann Deitcher, Committee Assistant

Conferees appearing before the committee:

Dave Kerr, Secretary, Department of Commerce
Neil Stout, Vice President, Hill's Pet Nutrition, Inc.
Richard Cram, Department of Revenue

HB 2270 - An act concerning income taxation; relating to apportionment of business income.

The Chair introduced Dave Kerr who offered testimony in support of **HB 2270**. (Attachment 1).

Secretary Kerr said that the Department of Commerce is in favor of the proposed amendment which was intended to ensure that businesses which are eligible for the incentives under the law are able to realize those benefits. He said how the proposed amendment would grant the Secretary of Revenue and the Secretary of Commerce the discretion to determine that substantial compliance with the job creation and investment requirement was being actively pursued in good faith and would allow up to an additional six months for full compliance.

He told the Committee that this would ensure that businesses diligently seeking to meet the statutory requirements would not be unduly prejudiced by the devastating economic downturn of the past several months.

Questions and answers followed.

Testifying next as a proponent to **HB 2270**, Neil Stout told the Committee that his company was currently engaged in a major expansion in Emporia, Kansas. This expansion was begun following encouragement by the State when the legislature enacted KSA 79-3279 which would allow a manufacturing concern investing \$100 million and creating 100 or more new jobs before December 31, 2009, to have its income apportioned to Kansas based on its sales in Kansas (a single factor formula).

Saying that the Emporia expansion would exceed the \$100 million investment, current projections are that they will spend some \$190 million and would create significantly more than 100 new jobs.

Hills Pet Nutrition faced a three month delay in construction due to factors beyond their control and as a result, reaching the two thresholds by December 31st of this year might be problematic.

HB 2270 would allow the Secretary of Revenue a limited amount of flexibility to extend the deadline for completion of a manufacturing facility.

Richard Cram was present and spoke briefly of his department's support of **HB 2270**.

CONTINUATION SHEET

Minutes of the House Economic Development And Tourism Committee at 3:30 p.m. on February 16, 2009, in Room 711 of the Docking State Office Building.

Questions and answers followed.

The discussion was closed on **HB 2270** and it was agreed to work the bill.

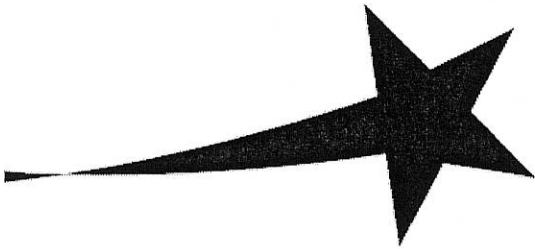
A motion was made by Representative George that **HB 2270** be passed favorable out of Committee and placed on the consent calendar. The motion was seconded by Representative Donohoe and passed on a voice vote.

The meeting was adjourned at 4:00 p.m. The next meeting is scheduled for Wednesday, February 25, 2009.



KANSAS
DEPARTMENT OF COMMERCE

David D. Kerr, Secretary



Testimony Presented by David D. Kerr

Kansas Department of Commerce

**House Economic Development
and Tourism Committee**

February 16, 2009

For more information on this topic contact:

David D. Kerr

Phone: (785) 296-2741

Fax: (785) 296-3665

www.kansascommerce.com

Economic Development & Tourism

Date: 2-16-09

Attachment # 1-1

Kansas Department of Commerce
Testimony to
House Economic Development and Tourism Committee

Chairwoman Gordon, and members of the Committee, thank you for the opportunity to testify in support of House Bill No. 2270, which amends K.S.A. 2008 Supp. 79-3279.

The Department of Commerce is in favor of the proposed amendment which is intended to ensure that businesses which are eligible for the incentives under the law are able to realize those benefits. The current "sunset" date of December 31, 2009, for placing into service the \$100 million investment necessary to qualify under the law has become overly restrictive based on the general economic downturn.

The proposed amendment would grant the Secretary of Revenue and the Secretary of Commerce the discretion to determine that substantial compliance with the job creation and investment requirement is being actively pursued in good faith and allow up to an additional six months for full compliance. This would ensure that businesses diligently seeking to meet the statutory requirements are not unduly prejudiced by the devastating economic downturn of the past several months. The language is very targeted and limited in application to projects already in progress. This makes good sense from an economic development perspective.

Thank you for your consideration of HB 2270. I will be happy to stand for any questions.

Testimony of Neil Stout
Hills Pet Nutrition
Support of HB 2270
House Committee on Economic Development and Tourism
Monday, February 16, 2009

Madam Chair, members of the Committee. My name is Neil Stout and I am Vice President of Global Pet Nutrition Supply Chain of Hill's Pet Nutrition, Inc. I am appearing today to offer our support for HB 2270. Hill's is the manufacturer and distributor of nutritionally balanced therapeutic and wellness pet foods. Our sales exceed \$2 billion and our products are sold in over 100 countries around the world. We export over \$400 million of products from Kansas to these countries and source most of our raw materials from local area farmers and meat producers. Hill's Pet Nutrition has been continuously engaged in business in Topeka for over 100 years.

We are currently engaged in a major expansion in Emporia, Kansas. This new plant will produce Science Diet® and Prescription Diet® dry products for domestic and international markets. As an encouragement to locate this plant in Kansas, the legislature enacted KSA 79-3279 which allows a manufacturing concern investing \$100 million and creating 100 or more new jobs before Dec 31, 2009, to have its income apportioned to Kansas based on its sales in Kansas (a single factor formula). Our Emporia expansion will exceed the \$100 million investment. Current projections are that we will spend some \$190 million, and we are creating significantly more than 100 new jobs. Unfortunately we faced about a three month delay in construction due to factors beyond our control. As a result, reaching the two thresholds by December 31st of this year might be problematic.

HB 2270 would allow the Secretary of Revenue a limited amount of flexibility to extend the deadline for completion of a manufacturing facility. This extension would only be granted if the Secretary determined that there was good cause for the delay and after the Department of Commerce certified that the entity was in substantial compliance. In no case could the deadline be extended for more than six months.

We would urge your support for HB 2270 and would be glad to answer any questions you have at the appropriate time.

Economic Development & Tourism
Date: 2-16-09
Attachment # 2