

Approved: 5/6/09
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Les Donovan at 5:20 p.m. on May 4, 2009, in Room 545-N of the Capitol.

All members were present.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Corey Carnahan, Kansas Legislative Research Department
Chris Courtwright, Kansas Legislative Research Department
Mary Jane Brueck, Committee Assistant

Conferees appearing before the Committee:

Kent Eckles, Kansas Chamber of Commerce
Secretary Joan Wagnon, Department of Revenue

Others attending:

See attached list.

Chairman Donovan explained the meeting would be informal. Last Friday we did not finish the hearing on the decoupling bill, **SB 335 - Income taxation, deductions, determination of Kansas adjusted gross income and credits, decoupling legislation.** Kent Eckles with the Kansas Chamber of Commerce spoke briefly in opposition to this bill. (Attachment 1) Chairman Donovan closed the hearing on this bill. He said he did not see any action on this bill this year.

Secretary Joan Wagnon, Department of Revenue spoke on **SB 337 - Amnesty from assessment or payment of penalties and interest on certain unpaid taxes.** This bill is looking at the debt that is currently on appeal by a tax payers, but has not been settled. This bill would allow pending cases to be reviewed by the Department of Revenue, and possibly bring in \$35,000,000.00 into the treasury of the state. She proposed different wording for the bill to clarify it. (Attachment 2) Gordon Self, Office of the Revisor of Statutes, suggested this wording be used as a substitute for the original bill. Discussion of this change was held. Sen Steineger moved a substitute bill be written with this new language, and the bill be passed out of committee favorably. Sen. Lynn seconded the motion. After further discussion, the motion carried.

Chairman Donovan reopened the hearing on **SB 334 - Rates of estate tax and franchise tax, three-year without reduction.** The hearing on this bill was held May 1, 2009. Sen. D. Schmidt moved to strike all information regarding estate taxes from this bill. Sen. Lynn seconded the motion. Motion carried.

Sen D. Schmidt moved to further amend SB 334 to alter the provision in respect to franchise tax for recapture of \$12,000,000.00 in 2010 and accelerate the repeal of franchise tax in 2009. Sen Apple seconded the motion. Discussion was held. Sens. Brownlee and Lynn gave their opinions regarding the present recession and the effects of this bill. Sen. Apple explained this bill needs to advance to the floor. Sen. Steineger suggested the vote be put off until another time, allowing committee members to talk with businesses in their districts. Chairman Donovan said he is willing to put off the vote on this amendment until tomorrow. A motion to do so cannot be made until the committee votes on Sen. Schmidt's amendment that is presently on the floor. The vote on that amendment was held. The motion passed. Sen. Karin Brownlee voted no; Sen. Julia Lynn also voted no.

Chairman Donovan reopened discussion on **SB 338 - Distribution of revenue from tax on privilege of selling alcoholic liquor.** Sen. D. Schmidt moved the bill be moved favorably to the floor. Sen. Apple seconded the motion. Sen Steineger suggested the State keep the funds from local governments' share of this tax revenue since it goes into their general funds. Sen Holland spoke against Sen. D. Schmidt's motion. The motion carried.

Being no further discussion, on bills the meeting was adjourned at 6:20 p.m.

No future meetings are scheduled.

SENATE
Assessment & Taxation Committee
GUEST LIST

DATE: 5/4/09

NAME	REPRESENTING
Kent Eklos	KS Chamber of Commerce
David Holtwick	Overland Park Chamber
Michelle Butler	Capital Strategies
Dodie Wellshen	USA/ILS
Kob Mesh	KEARNEY ASSOC.
Pat Lehman	KRPA
J. P. SMALL	KOCH INDUSTRIES, INC.
Martin Hauva	Hauva's Capital Partners
Christy Caldwell	Topeka Chamber of Commerce
Natalie Bright	WIBA
Whitney Damron	KS Automobile Dealers Assn.
John Peterson	Capital Strategies
Mark Deseffi	KNEA
Mike Beam	Ks. Livestock Assn.
Bob Kuehnel	KIOGA
Ken Peterson	KS Petroleum Council
Ed Cross	KIOGA
Moji Fanimokun	LKM
JEFF CONWAY	KS DEPT. OF COMMERCE

SENATE

Assessment & Taxation Committee

GUEST LIST

②

DATE: 5-4-09

NAME	REPRESENTING
<i>Sister Therese Barzot</i>	<i>Ks. Cath. Conf.</i>
<i>Pat Terick</i>	<i>Cerebral Palsy Research</i>
<i>Ron Sube</i>	<i>KARA</i>
<i>Jessie Kaufman</i>	<i>Ks Coop Council</i>
<i>Melissa Wanzemana</i>	<i>Ks Assoc of Counties</i>
<i>Val DeFever</i>	<i>SQE</i>
<i>John Frederick</i>	<i>The Boeing Company</i>
<i>Justin Moyer</i>	<i>KHPA</i>
<i>ERIK SARTORIUS</i>	<i>City of Overland Park</i>
<i>Berend Koops</i>	<i>Hein Law Firm</i>
<i>TUCK DUNCAN</i>	<i>KS Wine & spirits wholesalers.</i>
<i>BRAD HARRELSON</i>	<i>KFB</i>
<i>Jennifer Bernward</i>	<i>KACIL</i>
<i>Shannon Jones</i>	<i>SILCK</i>

**Testimony before the Senate Assessment & Taxation Committee
Senate Bill 335 – Decoupling from Federal Stimulus Tax Provisions
Presented by J. Kent Eckles
Vice President of Government Affairs
Friday, May 1st, 2009**



Mr. Chairman & Members of the Committee, the Kansas Chamber appreciates the opportunity to appear before you in opposition to Senate Bill 335, which decouples from tax-related provisions of The American Recovery & Reinvestment Act (ARRA) of 2009.

To spur additional investment, ARRA extends the increase in the limit for initial year expensing to \$250,000 (from \$125,000 indexed for inflation). The expensing election begins to phase out dollar for dollar when total asset acquisitions for the tax year exceed \$800,000 (up from \$500,000 indexed for inflation). The new higher limit applies for calendar year 2009 or a business's fiscal year that begins in 2009.

Another depreciation-related provision extends the special allowance for certain property, generally if acquired in 2009. For eligible property, the special depreciation amount is equal to 50% of its adjusted basis.

Businesses being able to receive greater tax deductions for capital investments could not come at a more opportune time. That is exactly why this provision was part of the federal stimulus plan to begin with!

Fully decoupling from recently passed federal tax provisions sends a signal to investors and employers alike that they are amongst the first targets for the state when budget problems arise.

Further, it is said that "capital is shy" and will go where it is welcomed and secure, so decoupling from the bonus depreciation schedule when other states are not sends a very loud message to those considering investing in the State to look elsewhere.

Again, we would ask; "Does the state really want to "pile on" and exacerbate matters by increasing the tax burden on those who employ hard-working Kansas families?" Instead, the state should be stimulating job creation and investment by employers, not adding additional burdens that will only serve to hinder our economic rebound.

The Kansas Chamber appreciates the opportunity to appear before the Committee and will stand for questions at the appropriate time.

The Kansas Chamber, with headquarters in Topeka, Kansas, is the premier state-wide pro-business advocate with over 700 small, medium and large employers amongst our ranks. Our mission is to make Kansas the best state in which to live and do business.



To the Senate Committee on Assessment and Taxation

Joan Wagnon

May 4, 2009

Testimony on Senate Bill 337

In addition to other authority granted under law, the secretary of revenue shall have the authority to equitably resolve any assessment resulting from an audit, or any portion of such assessment, that is pending in the administrative appeals process before the secretary or secretary's designee pursuant to K.S.A. 79-3226 or 79-3610, and amendments thereto, or the state court of tax appeals, or is pending in the judicial review process before any state or federal district or appellate court. Such settlement authority shall include the ability to resolve the amount of tax, penalty or interest due in the settlement agreement.