SESSION OF 2009

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2270

As Recommended by House Committee on
Economic Development and Tourism

Brief*

HB 2270 would authorize the Secretary of the Department of Revenue to extend by a maximum of six months (from December 31, 2009, to June 30, 2010) the deadline by which a manufacturer could qualify for an optional income tax apportionment formula. The bill would require the Secretary of Revenue to find good cause for extending the deadline. Before a deadline could be extended, the Secretary of Commerce would be required to certify to the Revenue Secretary that a company has significantly complied with the provisions found in current law that require a manufacturer to invest $100.0 million in construction and employ a minimum of 100 new employees with higher than average wages.

Background

Under current law, the income of multi-state corporations is generally subject to a three-factor apportionment formula based upon property, payroll, and sales. In 2007 the Legislature amended the statute (KSA 2008 Supp. 79-3279) to allow for a single factor of sales to be used to calculate business income when the above criteria were met by December 31, 2009. Once qualified, business taxpayers would be required to use this income apportionment formula for ten years.

Proponent testimony was provided by the Department of Commerce, the Department of Revenue, and Hill's Pet

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*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org

Nutrition, Inc. A vice president for Hill's Pet Nutrition testified that the company is in the process of completing a new plant in Emporia that should meet the criteria. However, due to three months of construction delays, the project may not be complete by the end of 2009. The company believes that construction will be finished within the first six months of 2010.

There was no opponent testimony against the bill.

The fiscal note prepared by the Division of the Budget indicates that the bill would require the Department of Revenue to update the corporate income tax instructions, but the associated cost would be negligible and could be absorbed within existing resources.