

## MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:40 A.M. on January 30, 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  
Jason Thompson, Office of Revisor of Statutes  
Judy Swanson, Committee Assistant

Conferees appearing before the committee:

Joan Wagon, Secretary, Department of Revenue

Others attending:

See attached list.

Senator Pine moved to introduce a bill adding precision agriculture equipment into the current agriculture exemption statute. Senator Jordan seconded the motion, and the motion carried..

On request of Secretary of Department of Revenue Joan Wagon, Senator Jordan moved to introduce a bill which would allow any plant that has a minimum \$1 million investment or 100 additional jobs be allowed to elect to use single factor apportionment. Senator Donovan seconded the motion, and the motion carried.

**SB 213--Creating the Kansas investment credit act and the Kansas jobs credit act and providing changes to the franchise tax and the income tax on corporations**

Joan Wagon, Secretary, Kansas Department of Revenue, presented a briefing on the Governor's tax reform proposal, which is included in **SB 213**. (Attachment 1) KDOR said the bill is needed to improve the business climate long-term and to stimulate the economy. KDOR priorities are stimulating the economy, attracting new business, corporate rate reduction and simplification of tax incentives. She provided a list of participants who served on the Corporate Tax Advisory Committee. (Attachment 2) The new business tax incentives/tax credits would be:

- Investment tax credit (10% of investment) with a minimum \$1,000,000 investment
- Jobs credit (\$1500 per job), with a minimum of 20 jobs
- New Opportunity Zone incentive, also a jobs credit and investment credit, but with different thresholds and awards

These would replace the very complicated current credits system. Some counties that currently qualify as Enterprise Zones would not qualify as Opportunity Zones. Raising the investment tax credit threshold would help bigger companies, but not smaller companies. The bill is designed to bring commerce to Kansas over a long-term period. KDOR is prepared to look at a lower threshold for the investment credit. Lower dollar credits provide more tax relief than investment incentive, according to Secretary Wagon. She presented a chart showing the features of current HPIP credits, Enterprise Zone and investment/jobs credits, along with the proposed new investment credit, new jobs credit and Opportunity Zone. (Attachment 3) She testified 91 businesses claimed HPIP last year. 50 were new claims and 41 were carry-forward credits in the year 2004. She requested the Committee consider "what will create more growth" as the yardstick when it considers **SB 213**. The simplification will definitely cause more companies to use the credits.

With the assistance of David Bybee, Kansas Department of Commerce (KDOC), and Kathleen Smith, KDOR, Secretary Wagon performed a skit to illustrate how the simplified tax credit procedures would be helpful to companies. The requirements for doing business out of state and training employees would be eliminated. The average wage requirement would remain for the investment credit and be eliminated for the jobs credit. All information provided to KDOR by businesses will be kept confidential.

Senator Schmidt requested a comparison of the KDOR investment tax credit proposal with the 10% investment tax credit that passed the Senate last year.

## CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:40 A.M. on January 30, 2007 in Room 519-S of the Capitol.

Director Steve Kelly, KDOC, encouraged activities that will spur economic development and simplify implementation. He provided a comparison of the existing Enterprise Zone and HPIP programs. (Attachment 4) He explained which forms will no longer be required and which forms will be retained. Agriculture does not qualify for any of these programs, but agriculture retail would qualify under the O-Zone. There is a five-year sunset provision in the bill.

Secretary Wagnon distributed a paper written by David Matkin, Doctoral candidate, summarizing the use of corporate income tax credits in Kansas. (Attachment 5) Corporations are most likely to consider tax credits prior to making a decision when they (1) expect to incur abnormally large capital and/or labor costs, (2) consider locating a new facility in Kansas that is expected to have a long-term effect on business operations and/or, (3) are in a highly competitive market where a tax credit may help them become the low cost provider.

Secretary Wagnon stated the most controversial issue in the bill is the investment credit threshold of \$1 million and jobs created at 20. KDOR is willing to negotiate on those numbers.

Senator Bruce moved to approve the Minutes of the January 24 and January 25 Committee meetings. Senator Pine seconded the motion, and the motion carried.

Being no further business, the meeting adjourned at 11:50 a.m. The next meeting will be January 31.