

## MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Les Donovan at 10:37 a.m. on March 12, 2012, in room 152-S of the Capitol.

All members were present except:

Sen. Anthony Hensley – excused  
Sen. Terry Bruce – excused

Committee staff present:

Chris Courtwright, Kansas Legislative Research Department  
Christopher Sevedge, Kansas Legislative Research Department  
Gordon Self, Office of the Revisor of Statutes  
Scott Wells, Office of the Revisor of Statutes  
Mary Jane Brueck, Committee Secretary

Conferees appearing before the committee:

Bernie Koch, Ks Economic Programs Council  
Christie Caldwell, Topeka Chamber of Commerce  
David Zranicar, CEO Ks Bio Science Authority  
Dennis Laver, President CEO Salina Chamber of Commerce  
Bob Van Crum, Greater Kansas City Chamber of Commerce

Chairman Les Donovan told the committee they were going to hear from proponents and opponents regarding income taxation; relating to apportionment of business income by certain taxpayers; election thereof; requirements as well as income taxation; relating to income tax credit; certain bio-science companies relocating in Kansas; requirements and procedures. He explained that he did not know anything about these bills coming to the committee until late Friday. No bill numbers were officially assigned to these bills until this morning. The committee will discuss both these bills at the same time. The first bill deals with tax apportionment. Currently we use sales tax, property tax, and payroll tax to account for the money to the state. This bill would allow companies to use just one of those, in particular sales tax. The other is in regard to drawing new Bio Science companies to locate their businesses in Kansas, by providing incentives to those companies.

Sen. Donovan recognized Bernie Koch, Executive Director of Kansas Economic Programs Council. The council believes this legislation would help encourage manufacturing businesses that have nationwide and worldwide sales to come to Kansas. They support looking at this concept for all businesses in Kansas, not just manufacturing. (Attachment 1) Next to speak was Christy Caldwell, Vice President Government Relations, Greater Topeka Chamber of Commerce. She told the committee the Chamber is in favor of both these prospective bills. The first is an excellent incentive to grow manufacturing jobs in our state. The second will give local chambers and economic development organizations will have another option to offer as the word to attract businesses to move to Kansas. (Attachments 2 and 3)

David Vranicar, Chief Executive Officer, Kansas Bio Science Authority spoke favorably for the incentive

for bio science companies. (Attachment 4) Dennis Lauver, President, Chief Executive Officer, Salina Chamber of Commerce told the committee switching to a single factor sales formula is a proven and solid first step toward the better way to cut taxes. He also said these bills do not undercut the funding source of PEAK, nor do they undercut Kansas' solid transportation system. He believes a tax policy that protects PEAK plus eliminating the disincentive to have property of payroll Kansas is the right approach. (Attachment 5) Robert Van Crum, Legislative Policy and Government Affairs Consultant for Greater Kansas City Chamber of Commerce suggested some changes to the bill. 1) they respectfully request addition of an amendment that this option is available in relocating employees to Johnson or Wyandotte Counties from an adjoining county in Missouri only if that company would have been eligible to elect to use the sales only factor had it remained in the State of Missouri. They also feel the continual churning of business moves offering more tax incentives to move less than 30 miles within the Kansas City metro region, is actually not good for citizens of either state. He pointed out the five year sunset in this law and said the Chamber supports regular examination by the State of all tax incentives. With those amendments suggested, The Chamber would be a supporter of this bill. (Attachment 6) Jennifer Bruning, Vice President of Government Affairs with the Overland Park Chamber of Commerce presented written testimonies in favor of both prospective bills. (Attachments 7 and 8)

Chairman Donovan asked if anyone else wanted to speak to this bill. Angela Kreps, with the Kansas Bio Science Organization wanted to let the committee know that the organization supports this bill.

Sen. Apple asked staff what these bills will cost. Richard Cram, Director of Policy and Research for the Department of Revenue said **SB 457** has a negative \$4 million fiscal note; and **SB 458** will have a negative impact of \$200,000.00 per year. Additional discussion took place.

After seeing no further questions or comments, Sen. Donovan closed the discussion.

The next meeting will be March 13, 2012.

The meeting was adjourned at 11:17 a.m.