

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman John Edmonds at 9:00 a.m. on March 22, 2004 in Room 519-S of the Capitol.

All members were present except:

Representative Vaughn Flora- excused

Committee staff present:

Chris Courtwright, Legislative Research Department

Martha Dorsey, Legislative Research Department

Gordon Self, Revisors of Statutes

Carol Doel, Committee Secretary

Conferees appearing before the committee:

Jim Edwards, Kansas Association of School Boards

Don Moler, Kansas League of Municipalities

Randy Allen, Association of Counties

Others attending:

See Attached List

The Chairman opened the meeting for any bill introductions. There were none.

Representative O'Malley was recognized with the announcement that the excise tax subcommittee would be meeting today at 12:00 noon in Room 235.

The Chairman then turned committee attention to **HB 2935** and explained that the bill does away with the fiction that we are ever likely to return to demand transfers and provides for the application at the local level, i.e., city, county, or USD for the implementation of earning tax and/or income tax and/or sales tax. In each case for the entity to do that they have to pass the implementing legislation by 2/3 vote of their body and it has to pass a vote of the people in the affected areas on the general election ballot by a simple majority. It also allows for people who are of the opinion that their taxes are too high to access the ballot by a 5% ballot access petition to seek to have their taxes lowered by a simple majority.

With no proponents, the Chairman recognized Jim Edwards, Governmental Relations Specialist, Kansas Association of School Boards as an opponent of **HB 2935**. This bill provides the authority to local units of government, including school boards, to levy earnings, income surcharge and sales taxes. They oppose this bill for one reason. Kansas' courts have consistently noted the dis-equalizing effect that local taxes have on school funding when not accompanied by state equalizing assistance. ([Attachment 1](#))

Next to appear was Don Moler, Kansas League of Municipalities who provided neutral testimony regarding **HB 2935**. After reviewing the bill, Mr. Moler stated that they feel the provisions which would allow cities and counties to adopt a local earnings tax, local income tax, and which remove the cap on the local retailers sales tax, to be genuinely positive provisions. However, there are a number of items contained in this legislation which they feel will need considerable discussion, review, and analysis before the League could endorse any legislation of this type. They request that school districts be left out of the bill. ([Attachment 2](#))

Randall Allen, representing the Kansas Association of counties provided neutral testimony regarding **HB 2935**. If enacted, this legislature would represent a marked departure in policy for the financing of local governments in Kansas. They have found aspects of the bill that are quite promising and other aspects that are quite troubling. What they do appreciate in the bill is an attempt to address how we are going to finance Kansas local governments in the 21st century from a macro-policy approach. Mr. Allen listed the organizations initial comments and reactions to the legislation and stated that they would like to continue to work with the committee on it. ([Attachment 3](#))

There were no further conferees and the Chairman closed the public hearing on **HB 2935**.

CONTINUATION SHEET

MINUTES OF THE HOUSE TAXATION COMMITTEE at 9:00 a.m. on March 22, 2004 in Room 519-S of the Capitol.

Chairman Edmonds called committee attention to **HB 2559** and requested a briefing on the bill by Chris Courtwright of the Legislative Research Department. This would require that the words “building on lease ground” appear on page one of the bill.

*Representative Gilbert made a motion that **HB 2559** be moved out favorable for passage. The motion was seconded by Representative Larkin. Vote taken. Motion adopted.*

Chairman Edmonds asked the committee to address **HB 2910**. *Representative Goering made a motion to pass out **HB 2910** favorable for passage. Representative Schwab made a second to the motion. Vote was taken. Motion adopted.*

Chairman Edmonds asked the committee to turn their attention to **HB 2882** and **HB 2883** and requested that Mr. Courtwright give a review of the bills. Regarding **HB 2882** he related that basically under the commercial industrial machinery and equipment income tax credits and property taxes paid, the Secretary of Revenue would be required to adopt rules and regulations regarding the filing of documents to authenticate and support the amount of credits claimed pursuant to the section.

On review of **HB 2883** the payable penalty on estimated tax dollars would be changed from \$200 to \$500.

The Chairman stated that in **HB 2883** he thought a provision that would be worth adding would to indicate that in the event that the taxpayers federal tax liability was zero that he would expect tax on the state level. He also suggested that the committee might want to consider putting **HB 2882** and **HB 2883** together.

*Representative Larkin moved that the proposed balloon be added into **HB 2883**. The motion was seconded by Representative Goering. Vote taken. Motion passed.*

*Representative Larkin moved that the language of **HB 2883** be amended into **HB 2882**. The motion was seconded by Representative Thull. Vote taken. Amendment adopted.*

*Representative Huff made a motion to pass the amended **HB 2882** favorable for passage. Representative Sawyer seconded the motion.*

Richard Cram from the Department of Revenue stood to offer the Department’s support for both **HB 2882** and **HB 2883**.

*Vote was taken to pass the amended **HB 2882** favorable for passage. Motion passed.*

Next the Chairman turned committee attention to **HCR 5031**

*Representative Faber made a motion that **HCR 5031** be moved out favorably. Representative Goering made a second to the motion.*

Representative Schwab made a statement that he would agree with the motion.

Representative O’Malley requested by brief overview of the resolution by Chris Courtwright from the Research Department.

Mr. Courtwright related that the resolution authorizes legislature, if it wishes, to provide for any limitations that it might see fit on annual valuation increases for residential properties.

Vote on Representative Faber’s motion was taken. Motion adopted.

Chairman Edmonds turned to **HCR 5032**.

*Representative Tafanelli moved that **HCR 5032** be passed out favorable for passage. Representative Goering made a second to the motion.*

CONTINUATION SHEET

MINUTES OF THE HOUSE TAXATION COMMITTEE at 9:00 a.m. on March 22, 2004 in Room 519-S of the Capitol.

Representative Larkin addressed the committee saying that because of the way the amendment is drafted he opposes. He felt it was not appropriate for the committee to be passing a resolution such as this. He felt it was more appropriate for the committee to be expanding the homestead exemption if they are truly interested in helping seniors who are on fixed income.

Representative Goering thinks that the assets of people 65 years and older are not liquid. Sometimes they have a lot of assets on the books, but very little liquid income. For that reason, he thinks that even though it may look as if they are as well off as others, he doesn't think that is so in respect to their liquid income. For that reason he supports **HCR 5032**.

Representative Huntington asked the fiscal note on the resolution. Chris Courtwright from the Research Department stated it was \$3.97 million.

Representative Jack stated he is opposed to the resolution as he sees some real problems with it.

Representative Kirk also opposed the resolution.

Representative O'Malley was recognized in opposition to the resolution.

Representative Huntington states that she is unsure which direction she would go on this resolution.

Representative Sawyer thinks that we should take more time before doing anything with this resolution and does not support it.

Representative Brunk asked if we were to adopt **HB 5031** would we be able to come back and do **HCR 5032**. The Revisor's answer was yes.

Representative Thull stated that he is from Harvey County and he has been advised that over 30% of the appraised value of property of Harvey County is tax exempt. The county commissioners estimate that alone costs about \$35 per taxpayer in Harvey County. He is opposed to a measure like this because it simply adds more burden to those people who are paying tax.

There was no further discussion. In his closing statement to the committee Representative Tafanelli stated that some seniors are forced to make a life altering decision because of a rise in property evaluation.

Vote was taken on the Tafanelli motion. Motion failed.

With no further business before the committee, the meeting was adjourned.