

## MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on January 24, 2006 in Room 519-S of the Capitol.

All members were present except:  
Representative Nancy Kirk- excused

Committee staff present:  
Chris Courtwright, Legislative Research Department  
Martha Dorsey, Legislative Research Department  
Gordon Self, Revisor of Statutes  
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:  
Charles H. Gregor, Jr., Exec.Vice Pres., Leavenworth-Lansing Chamber of Commerce  
Ross Markle, President, Harris Brothers Cleaners, Inc.  
Bernie Koch, VP/Government Relations, Wichita Chamber of Commerce  
Jim DeHoff, Executive Secretary, Kansas AFL-CIO  
Paul Welcome, Johnson County Appraiser  
Howard D. Partington, City Administrator, City of Great Bend  
Margaret Archer, Osage County Appraiser

The Chairman called for bill introductions.

Representative Vickrey requested a bill be introduced regarding authority for an additional quarter cent sales tax for the city of Paola. Representative Wilk moved his request. Representative Huff seconded the motion and the motion passed.

### **HB 2619 - Property tax exemption for certain commercial and industrial machinery and equipment, materials and supplies.**

#### **Proponents:**

Charles H. Gregor, Jr. said that Kansas is growing at a slower rate than most other states in the Midwest and the nation as a whole. **HB 2619** will fix the problem in three ways: 1) by releasing capital for reinvestment 2) by leveling the playing field for economic growth to attract new businesses 3) by providing jobs to keep the work force in Kansas. He urged passage of the bill (Attachment 1).

Ross Markle, President, Harris Brothers Cleaners, Inc. spoke about his previous experiences of testifying before the Taxation Committee. He stated that the facts prove that the doom and gloom that parties opposed to this tax bill perpetrated are wrong and the tax implications are negligible. He thanked the Legislatures efforts to provide a \$1,000 exemption to the business personal property taxes for Kansas small businesses (Attachment 2).

Bernie Koch, VP/Government Relations, Wichita Chamber of Commerce, said that as the manufacturing center for the state, they have experience understanding the importance of machinery and equipment investment. **HB 2619** represents an idea whose time has come and is the beginning of a major change in the tax structure of the state. He referred to a study (presented to the 2005 Taxation Interim Committee) completed by J. Bradford De Long and Lawrence Summers of Harvard and MIT regarding the economic growth over 25 years in over 70 countries around the world (Attachment 3). Representatives Kinzer, Goico, Brunk, O'Malley, Siegfried and Menghini requested copies of that report.

Jim DeHoff, Executive Secretary, Kansas AFL-CIO, submitted *written testimony* in favor of **HB 2619**. He stated that the exemption of property tax on machinery and equipment would have a positive effect on creating jobs in Kansas(Attachment 4).

## CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on January 24, 2006 in Room 519-S of the Capitol.

### Opponents:

Paul Welcome, Johnson County Appraiser, appeared on behalf of the Johnson County Board of County Commissioners. He explained charts reflecting the shift of the tax base showing major changes have occurred since the 1989 for the state and Johnson County (Attachment 5).

Howard D. Partington, City Administrator, Great Bend, said that they encourage business growth and expansion, however they are opposed to another unfunded mandate that does not have a funding mechanism (Attachment 6).

Margaret Archer, Osage County Appraiser, testified in opposition to **HB 2619**. She introduced Larry Woodson, Osage County Commissioner. She said that the county is pro-business, but on the average, counties will lose 6.83% of the total tax base. The residential and commercial real estate owners should not have to absorb this increase (Attachment 7).

R. J. Wilson, Crawford County Clerk, submitted *written testimony* in opposition to the bill. Although county officials agree that Kansas businesses face competitive challenges with other states, due to the current tax structure, they do not agree with the relief mechanism suggested by the bill (Attachment 8).

A time for questions and answers followed to clarify data listed in conferees' testimony.

The Chairman closed the public hearing on **HB 2619** and stated that discussion would continue tomorrow, January 25.

An updated table from the Department of Revenue, reflecting historical machinery and equipment credits and the projected numbers was distributed (Attachment 9).

In response to a question regarding the use tax. Secretary Wagnon said that if the Committee desired, DOR could provide a list of five counties with a chart that reflected the current use tax and how it had increased over the years as well as a list of the jurisdictions that have local option sales taxes. In response to a question on credits verses exemptions, the Secretary explained the processes the Department of Revenue goes through regarding the paperwork for credits and exemptions.

The Chairman said that they would see if Dr. Art Hall could return for further discussion on the topic of "How Investments and Capital Drive Productivity."

The meeting was adjourned at 10:55 A.M. The next meeting is January 25, 2006.