

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:40 A.M. on March 7, 2006 in Room 519-S of the Capitol.

All members were present except:

Terry Bruce- excused

Committee staff present:

Chris Courtwright, Kansas Legislative Research

Gordon Self, Revisor of Statutes Office

Judy Swanson, Secretary

Conferees appearing before the committee:

Senator Mark Taddiken

Kenlon Johannes, Kansas Soybean Association

Jere White, Kansas Corn Growers Association

Brad Harrelson, Kansas Farm Bureau

Bob Drummond, TLC for Children and Families, Inc.

Others attending:

See attached list.

Hearing on **SB 389**, income taxation, credit for biofuels mixing facilities, was opened.

Senator Mark Taddiken testified in favor of the bill. (Attachment 1) He said the bill intent is to provide incentives for the construction of storage tanks at terminals to aid in the distribution of alternative fuels.

Kenlon Johannes, Kansas Soybean Association, said KSA has been actively involved in the promotion of the use of biodiesel fuel in Kansas, and supports the bill. (Attachment 2)

Jere White, Kansas Corn Growers Association, testified the bill would ensure the availability of all biofuels in Kansas and help minimize reliance on foreign oil. (Attachment 3)

Brad Harrelson, Kansas Farm Bureau, said producing fuel from Kansas corn and soybeans is better long-term than continuing to rely on imported foreign oil. (Attachment 4)

KDOR Secretary Joan Wagnon commented there needs to be clarifying language placed in the bill. The assignment transfer of tax credits creates an administrative problem, and a definition is needed to clarify that issue.

Chairman Allen requested the proponents of **SB 389** work with Secretary Wagnon and bring a balloon amendment to the Committee before the bill is worked. A sunset provision was briefly discussed.

Hearing on **SB 389** was closed.

Hearing on **SB 585**, sales tax exemption for TLC for Children and Families, was opened.

Bob Drummond, President and CEO of TLC for Children and Families in Olathe, testified **SB 585** was requested after KDOR issued an internal ruling regarding tax exemptions for TLC. (Attachment 5) He said TLC provided services for over 7,000 children, youth, and families in 2005, and TLC should not be penalized for their willingness to creatively find ways to underwrite services the State cannot fully fund. Senator Donovan said this bill would be a good value to the State.

Hearing on **SB 585** was closed.

Chris Courtwright continued his staff briefing on:

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

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:40 A.M. on March 7, 2006 in Room 519-S of the Capitol.

Sub HB 2525--Property tax exemption for certain telecommunications machinery and equipment and railroad machinery and equipment

In response to Senator Lee's request, Chris provided information on the amount of assessed value and appraised value of CI/ME that would be off the tax rolls if CI/ME is exempted. (Attachment 6) These amounts would be somewhat offset by payment in lieu of taxes that companies make to the State. In response to Senator Apple, Courtwright said the "slider" provision would work much like the former demand transfers. The "slider" provision would be subject to appropriation every year.

KDOR Secretary Joan Wagon provided further information on these bills. She reviewed projected property valuations charts and answered questions. (Attachment 7) Senator Schmidt requested KDOR legal representatives provide their legal analysis as to why this bill meets the requirement of a uniform and equal basis of valuation and rate of taxation under the Kansas Constitution. Secretary Wagon said the Governor is not supportive of all the House amendments, but the Governor would be open to a mitigation strategy. No information on other states having a "slider" provision for CI/ME is available according to Secretary Wagon. There are currently 12 states which exempt business machinery from property taxes. Senator Lee requested KDOR to survey nine or ten counties to obtain an idea of the amount of new CI/ME tax they receive annually.

Secretary Wagon said KDOR requested **HB 2619** and **Sub HB 2525** be separately considered since there is a disparity between land-line telephones and wireless service. Telecommunications equipment needs to be identified since it is treated differently. Secretary Wagon suggested additional amendments relating to the railroads and will get that information to Staff.

Senator Donovan moved to approve the Committee Meeting Minute of March 2. Senator Jordan seconded the motion, and the motion passed.

Being no further business, the meeting adjourned at 12:00 noon.