

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 13, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Legislative Research Department

Martha Dorsey, Legislative Research Department

Gordon Self, Office of Revisor of Statutes

Richard Cram, Department of Revenue

Rose Marie Glatt, Committee Secretary

The Chairman made a motion to introduce a bill regarding a sales tax exemption for hospices. Representative Carlson seconded the motion. The motion carried.

HB 2519 - Authorizing statewide retailers' sales tax for Wabaunsee County.

Chris Courtwright, Legislative Research Department, said the bill is a .05 local sales tax bill for Wabaunsee County for bridges and roads.

Representative Carlson made a motion to add a balloon amendment that would include a countywide retailers' sales tax at the rate of 1% for the purpose of financing the costs of roadway construction. This would sunset after six years and is similar to Wabaunsee request (Attachment 1). Representative Whitham seconded the motion. The motion carried.

Representative Carlson moved that the Committee pass out HB 2519 favorably, as amended. Representative Davis seconded. The motion carried.

HB 2430 - Increase of maximum refund and determination of the amount of claim under the homestead property tax refund act.

The Chairman returned to **HB 2430** and acknowledged Representative Schroeder.

Representative Schroeder called attention to the Substitute for House Bill 2430, distributed on March 12th. Referring to page 5, Sec. 4, (b), he referred to the last two sentences on the page, *of this act have been or will be paid by the claimant and that there are no delinquent property taxes on the homestead.* He made a conceptual motion to put a period after claimant, and strike ~~there are no delinquent property taxes on the homestead.~~ This would allow the counties, to follow their normal procedure, to apply any tax payment to the oldest property taxes that are owed. Representative Carlson seconded the motion.

Permission was given to the Department to craft specific language that would clarify Representative Schroeder's intent, which is to allow the taxpayers to file, delinquent or not. If they qualify for the homestead, the money would then go to the county, and not back to them, for any outstanding delinquent taxes.

The Chairman advised the Committee that there was a technical procedural error, and the balloon, from the March 12th meeting, had not been adopted. With the Committee's permission they returned to the bill, as it was, before Representative Schroeder's conceptual motion and second from Representative Carlson. Representative Siegfried moved that the Substitute for House Bill 2430 be adopted by the Committee, including the five year sunset. Representative Menghini seconded. The motion carried.

Representative Schroeder's renewed his conceptual motion. Seconded by Representative Carlson. After discussion, the motion carried.

They returned to the Substitute for **House Bill 2430**, as amended.

After discussion, it was agreed that a name change for the new bill, at this time, would complicate and confuse the issue. Therefore the name will not be changed.

Representative Whitham moved that all the changes in HB 2430, including all the amendments in the balloon, the five year sunset on the total act, and the delinquent property tax be moved out favorably, as

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amended. Representative Menghini seconded the motion. Permission is to be given staff to write a substitute bill, incorporating all of the above.

Chad Sullivan, Manager of Homestead, explained current refund procedures and programing changes that will need to occur to comply with the new rules. He explained that currently the claimant does not qualify to file for the Homestead claim, because they have delinquent taxes and any claim would be denied.

The Chairman requested that the Secretary be given time to convene staff, county treasurers and any interested parties to research the issue to determine whether there needs to be additional changes or amendments to improve the bill. Secretary Wagnon agreed to that request to provide the language, as well as update the fiscal note to the Chairman and Representative Schroeder.

Representative Whitham closed his motion to move out **HB 2430**, as amended, favorably for passage. The motion carried.

HB 2529 - Exemption of publicly traded partnerships from certain income tax withholding requirements.

Chris Courtwright, Legislative Research Department, said the bill, that is supported by DOR, eliminates the requirement that Section 7704 - publicly traded partnerships, comply with Kansas income tax withholding for the non-resident partners. There is no fiscal note or amendments on the bill.

Representative Siegfried made the motion that the Committee pass out **HB 2430**, favorable for passage. Representative Davis seconded the motion. The motion carried.

HB 2495 - Decrease in the income tax surtax on corporations.

Chris Courtwright, Legislative Research Department said **HB 2495** dealt with the piece of the Governor's tax package relating to corporation income tax rate reduction. He reviewed the current law and reviewed the Dillmore amendment that had been passed by the Committee previously. The Dillmore amendments contains three components: the captive insurance company issue; the churning issue; and transactional functional test. The other piece, included in the amendment, reduces the rate further down from 6.75 to 6.2%. KDOR said the fiscal note is revenue neutral as originally introduced with the additional .05 percent rate reduction. He explained the fiscal impact from 2008 through 2010.

The Chairman reminded the Committee that they are back on the bill, as amended.

Representative Peck made a motion that the Committee reconsider their action, regarding the Dillmore motion to amend, on a previous day. Representative Owens seconded the motion. The motion carried.

Representative Owens asked for a division of the question into the four different issues: a) apportionment; b) churning of the income; c) insurance company; and d) rate reduction pieces. The Chairman agreed to divide the issue and discussion followed on part a of the bill.

After lengthy discussion, and due to time constraints, the Chairman closed the discussion on **HB 2495** and advised they would return to the bill tomorrow, March 14th. The Chairman advised that Representative Brown has a similar bill, forthcoming and it is the Chairman's intent to hear the bill and consider that bill for action.

The meeting was adjourned at 10:30 a.m. The next meeting is March 14, 2007.