

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:00 a.m. on February 9, 2009, in Room 535-N of the Capitol.

All members were present except Representative Siegfried who was excused.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes  
Scott Wells, Office of the Revisor of Statutes  
Hank Avila, Kansas Legislative Research Department  
Chris Courtwright, Kansas Legislative Research Department  
Kathy Beavers, Committee Assistant

Conferees appearing before the committee:

Don McNeely, President of Kansas Automobile Association  
Jeff Longbine, Longbine Chevrolet Dealership  
John Frederico, General Motors  
Representative Mario Goico  
Richard Cram, Kansas Department of Revenue

Others attending:

See attached list.

Bill Introductions:

Representative Holmes requested a bill introduction that would permit deployed National Guardsmen to claim property tax exemptions while they are deployed. A motion was made by Representative Menghini to accept the bill introduction. Representative Frownfelter seconded the motion. The motion carried.

**HB 2172** - Permanent exclusion from sales taxation of certain cash rebates on sales or leases of new motor vehicles.

Chris Courtwright, Kansas Legislative Research Department, briefed the committee on **HB 2172**. The fiscal note on this bill would be \$3.2 million in FY 2010. The passage of this bill will remove the sunset clause which is due to expire June 30, 2009. He stood for questions.

Don McNeely, President of Kansas Automobile Association, testified in support of **HB 2172** (Attachment 1). The surrounding states of Missouri, Nebraska and Oklahoma exempt sales tax on automobile manufacturer rebates.

Jeff Longbine, Longbine Chevrolet Dealership, testified in favor of **HB 2172** (Attachment 2). Mr. Longbine is a 4<sup>th</sup> generation auto dealership owner in Emporia. He stated that if the sunset is removed it would raise the cost of automobiles to Kansas consumers and would also be a disincentive to consumer spending.

John Frederico, General Motors, testified in favor of **HB 2172** (Attachment 3). He stated that the automobile industry is struggling. One such facility is in Fairfax, Kansas and due to the struggling economy, has been idle for two months. Mr. Frederico stated that this bill would help permanently correct what appears to be an unfair tax treatment of manufacturer rebates.

Richard Cram, Kansas Department of Revenue, testified in opposition to **HB 2172** (Attachment 4). Mr. Cram discussed the fiscal impact to the state of Kansas in FY 2010 through FY 2012. Kansas can no longer afford the exclusion in the current economic environment. He stood for questions.

The Chairman closed the hearing on **HB 2172**.

**HB 2174** - Exclusion of certain social security benefits from Kansas adjusted gross income for income tax purposes for married couples filing a joint return or separate returns.

Chris Courtwright, Kansas Legislative Research Department, briefed the committee on **HB 2174**. He stood for questions.

## CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:00 a.m. on February 9, 2009, in Room 535-N of the Capitol.

Representative Goico testified in favor of **HB 2174**. He stated Kansas is the only state that taxes social security benefits and he feels that the current bill unfairly taxes married couples. He stood for questions.

Richard Cram, Kansas Department of Revenue, testified in opposition to **HB 2174** (Attachment 5). He explained the proposed changes if **HB 2174** is adopted. Mr. Cram stated that the Department is concerned with this bill's negative fiscal impact and permanent decrease to the Kansas tax base. This will affect the State's ability to meet the basic needs of its citizens.

Representative Goico requested an amendment to **HB 2174** to exclude certain social security benefits from Kansas adjusted gross income for income tax purposes for married couples filing a joint return.

Representative Carlson closed the hearing on **HB 2174**.

Representative Goyle made a motion to introduce a bill concerning a sales tax exemption for Kansas Legal Services, Incorporated. Representative Goico seconded the motion. The motion carried.

Chairman Carlson stated that **HB 2079** and **HB 2172** will be worked at the Thursday, February 12, 2009 meeting.

The meeting was adjourned at 10:10 a.m. The next meeting is scheduled for February 10, 2009.