

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Senator Karin Brownlee at 8:00 a.m. on February 15, 2002 in Room 123-S of the Capitol.

All members were present except: Senator Brungardt (Excused)
Senator Steineger (Excused)
Senator Wagle (Excused)

Committee staff present: April Holman, Legislative Research
Debra Hollon, Legislative Research
Norman Furse, Revisor of Statues
Sherman Parks, Revisor of Statues

Conferees appearing before the committee: Bob Marcusse, President & CEO
Kansas City Area Development Council
Richard Cram, Department of Revenue
Steve Kelly, Department of Commerce &
Housing
Ed O'Malley, Overland Park Chamber
of Commerce

Others attending: See attached list

April Holman, Legislative Research gave an overview on the interim committee report from the special committee on Assessment and Taxation regarding investment service companies (Attachment 1). The interim committee studied this issue after **HB 2061** failed to pass. The committee recommended that new legislation be developed that would provide favorable tax treatment for investment fund service companies with a provision that phases in the fiscal impact over two years, effective for tax year 2002. The phased in provision will be 50% for the first year and will go into full force tax year 2003. The Department of Revenue stated it will cost two million dollars in lost revenues the first year for fiscal year 2003, four million dollars in fiscal year 2004 and all fiscal years thereafter.

Senator Brownlee asked April how does this compare with previous fiscal notes on this legislation. April stated it is slightly higher than last year.

Robert J. Marcusse, President/CEO, Kansas City Area Development Council testified in support of **SB 501** (Attachment 2). Mr. Marcusse stated that when **HB 2061** failed to pass, Waddell and Reed began to look at Missouri and Texas as alternative sites for their headquarters and operations. Such a move would remove 600 high paying jobs in Kansas and the Department of Revenue estimates the fiscal impact at full implementation to be between \$3.8 million and \$4.0 million. Supporting this bill will keep a viable and attractive company in Kansas and will help to recruit new financial fund companies to the area.

Senator Jordan asked Mr. Marcusse to comment on the status of the dealings with Kansas City, Missouri regarding the earnings tax exemption. Mr. Marcusse stated there are efforts underway to make an adjustment in the legislation on the Missouri side. Missouri has very favorable legislation but also requires an annual certification. Waddell and Reed is concerned that they would make a very significant move and be certified one year and then potentially not be certified the next year.

Steve Kelly, Director of Business Development for the Kansas Department of Commerce & Housing, testified in support of **SB 501** (Attachment 3). Passage of this bill will have a significant impact on Kansas opportunities to attract investment service companies.

Ed O'Malley, Government Relations Manager for Overland Park Chamber of Commerce, testified in support of **SB 501** (Attachment 4).

Richard Cram, Director, Department of Revenue, testified in support of **SB 501** with proposed amendments to clarify and make it more practical to administer the law for investment fund service companies (Attachment 5).

Senator Barone requested that Richard Cram look at the definitions of the bill and the Department of

CONTINUATION SHEET

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Revenues proposed amendments for unintended consequences.

Chairperson Brownlee stated that she may place **SB 501** in a subcommittee due to the number of proposed amendments.

John E. Sundeen, Senior Vice President with Waddell & Reed, submitted written testimony in support of **SB 501** (Attachment 6).

Meeting adjourned at 9:30 a.m.

The next meeting is scheduled for February 19, 2002 at 8:30 a.m.