

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on January 31, 2006 in Room 519-S of the Capitol.

All members were present except:
Representative Lana Gordon - 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:
Representative Jim Morrison
Kevin Rasure, Sherman County Commissioner
Representative Lynne Oharah
Marlee Carpenter, Vice President of Government Affairs, The Kansas Chamber
Mark Beshears, Vice President of State and Local Taxes, Sprint Nextel
Mike Beam, Senior Vice President, Kansas Livestock Association
Hal Hudson, KS State Director, National Federation of Independent Business
Karl Peterjohn, Executive Director, KS Taxpayers Network
Duane Simpson, KS Grain and Feed Association and KS Agric. Bus. Retailers Assoc.
Leslie Kaufman, Executive Director, Kansas Cooperative Council (written only)
Kenneth L. Daniels, Midway Sales and Distributing, Inc. (written only)

Others attending:
See attached list.

HB 2698 - Authorizing countywide retailers' sales tax in Sherman county for roadway improvements.

Representative Jim Morrison said the bill is a request for Legislative authorization to permit Sherman County to place a 1% county-wide sales tax option on the April ballot. The tax increase is to help improve roadways so that a currently being built wind, Ethanol, and Coal-fired power plant, west of Goodland, will have adequate highway access. There is an identical bill in the Senate to expedite the process of placing the issue before the voters in April of this year (Attachment 1).

Kevin Rasure, Sherman County Commissioner, introduced Goodland Officials and Community Leader: Rick Billinger, Mayor; Wayne Hill, City Manager; and Larry McCants, Banker. He said this project has unanimous support from both City and County Commissions. A sales tax will generate revenues from people who use the roads. The only other option is through property tax, not a good option in their farming community. He urged the Committee to let residents choose the method of taxation (Attachment 2).

The Chairman closed the public hearing on **HB 2698**.

There being no objection to considering action on **HB 2698**, the Chairman questioned the desire of the Committee.

Representative Owens made the motion to recommend **HB 2698**, favorable for passage. Representative Thull seconded the motion. The motion passed.

HB 2548 - This bill would amend K.S.A. 79-5401 to change franchise tax.

Chris Courtwright explained that **HB 2548** bill would reduce the annual franchise tax from: 2005 - 125%; to 2006 - .83%; 2007 - .041%; and be eliminated for 2008 and beyond. The fiscal impact of the bill is \$42 million over the next three years. The provisions of this bill shall apply to the tax years 2004 to 2008, and the franchise tax will be abolished for all tax years after 12-31, 2007.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on January 31, 2006 in Room 519-S of the Capitol.

The Chairman opened the public hearing on **HB 2548**.

Representative Lynne Oharah spoke of the variety of changes to tax laws since 2001 and said, "Franchise taxes in Kansas are burdensome and unfriendly to business (Attachment 3). **HB 2548** serves to simplify the franchise tax issue in Kansas and make Kansas a preferred place to establish and conduct business."

Marlee Carpenter, Vice President of Government Affairs, The KS Chamber, said **HB 2548** is another way to incrementally improve the Kansas business climate. If this tax is phased out it would send a pro-business message to the companies that grow and create jobs in the state (Attachment 4). She spoke of data from a chart on franchise tax rates that compared other states in the region, listed on page three of written testimony from Kenneth L. Daniel.

Mark Beshears, Vice President of State and Local Taxes, Sprint Nextel appeared in support of **HB 2548**. He said prior to the franchise tax cap being raised in 2004, Sprint paid approximately \$20,000 per year in franchise tax and now their franchise taxes exceed \$400,000 per year (Attachment 5).

Mike Beam, Senior Vice President, Kansas Livestock Association said the franchise tax is essentially a tax on the privileges of doing business in Kansas. It is paid by foreign and domestic corporations, associations, limited liability partnerships (Attachment 6).

Hal Hudson, KS State Director, National Federation of Independent Business said **HB 2548** would phase out the franchise tax completely, leaving only the annual fee. They believe the \$40 fee is adequate to support the record keeping of the Secretary of State's office and urge passage of the bill that would reduce the financial burdens on businesses operating in Kansas (Attachment 7).

Karl Peterjohn, Executive Director, KS Taxpayers Network gave several reasons why passing **HB 2548** is necessary. He said this tax is levied regardless of the profitability of the business. This places Kansas firms in a competitive disadvantage with their competitors in neighboring states with either a lower franchise tax or are among the 31 states, like Colorado, which do not impose this tax (Attachment 8).

Duane Simpson, KS Grain and Feed Association (KGFA) and KS Agric. Bus. Retailers Assoc.(KARA) testified that while KGFA and KARA support repealing the estate tax and providing property tax relief for new business machinery and equipment purchases. Their members believe repealing the franchise tax will have a more significant effect on the bottom line. Eliminating the M&E tax does nothing to prevent local mill levies or valuations to increase eliminating any potential gains (Attachment 9).

The Chairman noted that written testimony had been received and distributed from: Leslie Kaufman, Kansas Cooperative Council; Kenneth L. Daniels, Midway Sales and Distributing, Inc.; and David White, AT&T (Attachment 10).

There being no opponents to **HB 2548**, the Chairman closed the public hearing.

Conversation followed regarding bills being discussed the remainder of the week.

The meeting was adjourned at 10:45 A.M. The next meeting is February 1, 2006.