

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on January 27, 2006 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, Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Lynn Jenkins, CPA, Treasurer, State of Kansas

Others attending:

See attached list.

Representative Humerickhouse requested a bill introduction pertaining to severance tax on aggregate. Representative Owens moved that they introduce the bill. Representative Huff seconded the motion. The motion passed.

Representative Owens introduced his wife Donna Owen, an Overland Park City Council member.

Representative Brown introduced his wife Susie and family members: Aaron; Mariah; Lydia; Anna; Alex; Sarah; and a friend, Sara Scherschligt.

Representative Lukert introduce his intern Kate , a student at Kansas State University

HB 2573 - Income taxation, deduction for amounts contributed to qualified tuition programs.

Chris Courtwright explained the *Learning Quest* program, a 529 plan, currently available under Kansas law. **HB 2573** would extend the tax deduction for contributions to all 529 plans, not just the Kansas state sponsored plan. The fiscal impact would reduce SGF revenues by \$1.2 million in FY 2008.

The Chairman opened the hearing on **HB 2573**.

Lynn Jenkins, CPA, Treasurer, State of Kansas, introduced the *Learning Quest* team: Scott Gates, Director, Learning Quest; Peggy Hanna, Deputy Assistant State Treasurer; Stacey Belford, Program Manager for American Century Investment; and Jeff Wagaman, Assistant State Treasurer.

Treasurer Jenkins said, "Kansas is better off when its sons and daughters have access to a college education and our public universities benefit when our residents are prepared for its financial costs." She said Kansans should not be penalized if they choose another option that better meets their investment objectives. This tax deduction should be about encouraging Kansans to save for their children's future and not about controlling their investment choices by giving them a tax deduction only if they choose our plan (Attachment 1).

Attached to her testimony was: 1) A report from the Department of Revenue outlining the cost of the current deduction for tax year 2004; 2) An article provided by the College Savings Foundation - "The many benefits of State Tax Equity for 529 Plans;" 3) Letters of support from Kevin McMullen, Chair, Government Affairs Committee and Kim Chamberlain, Vice President and Counsel, State Government Affairs.

Discussion followed regarding: penalties; limitations; comparison to other state programs; and fees.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on January 27, 2006 in Room 519-S of the Capitol.

There being no other proponents or opponents, the Chairman closed the public hearing on **HB 2573**.

Hearing no objections to work the bill, the Chairman asked the desire of the Committee.

Representative Goico made a motion to pass out **HB 2573**, favorable for passage. Representative George seconded the motion. The motion carried.

The Chairman explained that there would be public hearings on Monday, January 31 on **HB 2548 - Three year phase out of the franchise tax.**

Chris Courtwright gave a briefing on the "Recent Franchise Tax History" to prepare the Committee in advance. A memo was distributed to the Committee (Attachment 2).

The franchise tax bill was enacted in Kansas in 1866, and since the 1970s there were no meaningful changes in the tax until 2002. He provided a review of activities from 2002 through 2005. A chart of the recent franchise tax collections from FY 2001 through FY 2005, included estimated revenue for 2006 and 2007.

The meeting was adjourned at 10:10 A.M. The next meeting in January 31,