

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:30 A.M. on March 13, 2006 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research
Martha Dorsey, Kansas Legislative Research
Gordon Self, Revisor of Statutes Office
Judy Swanson, Secretary

Conferees appearing before the committee:

Pat Hubbell, Kansas Railroads
Kenneth Daniel, Midway Wholesale
Erik Sartorius, City of Overland Park
Paul Welcome, Johnson County Appraiser
Randall Allen, Kansas Association of Counties
David Cunningham, Kansas Assn. Of School Boards

Others attending:

See attached list.

Hearing was opened on:

HB 2619--Property tax exemption for certain commercial and industrial machinery and equipment, materials and supplies

Sub HB 2525--Property tax exemption for certain telecommunications machinery and equipment and railroad machinery and equipment

Pat Hubbell, Kansas Railroads, testified as a proponent. (Attachment 1) He said under Federal law rail transportation may not be assessed at a higher ratio to its value than other commercial and industrial property in the same jurisdiction.

Ken Daniel, Midway Wholesale, testified local governments need to join the state government in supporting this bill. (Attachment 2) He said eliminating the CI/ME tax would have the most value of anything that could be done for business in Kansas. Senator Donovan complimented Mr. Daniel on his thorough testimony.

Erik Sartorius opposed the bills. (Attachment 3) He said if this policy change is made, then the State should share a more proportional risk in lost revenue.

Paul Welcome, Johnson County Appraiser, provided a chart showing the shift of the tax base for the State and Johnson County, and also a chart showing the tax impact in Johnson County. (Attachment 4) He said the slider amendment does not address the loss in revenue for raising the de minimus "paper clip" exemption from \$400 to \$1000. For Johnson County, this change alone amounts to approximately \$500,000 in annual lost revenue for the county government.

Randall Allen, Kansas Association of Counties, testified the total exemption of new machinery and equipment would have an adverse impact on those communities least able to afford it. (Attachment 5) He urged the Committee to kill the bills. Senator Apple requested staff to find out what it would cost to reinstate the demand transfer (LAVTR). Senator Lee said she thought it would cost \$126 million to reinstate demand transfers.

David Cunningham, Kansas Association of School Boards, opposed the bills because of the loss of revenue they represent. (Attachment 6)

Sandy Jacquot, League of Kansas Municipalities, testified in opposition to the bills. (Attachment 7) It is the League's understanding that mill levies in some counties could increase by as much as 27 mills over time, with the statewide average being a 7 mill increase.

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:30 A.M. on March 13, 2006 in Room 519-S of the Capitol.

Written testimony was submitted by the following:

April Holman, Fiscal Focus (Opponent)

Harriet Lang, Kansas Association of Broadcasters (Proponent)

Michael Boehm, Mayor of City of Lenexa (Opponent)

City of Wichita (Opponent)

Hearing on Sub HB 2525 and HB 2619 was closed.

Being no further business, the Committee adjourned at 11:45 a.m.