

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 1, 2007 in Room 519-S of the Capitol.

All members were present except:

Representative Tom Holland- E

Committee staff present:

Chris Courtwright, Legislative Research Department

Martha Dorsey, Legislative Research Department

Gordon Self, Office of Revisor of Statutes

Richard Cram, Department of Revenue

Kathy Beavers, Office Assistant

Conferees appearing before the Committee:

Secretary Wagnon, KDOR

Mike Boekhaus, KDOR Audit Services

Others attending:

See attached list.

In Representative Holland's absence, Representative Stan Frownfelter sat in on the committee.

**HB 2264 - Exclusion of social security benefits from Kansas adjusted gross income for income tax liability purposes.**

Chris Courtwright, Legislative Research Department, reviewed **HB 2264**. If passed, the fiscal note will be \$18.9 million. Mr. Courtwright stated the average tax relief for persons affected by this bill would be approximately \$164/per person. At this time there is no estimate available of how many recipients would be affected by the passage of the bill.

Chairman Wilk stated that there are sixty-seven names on **HB 2264** and it will receive a good debate on the floor.

Representative Tim Owens made a motion that **HB 2264** be passed out in its current status. The motion was seconded by Representative Richard Carlson. The motion carried.

**HB 2495 - Decrease in the income tax surtax on corporations.**

Chris Courtwright reviewed **HB 2495**. He explained that, if passed, the bill would broaden the tax base and lower the tax rate to 6.25% for corporations in Kansas. This would be more in line with tax rates of neighboring states and, will hopefully, bring more corporations to Kansas. It would also allow revenue to be neutral instead of increasing.

Secretary Joan Wagnon described the loophole in Kansas law that allows businesses to depreciate equipment, charge off the depreciation, sell off the equipment and the law does not allow the revenue to be charged back to Kansas (No written testimony).

Mike Boekhaus, Audit Services, explained the three components for figuring corporate taxable income. Income earned, apportionment and tax rate (No written testimony).

Representative Nile Dillmore made a motion that the Committee recommend **HB 2495** favorable for passage. The motion was seconded by Representative Arlen Siegfried.

Representative Nile Dillmore made a Substitute motion to amend **HB 2495**. Representative Julie Menghini seconded the motion. A balloon was distributed (Attachment 1). Gordon Self reviewed the changes to the amendment including: apportionment of net income; elimination of opportunities for churning of income and options for captive insurance companies to purchase product liability insurance.

## CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 1, 2007 in Room 519-S of the Capitol.

The fiscal note was discussed. The Chairman declined a request to divide the question. Representative Nile Dillmore closed his Substitute motion to amend The motion passed 13- 9.

Due to time constraints the meeting was adjourned at 10:30 a.m. Chairman Wilk reminded the committee members they would continue to discuss **HB 2430**, **HB 2514**, and **HB 2264**. The next meeting will be held March 2, 2007, Room 519-S.