

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:37 A.M. on March 6, 2008 in Room 519-S of the Capitol.

All members were present except:  
Anthony Hensley- excused

Committee staff present:  
Gordon Self, Office of Revisor of Statutes  
Chris Courtwright, Kansas Legislative Research Department  
Scott Wells, Office of Revisor of Statutes  
Ryan Hoffman, Kansas Legislative Research Department  
Judy Swanson, Committee Assistant

Conferees appearing before the committee:  
Representative Kenny Wilk  
Robert Vancrum, Greater Kansas City Chamber of Commerce  
Rob Cole, Tax Research Manager, Sprint/Nextel  
Marlee Carpenter, Kansas Chamber (Written only)  
John Cmelak, Vice President, State Tax Policy, Verizon Communications (Written only)

Others attending:  
See attached list.

Hearing on **HB 2641--Nondeduction of property taxes paid by certain nonresident taxpayers subject to Kansas income tax liability** was opened.

Chris Courtwright, Kansas Legislative Research Department, reviewed the bill and gave the background history of its introduction.

Representative Kenny Wilk explained the bill and why it may or may not be necessary. (He will provide written testimony at a later date.) **HB 2641** is known as the Reciprocity Act. Missouri had an issue with the State of Illinois on the deductibility of property taxes paid in other states, and thus enacted a law that prevents a state income tax deduction relative to property taxes paid in other states, including Kansas.

There is a trigger in the bill to make it retroactive to 2007, and Representative Wilk feels it is important to leave this provision in the bill. He attempted to get Missouri to suspend its act, but Missouri refused to do so. There is currently a bill in the Missouri Legislature that if enacted would negate the need for **HB 2641**. Missouri legislation will, however, likely not be acted on until after the Kansas Legislature adjourns. Rep. Wilk urged the passage of **HB 2641** in the unlikely event Missouri does not pass appropriate legislation.

Robert Vancrum, Greater Kansas City Chamber of Commerce, testified as a proponent to **HB 2641**. (Attachment 1) He said Missouri disallows any nonresident from deducting property taxes paid on property in other states against his/her Missouri income tax because of the long-standing refusal of Illinois to allow Missourians to deduct property taxes against their Illinois nonresident income tax liability. He testified the Missouri Legislature appears to have enough support to enact a reciprocity bill, but if Missouri does not pass the bill, **HB 2641** will be needed.

Richard Cram, Kansas Department of Revenue (KDOR), said the administrative costs of **HB 2641** would be \$141,000. In response to Senator Schmidt, Mr. Cram said the annual loss of \$5 million was built into the November consensus revenue estimates.

The hearing was closed.

The hearing on **SB 664--Sales tax refund on certain purchases of telecommunications machinery and equipment** was opened.

## CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:37 A.M. on March 6, 2008 in Room 519-S of the Capitol.

Ryan Hoffman, KLRD, reviewed **SB 664**, which would provide a state sales tax exemption for the sales of certain telecommunications equipment and machinery.

Rob Cole, Tax Research Manager of Sprint/Nextel, testified as a proponent for **SB 664**. (Attachment 2) He testified on behalf of a coalition which includes Sprint/Nextel, Embarq, AT&T, Verizon Wireless, T-Mobile, Alltel, Cox Cable, Kansas Cable Telecommunications Association, U.S. Cellular, Rural Telephone Service Company, Inc., Nex-Tech, Inc., Nex-Tech Wireless, LLC, WestLink Communications, LLC and High Plains Telecommunications, Inc. According to Mr. Cole, the elimination of this tax on investment in telecommunications network assets would have significant benefits for Kansas businesses. Telecommunications is one of the few industries in Kansas which does not enjoy a sales tax exemption for the purchase of equipment used in production operations. There are a total of 23 states plus the District of Columbia which do not tax the purchase of telecommunications equipment.

Mr. Cole said a refund mechanism would be established for all purchases of telecommunications machinery and equipment, and only the state tax would be subject to the refund provision. The industry has worked with KDOR to ensure the language of the exemption is precise so items included in the exemption are clearly enumerated.

Senator Lee asked what services would not be provided in Kansas if this exemption was not granted. Mr. Cole responded there is competition nationwide for telecommunication dollars. It will make it easier for the dollars to be spent in Kansas if the bill is enacted. Senator Lee expressed disappointment that passage of **SB 664** would not result in lower customer rates.

In response to Senator Pine, Mr. Cole said of the four states surrounding Kansas, only Missouri has enacted such legislation. Oklahoma will have a hearing next week on a bill, and Nebraska and Colorado are not considering it at this time. In response to Senator Schmidt, Mr. Cole will provide information on how many surrounding states have legislation similar to the M&E legislation which was enacted in Kansas last year that included telecommunication companies.

Written testimony in support of **SB 664** was received from Marlee Carpenter, Kansas Chamber, (Attachment 3) and John Cmelak, V-President, State Tax Policy (Attachment 4).

The hearing was closed.

Senator Schmidt moved to approve the Minutes of the February 25 and February 26 Committee meetings. Senator Jordan seconded the motion, and the motion passed.

Being no further business, the meeting adjourned at 11:18 a.m. The next meeting will be March 12.