

Approved April 11, 2002
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by Chairman Edmonds at 9:00 a.m. on April 9, 2002 in Room 519-S of the Capitol.

All members were present except: Representative Howell
Representative Gatewood

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor
Winnie Crapson, Secretary

Conferrees appearing before the Committee: Kathy Damron, Waddell & Reed

Others Attending: See attached list.

Without objection bill will be introduced on taxation of cigarettes and tobacco increasing current cigarette rate from 24 cents to \$1.00 and tobacco rates by similar proportion. [HB 3038 - Cigarette and tobacco product tax rate increase]

Without objection bill will be introduced increasing sales tax from 4.9 to 5.0 on a permanent basis and increasing from 5.00 to 5.25 with one year sunset on 5.25. [HB 3039 - Sales tax rate increase]

Consideration was opened on SB 501 - Investment funds service company business income apportionment for income tax purposes.

At the request of Chairman Edmonds, Kathy Damron responded on behalf of Waddell & Reed to proposed amendments circulated to members of the Committee and copy provided to Waddell & Reed. She said Waddell & Reed believes after studying the three provisions in the balloon, that of language "on a full-time equivalent basis" relating to branch offices having 100 employees would be in keeping with what the committee is trying to achieve. With reference to changes on page 3 relating to "the fund shareholder's principal place of residence," she said Waddell & Reed has only one address for the shareholder and does not know whether it is the home or the business. So long as one address is required it would not be a problem. With reference to proposed amendment in line 41, page 5 delaying the effectiveness for another year, she said if it is the intent of the Committee and legislature to try to retain the businesses, the amendment would probably not be in keeping with that public policy goal. She said as it passed the Senate **SB 501** has a delayed mechanism in recognition of the state's financial condition.

Representative T. Powell moved, seconded by Representative Mays, to amend HB 2714 as it was passed in the House into SB 501. Motion was adopted.

Representative Mays moved, Representative Owens seconded, to report SB 501 as favorable for passage as amended. Motion adopted. Representatives Edmonds and Palmer voted no.

Committee adjourned at 9:25 a.m. Next meeting is April 10.