

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:45 A.M. on March 8, 2006 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

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

Conferees appearing before the committee:

Bill Waters, KDOR
Mark Beck, KDOR
Senator Jim Barnett
Professor Art Hall

Others attending:

See attached list.

Senator Schmidt moved to amend SB 585 by changing the effective date to publication in the statutes book, then recommend it favorably for passage. Senator Apple seconded the motion, and the motion carried.

KDOR Secretary Joan Wagnon led discussion 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.

KDOR General Counsel Bill Waters said these bills, in his opinion, pass the constitutional test of being uniform and equal. (Attachment 1) Discrimination is based on a taxpayer characteristic, and he felt this type of discrimination does not apply to these bills. There will be certain types of businesses that will benefit much more rapidly than others, such as technology-based businesses, because of the nature of their business. He cited several cases which were upheld by the Kansas Supreme Court. He said the language in the EDX amendment gives the legislature the right to exempt property. There is no similar language in the classification amendment. He concurred with Senator Schmidt the Supreme Court would interpret the amendments as to what the people thought at the time they voted on the amendments.

Mark Beck provided information concerning which other states do not tax CI/ME, and the cost of increasing the exemption from \$400 to \$1000. (Attachment 2) He also provided a chart concerning CI/ME new investment for 2004. (Attachment 3) Senator Allen requested KDOR to provide a percentage figure column corresponding to the dollar value figures representing CI/ME new investment for 2004. Senator Lee expressed concern the fiscal note will be much higher than anticipated. Senator Schmidt said for counties using tax abatements, they will never get the benefit of the CI/ME exemption because certain property which has been abated locally will not come back on the tax rolls. Also, the tax base year (2005) is artificially low because it fails to account for locally abated property and growth in the economy.

Senator Jim Barnett presented an overview of his proposal for economic growth in Kansas, "Prescription for Growth". (Attachment 4) He compared trends in economic growth, comparing Kansas with other plains states, and with the United States. The Kansas population is aging, and it is growing slowly. However, the Kansas budget is growing quickly. Art Hall, Kansas University Professor, testified to the relationship of mill rates to the property valuation in 112 Kansas localities. Mr. Hall assured the Committee he was not representing Kansas University and was on vacation from the University to testify with Senator Barnett.

Being no further business, the Committee adjourned at 11:55 a.m.