

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on January 17, 2008 in Room 519-S of the Capitol.

All members were present except: Representative Kinzer

Committee staff present:

Chris Courtwright, Legislative Research Department  
Gordon Self, Office of Revisor of Statutes  
Ryan Hoffman, Legislative Research Department  
Scott Wells, Office of Revisor of Statutes  
Richard Cram, Department of Revenue  
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Representative Vincent Wetta  
Tony Folsom, Deputy Director, Division of Property Valuation, KDOR  
John Federico, General Motors  
Mike Boekhaus, Director of the Department's Audit Bureau

Others attending:

See attached list.

The following requests were made for bill introductions:

Representative Wetta requested a bill introduction for a sales tax exemption for the Wellington Food Bank. Representative Dillmore moved the request, seconded by Representative Treaster. The motion carried.

Representative Worley requested two bills be introduced pertaining to: 1) A purchase and sales tax exception for the Kansas City Catbackers, and 2) A sales tax only exemption for the Kansas City Symphony, both of which are 501 (C) 3 not-for-profit organizations. The requests were seconded by Representative Owens. The motion carried.

Representative King requested a bill introduction for an investment tax credit bill, focused on cities in federally declared disaster areas, effective January 1, 2007. Representative Holland seconded the motion and the motion carried.

The Chairman invited Tony Folsom to the podium for a review of the "Slider legislation".

Tony Folsom, Deputy Director, Division of Property Valuation, presented a report on behalf of Mark Beck on the M & E Slider Reimbursement (Attachment 1). He provided a brief history of the legislation and said the total amount of reimbursements, FY 2007, as currently reported, is \$25,892,463. Payments will be made to county treasurers on or before February 15. He explained how the slider reimbursements are calculated and called attention to estimates for future reimbursements. He reviewed three reports that reflect reimbursement figures for IRB/EDX, Railroad M/E, and Telecommunications. He explained the IRB/EDX Report, that listed the dollar amounts that came back on the tax rolls from counties and companies that have tax credits that expired in July, 2006.

A memo listing counties that received no M & E reimbursement was distributed (Attachment 2). Clarification of an exclusion on a specific business in Wyandotte county was given by staff.

The Chairman asked John Federico to update the committee on recent developments at the Fairfax assembly plant. He told the committee that the Chevrolet "Malibu", made at the GM Fairfax assembly plant, was designated "car of the year". He described the competitive advantage and expansion that has and will occur as a direct result of the favorable tax legislation recently passed by the Legislature.

The Chairman requested that the four reports be consolidated and sorted by percent differences and listed from high to low. Leadership will work on a format preferred by the Committee. He said that Kansas Inc. is putting together information including data on the gross state product and personal income in order

## CONTINUATION SHEET

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to provide the Committee with data for an in-depth analysis. Currently there is no mechanism in place to know how much new investment is made in Kansas, however they hope to determine that effect through other categories, such as employment and personal income.

Richard Cram introduced Mike Boekhaus, Director of the Department's Audit Bureau and members of his staff in attendance. He briefed the Committee on the Department's policy on sales tax treatment for hunting fees. The Department had received complaints from several self-audit notice recipients that the Department had provided inconsistent guidance on the tax treatment of gross receipts for participation in hunts. After deliberation with all interested parties, Notice 07-08 was published. He reviewed that notice and its self-audit process (Attachment 3).

In response to the question on what kind of revenue the state received from taxation on sports program, Mr. Cram said that firm figures were not available, however the Department is working on estimates which will be available soon. Mile Boekhaus explained the self audit program was developed to educate businesses; not to solicit back taxes. The Chairman said the timing of the regulation/notification changes was not in the best interested of hunting businesses and should have been done in a more timely manner. It was also noted that future changes in the regulation would require legislation.

The Chairman reviewed next week's agenda and the regular meeting formats.

An invitation to attend a January 28<sup>th</sup> Joint Session of the House Taxation and Transportation Committee on Motor Fuels Tax; *Future Viability?* was distributed (Attachment 4). The Chairman explained the importance of revenue generated from taxes on motor fuels sold in Kansas and possible changes in the future.

The meeting was adjourned at 10:15 a.m. The next meeting is January 23, 2008.