

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 20, 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

Gordon Self, Office of Revisor of Statutes

Richard Cram, Department of Revenue

Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Secretary Wagon, KDOR

Representative Lee Tafanelli

Representative Jeff King

Representative Jene Vickrey

Bernie Koch - Wichita Chamber of Commerce

Alan Cobb - Americans for Prosperity

Marlee Carpenter - Kansas chamber of Commerce

April Holman - Dir., of Fiscal Focus at KS Action for Children

Randall Allen - Executive Dir., Kansas Association of Counties

Don Moler - Executive Dir., League of Kansas Municipalities

Mark Desitti - KNEA and Kansas Association of School Boards

Pauline Bellar - Citizen, Howard, KS (written testimony only)

John & Lois Markley - Citizens, Howard, KS (written testimony only)

Patricia Clark - Citizen, Howard, KS (written testimony only)

Mary Wells - Citizen, Howard, KS (written testimony only)

Patsy Van Sickle - Citizen, Howard, KS (written testimony only)

Irene Julian, Wildcat Township (written testimony only)

Karl Peterjohn, Kansas Taxpayers Network (written testimony only)

George Lippencott - AARP Kansas (written testimony only)

Christy Caldwell - Topeka Chamber of Commerce (written testimony only)

Ashley Sherard - Lenexa Chamber of Commerce (written testimony only)

Others attending:

See attached list.

The Chairman called for bill introductions.

Representative Tafanelli requested the introduction of a constitutional amendment to authorize the legislature to enact legislation to provide for a property tax exemption for all or a part of the value of a residence owned and the principal residence of a person 65 years of age or older, or a surviving spouse of a military veteran or a disabled person. Representative Wilk moved the introduction, seconded by Representative Owens. The motion carried.

Representative Tafanelli requested a bill introduction relating to time for notice of acquisition or sale of vessels to county appraisers for computation of value for property tax purposes. Representative Carlson moved the introduction, seconded by Representative Owens. The motion carried.

Representative Tafanelli requested a bill introduction that provided a property tax exemption for certain homes for military veterans who are paraplegics or multiple amputees and their spouses. Representative Owens moved the introduction, seconded by Representative Carlson. The motion carried.

Secretary Wagon requested a bill introduction that would require their licensees to disclose their social security or tax identification numbers to the licensing agency, so that the agency in turn will be required to turn that information over to the Department of Revenue upon request. Representative Wilk moved the introduction, seconded by Representative Carlson. The motion carried.

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It was noted that the minutes from January 26, 30, 31, February 1, and 2, 2007 were sent electronically to the committee on February 12 and, by consensus, approved on February 20, 2007.

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

The Chairman invited Secretary Wagon to the podium to brief the Committee on the bill.

Secretary Wagon, KDOR, said **HB 2495** is the portion of the Governor's Tax Plan designed to lower the corporate income tax which has been introduced as a separate bill (Attachment 1). She explained the following five components:

- Corporate Income Tax reduced from 7.25% to 6.75%.
- Change current law to allow full apportionment of business income.
- Change current law to eliminate opportunities for abuse or litigation.
- Eliminate planning opportunities for "captive" insurance companies.
- Change the mathematical weighting of the apportionment factors (sales, property, payroll)

The Chairman opened the public hearing.

Bernie Koch, Wichita Chamber of Commerce, rose in support of the bill (Attachment 2). The Chamber looks at reduction of the corporate tax rate as very positive. He said that the best source of business information is the annual survey of corporate decision-makers by Area Development Magazine. It is a niche publication for expanding economic developers and companies. A copy of the *21st Annual Corporate Survey* was included in his testimony, which confirms the three most important things companies look at when selecting new locations. They are: 1) Labor costs, 2) Highway accessibility, and 3) Corporate tax rate. He urged the Committee to give favorable consideration to **HB 2495**.

Alan Cobb, Americans for Prosperity (AFP), testified in support of the legislation. He added that they also believe in reduction of individual income taxes. Kansas economic growth measures are average to poor and many states are cutting taxes. If Kansas is to remain competitive, they must also cut taxes (Attachment 3).

Marlee Carpenter, Kansas Chamber of Commerce, testified that businesses remain positive about the Kansas economy but are concerned about taxes. A reduction in the corporate income tax rate will stimulate the business community and make Kansas a more attractive place to locate and expand. She called attention to an Executive Summary entitled, *2007 State Business Tax Climate*, dated October 2006, Tax Foundation Publication, attached to her testimony (Attachment 4).

It was noted that written testimony in favor of **HB 2495** was received and distributed from: 1) Christy Caldwell, Topeka Chamber of Commerce, 2) Ashley Sherard, Lenexa Chamber of Commerce, 3) Karl Peterjohn, Kansas Taxpayers Network (Attachment 5).

The Chairman closed the public hearing on **HB 2495**.

HCR 5013 - A Proposition to amend section 1 of article 11 of the constitution of the state of Kansas, relating to property taxation.

Representative Jeff King briefed the Committee on the resolution (Attachment 6). He stressed five points in the House Concurrent Resolution as follows:

1. Kansas voters decide if they want the Legislature to provide property tax relief to seniors through valuation caps.
2. It is the first step towards comprehensive property tax relief.
3. Although the legislation itself is not limited based on income or property values, the enabling legislation will almost certainly contain such limits.
4. The resolution will provide real tax relief and considerable flexibility to the Kansas legislature in crafting the best form of property tax relief for seniors.
5. Gives Kansans a voice on property tax relief and, if passed, would provide peace of mind for fixed

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income seniors.

Representative Jene Vickrey testified in support of **HCR 5013**. He stated this piece of legislation would keep Kansas competitive, and noted that Kansas is one of only seven states without some form of property tax cap for its retired citizens. He called attention to testimony from Glenna Burton, Paola, attached to his testimony, as well as relevant articles and data. He urged the Committee to take action on the resolution. (Attachment 7).

It was noted that written testimony had been received and distributed in favor of **HCR 5013** from the following Howard, KS citizens: 1) Pauline Bellar, 2) John & Lois Markley, 3) Patricia Clark, 4) Mary Wells, 5) Patsy Van Sickle, and 6) Irene Julian, Wildcat Township (Attachment 8).

April Holman, KS Action for Children, rose in opposition to **HCR 5013**. She stated when property tax dictates that valuation for one group is artificially suppressed, taxes shift to other taxpayers and there are better ways to help those in need of tax relief than to change property taxes. She added that a comprehensive plan should be created for modernizing Kansas taxes (Attachment 9).

Randall Allen, Kansas Association of Counties, testified that limiting the growth in appraised valuation of real estate to a cap established by legislative enactment would not guarantee the precise impact in lowering taxes as is often claimed. He also voiced concern about how this proposal creates inequity by applying the cap to all property of senior citizens, including those with a much greater ability to pay (Attachment 10).

Don Moler, League of Kansas Municipalities, stated that while cities understand the desire to limit the tax burden on their older citizens, this resolution is ill-advised for several reasons. It would further erode the tax base and would create a tax shift to younger families who may be less able to take on additional tax liability. He urged the Committee not to report **HCR 5013** favorable for passage (Attachment 11).

It was noted that written testimony in opposition to **HCR 5013** was received and distributed from George Lippencott, AARP Kansas (Attachment 12).

Mark Desitti, KNEA and Kansas Association of School Boards, said that they are not advocating for either the passage or defeat of the resolution. However, he suggested that they consider some of the consequences if **HCR 5013** passes. Collecting less in property tax from capped property valuations for all seniors, means that the loss must be passed on to other taxpayers. There is no means testing in the resolution, thus tax relief goes to all Kansas seniors not only to those that need such relief. Kansas Association of School Boards and KNEA continues to believe that the legislature should make a comprehensive examination of the entire tax system (Attachment 13).

The Chairman closed the public hearing.

A memorandum from KDOR, regarding Kansas Tax Credits, was distributed to the Committee (Attachment 14).

The meeting was adjourned at 10:30 a.m. The next meeting is February 21, 2007.