

Approved: 2/5/93
Date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on January 22, 1993 in Room 123-S of the Capitol.

Members present: Senators Burke, Downey, Feleciano, Jr., Gooch, Harris, Hensley, Kerr, Petty, Ranson, Reynolds, Steffes and Vidrecksen

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Mary Jane Holt, Committee Secretary

Conferees appearing before the committee: Carole Morgan, Deputy Secretary, Kansas Department of Commerce and Housing
Bob Nugent, Revisor of Statutes

Others attending: See attached list

Requests for introduction of bills:

Carole Morgan, Deputy Secretary, Kansas Department of Commerce and Housing, requested on behalf of the Secretary of the Kansas Department of Commerce and Housing, the Committee introduce a bill to change the name of the Office of Minority Business to Office of Minority and Women Business Development, and a bill to extend investment tax credits through January 1, 1998, see Attachment 1.

A motion was made by Senator Burke and seconded by Senator Ranson to introduce, as Committee bills, legislation proposed by the Kansas Department of Commerce and Housing. The motion passed.

The Chairman asked the Committee to consider the confirmation of the Secretary of the Kansas Department of Commerce and Housing. The Committee could recommend to the full Senate that the confirmation be approved, recommend that the confirmation not be approved, or send the confirmation request to the Senate without a recommendation.

Senator Ranson moved to recommend to the Senate that the appointment of Bob Knight as Secretary of the Kansas Department of Commerce and Housing, to serve at the pleasure of the Governor be confirmed. Senator Gooch seconded the motion. The motion passed.

Committee discussion of SB 15:

Bob Nugent, Revisor of Statutes, explained the proposed amendments to **SB 15**. The first amendment would allow state moneys credited to fee funds and other special revenue funds of state agencies to be utilized for matching grant fund requirements. The second amendment states that both public and private entities shall be eligible to apply for a grant under the provisions of the act. The third amendment states 75% of all moneys granted under this provision shall be allocated to public entities or entities exempt from taxation under the provisions of sections 501(c)(3) or 501(c)(6) of the federal internal code of 1986 and amendments thereto. The fourth amendment provides these provisions shall expire July 1, 1998.

The Committee discussed the proposed amendments.

Senator Kerr moved to change the sunset provisions to "during fiscal year 1997, Kansas Inc. shall commission an analysis of this program to determine the impact of grants on tourism. The analysis shall include the recommendations for continuation, discontinuation or alteration of the program". The motion was seconded by Senator Steffes and the motion passed.

A motion was made by Senator Harris and seconded by Senator Kerr to strike in (b) the word

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on January 22, 1993.

“religious” and insert the word “architectural”. The motion passed.

Senator Burke moved to adopt the proposed amendments and the remaining balloon amendments. Senator Steffes seconded the motion.

A motion was made by Senator Petty to divide the question. Senator Ranson seconded the motion. The motion passed.

Senator Burke moved and Senator Vidricksen seconded to adopt the amendment concerning state moneys credited to fee funds. The motion passed.

A motion was made by Senator Burke to adopt the amendment that both public and private entities shall be eligible to apply for a grant under the provisions of the act and that 75% of all moneys granted under this program shall be allocated to public entities or entities exempt from taxation under the provisions of section 501(c)(3) or 501(c)(6) of the federal internal revenue code of 1986 and amendments thereto. Senator Petty seconded the motion.

A substitute motion was made by Senator Petty to delete “Both public and private entities shall be eligible to apply for a grant under the provisions of this act”. The motion failed for the lack of a second.

Senator Burke moved to adopt the amendment “Both public and private entities shall be eligible to apply for a grant under the provisions of this act.” The motion was seconded and passed.

A motion was made by Senator Burke to adopt the proposed amendment that 75% of all moneys granted under this program shall be exempt from taxation under the 501(c)(3) or 501(c)(6) of the federal internal revenue code of 1986 and amendments thereto. The motion was seconded by Senator Harris and the motion passed.

The Committee meeting was adjourned by 9:00 a.m.

The next meeting is scheduled for January 25, 1993.

GUEST LIST

DATE: 1/22/93

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KANSAS

DEPARTMENT OF COMMERCE & HOUSING

Joan Finney
Governor

Bob Knight
Secretary

January 21, 1993

The Honorable Alicia Salisbury
Chair, Senate Commerce Committee
Kansas Senate
120-S State House
Topeka, Kansas 66612

Dear Senator Salisbury:

The Kansas Department of Commerce & Housing requests your assistance in introducing legislative proposals through the Senate Commerce Committee. These proposals will support efforts to foster economic development in the state of Kansas. The two proposals deal with modifications to existing legislation.

The requested proposals are listed below. A summary of the proposed legislation and background information is attached.

1. A Change in KSA 74-5010a Concerning the name of the Office of Minority Business.
2. A Change in KSA 74-8304d Concerning Extension of the Tax Credit for Venture and Seed Capital Investments.

The Kansas Department of Commerce and Housing appreciates your assistance in this matter. If you have any questions or concerns, please contact me at your convenience.

Sincerely Yours,

Bob Knight

attachments

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Attachment 1

**1993 LEGISLATIVE SESSION
SENATE COMMERCE COMMITTEE
PROPOSAL 1**

BILL TITLE

An Act Concerning the Office of Minority Business, a change in title to the Office of Minority and Women Business Development.

BILL INFORMATION

Kansas Statute Annotated 75-5010a created the Office of Minority Business in 1986. Since 1986, the services offered by this office have expanded to include women-owned businesses. The proposed change would support the programs already set in place by this office. In Fiscal Year 1992, six programs were presented tailored to women-owned businesses.

Changing the title of the office would identify the Kansas Department of Commerce & Housing as a source of information and guidance for women-owned businesses. This proposed change would recognize the importance of women to the economic development of the state and their increasing impact on Kansas' economic future.

No other changes are requested.

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74-5010a. Office of minority ~~business~~, establishment and administration; assistant director for minority ~~business-affairs~~, authority. There is hereby established within and as a part of the division of existing industry development the office of minority ~~business~~, the head of which shall be the assistant director for minority ~~business-affairs~~. Under the supervision of the director of existing industry development, the assistant director for minority ~~business affairs~~ shall administer the office of minority ~~business~~.

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History: L. 1975, ch. 388, § 9; L. 1976, ch. 380, § 13; L. 1985, ch. 256, § 11; L. 1986, ch. 296, § 14; Jan. 12, 1987.

Attachment 2

**1993 LEGISLATIVE SESSION
SENATE COMMERCE COMMITTEE
PROPOSAL 2**

BILL TITLE

AN ACT Concerning tax credits for venture and seed capital investments; relating to the extension of applicable investment tax years.

BILL INFORMATION

Investment tax credits for venture and seed capital investments are authorized by Kansas Statutes Annotated Chapter 74, Articles 82, 83, and 84. These statutes allow investors to claim credits against their state income taxes for investments in certified Kansas seed capital and venture capital organizations.

KSA 74-8304d states that investment tax credits are applicable for tax years commencing after December 31, 1985 and prior to January 1, 1993. The proposed legislation would amend this paragraph to extend tax credits through January 1, 1998. No change is requested in the maximum amount of tax credits that can be granted under current legislation.

Tax credits for seed and venture capital investments were made available to promote investments in start-up businesses or to finance existing businesses that can not obtain financing through traditional lending institutions due to the nature of their business operation.

Through tax year 1991, \$4,334,751 in tax credits have been claimed by individuals investing in Kansas certified seed and venture capital organizations. Through 1992, a total of \$27.5 million has been invested in Kansas certified seed and venture capital organizations. These investments have resulted in 60 projects being funded and 950 new job creations reported. These funds provide an stimulus to the Kansas economy and result in increased employment opportunities to Kansans.

Jobs and income generated through investments resulting from the tax credit will result in additional revenues to the state, and would generate tax dollars sufficient to offset tax revenues lost through the credit.

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74-8304. Income tax credits for investments in certified Kansas venture capital companies; determination and allowance; years applicable. (a) There shall be allowed as a credit against the tax imposed by the Kansas income tax act on the Kansas taxable income of a taxpayer and against the tax imposed by K.S.A. 40-252 or 40-2801, and amendments thereto, on insurance companies for a cash investment in a certified Kansas venture capital company in an amount equal to 25% of such taxpayer's cash investment in any such company in the taxable year in which such investment is made and the taxable years following such taxable year until the total amount of the credit is used. The amount by which that portion of the credit allowed by this section exceeds the taxpayer's liability in any one taxable year may be carried forward until the total amount of the credit is used. If the taxpayer is a corporation having an election in effect under subchapter S of the federal internal revenue code or a partnership, the credit provided by this section shall be claimed by the shareholders of such corporation or the partners of such partnership in the same manner as such shareholders or partners account for their proportionate shares of the income or loss of the corporation or partnership.

(b) The secretary of revenue shall allow credits that are attributable to not more than \$50,000,000 of cash investments in certified Kansas venture capital companies and certified local seed capital pools allowable pursuant to K.S.A. 1988 Supp. 74-8401 and amendments thereto, which shall include not more than \$10,000,000 for Kansas Venture Capital, Inc. The credits shall be allocated by the secretary for cash investments in certified Kansas venture capital companies in the order that completed applications for designation as Kansas venture capital companies are received by the secretary. Any certified Kansas venture capital company may apply to the secretary at any time for additional allocation of such credit based upon then committed cash investments, but priority as to such additional allocation shall be determined at the time of such subsequent application. Notwithstanding the provisions of subsection (c), investors in Kansas

venture capital companies established after July 1, 1984, which otherwise meet the requirements specified in this act, shall be, upon certification of the Kansas venture capital company, entitled to the tax credit provided in subsection (a) in the calendar year in which the investment was made.

(c) No taxpayer shall claim a credit under this section for cash investment in Kansas Venture Capital, Inc. No Kansas venture capital company shall qualify for the tax credit allowed by Chapter 332 of the 1986 Session Laws of Kansas for investment in stock of Kansas Venture Capital, Inc.

(d) The provisions of this section, and amendments thereto, shall be applicable to cash investments made in any taxable year commencing after December 31, 1985, and prior to January 1, [1993.]

- [1998]

History: L. 1986, ch. 285, § 4; L. 1987, ch. 320, § 2; L. 1987, ch. 321, § 1; L. 1988, ch. 313, § 3; L. 1989, ch. 241, § 1; L. 1990, ch. 291, § 2; July 1.

Revisor's Note:

For list of sections contained in chapter 332 of 1986 Session Laws of Kansas, see Comparative Table of Sections in Constitutions Volume.

Cross References to Related Sections:

Tax credits for investment in stock of Kansas Venture Capital, Inc., see 74-8205, 74-8206.

Law Review and Bar Journal References:

"Survey of Kansas Law: Taxation," Sandra Craig McKenzie and Eric B. Milstead, 37 K.L.R. 961, 995 (1989).

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