

## MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:30 a.m. on February 19, 2004 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Kathie Sparks, Legislative Research  
Susan Kannarr, Legislative Research  
Helen Pedigo, Revisor of Statutes  
Nikki Kraus, Committee Secretary

Conferees appearing before the committee:

Joan Wagon, Secretary, Department of Revenue  
John Watson, Department of Commerce  
Kent Heermann, Regional Development Association of East Central KS  
Christy Caldwell, Greater Topeka Chamber of Commerce  
Kim Gulley, League of Kansas Municipalities

Others attending:

See Attached List.

Chairperson Brownlee told the committee that today they would aim to work **SB 481**--Employment security law; state unemployment tax, exempting private prison based industries from paying.

Chairperson Brownlee opened the public hearing on:

### **SB 504--Tax benefits for Kansas businesses**

Ms. Sparks provided the committee with an explanation of the bill. (Attachment 1)

The committee was provided with an e-mail from Wayne Maichel concerning KDOC's private prison industry employers. (Attachment 2)

The Department of Human Resources provided the committee with a sheet entitled, "Response to Questions Raised by Senator Brownlee S.B. 481: Exempting Private Prison Based Industries Employment." (Attachment 3)

Senator Kerr moved **SB 481** favorable for passage. Senator Jordan seconded. The motion passed.

Senator Barone was a recorded No vote on this motion.

Orville Weber, Department of Human Resources, presented the committee with information on **SB 482** regarding freezing rates. (Attachment 4) The committee delayed discussion of the issue.

The committee discussed **SB 483**--Employment security laws; disqualification from receipt of benefits.

Senator Jordan stated that the change on p. 6 was fairly major. Senator Bunten asked about treatment from the provider. Chair Brownlee stated that the information provided to the employer is also provided to the judge. Senator Emler stated that he did not feel uncomfortable with the language on page 6 but that he had reservations about the wording on page one regarding the need to protect the company from having to keep the position open.

The committee was presented with a proposed amendment to the bill from Employer's Unity. (Attachment 5)

The committee again addressed **SB 504**.

Secretary Wagon stated that her department was in complete support of this program. She stated that the

## CONTINUATION SHEET

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Department of Commerce spends time trying to bring in business for the state by enticing them with tax credits. She stated that this bill would move that to being an award, not an entitlement. She stated that sometimes businesses don't need tax credits, but cash instead. She stated that this would be monitored and tracked and that there would be a fifty million dollar cap that would keep the commitments, entitlements, and obligations of the state. She stated that there needed to be a record of what the state has gotten and what has been produced. Chairperson Brownlee stated that she agreed about the need for tracking.

Richard Cram from the Department of Revenue stated that this new tracking would replace that of Kansas, Inc. Secretary Wagon went on to explain that this was because Kansas, Inc. does not have access to the confidential tax information that the Department of Revenue does.

Senator Wagle asked what percentage of income taxes are being given back in tax credits. Secretary Wagon replied that annually, there are about \$100 million in corporate income taxes collected. She stated that the \$50 million cap represents the amount currently being given away in tax credits annually.

Senator Barone asked if the tracking done by the Department of Revenue would include detail about each program and commitment out there and asked if existing Kansas businesses would be entitled to any credits. Wagon stated that yes, existing businesses would be eligible, and that through the tracking, both the Department of Commerce and Department of Revenue would be able to work together more effectively. In response to another question from Senator Barone, Wagon stated that not only would this lure businesses in, but it would cause businesses to expand, both of which helped work toward the ultimate goal of growth.

Following further committee discussion, Mr. Watson provided written testimony in support of **SB 504**. (Attachment 6)

The committee was provided with copies of information on the Kansas Business Benefits Program (KBBP). (Attachment 7)

Mr. Heermann testified in favor of the bill, but provided some criticisms of certain elements of the bill. (Attachment 8) While he complimented the minimum wage threshold's impact on economic development, he stated that the Kansas Business benefits program needs representation from the private sector such as a CPA, a CFO, and/or a tax attorney. He stated that he was concerned with charging a fee to cover the cost of determining the availability of job creation and investment credits and the costs of an audit. He said the option to charge fees should be eliminated. He also criticized the net investment definitions for lacking common sense, and stated that original cost definition makes business sense and should be the original cost less the Federal IRS depreciation schedule according to the number of years in service because this policy just sends the wrong message to an expanding of new business. He concluded by stating that he didn't want to sound negative about the legislation, but it was a comprehensive revision to several existing tax credit programs and there has not been enough time to review and learn all of the details of the bill.

Ms. Caldwell testified in opposition to the bill, requesting additional time for the business community to review the language of the bill, whose goals it may support. (Attachment 9)

Chairperson Brownlee closed the public hearing on **SB 504**.

Chairperson Brownlee adjourned the meeting at 9:30 a.m. The next meeting will be at 8:00 a.m. on February 19, 2004 in Room 123-S of the Capitol.