

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:10 a.m. on January 27, 2000, in Room 519-S of the Capitol.

All members were present except: Senator Greta Goodwin – Excused

Committee staff present: Chris Courtwright, Legislative Research Department
 April Holman, Legislative Research Department
 Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Bradley Douglas, U.S. Small Business Administration
 David Long, Johnson County Certified Development Co.
 Jeff Berke, CJS Industries, Inc.
 Randall Hrabe, Kansas Assn. Of Certified Development Cos.
 Marlee Bertholf, Kansas Chamber of Commerce & Industry
 Senator Harry Stephens
 Adrian Polansky, State Director of USDA

Others attending: See attached list.

SB 406–Income taxation; credit for certain expenses incurred by a small business

Bradley Douglas, Regional Advocate for the U.S. Small Business Administration, testified in support of **SB 406**. He explained that, besides serving as one of the largest resources for small business information and statistics, Advocacy has the role of impacting proposed federal regulations and assessing legislation that affects small businesses. He informed the Committee that, since October 1995, the number of SBA guaranteed loans has been steadily dropping which means small business owners have begun to have more difficulty in securing federally guaranteed loans. One of the reasons for the drop-off is the fee a small business owner must pay to obtain a SBA loan. The solution to this problem is legislation providing a state tax credit equal to the fees that small business owners pay on SBA loans. (Attachment 1)

David Long, Johnson County Certified Development Company, testified in support of **SB 406**. After describing a few small business that have expanded with the help of federally guaranteed loans over the past few years, he noted that, unfortunately, SBA loans have decreased over the same time period, mainly because of an increase in fees paid by business at the federal level to use SBA loans. He believes passage of **SB 406** would make a friendly statement to Kansas small business taxpayers and to the nation that Kansas is small business friendly. (Attachment 2)

Jeff Berke, General Manager of a small business in Topeka called CJS Industries, told the Committee that approximately 6 ½ years ago his small business was able to start up solely due to the availability of financing through SBA which guaranteed one-half of the start-up debt. He commented that, although much effort is spent putting together lucrative incentive packages to bring large companies to town, not much is done to entice local persons to open small businesses. He believes the proposed tax credit in **SB 406** is an incentive for small businesses which the state can provide with a minimum amount of risk. (Attachment 3)

Randall Hrabe, Executive Director of Pioneer County Development, Inc., and President of the Kansas Association of Certified Development Companies, testified in support of **SB 406**. He believes the tax credit would create an extra incentive to start a small business, thus creating jobs and future revenue for the state. (Attachment 4)

Marlee Bertholf, Kansas Chamber of Commerce and Industry, testified in strong support of **SB 406**. She

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emphasized that small businesses are very important to the Kansas economy and that the bill would improve the availability of business credit to small business. As a result, the Kansas economy would be strengthened. (Attachment 5)

Senator Langworthy called attention to written testimony submitted in support of **SB 406** by the following: Christy Caldwell with the Greater Topeka Chamber of Commerce (Attachment 6), G. Eugene Troehler with the Overland Park Chamber of Commerce (Attachment 7), and Chuck Stones with the Kansas Bankers Association (Attachment 8).

SB 452—Income taxation; credit for certain operating loan expenses incurred by a farming business

Senator Harry Stephens called attention to written testimony submitted by Senator Steve Morris in support of **SB 452** (Attachment 9) and followed with testimony in support of the bill. Senator Stephens noted that the robust economy of the nation has not reached the Kansas agriculture economy. Similar to the tax credit provided in **SB 406** for small business, **SB 452** allows a tax credit in the amount of the guaranty fee on an operating loan paid to the Farm Service Agency (FSA) of the U.S. Department of Agriculture by an eligible farming business. He believes that **SB 452** would benefit hundreds of struggling Kansas farmers and ranchers throughout the state. (Attachment 10)

Adrian Polansky, Director of the Kansas FSA, said he is neither a proponent or opponent of **SB 452** but came to provide information to the Committee. He explained that the FSA administers various farm programs, including farm loans. When FSA approves a guaranteed loan, the lender must pay a guarantee fee to FSA. The lender passes the guarantee fee on to the borrower. In many cases, the guarantee fee is rolled into the loan and paid over the life of the loan. To give the Committee an idea of a typical year of FSA guaranteed lending in Kansas, Mr. Polansky provided actual figures for Fiscal Year 1999. He explained how the fees are calculated, noting that total guaranteed fees paid by Kansas farmers in Fiscal Year 1999 was approximately \$487,000.00. (Attachment 11) Mr. Polansky introduced Arlyn Stiebe, also with FSA, who assisted in answering questions from the Committee.

Senator Langworthy confirmed with staff that the revised fiscal note on **SB 452** is \$1.5 million per year.

Written testimony in support of **SB 452** was submitted by Chuck Stones, Kansas Bankers Association. (Attachment 12)

The meeting was adjourned at 12:08 p.m.

The next meeting is scheduled for January 31, 2000.