

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:08 a.m. on February 1, 2000, in Room 519-S of the Capitol.

All members were present except: Senator Dick Bond – Excused

Committee staff present:

April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Shirley Sicilian, Kansas Department of Revenue

Others attending: See attached list.

The minutes of the January 31, 2000, meeting were approved.

Senator Langworthy called upon Shirley Sicilian, Kansas Department of Revenue for an informational briefing on the integrated plant sales tax theory. Ms. Sicilian noted that the briefing was timely because Kansas is poised to become an integrated plant state. She went on to define “integrated plant theory” as a concept used to determine the scope of sales tax exemptions for manufacturing machinery and equipment.

Ms. Sicilian reviewed the background of this theory. Her review included a description of the two basic standards for determining what is meant by “manufacturing, assembling, or processing” (the Ohio rule and the integrated plant rule). She also discussed the Department’s interpretation of “integrated plant” and judicial interpretation. Ms. Sicilian concluded that the Legislature is the most practical forum for accomplishing an adoption of a Kansas integrated plant rule because it is able to articulate policy intent and provide necessary clarity. She noted that **HB 2009**, which was introduced in the 1999 legislative session, would allow an integrated plant rule. She suggested technical clean-up if the Legislature should favor the **HB 2009** approach. (Attachment 1)

Committee discussion and questions followed. Ms. Sicilian clarified that **HB 2009** would broaden the current Kansas law to move away from the Ohio interpretation and provide an integrated plant bill. She explained that the bill would be more restrictive than the court’s interpretation but more liberal than the Department’s interpretation. Senator Langworthy informed the Committee that **HB 2009** was amended into **HB 2543** during the 1999 Legislative Session.

The meeting was adjourned at 11:50 a.m.

The next meeting is scheduled for February 2, 2000.