

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 February 22, 2000, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
 April Holman, Legislative Research Department
 Don Hayward, Revisor of Statutes Office
 Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Bill Jarrell, The Boeing Company
 Marlee Bertholf, Kansas Chamber of Commerce & Industry
 Shirley Sicilian, Kansas Department of Revenue

Others attending: See attached list.

Hearing on: Integrated Plant Theory

Senator Langworthy informed the Committee that the bill draft for the integrated plant theory was not yet completed. She called the Committee's attention to copies of the briefing on the integrated plant theory presented by Shirley Sicilian, Kansas Department of Revenue, at the January 31, 2000, meeting.

Bill Jarrell, The Boeing Company, stated that Boeing is very pleased to be a part of the Kansas Tax Coalition which has worked closely with the Department of Revenue, the Governor's office, and both the Senate and House Tax Committees to develop meaningful language to define "integrated plant." He reminded the Committee that the language was amended into **HB 2543** during the 1999 Legislative Session; however, the bill did not emerge from the tax conference committee. He contended that the language found in **HB 2543** will help ensure that Boeing and other manufacturers in Kansas can remain competitive in today's global market. He strongly supports the integrated plant language in **HB 2543** with no modifications.
(Attachment 1)

Ms. Sicilian stood in answer to committee questions regarding what would be exempted under the bill. She explained that the bill clarifies what is to be considered a part of plant machinery. The bill expands the current definition to include anything that performs an integral or essential function in production.

Mr. Jarrell called attention of written testimony in support of the integrated plant theory language found in **HB 2543** submitted by Bernie Koch, Wichita Area Chamber of Commerce, who was unable to attend the meeting. Mr. Koch emphasizes that, although the integrated plant theory may seem like a big business issue, it is important to medium and small manufacturers as well. (Attachment 2)

Marlee Bertholf, Kansas Chamber of Commerce and Industry, followed with further testimony in support of the integrated plant theory. She pointed out that, under the integrated plant theory, an exemption from sales and use tax may be claimed when machinery and equipment perform an essential or indispensable function in the manufacturing process, regardless of whether a physical change is actually caused in raw material. In her opinion, implementing the integrated plant theory will simplify a problematic exemption and encourage manufacturers to continue to make investments within the state. (Attachment 3)

Senator Langworthy called the Committee's attention to copies of written testimony in support of the integrated plant theory which was submitted by Paul Marr, representing General Motors. Mr. Marr believes that an integrated plant theory bill will place Kansas in a more competitive position with other states and will provide direction to both taxpayers and auditors with respect to the parameters of the manufacturing process.
(Attachment 4)

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE
Room 519-S, Statehouse, at 11:10 a.m. on February 22, 2000.

There being no further persons wishing to testify, Senator Langworthy closed the hearing on the integrated plant theory. She announced that the bill draft for the integrated plant theory would be completed soon, and projected fiscal notes on the bill were in the process of being completed.

The meeting was adjourned at 11:30 a.m.

The next meeting is scheduled for February 25, 2000.