

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on February 16, 2000 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Lynne Holt, Legislative Research Department
Jerry Ann Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Secretary

Conferees appearing before the committee:

Lieutenant Governor Gary Sherrer, Secretary, Department of
Commerce and Housing
Shirley Sicilian, Department of Revenue

Others attending: See attached list

Lt. Governor Gary Sherrer, Secretary, Department of Commerce and Housing (KDOC&H), introduced members of the Department's staff who gave brief reports of their divisions: Connie Fisher, Agriculture Products Development; Ned Webb, Community Development; Michael Farmer, Trade Development; Steve Kelly, Business Development and Randy Speaker, Housing.

Lt. Governor Sherrer informed the Committee that KDOC&H has met its annual performance goals, and in most cases has exceeded them. He explained the Kansas Economic Opportunity Initiatives Fund (KEOIF) loan process stating there have been \$17 million in loans made the last 5 years with under approximately \$390,000 in outstanding non-performing loans. Lt. Governor Sherrer stated the KEOIF program is one of the best economic development tools in place in Kansas. It is critical to the Kansas economy to maintain all of the programs presently in place to attract businesses and not to recruit only high tech companies. While "new economy" businesses of high tech nature are important, it is critical to maintain "old economy" businesses, particularly in small rural communities. KDOC&H sustained a 9% budget cut last fiscal year, making it more difficult to operate; however, 5,000 new jobs have been created with an increased payroll of \$108 million and capital investment of \$170 million. 23,000 persons have been trained through KDOC&H for 175 companies. Kansas has more persons working than ever before.

SB 521 - Enterprise Zone Act; eligibility for firms which construct or remodel only a portion of a business facility.

Lt. Governor Sherrer testified on behalf of **SB 521**, requested by the Business Development Division of KDOC&H. The bill would clarify the status of sales tax exemption for construction, reconstruction, remodeling, or enlarging qualifying leased property, when the property leased is less than the total facility. Currently, such property is eligible to receive a sales tax exemption, but the statutory language does not speak specifically to that eligibility or to a methodology(s) for the calculation of this exemption. This lack of clarity has led to confusion and misunderstandings which negatively impact the development of qualifying facilities in our state. **SB 521** prescribes two methods under which that portion of the facility and the corresponding construction costs would be apportioned for calculation of the sales tax exemption. (Attachment 1)

Shirley Sicilian, Policy and Research Division, Department of Revenue, agreed with the statement of the Lieutenant Governor and testified **SB 521** codifies current department policy. Ms. Sicilian testified that the current statutes allow for three different policy interpretations: no exemption, partial exemption, or 100% exemption.

Department of Revenue submitted a proposed amendment to **SB 521, as follows: On Page 2, on line 16 strike "the sales tax exemption may be claimed", and insert: "a project exemption certificate**

CONTINUATION SHEET

may be granted; on line 19 strike **“sale”** and insert **“sales”**. This proposed amended is made to clarify that the sales tax exemption is not automatically received, that an application for the exemption must be made and the exemption granted by the Department based on the information in the application. (Attachment 2).

The Revisor of Statutes questioned the intent of the amendment, stating the amendment, as worded, would nullify the ability of the taxpayer to select the formula for exemption purposes and would allow the Department of Revenue to make the decision.

Legislative Research Department distributed information on Sales Tax Exemption as it applies to the Kansas Enterprise Zone Act. (Attachment 3)

The Chair requested the following updated information from the Department of Commerce and Housing:

1. State economic development investment in rural areas; and
2. Incentives for needed housing development in med-size and smaller communities

The meeting adjourned at 9:00 a.m.

The next meeting is scheduled for February 17, 2000.