



## Legislative Affairs News

### LEGISLATIVE AFFAIRS NEWS

Week ending February 12, 2010 | Week #5 |

*As reported by Robert J. Vancrum, Kansas Government Affairs Specialist for the Shawnee Chamber of Commerce*

This week has seen an intense amount of activity with lots of committee meetings and chairs pushing bills to final action. Budget subcommittees of both the Senate Ways and Means and the House Appropriation committees continue trying to put together a 2011 budget but only a few have reached full committee. It appears both are trying to get the bills ready for action immediately AFTER the mid-session 3 or 4 day break which they have moved up to February 20-23 this year. This report clearly will be delayed one day next week. The House did finally pass Sen. Sub. for HB2222 that made the Governors unfortunate but unavoidable allotments cutting 2010 budgets deeper than the legislature tried to get by with last year, and very few changes were made even though some House members would like to cut further.

#### **ECONOMIC DEVELOPMENT**

Rep. Kleebs 2010 amendments (HB2538) to his 2009 PEAK Act (Promoting Employment Across Kansas) were adopted by House Taxation Committee and the bill was sent to the House floor. House Tax has also been working on HB2621 that would make major changes and repeal or restrict various types of income tax credits, including the angel investor credit that was just adopted four sessions ago. I was pleased that both KTEC and Kansas Bioscience Authority gave very strong testimony concerning how critically important the angel investor credit is to start up (high capital investment/no return over the first five years) types of businesses.

Joan Wagon, Revenue Secretary, tried to sell the committee and even the KTEC people present, on the concept that it would do just as much good if we refunded the amount invested (sort of a negative income tax) instead of granting credits. The problem is then there would be a separate budget line item on the amount paid out for these economic development enhancements. This would simply create a target for future legislators to cut down. The total amount actually being granted in these credits is less than \$4 million (a small amount in a \$5.5 billion general fund budget). However, KTEC had specific examples of many innovative start-up businesses that otherwise would not have been formed without the angel investor credits.

Revenue Secretary Wagon's real problem with these credits is fees charged by banks and CPA firms to find such credits for potential investors. We finally realized this cannot happen under the angel investor tax credit program since the credits can only be transferred one time. Generally the

investor is dealing directly with the innovator who is seeking the funding. On the other hand, the historic preservation credits, which clearly have been transferred to banks and others for mark down and resale, probably will get restricted in some way. At least the transferability will be restricted to only one transferee as is done with angel credits.

## **TAXATION AND SMALL BUSINESS**

On Wednesday the same committee started hearing HB2549, another bill proposed by the Revenue Secretary's KCIR advisory committee, repealing many of the charitable organizations sales tax exemptions, re imposing sales tax on residential repair and installations of all kinds upon in or near real estate. Most disturbing to us is an amendment to the section that would make repairs upon residential property taxable (amendment to KSA79-3606 (p)) and the repeal of the exemption on services provided in repairing, servicing, altering or maintaining tangible personal property connected with or built into real estate or the area surrounding it (page 15 of the bill-amending KSA 79-3606(q)). The repeal not only hurts the purchaser of such services and the usually small businesses that provide the services, it often is a business to business tax which has a compounding effect running through the economy. I should also point out it is likely the first step down the slippery slope that likely ends up in the taxation of all business and professional services, something that very few state.

Also this week the Senate Assessment and Taxation Committee took up work on SB477 which would remove taxation of unsold houses by homebuilders. We pointed out that this is the only inventory that is currently taxed in the state of Kansas. It also puts us seriously out of step with Missouri, which adopted a similar exemption eight years ago. Even a property tax deferral, which is all this is in reality, may be a very hard sell in the current economic situation for state and local government, however.

## **HEALTHCARE**

Both SB25 and Sen. Sub for HB 2221, a statewide smoking ban, passed the Senate last year but both were opposed by the House Chair, Rep. Brenda Landwehr of Wichita, and still sit in House Health and Human Services Committee. Instead of acting on either Senate passed ban, Rep. Landwehr had introduced and scheduled hearings on Tuesday and Wednesday of last week on HB2642. This bill would mandate statewide the weakest municipal smoking ban in the state (Wichita); thereby allowing her to argue absurdly that it is a statewide smoking ban. It exempts restaurants and bars except during hours children may be present, restaurants that have separately ventilated areas, any other place where food is served with a physically separate smoking area, and all Class A and B private clubs. The bill would prohibit any other city or county from imposing a more restrictive ban. We obviously signed up to OPPOSE this bill.

The chairman permitted proponents of her bill to talk without limit well into the second day, and the committee asked whatever of each conferee as they spoke. The committee ran well past its 3 p.m. quitting time on the second day and only allowed a handful of opponents to speak before she adjourned the meeting. At least three doctors who had come to oppose her bill from quite a distance in the middle of the week were prevented from testifying after waiting over two hours in an

S.R.O. extremely packed meeting room. The Chairman only said the Speaker had made the bill exempt and they would PROBABLY resume hearings at some point after next weeks legislative turnaround.

## **EDUCATION AND HIGHER EDUCATION**

As mentioned last week, Senate Republican leadership has now clearly signaled they do not plan to cut either K-12 or Higher Education Budgets for 2011 any further than reduced 2010 levels. Even though those developments in the Senate may be welcome news for FY 2011, it does nothing to avoid the massive reductions which are being absorbed across higher education and K-12 this year and next. Elsewhere, the school districts have commenced fighting with each other. SB 358 and 359, which would take away catastrophic special education funding from any special education student whose total expenses do not exceed \$36,000 a year and send it through the regular special education formula that pays some districts 45% above their weighted \$4012 per pupil expenses and nearly a third of mostly rural districts well in EXCESS of their excess costs of special education," is posed to pass out of Senate education on Monday.

The only action of benefit to any districts this week was the passage of SB354, which allows those 37 districts that have COLA local budget authority and the few that have new facilities weightings granted by the Court of Tax Appeals for rapidly expanding USDs, to also get those levies on motor vehicles and utility personal property.

As always, if you have any questions about the report or other issues to come before the legislature, please send me an email, [rvancrum@vancrumlaw.com](mailto:rvancrum@vancrumlaw.com).

Shawnee Chamber of Commerce