



K A N S A S

OFFICE OF THE GOVERNOR

KATHLEEN SEBELIUS, GOVERNOR

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Sebelius signs bill allowing Johnson Co. Education Research Triangle *Research triangle, several tax reductions among eight bills signed today*

OVERLAND PARK, Kan. – A partnership to advance bioscience research and education in Kansas is now a possibility thanks to a bill signed today by Governor Kathleen Sebelius.

Sebelius was at the University of Kansas' Edwards Campus today to sign a bill authorizing the Johnson County Education Research Triangle, a partnership supporting bioscience research and education at existing and planned KU and Kansas State University facilities in the county.

"Bioscience research has an amazing potential for new treatments and cures. We want those cures to be discovered here in Kansas. That's why we've made the recruitment of bioscience companies a top priority and why we've invested in bioscience research and education at our universities," Sebelius said.

"There are also good jobs created by bioscience research, so there's an economic benefit as well. The triangle will help bring cutting-edge research to this area, which will then benefit the entire state," Sebelius said.

The bill, SB 115, authorizes Johnson County to establish the Johnson County Education Research Triangle Authority (JCERTA). The authority would only be established if the county commission puts the question to a county-wide vote. The vote would be to authorize up to a 2/10 cent sales tax, a property tax of up to 2 mills or a combination of the two.

The board governing the authority would have seven members appointed as follows: one each by the Governor, the Kansas Board of Regents, the Johnson County Community College Board of Trustees, the Johnson County Commission and the President of Kansas State University. The Chancellor of the University of Kansas would have two appointees.

The JCERTA would be required to disperse funds in equal shares to the KU Edwards Campus, a proposed K-State food security research facility in Johnson County and the KU Medical Center's Johnson County locations.

The bill also expands the local sales tax authority for Franklin, Miami, Linn, Wabaunsee, Jefferson and Riley counties for a variety of purposes.

This bill was among eight signed today by the Governor, with several of the other bills lowering income taxes, property taxes, sales taxes and the franchise tax.

The total number of bills signed during the 2007 Legislative Session now stands at 159, with three bills having been vetoed. Signed bills go into effect upon their publication in the statute book unless otherwise noted.

Lowering income taxes for working Kansans, seniors

Senate Sub. for HB 2031 expands the state earned income tax credit from 15 to 17 percent and exempts Social Security benefits received by Kansans with Federal Adjusted Gross Income (FAGI) of \$50,000 or less from the Kansas income tax. For tax year 2008 and thereafter, taxpayers with incomes of \$75,000 or less will be exempt from any state tax on their Social Security benefits. It also clarifies withholding requirements for certain partnerships and authorizes the Secretary of Revenue to waive an electronic-filing requirement for withholding tax information.

Providing property tax relief to Kansans

Senate Sub. for HB 2476 increases the refunds available to homeowners under the Homestead Property Tax Refund Act from the current \$600 to \$700 beginning in tax year 2007. Additionally, 50 percent of Social Security benefits will be excluded from the definition of income for the purposes of qualifying for the program, resulting in additional property tax relief for seniors.

Under the bill, the statutory assumption that renters' effective property tax burden is equivalent to 20 percent of their total rent is reduced to 15 percent. A new residential valuation ceiling also prohibits any homeowner with a residence valued at \$350,000 or more from participating in the program. A long-standing prohibition against persons with delinquent homestead property taxes participating in the program is repealed and replaced with language that will automatically pay any refunds for such persons to county treasurers for delinquent taxes; and subsequently to any other homestead taxes currently due.

Phasing out the corporate franchise tax

S. Sub. for HB 2264 phases out the corporation franchise tax over five years. Beginning in tax year 2007, the exemption threshold will be increased from \$100,000 of net worth to \$1 million of net worth. The rate will be subsequently reduced from the current \$1.25 per \$1,000 of shareholder equity or net worth to \$0.9375 in tax year 2008, \$0.625 in tax year 2009, and \$0.3125 in tax year 2010. The tax will be repealed altogether effective in tax year 2011.

Governor's signing statement for S. Sub for HB 2264:

“In January I proposed assisting small business owners by raising the floor for the franchise tax to \$1 million. This would lower taxes for more than 16,000 small businesses. While I continue to support this tax relief for small employers, who are the backbone of the Kansas economy, I am concerned that the phased-in total elimination of the franchise tax, which will ultimately benefit only the largest businesses, some of whom pay no other Kansas taxes, will jeopardize our ability to fund future commitments to our schools and communities. We must remain vigilant to ensure these investments in a skilled workforce and other key priorities are not threatened in future years.

“As we move forward with this multi-year proposal, I intend to continue to urge the Legislature to reconsider the out-years of this tax cut, and instead to substitute other business tax relief measures which could result in increasing jobs and growing the economy. We can not afford to continue the erosion of our tax base, as was done in the early 1990’s, so we have to make choices.

“I’m also aware of concerns raised regarding the implementation date of HB 2264. While the Legislative intent was clearly to provide tax relief beginning in 2007, the language in the bill could lead to confusion and costly litigation. I intend to ask legislative leaders to work with me to clarify this language in the remaining days of the session.”

Providing sales tax exemptions to Kansas organizations

S. Sub. for House Sub. for HB 2171 creates a number of new sales tax exemptions, including an exemption for the purchase of property and services by contractors for constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling state correctional institutions, as well as privately constructed correctional institutions contracted for state use and ownership.

This bill exempts a number of not-for-profit groups from paying sales tax, including the Dream Factory, Jazz in the Woods, Ottawa Suzuki Strings, Lions Clubs, Johnson County Young Matrons, the Frontenac Educational Foundation, the Booth Theatre Foundation, TLC Charities, the American Cancer Society, Victory in the Valley, the Angel Babies Association, the Community Center of Shawnee and purchases made by the Rotary Club of Shawnee Foundation.

This bill also expands the sales tax exemption for farm machinery and equipment to include precision farming equipment that is either portable, installed or purchased to be installed on farm machinery and equipment. Finally, it codifies a number of changes in sales tax refund procedures currently in rules and regulations, modifies various statutory definitions, implements other changes necessary to maintain compliance with the multi-state Streamlined Sales and Use Tax Agreement and authorizes the suspension of sales tax registration certificates for certain taxpayers in default.

Changes to statutes regarding local property taxes

HB 2044 amends the secondary distribution formula for property taxation, which relates to the amounts that county treasurers distribute to each taxing subdivision, to be based directly upon the amount of reduced property taxes from commercial and industrial machinery and equipment within each subdivision.

This bill also clarifies that the amount of current property taxes attributable to property abated or exempted prior to July 1, 2006, will not count against counties for the purpose of qualifying for replacement revenue payments from the state.

Additionally, this bill authorizes boards of county commissioners of two or more counties to enter into interlocal cooperation agreements for the purpose of promoting economic development at any location within the boundaries of the participating counties.

This bill includes a property tax exemption for certain storage structures designed and predominantly used for the storage of cellulose matter or other related agriculturally derived material to be used in the production of cellulosic alcohol and co-products.

Finally, it stipulates that certain property held, used or operated for educational and research purposes at the Kansas State University Olathe Innovation Campus will be exempt from property tax. Additional provisions renew for tax year 2007 and 2008 the mandatory school district general fund property tax levy at its current level of 20 mills and this bill extends, for those same two tax years, the \$20,000 residential exemption from that levy.

Increasing tax credits for projects associated with historic structures

Senate Sub. for HB 2405 increases the existing income tax credit program to 30 percent beginning in FY 2007 for certain expenditures associated with qualified historic structures. This bill enacts an alternative tax credit program for certain contributions to state-owned historic sites and not-for-profit organizations that own and operate such sites. This tax credit will equal 50 percent of certain gifts, contributions or donations to state owned historic sites and will be effective from FY 2007 to 2011. This bill also places a cap on the credit, both individually and statewide. This bill authorizes the State Historical Society to develop a program of competitive grants for partnership historic sites. Finally, it authorizes the appointment of a partnership historic grant committee to recommend awarding of the grants.

Allowing Johnson County to generate revenue for public safety projects

SB 112 grants Johnson County the authorization to levy a 0.25 percent sales tax to finance the construction costs of certain public safety projects. Voter approval will be required prior to the imposition or extension of any such tax, and the county will share the money with cities based on the current statutory distribution formula unique to Johnson County. Any such tax imposed will be required to sunset in 10 years or less, but can be extended for additional periods of 10 years or less.

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