

January 21, 2015

Senate Committee on Assessment and Taxation

Testimony in Support of Senate Bill 30

by Richard Cram

Chairman Les Donovan and Members of the Committee:

Senate Bill 30 would amend K.S.A. 79-4221 to authorize the Department to require severance tax returns to be filed electronically in the manner approved by the Director of Taxation. Language is also included to give the Department authority to waive the electronic filing requirement under hardship circumstances, when requested.

The Department has an online system for filing severance tax returns electronically, "KOLAR" (Kansas On Line Automated Registration). This system is an internet based filing system, similar to our sales tax return online electronic filing system. The taxpayer does not need any special software—only computer access. The taxpayer uploads the severance tax return data from an Excel spreadsheet into the KOLAR system during the filing process, and the system identifies any data errors or inconsistencies at that time for the taxpayer to correct, so that a clean, error-free return is submitted to the Department.

The Department encourages all severance return filers to use the KOLAR system, providing those not yet using it instructions for registration and use. Currently, we have 243 severance tax accounts, and approximately 80% of those are already filing severance tax returns electronically using the Department's KOLAR system. However, the Department does not have statutory authority to require electronic filing of those returns using the KOLAR system. About 20% of our severance tax accounts email to our mineral tax processing section their return on an Excel spreadsheet, rather than using the KOLAR system. When that happens, the mineral tax processing staff will upload the spreadsheet as received into the system and then notify the taxpayer of any errors. The taxpayer then will be required to file prior period adjustments with the next monthly return, resulting in additional work for both the taxpayer and Department staff. Had the taxpayer used the KOLAR system to file the return to begin with, the data errors would have already been eliminated before the Department received the return. Giving the Department authority to require electronic filing of severance tax returns using the Department's KOLAR system will reduce errors and demands on the mineral tax processing staff, as well as increase administrative efficiency and accuracy in the filing of returns.

The Department respectfully requests that the Committee pass out Senate Bill 30 favorably.