Approved January 27, 1983
Date

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Representative Jim Braden at
Chairperson

9:00 a.m./~~p.m.~~ on January 21, 1983 in room 519-S of the Capitol.

All members were present ~~except~~:

Committee staff present:
Wayne Morris, Research Department
Tom Severn, Research Department
Don Hayward, Revisor of Statutes' Office
Nancy Wolff, Secretary to the Committee

Conferees appearing before the committee:
Harley Duncan - Budget Department
Jim Patterson - State Representative
Bill Edds - Department of Revenue
Ron Gaches - Kansas Association of Commerce and Industry
Francis Kastner - Kansas Food Dealers Association
J. Raymond Boyd
Jack Quinlan - Kansas Motor Car Dealers

The Chairman called the meeting to order and the minutes of the meeting held on January 19 were approved.

Hearings were held on SB 35 which will speed up the time of deposits on withholding and estimated income tax payments to the Department of Revenue.

Harley Duncan of the Budget Department appeared to present evidence as to what would happen to State General Fund if legislation is enacted as well as if legislation is not enacted. (Attachment I)

Bill Edds of the Department of Revenue appeared to give testimony as to why this legislation is necessary for the State of Kansas. (Attachment II)

Representative Jim Patterson of Independence, appeared in opposition of the legislation. It was his opinion that businesses would have to reprogram and rework their current practices to be able to comply with the legislation.

Hearings were then held on SB 36 which will accelerate the time of deposit of sales and use tax receipts to the Department of Revenue.

Bill Edds of the Department of Revenue appeared briefly to reinterate his previous testimony on SB 35 as it also applies to SB 36. (Attachment II)

Jack Quinlan of the Kansas Motor Car Dealers Association appeared in support of SB 36 but would also request additional new legislation to allow sales tax generated by the sale of new and used vehicles to be collected by the County Treasurers in the County in which the vehicle is sold and/or registered. (Attachment III)

Frances Kastner, Director of Government Affairs for the Kansas Food Dealers Association appeared in support of the legislation but would request some type of administrative allowance for the business people collecting the sales tax. (Attachment IV)

J. Raymond Boyd, a businessman from Holton, appeared in opposition to the legislation. (Attachment V)

Ron Gaches of Kansas Association of Commerce and Industry appeared in support of the legislation and noted that the accelerated deposit is far better than having increased taxes.

The Chairman then entertained a motion for SB 36. Representative Crowell proposed an amendment to SB 36 that the proposal be sunset on July 1, 1986. Representative King seconded the motion.

Representative Leach made a substitute motion to report SB 36 favorably, Representative Roe seconded the motion. Motion carried. Representative Crowell voted "No".

Representative Reardon moved that SB 36 be reported favorably. Representative Erne seconded the motion.

Representative King made a substitute motion that a sunset provision that comes up July 1, 1986 be inserted into SB 35 and that the bill be reported favorably as amended. Representative Crowell seconded the motion. Motion was defeated.

The vote was then called on the original motion that SB 35 be reported favorably. Motion carried.

The meeting was adjourned.

DATE: Jan 21, 1983

GUEST REGISTER

HOUSE

ASSESSMENT & TAXATION
COMMITTEE

NAME	ORGANIZATION	ADDRESS
Bud Grant	KACI	Topeka
Frances Kastner	Ks Food Dealers Assn	Topeka
Jim Patterson	Legislature	Independence
Michael Germann	Kansas Railroad Association	Topeka
Jim Sullins	Ks. Motor Car Dealers Assn	Topeka
Stan Kinkaid	none public	Goessel
Jim Hagey	Beech Aircraft	Wichita
Ruth Wilkin	Girl Scouts	Topeka
Harriet Lange	Ks. Assn. of Broadcasters	Topeka
Joe Knopp	Legislature	Manhattan
Ron Gaches	KACI	TOPEKA
Bill Edds	Revenue	"
Mark Beshears	"	"
Harley Duncan	Budget Division	Topeka

Division of the Budget
January 20, 1983

STATE GENERAL FUND
FY 1983

<u>With No Action</u>

Beginning Balance	$ 92.4
Consensus Revenue Estimate	1,304.0
Total Resources	$ 1,396.4
Authorized Expenditure	$ 1,479.9
Demand Transfer Reduction	(1.6)
Potential Deficit	($81.9)

Division of the Budget
January 20, 1983

Governor Carlin's Financial Plan

State General Fund
FY 1983

Beginning Balance	$ 92.4
Revenues	
Consensus Estimate	1,304.0[1]
Accelerated Collections	112.1[2]
Total	$1,416.1
Total Resources	$1,508.4
Expenditures	
Authorized by 1982 Legislature	$1,479.9[3]
Demand Transfer Adjustments	(1.6)
Allotments - Phase I	(51.0)
Legislative and Judicial Savings	(1.2)
Shift of LAVTR/CCRS	(18.9)[5]
Total Demands	$1,407.2
Ending Balance	101.3[6]

1 Consensus estimate of November 12, 1982 as adjusted by Division of Budget for transfers, agency earnings and miscellaneous revenue.

2 Estimated effect of Governor's proposal to accelerate remittances of income tax withholding, retail sales and compensating use taxes.

3 Reflects State Finance Council action on salary plan revision and shifting of expenditures from FY 1982 to FY 1983.

4 Reductions accomplished in January 1 allotment levels consisting generally of 4 percent reduction in state operations and aid programs, deferral of merit increases for the entirety of FY 1983, and miscellaneous budget savings.

5 Estimated effect of Governor's proposal to reschedule payment dates for the Local Ad Valorem Tax Reduction Fund and County and City Revenue Sharing Fund.

6 Exclusive of any supplemental appropriations which may be made.

TESTIMONY OF BILL EDDS BEFORE THE
HOUSE ASSESSMENT & TAXATION COMMITTEE
JANUARY 21, 1983

The underlying premises relied upon in developing the proposal were: to retain the framework of the present remittance system; and, while maximizing collections, limit the number of businesses affected and minimize additional recordkeeping and processing requirements for taxpaying businesses as well as for the state.

The proposals call for an adjustment of filing dates, and in certain instances, for an increase in the frequency of the submission of remittances to the state.

In preparing the bills the department consulted with representatives of various taxpaying businesses and business organizations. The aim, was to develop a workable and resonable product for your consideration -- one that meets the state's fiscal needs without imposing an onerous or unnecessary burden on Kansas businesses.

It is estimated that implementation of the total package would result in an increase in Fiscal Year 1983 collections of $100 million. Of that amount, $80.6 million is attributable to the proposed withholding tax changes. The additional administrative cost for implementing the changes in the withholding law is $155,000 in Fiscal Year 1983 and $320,000 in Fiscal Year 1984.

Withholding Tax Remittance Policy

Current law requires quarterly filing of most withholding returns and remittances. The returns and payments are to be filed on or before the last day of the month following the end of the quarter. Accounts having an annual liability of $200 or less may be filed annually.

With the exception of State sales tax collections, withholding tax collections are the Department's largest single source of receipts and totaled $412 million in calendar year 1982. After paying refunds, deposits to the general fund were $364 million.

The federal government requires most employers to file on a more frequent basis than is currently provided under Kansas law.

	FOR WITHHOLDING OF
a. Quarterly	$6,000 per year
b. Monthly	Between $6,000 and $36,000 per year (900 - 5,400)
c. Eight times a month	Over $36,000 per year (5,400 +)

Other states have most accounts deposit on a more frequent basis than does Kansas. As examples, Massachusetts, has had large accounts deposit four times a month since 1976, and Minnesota has large accounts deposit eight times a month.

State	Withholding Tax Liability	Tax Period	Return Due
Kansas	$0-$200/yr.	Annually	Last day of following month
	$201/yr. and above	Quarterly	Last day of following month
Nebraska	None	Annually	--
	$0-499/mo.	Quarterly	Last day of following month
	$500/mo. and above	Monthly	15th of following month
Oklahoma	None	Annually	--
	$0-299/mo.	Quarterly	Last day of following month
	$300/mo. and above	Monthly	Last day of following month
Missouri	$0-$19/qtr.	Annually	Last day of following month
	$20/qtr.-$1,499/wk.	Monthly	20th day of month
	$1,500/wk. and above	Weekly*	Within 3 banking days
Colorado**	$0-33/mo.	Annually	Last day of following month
	$34-$399/mo.	Quarterly	Last day of following month
	$400/mo. and above	Monthly	15th of following month
Iowa	None	Annually	--
	$0-$49/mo.	Quarterly	Last day of following month
	$50-$15,999/mo.	Monthly	15th of following month
	$16,000 and above	Semimonthly	First 15 days by the 25th; remainder within 10 days following close of the month.

* Four "quarter-month" periods: First 7 days, next 8, next 7, remainder.
** Effective January 1, 1983.

Section 1 of the bill would change the remittance requirement from quarterly to semi-monthly for employers withholding more than $8,000 per year and to monthly for those withholding between $1,200 and $8,000 per year. Employers withholding between $200 and $1,200 would continue on a quarterly remittance schedule and employers withholding $200 or less would remit annually. First half semi-monthly remittances would be due on the 25th of the month; second half on the 10th of the following month. Monthly, quarterly and yearly remittances would be due on the 15th of the month following the close of the month, quarter or year.

The number of employers falling within each category and the percentage of liability represented by each category is set forth below:

FILING BRACKET		NO. OF	FILING		% OF
MONTHLY	ANNUAL	ACCOUNTS	FREQUENCY	DATES	TOTAL LIABILITY
$ 0-$16	$0-$200	11,000	Annual	15th	0.16%
17-$100	201-1200	20,400	Quarterly	15th	1.65
101-666	1201-8,000	21,200	Monthly	15th	12.39
667-over	8,001-over	7,400	Semi-Monthly	25th&10th	85.80
		60,000			100.00%

One particularly significant feature of the proposal is that the quarterly return filing requirement would be replaced by an annual filing requirement due on or before January 31 of the following year.

The director of taxation is made responsible for establishing particular employers' filing requirements based on the past year's liabilities or estimates.

Subsection (f) of section 2 imposes a penalty of 25% on the amount of any underpayment for failure to remit any amount of withholding tax liability at the time required in section 1 unless such failure is due to reasonable cause and not willful neglect. Any such failure to remit is deemed not to continue beyond the time the annual return is due, and penalty and interest begin to accrue pursuant to the present provisions of the income tax law from the return due date.

SALES & USE TAX

In a general sense, the sales and use tax bill parallels the withholding tax bill by adjusting remittance dates. However, the proposed changes from the current sales and use tax requirements are of much less magnitude and affect far fewer taxpayers than is contemplated by the withholding tax bill.

Of the $109 million revenue gain associated with implementation of the total accelerated collections package, it is estimated that $28.5 million would be attributable to the sales and use tax changes. The additional administrative costs for implementing these changes is $63,000 in fiscal year 1983 and $36,000 in fiscal year 1984.

As a matter of information, sales and use tax collections totaled $474 million in calendar year 1982. After paying refunds, including $1.7 million to the Food Sales Refund Fund, net deposits to the general fund from these sources were $470 million.

Present law requires retailers and persons subject to compensating use tax to file monthly returns and remit tax liability on or before the last day of the month following the month for which the tax is owed. The Kansas retailers' sales tax act also contains provisions that allow, subject to the director of taxation's authorization, annual or quarterly filings and remittances where liability for the calendar year does not exceed $60 or $1,200, respectively.

All central plains states with the exception of Oklahoma have filing frequencies based on tax liability: the larger the tax liability, the more frequent the reporting obligation. Iowa has already begun a program requiring semimonthly returns from retailers with large liabilities, and Missouri has a proposal before the legislature to require remittance two or four times a month for large accounts. Also all neighboring states except Nebraska require that returns be filed sooner than does Kansas.

State	Sales Tax Liability	Tax Period	Return Due
Kansas	$0-$60/yr.	Annually	Last day of following month
	$60-$1,200/yr.	Quarterly	Last day of following month
	Over $100/mo.	Monthly	Last day of following month
Nebraska	$0-$240/yr.	Quarterly	Last day of following month
	Over $240/yr.	Monthly	Last day of following month
Oklahoma	All	Monthly	15th day of following month
Missouri	$0-$15/yr.	Annually	Last day of following month
	$15-$250/yr.	Quarterly	Last day of following month
	Over $250/yr.	Monthly	20th day of following month
Colorado	$0-$15/yr.	Annually	20th day of following month
	$0-$600/qtr.	Quarterly	20th day of following month
	Over $600/qtr.	Monthly	20th day of following month
Iowa	$0-$50/mo.	Quarterly	Last day of following month
	$50-$8,000/mo.	Monthly	20th day of following month*
	Over $8,000/mo.	Semimonthly	First half month due the 25th day of the tax month; second half month due the 10th day of the following month*

* Due to technicalities, the final payment of each quarter from monthly and semimonthly filers is due the last day of the following month, along with the quarterly filers.

The bill maintains the annual and quarterly schedules for taxpayers within the $60 and $1,200 per year limitations and specifically authorizes the same schedule for compensating use tax taxpayers. It requires all other taxpayers to file monthly returns. The due date for the return is moved from the last day of the month following the period for which filed to the 25th of that following month in all cases. Payments are required at the time of filing the return.

Taxpayers who have an annual liability of more than $24,000, are required to remit the tax liability for the first 15 days of each month on or before the 25th day of that month. The remainder of the month's tax liability is required to be remitted on the 25th of the following month.

The number of taxpayers falling within each category and the percentage of liability represented by each category is set forth below:

SALES & USE:

FILING BRACKET		NO. OF	FILING		% OF
MONTHLY	ANNUAL	ACCOUNTS	FREQUENCY	DATES	TOTAL LIABILITY
$ 0-$5	$ 0-$60	23,900	Annual	20th	0.05%
6-100	61-1,200	30,700	Quarterly	20th	2.29
101-2,000	1,200-24,000	24,700	Monthly	20th	32.05
2,001-over	24,000-over**	2,700	Monthly	20th**	65.61
		82,000			100.00%

Less than 4 percent of the 82,000 sales and use tax accounts would be subject to the requirement for early payment of the first half of current month liability.

Safe-haven rules are established in the bill which deem the taxpayer to be in compliance if 90% of the actual liability for the first 15 days or 50% of the previous year's liability for the same month is remitted by the 25th of that month and any underpayment is remitted with the second half's payment.

As in the withholding tax bill the director of taxation is responsible for establishing the filing and remittance schedules for particular taxpayers based on their previous year's liabilities or estimates.

Present law's interest and penalty provisions for late filing and payment have not been amended and will apply to the new filing and remittance requirements.

** Monthly filing for these retailers includes reconciliation for prior calendar tax month, plus payment for first half of current calendar month.

BEFORE THE HOUSE COMMITTEE
ON ASSESSMENT AND TAXATION
IN RE: SENATE BILL 36

Mr. Chairman and members of the Committee, I am Jack A. Quinlan, legislative counsel to the Kansas Motor Car Dealers Association of the State of Kansas. The Association represents approximately 425 franchised new car and truck dealers throughout the state of Kansas.

We appear before you today for the purpose of presenting to you a proposal which we believe to be entirely compatible with Senate Bill 36 and the policy which appears to be a consensus of the Governor and this session of the Kansas Legislature to accelerate the receipt of revenue for the State of Kansas. Very simply, members of the Committee, we propose that the sales tax generated by the sale of new and used vehicles be collected by the County Treasurers in the County in which the vehicle is sold and/or registered. This would do two (2) things. First it would accelerate the collection and receipt of revenue by the State of Kansas, while at the same time eliminating the loss of revenue through the liquidation or bankruptcy of vehicle dealers, both new and used. Secondly, it would eliminate the overhead for the dealers collecting, reporting and accounting for sales tax revenue now collected by such dealers.

The following are some facts which are taken from "NADA Data for 1982 Economic Impact of America's New Car and Truck Dealers":

*1. Kansas franchised new car and truck dealers accounted for 15.2% of the total retail sales dollars in Kansas during 1981.

ATTACHMENT III (1-21-83)

*2. Kansas franchised new car and truck dealers represent 3.1% of the total Kansas retail establishments.

*3. Kansas franchised new car and truck dealers sold $1.64 billion in new and used vehicles, parts, and service during 1981.

*4. Based on the national average, 84%, or $1.38 billion of the $1.64 billion, came from the sale of new and used vehicles by Kansas franchised new car and truck dealers.

**5. The $1.64 billion in sales of new and used vehicles, parts, and service by Kansas franchised new car and truck dealers generated $49.2 million in state sales tax for Kansas.

**6. The $1.38 billion in new and used vehicle sales by Kansas franchised new car and truck dealers generated $41.4 million in state sales tax.

7. During the 1981 interim study on highway finance by the Special Committee on Transportation, it was estimated that total revenues from the sale of motor vehicles, parts, and service totalled approximately $85 million in state sales tax for Kansas.

8. County Treasurers currently collect sales tax on occasional and isolated sales of vehicles, and collect an additional $.50 per transaction as a service charge for collecting the tax.

9. County Treasurers collecting the sales tax on the sales of all vehicles would speed up the collection process for both the state and local units of government which impose a sales tax.

10. County Treasurers collect personal property tax at the time of registration of vehicles.

11. State and local units would not lose sales tax revenues due to delinquency in payments by dealers or bankruptcy of dealerships.

12. Collection of the sales tax by the County Treasurers on the sales of all vehicles could eliminate the time delay from the date of collection to the date of remittance by dealerships, which can be as much as 61 days.

*Taken from "NADA Data for 1982--Economic Impact of America's New Car and Truck Dealers." Published by the Industry Analysis Division, National Automobile Dealers Association, 8400 Westpark Drive, McLean, VA., 22102. Sources used: U.S. Department of Commerce and NADA Analysis Department.

**Figures do not include local and/or county sales tax revenues, or, sales tax revenues to the state or local governments on sales by motorcycle, trailer, mobile home, or used vehicle dealers, or occasional and isolated sales of vehicles by individuals.

There are two CAVEATS. One, from the foregoing facts we are unable to "break out" dollar amount of new, as opposed to used, vehicles. Also, the revenue to be generated would be substantially higher than that which is shown above as we do not have the figures for the recreational vehicles, motorcycles, and other motor vehicles including the sales of the vehicles by used vehicles dealers only. Second, a policy decision would have to be made, i.e., should the tax to be imposed be that taxed at the situs of the sale or the tax that might be imposed at the residence or place of business of the registrant.

Members of the Committee, I understand that there is some possible action being taken in the House this session to put this proposal in the form of a bill and we ask that you give this proposal serious consideration and we will assist in any way we can. We were advised by the Department of Revenue that at the present time that it can be as much as 61 days from the date of the sale before the State receives sales tax due as a result of that sale.

Thank you.

Kansas Food Dealers' Association, Inc.
2809 WEST 47th STREET SHAWNEE MISSION, KANSAS 66205
PHONE: (913) 384-3838

January 21, 1983

SB-36 HOUSE ASSESSMENT & TAXATION COMMITTEE

I am Frances Kastner, Director of Governmental Affairs for the Kansas Food Dealers Association. We represent the wholesalers, distributors and retailers of food products throughout the State of Kansas.

We understand the financial crunch facing the State, and the need for speeding up transmission of sales tax. Most of our retail grocers will be involved in paying sales tax twice a month.

It appears that the amendment adopted by the Senate to use the 25th of the month instead of the 20th, will be satisfactory for most of our members even though it does create additional bookkeeping expense for them.

For that reason, we are renewing our efforts in trying to get some sort of administrative allowance for the collection of sales tax. We believe Kansas should feel the same sort of obligation as the surrounding states which permit their retailers to keep 2 to 3 1/3 % of sales tax collected.

We would endorse a concept of placing a maximum amount of allowance, or a sliding scale which would give even greater amounts or percentages to the small retailers. Whatever consideration that you can give our request would be appreciated by our members who are also facing some of the same financial burdens experienced by the State.

Thank you for the opportunity to appear before you.

Frances Kastner

Frances Kastner, Director of Gov't Affairs
KANSAS FOOD DEALERS ASSOCIATION
3310 SW 7th Street, # 2
Topeka, Kansas 66606

(913) 232-3310

LUMBER and BUILDING MATERIAL

BUILDING SUPPLY CENTER

401 Michigan
P.O. Box 1006
HOLTON, KS 66436
(913) 364-4104

Jan. 12, 1983

Mr. Chairman - Members of the Committee:

In the past three years our nation has been plunged into downward economic spiral. This was created by the Federal Reserve Board policy to slow inflation with a tight money supply through high interest rates. This has lead us to the brink of financial disaster. Our federal government and many states now have fiscal problems that are out of control. With this knowledge of state problems, you should give closer consideration of the problems of the private sector. When you fully understand the problems at hand passing furthur tax burdens in any form should be the last consideration.

I do not think it wise to go into great detail concerning the action private business has had to take to survive the economic times. The high unemployment speaks for that. I am sure you are aware of the many business failures that have ended in the bankrupt court. I personally have had to write off large sums because of this. I am not alone. Needless to say, the business community has always been asked, by governing authority, to bear more than its share of the expense of tax collections for many branches of government at whatever level you want to consider.

From the amount of jargon that has been coming from the media and the govenors office, I suppose it is safe to say that the legislature has approved deferment of payments due to local governments and

ATTACHMENT V
(1-21-83)

school districts. Many times we have been reminded that government is not business but you cannot seperate the operation of government from sound business principles. Now, in business we have a name for such action the legislature has just incorporated into state government policy. I don't need to tell you the name that we use, but believe me, by whatever it is called it is an asinie way of doing business.

You have been informed that I am here to object to the speeded up collection of the sales tax. I want to make it clear that I am opposed to any speeded up collection that is imposed on business or employers. The best reason that I can state for my opposition is that we need less, not more bureaucracy, lest it get so expensive that we cannot bear the cost. I would like to propose some questions that have to do with the cost of this increased procedure:

> Have you considered the expense involved in twice a month collections of sales tax? The cost of postage alone would double. How would you propose to cover this in an already strained budget?
>
> Will the present labor force be able to handle the added paper work?

The situation that we are in demands an austere position in regard to increased spending. I am ashamed of my inability to increase my employees earnings, to do so at this time might cause problems that none of us desire. I am sure they understand this. Many concessions have been made all over our nation between labor and management but we find government less willing to apply the same measures.

It is not my business to tell the legislature how to conduct state operation, however, if you pursue an austere position you will bring state spending in line with present revenue instead of burdening our people with additional levies. That is what we have to do in private business.

I have been collecting and remitting sales tax for thirty years, witholding and unemployment since the law was put into effect. As you are well aware of business and industry have done it without compensation in any form. If there has been any gain in the use of funds for such a short period of time it is far overshadowed by the service performed. The governor of this state is pressing you as members of the legislature, to force upon the business of this state one of the most unfair acts that could ever be perpetrated against it. All that can be gained from it is black ink on a balance sheet on June 30, 1983 which in turn will make the office look good and we go on paying until the last day of business at the end of our career.

Members of this committee, I do not want you to think I am entirely negative. I came to this state from Tennessee almost thirty two years ago. My home is here, I have a family, a business, Kansas has been a good place to live. What I have said is to make this state a better and easier place to serve. My simple request is that you use sound judgement, and seek wisdom from our God who alone is able to produce wisdom in the minds of men.

There is a point of comendation that I would like to make concerning the legislative session of one year ago. You will take note of the fact that the legislature trimed a rather large sum from the proposed budget. There is indeed a bright spot on the horizon, be thankful that you do not have to deal with that amount at this time.

Respectfully submitted

J Raymond Boyd

J. Raymond Boyd