

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. ~~pm~~ on February 10, 1984 in room 519S of the Capitol.

All members were present except: Representative King who was excused.

Committee staff present:

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

Conferees appearing before the committee:

Bill Edds, Department of Revenue
Representative Ed Rolfs
Representative Patterson
Jim Yonally, National Federation of Independent Business
T. C. Anderson, Kansas Society of C.P.A.'s
Ron Gaches, Kansas Chamber of Commerce and Industry

Hearings were held on House Bill 2827, which would amend K.S.A. 79-32,107 to reduce the penalty for late filings of income tax withholding from 25 to 10 percent.

Representative Rolfs, sponsor of the legislation, gave a brief review of the bill.

Representative Patterson, gave testimony in support of House Bill 2827.

Jim Yonally, National Federation of Independent Business, testified that he represents 9,000 small business in Kansas and that his organization supports House Bill 2827.

T. C. Anderson, Executive Director of the Kansas Society, testified that he felt the Department of Revenue deserves some credit for their handling of the 25% penalty in that his association is aware of a number of taxpayers that have been given abatements on their penalties for late filing. He stated that the Society supports House Bill 2827.

Ron Gaches, Kansas Chamber of Commerce, Incorporated, also testified in support of House Bill 2827. (Exhibit I)

Bill Edds, Kansas Department of Revenue, gave testimony in opposition to House Bill 2827. (Exhibit II) Mr. Edds also made some recommendations for amendments to House Bill 2827.

Hearings were then held on House Bill 2850 which would amend K.S.A. 79-3222 to delete the requirement that certain information regarding payments to corporations be reported to the Department of Revenue. This bill was requested by the Kansas Society of Certified Public Accountants.

T. C. Anderson, Executive Director of the Kansas Society of Certified Public Accountants, testified in support of House Bill 2850, and stated that this bill would bring Kansas into conformity with federal law in the filing of form K-99's and form 1099's.

Bill Edds, Department of Revenue, stated that the Department supports what Mr. Anderson is seeking to accomplish by way of House Bill 2850. He stated that the Department would suggest that Kansas totally conform to what the federal requirements are for the filing of form 1099.

The Chairman requested that the Department meet with the Kansas Society of Certified Public Accountants to make recommendations for how to comply with federal requirements.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION,
room 519S, Statehouse, at 9:00 a.m./~~p.m.~~ on February 10, 1984

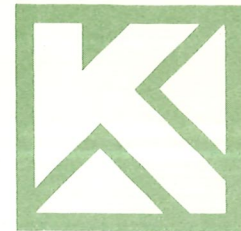
Mr. Edds and Mr. Anderson said they would set up a meeting to work out the details of such compliance.

The meeting was adjourned.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

HB 2827

February 10, 1984

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

HOUSE ASSESSMENT AND TAXATION COMMITTEE

by

Ronald N. Gaches, General Counsel
and Director of Taxation, KCCI

Thank you Mr. Chairman for this opportunity to present the views of the Kansas Chamber of Commerce and Industry regarding HB 2827, a proposal to reduce the penalty for late payment of withholding taxes.

The Kansas Chamber supports the enactment of HB 2827. The current late payment penalty of 25% was perhaps appropriate last year when the state was struggling with revenue shortfalls. The acceleration of withholding taxes was a key component of the plan to balance revenues and expenditures. However, we are now through the time of fiscal crisis and the 25% penalty appears excessive for the normal course of events. Compliance with the accelerated payment of withholding taxes is very high, indicating that there is no longer a need for the excessive penalty. KCCI urges you to support HB 2827.

EXHIBIT I

2/10/84

M E M O R A N D U M

To: House Committee on
Assessment and Taxation

Date: February 10, 1984

From: Kansas Department of Revenue

Re: House Bill 2827

House Bill 2827 would reduce the 25% penalty currently being assessed for late filing of withholding tax payments to 10%. The Department of Revenue strongly opposes the bill's current provisions for the following reasons:

1) The bill would have a substantial revenue impact - it is estimated that it would reduce penalty collections by \$1.04 million in FY 85.

2. The Department would anticipate that the lower penalty rate would increase the number of delinquently filed remittances significantly. The proposed amendment practically invites abuse of the withholding tax remittance requirements. If an employer is penalized no more than 10% per annum for failure to remit withheld taxes, it has effectively been approved for an unsecured loan in the amount equal to the total wages withheld at an interest rate far below that of the current market. Good business judgment would prompt any intelligent employer to use withheld wages for investment or speculative purposes throughout the year and remit the total withheld together with the 10% penalty thereon when the annual return is due. Such action would result in a crisis cash flow problem for the state general fund.

3) If the bill is enacted, the penalty for delinquent filing will be less than it had been prior to the enactment of Senate Bill 35 during the 1983 Legislative Session. This is due to the fact that the interest provision of 1 1/2% per month on delinquent payments does not begin until after the annual return is due (January 31).

4) The Committee should understand that the employer is handling the employees' withheld taxes - not their own moneys. These funds are held in trust for the state.

The Department would respectfully suggest the Committee to amend the bill as follows:

1) Change the 10% penalty provision of the current bill to 20%.

2) Amend the bill to provide that any reduced penalty provision apply only to periods beginning on or after July 1, 1984.