

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 29, 1984 in room 519S of the Capitol.

All members were present, ~~except~~:

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:

Harley Duncan, Department of Revenue
Ron Gaches, Kansas Chamber of Commerce and Industry

The staff reviewed House Bill 3076 which would provide an amnesty period for persons who have failed to file Kansas taxes or have understated Kansas taxes.

Harley Duncan, Department of Revenue, spoke briefly in support of the legislation. (Exhibit I)

Ron Gaches, Kansas Chamber of Commerce and Industry, testified in support of the concept embodied in House Bill 3076.

Representative King made a conceptual motion to amend House Bill 3076 to make the amnesty period ninety days rather than sixty days as is contained in the bill. Representative Lowther seconded the motion. The motion carried.

Representative Ott made a motion that House Bill 3076 be reported favorable for passage as amended and Representative King seconded the motion. The motion carried.

The Chairman then called for action on House 2818.

Representative Jarchow made a motion that House Bill 2818 be amended so that the legislation would apply to "regularly scheduled passenger or cargo carrying passengers or cargo for a fee with a designed carrying capacity of 30 or more passengers or 7,500 pounds or more cargo". (Exhibit II) Representative Rolfs seconded the motion. The motion carried.

Representative Jarchow made a motion that House Bill 2818 be reported favorable for passage as amended and Representative Adam seconded the motion. The motion carried.

The Chairman then called the committee's attention to House Bill 2441 which was tabled on March 2, 1983. House Bill 2441 would provide an income tax credit for contributions of computer equipment to schools.

Representative Crowell made a motion that House Bill 2441 be removed from the table for discussion and Representative Miller seconded the motion. The motion carried.

Representative Reardon made a motion to conceptually amend House Bill 2441 so that it would apply to "accredited non-public schools" as well as public schools. Representative Jarchow seconded the motion. Following committee discussion, Representative Reardon withdrew the motion and Representative Jarchow withdrew the second.

The Committee then turned their attention to House Bill 2973 which would provide that the situs of cable tv services shall be the situs of the subscriber billed therefor.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION,
room 519S, Statehouse, at 9:00 a.m./~~p.m.~~ on February 29, 1984

Representative Leach made a motion that House Bill 2973 be removed from the table for discussion and Representative King seconded the motion. The motion carried.

Representative King made a motion that House Bill 2973 be reported favorable for passage as amended and Representative Frey seconded the motion. The motion carried.

The meeting was adjourned.

Amnesty for tax cheaters gives state coffers a boost

By Andrew C. Miller

The Star's Washington correspondent

Washington—In Arizona, a woman filed a long-lost tax return that she said had been missing behind her refrigerator. In Massachusetts, a 55-year-old man paid a lifetime's worth of taxes after confessing he had never filed a state tax return.

And in Missouri, two corporations paid a total of \$750,000 in back taxes that they had owed the state, but never paid.

The payments were all part of a new wave of programs since 1981 in six states that have granted amnesty from criminal prosecution to tax cheats if they voluntarily square their accounts.

Tax experts say the one-time grace periods, which have yielded more than \$64 million nationally, are the first tax amnesty programs to occur since personal income and sales taxes became prevalent in states in the 1930s.

"Quite a number of other states are looking into it," said John Gambill, senior research associate for the Washington-based Federation of Tax Administrators, a group of state tax officials. And the possibility of a federal program also has been raised.

By far the most successful program to date was in Massachusetts, where more than 30,000 taxpayers paid \$56.9 million to shocked state officials who were expecting a mere \$5 million.

On the final day of the 90-day program last month, state officials estimated that 28,800 residents lined up at 11 state

revenue offices to clear their tax records. Payments ranged from a \$1 million settlement by an out-of-state corporation for overdue excise taxes to an 8-cent check.

Missouri's two-month program last fall collected \$38,000 from individuals, an additional \$54,000 from sales tax returns plus the two corporate returns of \$750,000. State officials will not release the name of the two corporations.

In the words of one Massachusetts official, the repentant taxpayers are motivated by "fear, guilt and gratitude."

Among those across the nation who have turned themselves in were an 80-year-old Massachusetts electrician who said he hadn't filed a tax return in 43 years. He didn't believe the amnesty offer and asked a friend to wait outside the tax office with bail money—just in case.

Two nuns in Massachusetts took advantage of the tax amnesty program to pay back taxes for a meals operation they ran. One Arizona couple said they did not file because their dog died on the tax return.

States offering amnesty programs are waiving criminal penalties and most, or all, fines to those who are volunteering to pay their taxes. Most states still insist that the residents pay all the applicable interest payments due on back taxes.

For states looking to squeeze every legitimate tax dollar out of residents, and boost state revenues, amnesty programs hold the golden promise of

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For every state, the grace periods have marked the transition to stepped up enforcement of tax laws, highlighted by more tax auditors and beefed up computer systems.

"We've enhanced our capability to get nonfilers with \$5 million worth of computer equipment," said Kevin Sombart, a Missouri revenue department spokesman.

Despite the increasing popularity of the programs, Kansas officials say they have no plans to institute an amnesty.

The odds seemed heavily against a federal tax amnesty until the Massachusetts program netted \$56.9 million. That spurred House Speaker Thomas P. O'Neill, a Massachusetts Democrat, to say that the federal government should consider a one-time amnesty.

Mr. O'Neill said he believed there were probably millions of citizens who would take advantage of an opportunity to settle their accounts with the Internal Revenue Service, helping pare the federal deficit and clear their conscience.

But in promising to study the matter, Rep. Dan Rostenkowski, chairman of the House Ways and Means Committee, cautioned that the Massachusetts program might not be a model for the entire nation.

"The conditions which led to a successful amnesty program in Massachusetts are different from those that prevail in the rest of the nation," he said. "The dramatic and well-publicized increase in penalties and enforcement efforts in Massachusetts was a major catalyst in the response to an amnesty period."

No legislation is pending in the House or Senate calling for a federal amnesty.

IRS Commissioner Roscoe Egger expressed his skepticism last year in hearings before the Senate Finance Committee. Honest taxpayers would view amnesty as special treatment for cheats, he said. Others, expecting another amnesty in the future, would see it as a license to start cheating, he argued.

Like some states, IRS officials also dislike the concept because it carries the implication that tax enforcement efforts have been weak in the past.

Even so, Mr. Egger promised in May to study the matter. "We have people who are starting to look into it," an IRS spokesman confirmed last week. He described the study as very preliminary.

Republican Sen. Bob Dole of Kansas, chairman of the Senate Finance Committee, has some of the same reservations, a committee spokesman said. But Mr. Dole has said the issue deserves a look, the aide said.

David Keating, executive vice president of the National Taxpayers Union, estimated last week that a federal amnesty, based on the Massachusetts experience, could yield between \$5 and \$10 billion for the federal treasury. Other advocates believe it could bring the government as much as \$20 billion.

An amnesty would be fair to honest taxpayers, Mr. Keating said, because it would put tax cheats on the rolls permanently. Thus legal taxpayers would be spared from paying higher taxes, he said.

Amnesty

continued from pg. 1A

encouraging payments of back taxes while adding to the number of active taxpayers on the rolls in future years.

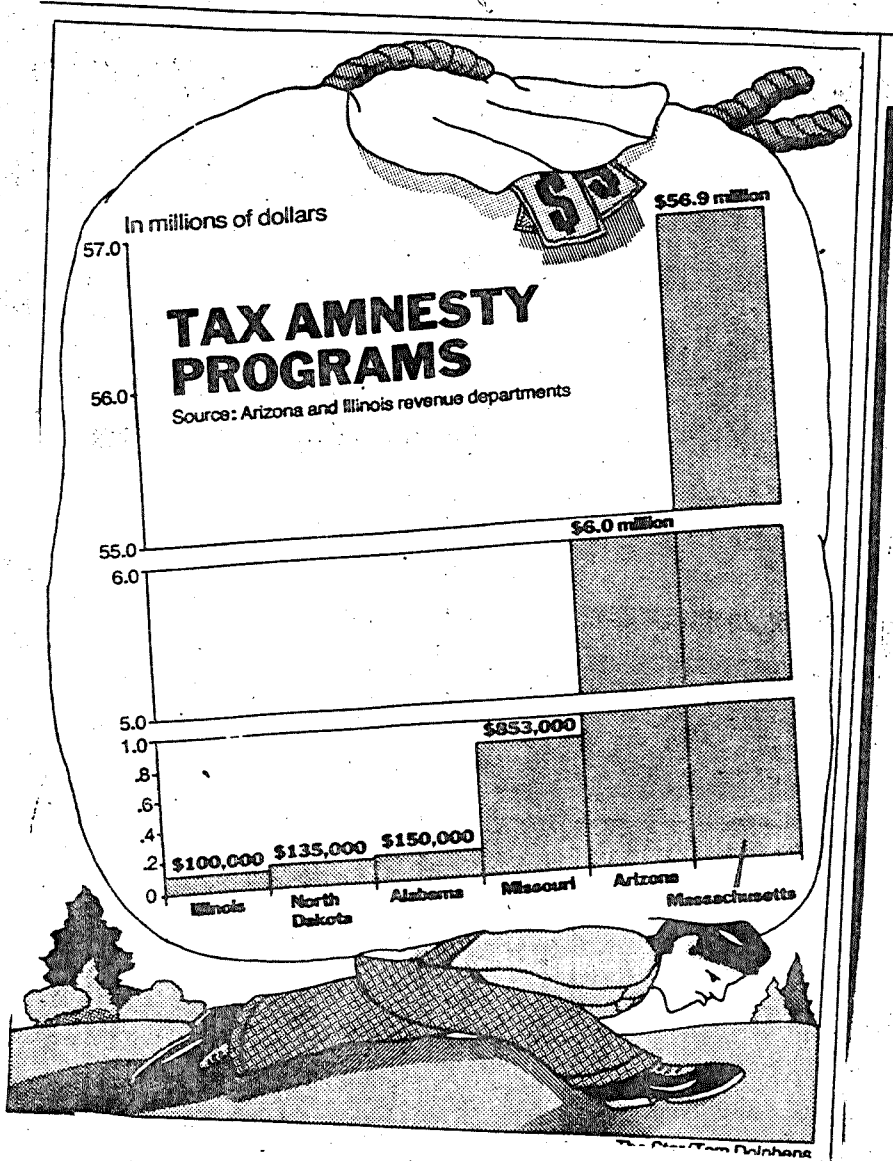
The first amnesty program was in Illinois. Just two weeks long, the grace period ended in early January 1982, netting the state about \$100,000 from 400 taxpayers.

"We did not do the big advertising push that Massachusetts did," recalled Helen Adorjan, a state revenue official. "We were probably a little conservative in doing it because we did not know anyone else who had done it, and as a tax agency, you have to be conservative."

Then came Arizona, where officials launched a more aggressive two-month campaign that ended January 1983. It ranged from advertisements in out-of-state newspapers to billboards placed in Arizona's largest cities.

"The more you spend on effective ads, the more you will take in," advises a special handbook that Arizona distributes to curious revenue officials in other states. Arizona called its overall tax compliance program, which netted \$6 million, the "Arizona Tax Hunt."

Like most amnesty states, Missouri offered the grace period only to nonfilers, rejecting requests for amnesty to those already listed on the revenue department's computers as being delinquent in their payments. Only Massachusetts and Alabama offered amnesty to already identified delinquent taxpayers as well.



"We would prefer that additional revenues generated by this increase in tax compliance be used to reduce other people's tax rates," he added.

Others argue that the IRS, currently understaffed and unable to push many tax prosecutions each year, already has an informal amnesty program after it abandoned a formal policy in 1952.

Between 1934 and 1952, the IRS generally did not recommend prosecution in cases in which voluntary disclosures of past cheating were made before any official probe by the agency. Mr. Egger said the practice was officially abandoned because "some taxpayers who had received immunity subsequently defaulted on their liabilities and could not be prosecuted."

HOUSE BILL No. 2818

By Representatives Jarchow, Cribbs, Francisco, W. Fuller, Gro-
tewiel, Helgerson, Luzzati, Matlack, K. Ott, Rogers, Spaniol,
Darrel Webb and Williams

1-31

0018 AN ACT relating to property taxation; concerning the exemption
0019 therefrom of business aircraft; amending K.S.A. 1983 Supp.
0020 79-201k and repealing the existing section.

0021 *Be it enacted by the Legislature of the State of Kansas:*

0022 Section 1. K.S.A. 1983 Supp. 79-201k is hereby amended to
0023 read as follows: 79-201k. (a) It is the purpose of this section to
0024 promote, stimulate and develop the general welfare, economic
0025 development and prosperity of the state of Kansas by fostering
0026 the growth of commerce within the state; to encourage the
0027 location of new business and industry in this state and the
0028 expansion, relocation or retention of existing business and in-
0029 dustry when so doing will help maintain or increase the level of
0030 commerce within the state; and to promote the economic stabil-
0031 ity of the state by maintaining and providing employment op-
0032 portunities, thus promoting the general welfare of the citizens of
0033 this state, by exempting aircraft used in business and industry,
0034 from imposition of the property tax or other ad valorem tax
0035 imposed by this state or its taxing subdivisions. Kansas has long
0036 been a leader in the manufacture and use of aircraft and the use
0037 of aircraft in business and industry is vital to the continued
0038 economic growth of the state.

0039 (b) The following described property, to the extent herein
0040 specified, is hereby exempt from all property or ad valorem taxes
0041 levied under the laws of the state of Kansas:

0042 *First.* For all taxable years commencing after December 31,
0043 ~~1982~~ 1983, all aircraft, ~~other than aircraft carrying passengers or~~
0044 ~~cargo for a fee~~ actually and regularly used exclusively in the
0045 conduct of a business or industry.

certain

regularly scheduled passenger or cargo carrying

with a designed carrying capacity of 30 or more passengers
or 7,500 pounds or more cargo

EXHIBIT II

EX. II 2/29/84

0046 New Sec. 2. In 1984, and in each year thereafter, all aircraft
0047 ~~carrying passengers or cargo for a fee~~ shall be subject to property
0048 taxation and shall be listed, valued and assessed for such purpose
0049 in the same manner as required by law for the same in 1982.

0050 Sec. 3. From and after December 31, 1983, K.S.A. 1983
0051 Supp. 79-201k is hereby repealed.

0052 Sec. 4. This act shall take effect and be in force from and
0053 after its publication in the Kansas register.

regularly scheduled passenger or cargo carrying

with a designed carrying capacity of 30 or more
passengers or 7,500 pounds or more cargo