

Approved April 2, 1987
Date

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

The meeting was called to order by Senator Fred A. Kerr at
Chairperson

11:00 a.m./p.m. on March 31, 1987 in room 519-S of the Capitol.

All members were present except:

Senator Nancy Parrish

Committee staff present:

Tom Severn, Research
Chris Courtwright, Research
Don Hayward, Revisor's Office
Sue Pettet, Secretary to the Committee

Conferees appearing before the committee:

T.C. Anderson, Kansas Society of Certified Public Accountants
Jim Cobler, Dept. of Administration

Chairman Kerr called the meeting to order and said that the agenda for the day was to have hearings and possible action on H.B. 2222 and H.B. 2559.

HOUSE BILL 2222

Secretary Harley Duncan explained the bill. (Attachment 1) He said that the present bonding policies used by the Department of Revenue require all new corporations applying for a sales tax certificate of registration to post a bond equal to six months' average sales tax liability or \$1,000, whichever is greater. After twelve months of reporting, the bond amount can be reduced to an average of three months' sales tax liability or \$1,000, whichever is greater.

The same bond is imposed upon individual proprietorships and partnerships when such accounts become delinquent with reporting and remitting any sales tax due. He said that the Department does not oppose lowering the bond amount for those accounts which report on an annual basis; but as the bill is presently written, these accounts would make a prepayment rather than post a bond. The problems of administering a prepayment on annual accounts outweigh the benefits of having the prepayment.

Secretary Duncan requested an amendment that would require a \$25.00 bond rather than a pre-payment. This bond would remain posted until the business ceases operation just as any other bonds posted for sales tax accounts.

T.C. Anderson testified on H.B. 2222. (Attachment 2) He stated that the Kansas Society of C.P.A.'s has not taken an official position on H.B. 2222, but he believed it was important to remember that last session legislature enacted legislation which gave the Dept. of Revenue means of collecting sales or compensating taxes. He said that KSA 79-3643 says any individual who is responsible for collection or payment of the taxes shall be personally liable for them and the provisions of the section apply regardless of the form of business, whether it be sole proprietorship, partnership or corporation.

Mr. Anderson stated that he understood that corporations were currently being required to file a bond. He felt the Department's rules for partnerships and corporations could possibly ease with the enactment of KSA 79-3643 last year.

COMMITTEE DISCUSSION ON H.B. 2222

Senator Hayden moved to amend H.B. 2222 by adopting the Department's proposed changes including making the prepayment be a \$25.00 bond. Senator Montgomery seconded. Amendment was adopted.

Senator Hayden moved that H.B. 2222 be recommended favorably for passage as amended. Senator Kerr seconded. Motion carried.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,

room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on March 31, 1987

HOUSE BILL 2559

Mr. Jim Cobler stated that he was present to testify by request of Mr. Art Griggs, Department of Administration. He stated that state agencies currently have petty cash funds and imprest funds. Under current law, if there is a burglary, the maximum for petty cash funds to be replenished is \$200 and \$100 for imprest cash funds.

Mr. Cobler stated that some times burglaries occur in which the amount stolen is much greater than the petty cash fund and there is a problem and delay in replenishing the funds. This bill, if passed, would enable the state agencies to replenish lost funds up to \$2,000. He stated that if the agency has the job of collecting money for various reasons, there has to be a suitable amount of money on hand for change, etc.

Senator Thiessen moved to recommend H.B. 2559 favorably for passage. Senator Allen seconded. Motion carried.

COMMITTEE DISCUSSION ON H.B. 2188

Chairman Kerr reminded committee members that a motion was pending to recommend the bill favorably for passage. The motion was made when the committee last considered H.B. 2188 and it was not acted upon.

After committee discussion Senator Karr offered a substitute motion to amend the bill to allow for a three mill lid for county hospitals and to include district hospitals in the bill and also allow a three mill lid for them. Senator Hayden seconded. The motion lost.

The committee returned to the primary motion which was to recommend H.B. 2188 favorably for passage. The motion carried. Senator Frey requested to be recorded as voting no.

COMMITTEE DISCUSSION ON H.B. 2283

Chairman Kerr noted that committee members had received a letter from Rep. Bill Bryant urging the committee to recommend the bill for passage. The bill deals with the authority to abate penalties for late filing of personal property tax statements. The bill would allow county commissioners to abate the taxes rather than to have this responsibility initially be with the State Board of Tax Appeals. It was noted that many county commissioners may not feel that this change is proper policy. It was also pointed out that such a change in abatement responsibilities might lead to a further deterioration of conformity in property tax administration.

Senator Montgomery moved to recommend the bill favorably for passage. Senator Hayden seconded. The motion lost.

COMMITTEE DISCUSSION ON H.B. 2271

Chairman Kerr said that Mr. Neale Peterson, Mayor of Fairway, Ks. wanted to provide additional testimony on H.B. 2271. Senator Kerr said that he would try to provide additional time for testimony on the bill at a later meeting.

There was committee discussion concerning the policy in the bill which would allow counties to have a fractional sales tax in Kansas for a local property improvement project, in this case, a stormwater project. It was noted that this is usually the type of project which is funded by property taxes in Kansas

Senator Burke stated that Johnson County was in desperate need of revenue for this purpose and that the issue most certainly needed to be addressed.

Following two corrections on the minutes of the meeting on March 26, 1987, Senator Hayden made the motion to accept them. Senator Karr seconded. Motion carried.

Meeting adjourned.

ASSEMBLY

DATE

NAME

ISS

REFERENCE

3/31/87

T.C. Anderson

CPA's

See H. Duma


Dept of Rev.

Carl Berchuck

cc v.

MEMORANDUM

TO: Senate Taxation Committee

FROM: Carol B. Bonebrake, Director of Taxation
Department of Revenue 

DATE: March 31, 1987

SUBJECT: Testimony for House Bill No. 2222, As Amended by House
Committee

The present bonding policies used by the Department of Revenue require all new corporations applying for a sales tax certificate of registration to post a bond equal to six months' average sales tax liability or \$1,000, whichever is greater. After twelve months of perfect reporting, the bond amount can be reduced to an average of three months' sales tax liability or \$1,000, whichever is greater.

This same bond requirement is imposed upon individual proprietorships and partnerships when such accounts become delinquent with reporting and remitting any sales taxes due.

The Department does not oppose lowering the bond amount for those accounts which report on an annual basis; however, as the bill is presently written, such accounts would make a prepayment rather than post a bond. The problems of administering a prepayment on annual accounts far outweigh the benefits of having the prepayment. Rather than having a prepayment, the Department strongly recommends that accounts which report sales tax on an annual basis be required to post a \$25.00 bond. This bond would remain posted until the business ceases operation just as any other bonds posted for sales tax accounts.

Sen. A & T
3/31/87

Att. 1



**Kansas Society of
Certified Public Accountants**

FOUNDED OCTOBER 17, 1932

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SENATE ASSESSMENT AND TAXATION COMMITTEE

HB 2222

Tuesday, March 31, 1987

Mr. Chairman, members of the committee. I am T. C. Anderson, Executive Director of the Kansas Society of Certified Public Accountants.

The Kansas Society has not taken an official position on HB 2222, however, several CPAs have asked that I make a few observations relative to this legislation.

I believe it is important to remember that just last session this legislature enacted legislation which gave the Department of Revenue enhanced means of collecting sales or compensating taxes. In short, new KSA 79-3643 says any individual who is responsible for collection or payment of the taxes shall be personally liable for them and that the provisions of the section apply regardless of the form of business, i.e. sole proprietorship, partnership or corporation.

Armed with this new collection tool, it would appear the legislature now might wish to legislatively bring a bit more equity between the individual proprietor and the partnership and corporation when it comes to how the Department interprets KSA 79-3616.

While the statute permits the director to require any person subject to the tax to file a bond, it is my understanding that corporations are currently being required to do so.

With the enactment last year of KSA 79-3643, maybe the Department's rules for partnerships and corporations can be eased.