

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by SENATOR DAN THIESSEN at
Chairperson

11:00 a.m./~~xxx~~ on Tuesday, March 20, 1990 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Don Hayward, Revisor's Office
Chris Courtwright, Research Department
Tom Severn, Research Department
Marion Anzek, Committee Secretary

Conferees appearing before the committee:

Representative Dennis Spaniol
Donald R. Seifert, Director Planning & Development-City of Olathe, KS
Bob Evans, Assistant to the City Manager, City of Overland Park, KS
Alan Sims, Assistant to the City Manager, City of Overland Park, KS
Representative Gary Blumenthal, Chief Sponsor of HB2637
Linton Bartlett, Representing the City of K.C., KS
Lou Serrone, Councilmember for the City of Lenexa, KS
George Barbee, Executive Director, KS Lodging Association
Ernie Mosher, Executive Director, League of KS Municipalities
Bud Grant, Executive Director, Retail Council, KCCI
Steve Stotts, Acting Director of Taxation
Dennis M. Kissinger, City Manager, City of Salina

Chairman Thiessen called the meeting to order at 11:05 a.m. and told the members they have minutes of February 22 and 26th in front of them, and he would ask for a motion at the end of the meeting.

The Chairman said copies of the Per Capita State Sales Tax Collections by County, FY 1989 has been passed to each member, and was provided to the committee by Tom Severn, Principal Analyst, Research Department. (ATTACHMENT 1)

The Chairman turned attention to HB2765 and recognized Representative Dennis Spaniol.

HB2765:AN ACT excluding water protection fees from gross receipts for sales tax purposes.

Representative Dennis Spaniol said HB2765 is a one paragraph bill. He said the bill was originally requested by Representative Harold Guldner and it pertains to the water plan passed last session, and after the session last year the Department of Revenue issued a ruling that said they could collect sales tax on the water protection fees that we passed in the water plan. Essentially, we have a measure where we collect a tax on top of a tax, and that was not the intent of the House, so we introduced a bill to clarify this, and HB2765 simply states that they can not do that.

He said a recommended amendment would be to change the implementation date back to the state statute book in the Kansas Register. The logic behind this, is municipalities are not opposing the bill, but they need a month or two to get their billing systems in order.

The Chairman concluded hearings on HB2765 and turned attention to HB2637, recognizing Donald R. Seifert, Planning and Development Director, City of Olathe.

HB2637:As Amended by House Committee on Taxation would allow cities and counties levying sales taxes or transient guest taxes to request monthly reports from the Director of Taxation identifying each retailer having a place of business in the city or county and the amount of taxes remitted during the preceding month.

The information could only be requested by city clerks and county treasurers, and the Director could charge a reasonable fee for the issuance of the reports.

All information received by the cities and counties would

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,
room 519-S, Statehouse, at 11:00 a.m. ~~p.m.~~ on Tuesday, March 20, 19 90

be required to be kept confidential, and no officer or employee could divulge the data in any manner.

THE FOLLOWING CONFEREES ARE PROPONENTS OF HB2637.

Donald R. Seifert said HB2637 would require the Department of Revenue to provide a periodic report on local sales tax and guest tax collections if requested by a city or county. He said the ability to monitor sales trends in critical sectors would greatly enhance the reliability of their revenue projections, which must be made 12 to 18 month in advance to fit the budget cycle. With better information, mid-year expenditure corrections could be made if warranted.

He urged the committee's favorable consideration of HB2637. (ATTACHMENT 2)

Bob Evans, City Manager, City of Bonner Springs said The City of Bonner Springs feels that the release of information on the City's retail sales tax collections by businesses would benefit the City as well as the State and County, and they believe it is in the best interest of all the citizens in the State of Kansas.

He urged the committee's favorable consideration of HB2637. (ATTACHMENT 3)

Alan Sims, Assistant to the City Manager, City of Overland Park said they have several reasons for their support of HB2637 and one specific situation that created considerable confusion, was Convention and Visitors Bureau transient guest tax revenues received by the city are then transferred to the CVB to fund their operating budget. In the 3rd and 4th quarters of 1988, after receiving a significant reduction in these funds, the city began to investigate the cause of the shortfall. After several months, it was determined by the Department of Revenue that a hotel in Overland Park was incorrectly entered into their system as being in Olathe. Consequently, \$42,000 that was supposed to be sent to Overland Park was incorrectly sent to Olathe, without Overland Park having any means of determining where the problem was. The Overland Park Convention & Visitors Bureau, which is directly responsible for bringing in millions of dollars to our state and local economy, had to curtail worthwhile programs until the issue was resolved.

HB2637 would help to alleviate this situation from reoccurring by providing a simple system of checks and balances that presently does not exist. He asked the committee members to favorably pass HB2637 out of committee. (ATTACHMENT 4)

Representative Gary Blumenthal, Chief sponsor of HB2637 said he indicated to the House Tax Committee that he would be happy with any other additional restrictions if the committee would like to place some on the bill, the House Committee choose to tighten who could request, and we left it at City or County Official. If the committee wishes to put on penalties for disclosure of information he would have no problems with that. He asked the committee to look at HB2637 favorably and he said, it passed the House unanimously. NO WRITTEN TESTIMONY.

Linton Bartlett, representing the City of K.C., KS said a recent example of how the payment information would be useful to the City is that the City's latest receipts from the transient guest tax were \$15,000 less than expected. The City had raised this tax from 2% to 4% in October, 1989 and had built the projected additional revenue into the 1990 budget. The revenue from the tax is used to finance our Convention and Visitors Bureau and the Jack Reardon Civic Center. Without the information on who paid the tax and how much from the Department of Revenue, which this bill would allow the City to get, the City has no way of knowing if the shortfall is due to faulty revenue projections or to delinquent remittances of the tax by some businesses. This information would be crucial in making any necessary adjustments to expenditures.

He respectfully asked for favorable consideration of HB2637 by the Committee. (ATTACHMENT 5)

Lou Serrone, Councilmember for the City of Lenexa said local governments are increasingly held accountable for projecting revenues at least 1½ years in advance. Since the sales tax and transient guest tax are both fluctuating revenue sources that are solely dependent on market conditions, it is critical to have detailed information to project the next year's budget.

HB2637 provides disclosure of detailed sales tax and transient guest tax revenues

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Tuesday, March 20, 1990

provided by particular businesses. Presently, cities do not have access to these detailed breakdowns and are not certain that appropriate taxes are being reimbursed to the responsible local units of government. He asked the support of the committee for passage of HB2637. (ATTACHMENT 6)

Mr. Serrone said the Lenexa Chamber of Commerce could not be represented today, and asked The Chairman for permission to distribute a handout from the Chamber. (ATTACHMENT 7)

THE FOLLOWING CONFEREES ARE OPPONENTS OF HB2637.

George Barbee, CAE Executive Director, KS Lodging Association said the Association is opposed to the state divulging transient guest tax receipt information as proposed in sections 2 and 3 of HB2637.

Transient Guest Tax is a local option tax that was originally legislated at an intended 2% on each room rate per night collected by our hotels and motels from transient guests.

The information regarding the taxes collected and transmitted to the state is sensitive and proprietary. This is information most business people would not want their best friend, their worst enemy or their competitor, especially their competitor, to have.

The bill does not include a containment provision restricting the information. He said they respectfully ask that to protect the divulgence of sensitive, proprietary, tax information, for the most part, small businessmen, sections 2 and 3, which deal only with Transient Guest Tax, be deleted from HB2637. (ATTACHMENT 8)

Ernie Mosher, Executive Director, League of KS Municipalities said he is **appearing in support of HB2637** and he said, the bill would permit city and county clerks and treasurers, to obtain from the Department information as to the place of business and the amount remitted by those subject to these local taxes. The information would be required to be kept confidential, and there is an authorization for the Department to impose a reasonable fee to cover the cost of providing the information.

We believe the availability of this information would permit cities and counties to help secure the enforcement of both state and local sales and hotel-motel taxes.

He said, they were advised that other states which provide for state collection of local add-on taxes, such as Missouri, do provide this kind of information to local governments, and report no significant problems. (ATTACHMENT 9)

Bud Grant, appearing as Executive Director of the Retail Council, which is a broader base of KCCI. said if there is an argument that can be said against revealing the tax collections by the Ramada Inns, then one could be said about revealing tax collections by Osco Drug Stores. He said, perhaps there is an intermediate ground on the issue, because he does recognize the need for information on the part of local government.

He said, the Department of Revenue currently provides tax collections by Counties and major classifications, monthly, on all major types of businesses. It is not available on a City by City basis, and I am suggesting the perhaps it could be, and you would avoid the possibility of proprietary information being available. It shouldn't be. (NO WRITTEN TESTIMONY)

Senator Karr asked if the Department of Revenue has a position on the bill?

Steve Stotts, Acting Director of Taxation said the Department has no position.

Dennis M. Kissinger, City Manager of the City of Salina turned in written testimony but did not testify. (ATTACHMENT 10)

Senator Montgomery moved to adopt the minutes of February 22nd and February 26th, 2nd by Senator Kerr. The motion carried.

Chairman Dan Thiessen adjourned the meeting at 12:10 p.m.

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

Room 545-N - Statehouse

Phone 296-3181

March 19, 1990

TO: Senator Dan Thiessen

Office No. 143-N

RE: Per Capita State Sales Tax Collections by County, FY 1989

Enclosed are tables showing the per capita state sales tax collections, by county, for FY 1989, alphabetically and in decreasing order by per capita tax.


The data are from the Department of Revenue report "Sales Tax by County" for FY 1989. Approximately 86.5 percent of receipts can be attributed to counties. The remaining 13.5 percent, from sources like some public utilities, some chain stores, door-to-door sales, etc., cannot be attributed.

Thus two sets of per capita figures are shown. The first is the attributable collections only. The second are increased to take the remaining collections into account, on the assumption that the unallocated collections are distributed proportionally to the allocated collections which undoubtedly is not the case.

The second table contains the same information, but the table is in decreasing order of per capita sales tax collections.

In any event, please keep in mind that sales tax collection data probably do not provide a meaningful representation of sales tax burdens on the citizens of each county.

I hope this information proves useful. Please contact me if you have further questions.


Thomas A. Severn
Principal Analyst

TAS/sls/90-364

Enclosures

Per Capita Sales Tax Collections by County

	FY89 Sales Tax by County	1987 County Population	FY89 Sales Tax per Capita	Adjusted for Unallocated Receipts
Allen	\$2,375,605.90	15,276	\$155.51	179.81
Anderson	1,041,194.93	8,243	126.31	146.04
Atchison	2,783,364.70	17,894	155.55	179.85
Barber	1,002,361.02	6,411	156.35	180.77
Barton	9,315,933.84	31,096	299.59	346.39
Bourbon	2,950,447.38	15,377	191.87	221.85
Brown	1,674,375.21	11,355	147.46	170.49
Butler	8,163,721.69	49,119	166.20	192.17
Chase	301,894.66	3,061	98.63	114.03
Chautauqua	396,854.51	4,655	85.25	98.57
Cherokee	2,271,209.36	22,295	101.87	117.78
Cheyenne	522,985.60	3,456	151.33	174.97
Clark	272,478.22	2,558	106.52	123.16
Clay	1,357,844.48	9,259	146.65	169.56
Cloud	2,256,030.39	11,531	195.65	226.21
Coffey	1,043,303.91	8,863	117.71	136.10
Comanche	295,459.36	2,455	120.35	139.15
Cowley	7,030,436.45	37,076	189.62	219.24
Crawford	7,130,143.98	37,485	190.21	219.93
Decatur	615,616.87	4,179	147.31	170.32
Dickinson	3,026,117.08	20,016	151.18	174.80
Doniphan	1,086,431.58	9,010	120.58	139.42
Douglas	18,437,288.73	74,839	246.36	284.84
Edwards	468,207.60	3,915	119.59	138.28
Elk	238,993.40	3,574	66.87	77.32
Ellis	8,506,926.99	26,770	317.78	367.42
Ellsworth	921,752.73	6,235	147.84	170.93
Finney	9,737,372.60	30,436	319.93	369.91
Ford	8,389,335.19	26,253	319.56	369.48
Franklin	4,058,620.35	22,325	181.80	210.20
Geary	5,649,815.58	30,085	187.80	217.13
Gove	548,328.90	3,458	158.57	183.34
Graham	733,496.48	3,719	197.23	228.04
Grant	1,815,071.28	6,779	267.75	309.58
Gray	556,693.08	5,412	102.86	118.93
Greeley	247,440.04	1,784	138.70	160.37
Greenwood	1,024,039.44	8,078	126.77	146.57
Hamilton	340,898.84	2,436	139.94	161.80
Harper	1,408,089.31	7,454	188.90	218.41
Harvey	5,392,630.45	30,714	175.58	203.00
Haskell	393,428.17	3,885	101.27	117.09
Hodgeman	167,717.31	2,211	75.86	87.71
Jackson	1,730,395.42	11,712	147.75	170.83
Jefferson	1,175,759.08	16,496	71.28	82.41
Jewell	373,360.78	4,649	80.31	92.86
Johnson	125,064,552.93	331,679	377.07	435.97
Kearny	351,026.82	3,997	87.82	101.54
Kingman	1,194,955.83	8,840	135.18	156.29
Kiowa	581,172.67	3,785	153.55	177.53
Labette	4,276,697.02	25,532	167.50	193.67
Lane	332,931.16	2,452	135.78	156.99
Leavenworth	8,261,024.64	64,754	127.58	147.50
Lincoln	380,117.75	3,616	105.12	121.54
Linn	726,389.18	8,175	88.85	102.74
Logan	733,975.75	3,151	232.93	269.32
Lyon	8,182,739.36	34,960	234.06	270.62
Marion	1,817,334.65	12,792	142.07	164.26
Marshall	2,095,043.83	12,386	169.15	195.57
McPherson	5,685,191.99	27,259	208.56	241.14
Meade	516,616.48	4,431	116.59	134.80
Miami	3,597,406.73	23,223	154.91	179.11
Mitchell	1,522,665.56	7,537	202.03	233.59
Montgomery	8,159,259.54	41,187	198.10	229.05
Morris	926,938.40	6,391	145.04	167.70
Morton	634,310.05	3,479	182.33	210.81
Nemaha	1,820,067.19	10,878	167.32	193.45
Neosho	3,900,178.28	18,289	213.25	246.57
Ness	826,520.22	4,270	193.56	223.80
Norton	1,066,788.10	6,225	171.37	198.14
Osage	1,700,962.19	16,024	106.15	122.73
Osborne	743,141.31	5,323	139.61	161.42
Ottawa	541,142.03	5,909	91.58	105.89
Pawnee	1,169,591.79	7,578	154.34	178.45
Phillips	1,048,045.16	6,962	150.54	174.05
Pottawatomie	5,274,695.47	16,172	326.16	377.11
Pratt	2,742,666.89	10,405	263.59	304.77
Rawlins	506,698.11	3,705	136.76	158.12
Reno	16,563,277.20	65,116	254.37	294.10
Republic	950,646.40	7,015	135.52	156.69
Rice	1,428,347.19	11,095	128.74	148.85
Riley	9,867,308.53	62,635	157.54	182.15
Rooks	1,190,359.25	6,405	185.85	214.88
Rush	357,131.99	3,969	89.98	104.04
Russell	1,698,738.90	8,211	206.89	239.20
Saline	16,531,910.86	49,985	330.74	382.40
Scott	1,199,106.18	5,593	214.39	247.89
Sedgwick	133,774,668.14	394,480	339.12	392.09
Seward	7,112,416.48	18,662	381.12	440.65
Shawnee	51,621,056.30	162,388	317.89	367.55
Sheridan	446,414.36	3,250	137.36	158.82
Sherman	1,828,603.99	6,989	261.64	302.51
Smith	851,899.90	5,362	158.88	183.70
Stafford	438,483.48	5,353	81.91	94.71
Stanton	338,022.88	2,434	138.88	160.57
Stevens	857,330.39	4,891	175.29	202.67
Sumner	3,103,302.44	25,438	121.99	141.05
Thomas	2,170,171.48	8,443	257.04	297.19
Trego	591,320.90	3,934	150.31	173.79
Wabaunsee	422,965.27	6,737	62.78	72.59
Wallace	260,976.08	1,949	133.90	154.82
Washington	737,766.65	7,573	97.42	112.64
Wichita	505,693.79	2,865	176.51	204.08
Wilson	1,374,707.60	11,473	119.82	138.54
Woodson	371,106.13	4,129	89.88	103.92
Wyandotte	33,422,246.60	173,626	192.50	222.57
Sum of Counties	615,626,299.31	2,475,255	\$248.71	\$287.57
Misc. Amo	326,077.20			
Chain Stores	6,264,439.32			
Door to Door	35,962,257.45			
Pub Utils	41,824,247.15			
Vending Mach	3,101,466.89			
Circus and Ca	2,075.00			
County Treas	8,690,269.54			
State Sum	711,797,131.86		\$287.57	

Per Capita Sales Tax Collections by County

	FY89 Sales Tax by County	1987 County Population	FY89 Sales Tax per Capita	Adjusted for Unallocated Receipts
Seward	7,112,416.48	18,662	381.12	440.65
Johnson	125,064,552.93	331,679	377.07	435.97
Sedgwick	133,774,668.14	394,480	339.12	392.09
Saline	16,531,910.86	49,985	330.74	382.40
Pottawatomie	5,274,695.47	16,172	326.16	377.11
Finney	9,737,372.60	30,436	319.93	369.91
Ford	8,389,335.19	26,253	319.56	369.48
Shawnee	51,621,056.30	162,388	317.89	367.55
Ellis	8,506,926.99	26,770	317.78	367.42
Barton	9,315,933.84	31,096	299.59	346.39
Grant	1,815,071.28	6,779	267.75	309.58
Pratt	2,742,666.89	10,405	263.59	304.77
Sherman	1,828,603.99	6,989	261.64	302.51
Thomas	2,170,171.48	8,443	257.04	297.19
Reno	16,563,277.20	65,116	254.37	294.10
Douglas	18,437,288.73	74,839	246.36	284.84
Lyon	8,182,739.36	34,960	234.06	270.62
Logan	733,975.75	3,151	232.93	269.32
Scott	1,199,106.18	5,593	214.39	247.89
Neosho	3,900,178.28	18,289	213.25	246.57
McPherson	5,685,191.99	27,259	208.56	241.14
Russell	1,698,738.90	8,211	206.89	239.20
Mitchell	1,522,665.56	7,537	202.03	233.59
Montgomery	8,159,259.54	41,187	198.10	229.05
Graham	733,496.48	3,719	197.23	228.04
Cloud	2,256,030.39	11,531	195.65	226.21
Ness	826,520.22	4,270	193.56	223.80
Wyandotte	33,422,246.60	173,626	192.50	222.57
Bourbon	2,950,447.38	15,377	191.87	221.85
Crawford	7,130,143.98	37,485	190.21	219.93
Cowley	7,030,436.45	37,076	189.62	219.24
Harper	1,408,089.31	7,454	188.90	218.41
Geary	5,649,815.58	30,085	187.80	217.13
Rooks	1,190,359.25	6,405	185.85	214.88
Morton	634,310.05	3,479	182.33	210.81
Franklin	4,058,620.35	22,325	181.80	210.20
Wichita	505,693.79	2,865	176.51	204.08
Harvey	5,392,630.45	30,714	175.58	203.00
Stevens	857,330.39	4,891	175.29	202.67
Norton	1,066,788.10	6,225	171.37	198.14
Marshall	2,095,043.83	12,386	169.15	195.57
Labette	4,276,697.02	25,532	167.50	193.67
Nemaha	1,820,067.19	10,878	167.32	193.45
Butler	8,163,721.69	49,119	166.20	192.17
Smith	851,899.90	5,362	158.88	183.70
Gove	548,328.90	3,458	158.57	183.34
Riley	9,867,308.53	62,635	157.54	182.15
Barber	1,002,361.02	6,411	156.35	180.77
Atchison	2,783,364.70	17,894	155.55	179.85
Allen	\$2,375,605.90	15,276	\$155.51	179.81
Miami	3,597,406.73	23,223	154.91	179.11
Pawnee	1,169,591.79	7,578	154.34	178.45
Kiowa	581,172.67	3,785	153.55	177.53
Cheyenne	522,985.60	3,456	151.33	174.97
Dickinson	3,026,117.08	20,016	151.18	174.80
Phillips	1,048,045.16	6,962	150.54	174.05
Trego	591,320.90	3,934	150.31	173.79
Ellsworth	921,752.73	6,235	147.84	170.93
Jackson	1,730,395.42	11,712	147.75	170.83
Brown	1,674,375.21	11,355	147.46	170.49
Decatur	615,616.87	4,179	147.31	170.32
Clay	1,357,844.48	9,259	146.65	169.56
Morris	926,938.40	6,391	145.04	167.70
Marion	1,817,334.65	12,792	142.07	164.26
Hamilton	340,898.84	2,436	139.94	161.80
Osborne	743,141.31	5,323	139.61	161.42
Stanton	338,022.88	2,434	138.88	160.57
Greeley	247,440.04	1,784	138.70	160.37
Sheridan	446,414.36	3,250	137.36	158.82
Rawlins	506,698.11	3,705	136.76	158.12
Lane	332,931.16	2,452	135.78	156.99
Republic	950,646.40	7,015	135.52	156.69
Kingman	1,194,955.83	8,840	135.18	156.29
Wallace	260,976.08	1,949	133.90	154.82
Rice	1,428,347.19	11,095	128.74	148.85
Leavenworth	8,261,024.64	64,754	127.58	147.50
Greenwood	1,024,039.44	8,078	126.77	146.57
Anderson	1,041,194.93	8,243	126.31	146.04
Sumner	3,103,302.44	25,438	121.99	141.05
Doniphan	1,086,431.58	9,010	120.58	139.42
Comanche	295,459.36	2,455	120.35	139.15
Wilson	1,374,707.60	11,473	119.82	138.54
Edwards	468,207.60	3,915	119.59	138.28
Coffey	1,043,303.91	8,863	117.71	136.10
Meade	516,616.48	4,431	116.59	134.80
Clark	272,478.22	2,558	106.52	123.16
Osage	1,700,962.19	16,024	106.15	122.73
Lincoln	380,117.75	3,616	105.12	121.54
Gray	556,693.08	5,412	102.86	118.93
Cherokee	2,271,209.36	22,295	101.87	117.78
Haskell	393,428.17	3,885	101.27	117.09
Chase	301,894.66	3,061	98.63	114.03
Washington	737,766.65	7,573	97.42	112.64
Ottawa	541,142.03	5,909	91.58	105.89
Rush	357,131.99	3,969	89.98	104.04
Woodson	371,106.13	4,129	89.88	103.92
Linn	726,389.18	8,175	88.85	102.74
Kearny	351,026.82	3,997	87.82	101.54
Chautauqua	396,854.51	4,655	85.25	98.57
Stafford	438,483.48	5,353	81.91	94.71
Jewell	373,360.78	4,649	80.31	92.86
Hodgeman	167,717.31	2,211	75.86	87.71
Jefferson	1,175,759.08	16,496	71.28	82.41
Elk	238,993.40	3,574	66.87	77.32
Wabaunsee	422,965.27	6,737	62.78	72.59
Sum of Counties	615,626,299.31	2,475,255	\$248.71	\$287.57
Misc. Amo	326,077.20			
Chain Stores	6,264,439.32			
Door to Door	35,962,257.45			
Pub Utils	41,824,247.15			
Vending Mach	3,101,466.89			
Circus and Ca	2,075.00			
County Treas	8,690,269.54			
State Sum	711,797,131.86		\$287.57	

1-2



CITY OF OLATHE

TO: Members of the Senate Assessment & Taxation Committee
FROM: Donald R. Seifert, Planning and Development Director
SUBJECT: House Bill 2637, Local Sales and Transient Guest Tax Information
DATE: March 20, 1990

On behalf of the City of Olathe, thank you for the opportunity to appear today in support of House Bill 2637. As you know, this bill would require the Department of Revenue to provide a periodic report on local sales tax and guest tax collections if requested by a city or county. I would like to provide two brief examples of how the City of Olathe would use such information.

For some time, Olathe has looked to alternative revenue sources such as sales and guest taxes to finance our local government operations. Today, local sales taxes are an especially critical revenue source, accounting for more than 41% of our general fund revenues. The city presently receives a monthly sales tax report indicating gross collections. We suspect, although we have no definitive information, that our retail sales are heavily concentrated in a few sectors such as food and automobiles. The ability to monitor sales trends in these critical sectors would greatly enhance the reliability of our revenue projections, which must be made 12 to 18 months in

Senate Assessment and Taxation Committee

advance to fit the budget cycle. With better information, mid-year expenditure corrections could be made if warranted.

I would also like to cite another example of how this bill would be useful. Last year, we had a situation where approximately \$40,000 in guest tax collections from an Overland Park motel were incorrectly credited to Olathe. Correction of this error caused both cities some bookkeeping and cash flow problems, which might have been avoided if this type of report had been available to local officials. This error also caused a cash flow problem for the local Chamber of Commerce, which utilizes guest tax revenues for economic development and visitor promotion activities.

The city believes such accounting problems are rare. However, they do happen, especially in an area like Olathe that experiences frequent annexations, multiple zip codes, and contiguous borders with other cities. In our view, House Bill 2637 would simply provide a means for cities and counties to assist the Department of Revenue with its responsibilities to administer, enforce, and collect local sales taxes.

We would appreciate the Committee's favorable consideration of this bill.



City of
BONNER SPRINGS



March 20, 1990

RE: HOUSE BILL NO. 2637 LOCAL SALES & TRANSIENT GUEST TAX;
REPORTS TO COUNTIES AND CITIES

TO: HONORABLE CHAIRMAN AND MEMBERS OF THE COMMITTEE

The City of Bonner Springs feels that the release of information on the City's retail sales tax collections by businesses would benefit the City as well as the State and County. Benefits would include:

- We license any business doing business within the City and could use this information to help match registrations of businesses with the State.
- Our Local Retail Sales tax (1%) funds 30% of our General Fund. The revenue is vital to our day to day operation and has allowed us to reduce our dependence on the property tax.
- Since our fund balances are small, our control over cash flow is very important. We routinely end the fiscal year with less than 1% cash carry forward. Any upset in sales tax collections would impact city services immediately. We experienced one major problem with a distribution in March, 1988. We noticed our sales tax collections were not meeting our projections. The Department of Revenue assisted us but could not release certain information. Calls were made monthly and the staff in the Department were very accommodating by phone, however, no quick answer was found.

Members of our staff went to the Department in April of 1989. Mr. John Parks had discovered our problem. He was unable to disclose the problem due to State Statute. This error was due to an error in coding. The revenue was distributed in error to another City. This problem lasted fourteen months. We had already ended the year and adjustments in services had to be made to end the year within revenue available. We ended the year with \$8,366 or 1% of the General Fund revenue remaining.

The adjustment was for approximately \$71,000.

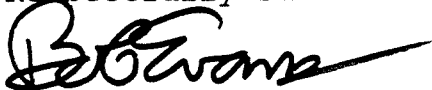
House Bill No. 2637
March 20, 1990

- The Department of Revenue has a very competent staff with the information available to them. However, even with additional staffing, they do not have the "local" knowledge to "see" problems in sales tax payments or easily identify "missing" local taxpayers.
- Another error in reporting was found after calls to the Department in October of 1989. This was due to a payment that was not coded. It was not distributed until the proper city coding was provided.
- Like many cities in Kansas, the City of Bonner Springs has decreased its use of property tax revenues to fund local services. With a growing commercial tax base in our community, we have built our financial plan to provide city services upon sales tax revenue. In 1991, sales tax revenues will equal revenue from the property tax. In addition, the city has used sales tax to support needed improvements within the community. The City of Bonner Springs was the first city in the state of Kansas to take advantage of the authority granted to issue sales tax revenue bonds backed entirely by the proceeds of the sales tax. By the nature of this commitment, the first dollars of sales tax received are used to support needed payments to honor these bonding commitments. The sales tax revenues remaining are then used for budgeted operating expenses. **Any shortfall in sales tax revenues based upon a coding problem or other bookkeeping errors can have a very compounded and substantial effect upon the ability of the city to deliver day-to-day services.**

For all of the reasons stated above, we believe that passage of House Bill No. 2637 is in the best interest of this city and the citizens of the state of Kansas. We understand and accept the responsibility to maintain the confidentiality of the information to be provided to the cities from local businesses. We do not believe there is an inherent distrust of the city in this regard. We have been offered, very freely and in some cases without request, sales volume information and actual tax payment histories from local businesses to attempt to identify previous problems that were occurring in sales tax cash flow.

We again urge your favorable consideration of this needed legislation.

Respectfully submitted,



Bob Evans
City Manager

ma



Overland Park

**TESTIMONY BEFORE
SENATE ASSESSMENT & TAXATION COMMITTEE**

Good morning, Chairman Thiessen, Vice Chair Langworthy and members of the Senate Assessment & Taxation Committee. My name is Alan Sims, Assistant to the City Manager, representing the City of Overland Park. I appear before you today in support of HB 2637.

HB 2637 would require the Director of Taxation to provide upon request a monthly report identifying the amount of sales and transient guest tax remitted by retailers doing business in a city or county.

There are several reasons for our support of HB 2637, one of which is a specific situation that created considerable confusion. As with many other Convention and Visitors Bureaus, transient guest tax revenues received by a city are then transferred to the CVB to fund their operating budget. In the third and fourth quarters of 1988, after receiving a significant reduction in these funds, the city began to investigate the cause of the shortfall. After several months, it was determined by the Department of Revenue that a hotel in Overland Park was incorrectly entered into their system as being in Olathe. Consequently,

Senate Assessment and Taxation Committee
March 20, 1990 ATTACHMENT 4

\$42,000 that was supposed to be sent to Overland Park was incorrectly sent to Olathe, without Overland Park having any means of determining where the problem was. The Overland Park Convention & Visitors Bureau, which is directly responsible for bringing in millions of dollars to our state and local economy, had to curtail worthwhile programs until the issue was resolved. HB 2637 would help to alleviate this situation from reoccurring by providing a simple system of checks and balances that presently does not exist.

Another reason for our support of this bill is that HB 2637 would allow the city to prepare more accurate monthly forecasts of sales tax. Since the cash basis law requires local governments to only spend what is received, it is urgent that each local government know as early as possible any potential changes to a major revenue source.

Monthly sales tax forecasts are prepared based on tax distributions from the previous months and years. These projections are not only used for planning purposes in determining the operating budget, but also in forecasting revenue used to fund the city's five-year capital improvements budget. Any significant variance in monthly tax revenues for more than a quarter can have an adverse effect and is a signal to carefully review and revise planned expenditures.

One final reason for our support of HB 2637 is the uncertainty in the economic climate of our state as a result of

reappraisal and classification. Since the City of Overland Park relies heavily on sales and transient guest tax revenues and they are not as stable as some other sources, any additional forecasting tool would be greatly appreciated.

As far as confidentiality is concerned, we would be willing to abide by any limitations or restrictions that are deemed necessary.

We thank you for this opportunity to appear in support of HB 2637.

**TESTIMONY SUBMITTED TO THE SENATE ASSESSMENT AND TAXATION
COMMITTEE ON HOUSE BILL 2637**

LINTON BARTLETT, REPRESENTING THE CITY OF KANSAS CITY, KANSAS

The City of Kansas City, Kansas supports House Bill 2637 which would require that the Director of Taxation provide certain information on local sales and transient guest taxes to cities and counties upon their request. Information on who is paying the taxes and the amount being paid would be beneficial to the City for a couple of reasons.

First, the information would show whether or not all businesses and hotels-motels within the City that should be paying the taxes are actually reporting and paying them. Since the City and the State both derive revenue from these taxes, the City could use payment information to help insure that the City and the State are getting all the revenue due them.

Secondly, the City makes projections on revenue from these two taxes in formulating the annual budget. The information which this bill would allow the City to get from the Department of Revenue would allow the City to better track revenue trends. These trends would enable City finance personnel to make better revenue projections on which to base the budget. Also, if the information shows a downturn in tax revenue collection, the City could take appropriate steps in adjusting its expenditures.

A recent example of how the payment information would be useful to the City is that the City's latest receipts from the transient guest tax were \$15,000 less than expected. The City had raised this tax from 2% to 4% in October, 1989 and had built the projected additional revenue into the 1990 budget. The revenue from the tax is used to finance our Convention and Visitors Bureau and the Jack Reardon Civic Center. Without the information on who paid the tax and how much from the Department of Revenue, which this bill would allow the City to get, the City has no way of knowing if the shortfall is due to faulty revenue projections or to delinquent remittances of the tax by some businesses. This information would be crucial in making any necessary adjustments to expenditures.

The City would like to stress that this information would be kept strictly confidential and would be used only by City finance personnel. It would not be released to any other entity or organization.

For these reasons, the City of Kansas City supports House Bill 2637 and respectfully asks for favorable consideration by the Committee.

TESTIMONY TO SENATE ASSESSMENT AND TAXATION COMMITTEE

REGARDING HB 2637

LOU SERRONE, CITY COUNCILMEMBER

LENEXA, KANSAS

MARCH 20, 1990

Mr. Chairman and Members of the Committee:

My name is Lou Serrone, Councilmember for the City of Lenexa, which is a city of approximately 33,500 residents located in Johnson County. I am here to speak specifically in support of House Bill 2637.

Lenexa's one cent sales tax constitutes 40% of the entire General Fund budget. As Lenexa has grown in the number of retail establishments, the result has been an increase in sales tax revenues which has allowed the City to reduce its dependence on property taxes for the General Fund. As we develop, we become increasingly reliant on alternative sources of revenue to provide needed services to residents while continuing to provide infrastructure for development.

Local governments are increasingly held accountable for projecting revenues at least 1 1/2 years in advance. Since the sales tax and transient guest tax are both fluctuating revenue sources that are solely dependent on market conditions, it is critical to have detailed information to project the next year's budget.

House Bill 2637 provides disclosure of detailed sales tax and transient guest tax revenues provided by particular businesses. Presently, cities do not have access to these detailed breakdowns and are not certain that appropriate taxes are being reimbursed to the responsible local unit of government.

It is impossible to project an accountable or accurate budget 1 1/2 years in advance if a business of significant size moves out of town or experiences financial difficulty.

The City of Lenexa recently encountered a major decrease in our 1989 transient guest tax revenues, amounting to approximately \$60,000 less than at the same period in 1988, yet occupancy rates were higher. Approximately three months later, the City received an increase in revenue close to the previous decrease. However, no explanation was given. Obviously, there was some type of mistake for which we have no means to correct. The problem is that we are not able to predict, verify, or hold accountable, any particular cause if we are not provided a detailed breakdown of revenue origin. Cities need the ability to assist the Department of Revenue in verifying that proper credit was given to the respective jurisdictions.

Finally, I would add that our neighboring state of Missouri has provided this information to local governments for several years encountering no problems. Similar to Missouri statutes, House Bill 2637 contains a confidentiality clause requiring that this information be kept from public scrutiny. Cities need the ability to provide fiscal accountability and sound analysis when dealing in today's complex financial and budgeting environment. I believe that House Bill 2637 is good sound legislation that will tremendously assist local governments' accountability.

Mr. Chairman and members of the committee, thank you for allowing me to speak today and I would be pleased to answer any questions.



Lenexa Chamber of Commerce

Lenexa
KANSAS CITY'S RISING STAR



March 15, 1990

Senator Dan Thiessen, Chairperson
Senate Taxation Committee
State Capitol Building
Room 143-N
Topeka, KS 66612

RE: H.B. 2637

Dear Senator Thiessen:

The Lenexa Chamber of Commerce operates an economic development program and a convention and tourism program, both of which derive their funding from transient guest taxes paid by the lodging facilities in our city.

Under the present statute, we are unable to accurately project revenues for budget planning when revenue predictions are based on blind estimates. The provisions in H.B. 2637 would assist cities in identifying any miscalculations in the amount of sales tax and transient guest tax received; and, with the strict confidentiality clause proposed in the amendment, businesses would be protected.

Recently we experienced a situation that illustrates the need for the proposed change in the statute. Our 3rd quarter 1989 transient guest tax receipts were approximately \$50,000 below projections. Because the City was denied access to detailed information, they had to assume the receipts were accurate and notified us that our 1990 budgets would have to be pared down by twenty percent. A significant amount of time was spent trying to figure out what had happened. The negative implications of this shortfall were reported in the newspaper, and we experienced a lot of frustration from having to make such drastic adjustments in our current marketing programs. As it turned out, our 4th quarter receipts received the first of February were \$47,000 more than expected, which made up the difference.

Had the City been receiving reports showing the amount of tax remitted monthly, this situation would not have occurred. We urge you to recommend in favor of H.B. 2637. Thank you for your consideration.

Very truly yours,

Linda Pruitt

Linda Pruitt
Executive Director

Senate Assessment and Taxation Committee
March 20, 1990 ATTACHMENT 7



DATE: March 20, 1990
TO: SENATE ASSESSMENT AND TAXATION COMMITTEE
FROM: George Barbee, CAE
Executive Director
RE: HOUSE BILL 2637 - TRANSIENT GUEST TAX REPORTS

Mr. Chairman and members of the committee my name is George Barbee, President of Barbee & Associates and appearing before you today representing the Kansas Lodging Association. The Kansas Lodging Association is opposed to the state divulging transient guest tax receipt information as proposed in sections two and three of House Bill 2637.

Transient Guest Tax is a local option tax that was originally legislated at an intended 2% on each room rate per night collected by our hotels and motels from transient guests.

Unfortunately, the original statute was determined by an Attorney General to not be uniform and equal, so several cities have removed themselves from the 2% limit by charter ordinance. The tax in approximately forty-three cities with a Convention and Visitors Bureau ranges from a low 2% to a high 6% and is still rising. This tax produces over \$5.5 million dollars per year. The purpose of the tax is to fund the local tourism promotion efforts.

If a hotel or motel owner fails to comply with the provisions of the statutes relative to collection and submittal of the tax, there are penalty provisions ranging from interest charges, fines and imprisonment.

The information regarding the taxes collected and transmitted to the state is sensitive and proprietary. This is information most business people would not want their best friend, their worst enemy or their competitor, especially their competitor, to have.

Senate Assessment and Taxation Committee
March 20, 1990 ATTACHMENT 8

HB-2637 would require that the Department of Revenue provide a monthly report identifying each person collecting transient guest tax setting forth the amount of such tax remitted. The bill has been amended to specify that a request for this information must be made by a "city or county clerk or treasurer" and is to be kept confidential. But, the bill later has a provision that infers that this information can be made available to any city or county officer or employee. Refer to line 1 thru 4 on page 4 and line 26 thru 29 on page 5 where the bill provides that, "information received by any city or county pursuant to this section shall be kept confidential, and it shall be unlawful for any officer or employee of such city or county to divulge any such information in any manner."

The bill does not include a containment provision restricting the information. Nor is there any penalty provisions for acting in an unlawful manner for divulging information. In a worst-case scenario I can imagine that a city clerk, a chamber executive, a CVB director, a mayor and each of the members of a city council could, by loose interpretation of the law, be privy to the information without violating the law, or at least without fearing prosecution of any type.

The lack of confidentially safeguards in the bill is the major concern of the lodging industry.

It is interesting to note that in November 1989 the city of Salina passed an ordinance requiring hotel and motel owners to file a duplicate copy of their monthly Transient Guest Tax report to the city clerk. It may be that this is a local issue which should be dealt with locally as has been done in Salina, and should not be mandated by the state of Kansas.

We have heard testimony that this bill is needed because one city received the funds that belonged to another city. That appears to be a problem with administration of the system by the Department of Revenue and will not be corrected by this bill.

Mr. Chairman and members of the committee we respectfully ask that to protect the divulgence of sensitive, proprietary, tax information of, for the most part, small businessmen, sections two and three, which deal only with Transient Guest Tax, be deleted from HB 2637

Thank you for allowing us to speak to this issue and I would be glad to respond to any questions that you might have.



**League
of Kansas
Municipalities**

**Municipal
Legislative
Testimony**

An Instrumentality of Its Member Cities. 112 West Seventh Street, Topeka, Kansas 66603 913-354-9565 Fax 354-4186

To: Senate Committee on Assessment and Taxation
From: E.A. Mosher, Executive Director
Re: HB 2637--Information on Local Sales and Transient Guest Taxes
Date: March 20, 1990

On behalf of the League and its member cities, I appear in support of HB 2637. We currently have about 62 counties and 119 cities--a total of 191--which have a local option sales tax. There are 58 local units--43 cities and 15 counties--which levy a transient guest tax. As you know, these locally levied taxes are administered by the Department of Revenue. The bill would permit city and county clerks and treasurers, to obtain from the Department information as to the place of business and the amount remitted by those subject to these local taxes. The information would be required to be kept confidential, and there is an authorization for the Department to impose a reasonable fee to cover the cost of providing the information.

We believe the availability of this information would permit cities and counties to help secure the enforcement of both state and local sales and hotel-motel taxes. This information could also help minimize misallocations of revenue which may result, where the collected revenue has been mistakenly credited to the benefit of another city or county. Further, we think this information will be helpful to local units to better project the revenue to be collected, and facilitate adjusting expenditure levels where there are declining collection trends not meeting budget expectations.

We are advised that other states which provide for state collection of local add-on taxes, such as Missouri, do provide this kind of information to local governments, and report no significant problems.

In summary, we think passage of the bill may help the state in collection of state taxes, will help local governments, and will not impose an additional financial burden on the state since the costs would be paid by those local units requesting the information.

*President: Irene B. French, Mayor, Merriam * Vice President: Frances J. Garcia, Mayor, Hutchinson * Directors: Ed Ellert, Mayor, Overland Park * Harry Felker, Mayor, Topeka * Greg Ferris, Councilmember, Wichita * Idella Frickey, Mayor, Oberlin * William J. Goering, City Clerk/Administrator, McPherson * Judith C. Hollneworth, Mayor, Humboldt * Jesse Jackson, Mayor, Chanute * Stan Martin, City Attorney, Abilene * Richard U. Nienstedt, City Manager, Concordia * Judy M. Sargent, City Manager, Russell * Joseph E. Steineger, Mayor, Kansas City * Bonnie Talley, Mayor, Garden City * Executive Director: E.A. Mosher*

Senate Assessment and Taxation Committee
March 20, 1990 ATTACHMENT 9



City-County Building
300 West Ash Street
P.O. Box 736
Salina, KS 67402-0736

Summary Written Testimony for Senate Taxation Committee
RE: H.B. 2637

March 16, 1990
by Dennis M. Kissinger, City Manager

At the direction of the Salina City Commission, I am providing information in favor of H.B. 2637, regarding Local Sales and Transient Guest Tax Information.

The City of Salina supports this bill for the following reasons:

- 1) Improved Enforcement - Local governments would be able to compare local information identifying businesses to the information on sales or transient guest tax payers received from the Department of Revenue. With limited state staff and budget, this would provide an opportunity for localities to assist in identifying businesses which may not be on the sales tax rolls for that locality, but should be.
- 2) Minimizing Misallocations - There have been instances in which sales or guest tax proceeds have been misallocated to other local units of government. Possible misallocations could be found at a much earlier date if the local units have business payment data to review. During 1989, a shortfall of approximately \$30,000 was experienced by Salina in Transient Guest Tax Funds. This shortfall caused serious concern and delays in certain convention and visitors programs. The Department of Revenue ultimately located a misallocation of Saline County taxes from one motel to a neighboring city, as well as a motel which had not paid its taxes for a long period of time. Had the provisions of H.B. 2637 been in effect, we would have been able to identify the reason for the revenue shortfall very quickly and to point the Revenue Department in the right direction, thus saving significant state staff time and effort.

I don't think anyone is certain how often other inadvertent misallocations occur, either through misreporting by a retailer or other error. Sales tax receipts vary so greatly from month to month that it is impossible today for a local government to know if a month or quarter of lower-than-expected receipts is due to a downturn in the local economy or a possible misallocation. The Revenue Department cannot possibly be expected to catch all misreporting or other errors, but localities could clearly identify a local business missing from a monthly or quarterly report.



CITY COMMISSION
JOSEPH A. WARNER, MAYOR
CAROL E. BEGGS
JOHN DIVINE
ROBERT E. FRANK
STEPHEN C. RYAN

CITY MANAGER
DENNIS M. KISSINGER
(913) 823-2277

MEMBER . . . LEAGUE OF KANSAS MUNICIPALITIES • NATIONAL LEAGUE OF CITIES

Senate Assessment and Taxation Committee
March 20, 1990 ATTACHMENT 10

- 3) Budgeting and Revenue Forecasting Improvement - We believe it is essential for local governments in this time of tight finances and tax time of tight finances and tax concerns to do the most effective job possible of budgeting and financial planning. In Salina, we have a skilled, professional staff including a CPA Finance Director. We are regularly providing our elected officials with both short-term and long-term budget and finance projections. With better information on sales and guest tax trends, we can do a more effective job. There is, obviously, a very significant difference for the future if a local sales tax is growing a 2% per year due to increased fast-food hamburger sales, as compared to growth in sales of durable goods. We believe better information leads to better decision-making.
- 4) Improved Program Impact Analysis - Again, better information can lead to better decision-making. The City of Salina has spent \$7 million on downtown redevelopment and improvements. Ongoing Downtown Business Improvement programs are underway. Our City Commission is constantly searching for good means of analyzing the real public benefit of these investments and programs. Under the provisions of this bill, a local government such as ours could look at factual retail trends within various business districts of the City or County. In this manner, we could better evaluate the success of our projects and programs.
- 5) Impact of Other Factors on Business - Another example of public purpose usage of local tax information is in analyzing possible temporary negative impacts of public projects. In Salina, we are currently replacing a major bridge, causing substantial traffic changes for a business district. Several affected businesses have claimed substantial sales losses due to this project. With factual information on prior and current sales trends, the local officials could identify true impacts and perhaps better justify special programs to mitigate any negative impact.

Summary

We believe H.B. 2637 provides an excellent opportunity for improved efficiency and effectiveness of government in Kansas. We are willing to pay appropriate costs of this. We strongly support necessary confidentiality provisions which prohibit divulging information to anyone other than authorized public officials for clear public purpose use.

In addition, having previously been a City Manager in a Missouri city, I can testify how well a similar system has worked there since implemented several years ago. The system is supported by state and local officials, and the business community has apparently found no abuse or reason to object. No efforts have been made to repeal their program.

We have been pleased with the cooperation our City has always received from the Kansas Department of Revenue. We believe this bill would provide advantages both to their staff operations and to local government.