

Approved WED. 4-1-92  
Date

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 17, 1992 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

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

Conferees appearing before the committee:

Mark Burghard, Legal Counsel-Department of Revenue

Chairman Dan Thiessen called the meeting to order and said the agenda for today is a hearing on HB2111, HB2182 and HB2399 and he turned attention to HB2111 recognizing Tom Severn to brief the committee.

HB2111: amending date on which certain taxes are required to be remitted to the state; requiring financial institutions subject to the privilege tax to make estimated tax payments.

Tom Severn said HB2111 is an accelerator bill, it accelerates collection of withholding, liquor enforcement tax, liquor excise tax and financial institutions privilege tax.

He said, the financial institutions privilege tax it is not an accelerator, as much as it is a requirement for them to pay an estimated tax.

Mark Burghart, Legal Counsel, Department of Revenue said, HB2111 contains one of the components of Governor Finney's property tax relief package. He said, it provides generally for the acceleration of certain tax payments and also establishes a system of estimated tax payments for privilege taxpayers (Banks and Savings and Loan Institutions).

He said, the individual elements of HB2111 as amended by the House Committee and their associated fiscal notes are set forth in his hand-out.

Mr. Burghart said the total revenue from these various accelerators would be \$16.2M. The proposed statutory changes would take effect upon publication in the state register. (ATTACHMENT 1)

Written testimony was turned in by Gloria M. Timmer, Director of Budget, Department of Revenue (ATTACHMENT 2)

After committee discussion regarding the various accelerators, and employers remitting withholding taxes and dates to remit, and the privilege taxpayers payment schedule, The Chairman recognized Don Hayward for technical amendments needed to the bill.

Don Hayward said (some sub-cites need to be changed) and with regard to Sec. 4, this act needs to be changed to ARTICLE 79, and paragraph 3, of the Department of Revenue's hand-out to read "to amend to provide that the estimated payments would be effective for privilege tax years beginning after December 31, 1992.

Senator Phil Martin made a technical motion to amend HB2111 by amending on page 3, line 13, by striking "1990" and inserting "1991" and page 5, line 29, strike "this act" and insert "article 11 of chapter 79 of the Kansas Statutes Annotated"; and page 6, after line 32, insert a new subsection to read as follows: "(d) The provisions of this section shall be applicable to all taxable years commencing after December 31, 1992."; and page 6, line 34, strike "1990" and insert "1991"; and in the Title, in line 13, strike "1990" and insert "1991"; 2nd by Senator Gerald Karr. The motion carried.

Senator Phil Martin moved to favorably pass HB2111 as amended, 2nd by Senator Gerald Karr. The motion carried. Senator Don Montgomery is recorded as voting No.

Chairman Thiessen turned attention to HB2183.

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 17, 1992.

HB2183: Provide individual state income tax check-off for support of amateur sports programs.

After committee discussion on the check-off boxes on the forms and electronic filing, and the similarities with HB2399.

HB2399: Provide for an income tax refund or donation check off for KS for kids program.

The Chairman recognized Senator Steineger.

Senator Jack Steineger moved to report HB2183 unfavorable.

Senator Lana Oleen made a substitute motion to request a interim study on HB2183 and HB2399 for a check-off program, 2nd by Senator Janis Lee. The motion carried.

Senator Fred Kerr moved to amend the minutes of Friday March 6, 1992 on the back page regarding SB629, that staff provide the secretary with the actual language that went into the bill, and adopt the minutes as amended, dated March 6, 1992 and the minutes dated March 9, 1992. The motion carried.

Chairman Dan Thiessen adjourned the meeting at 11:43 a.m.



STATE OF KANSAS



Mark A. Burghart, General Counsel  
Robert B. Docking State Office Building  
915 S.W. Harrison St.  
Topeka, Kansas 66612-1588

(913) 296-2381  
FAX (913) 296-7928

Department of Revenue  
*Legal Services Bureau*

**MEMORANDUM**

To: The Honorable Dan Thiessen, Chairman  
Senate Committee on Assessment and Taxation

From: Mark A. Burghart, General Counsel  
Kansas Department of Revenue

Date: March 17, 1992

Subject: House Bill No. 2111

---

Thank you for the opportunity to appear in support of H.B. 2111. The bill contains one of the components of Governor Finney's property tax relief package. The bill provides generally for the acceleration of certain tax payments and also establishes a system of estimated tax payments for privilege taxpayers (banks and savings and loan institutions). The individual elements of the bill as amended by the House Committee on Taxation and their associated fiscal notes are set forth below:

1. Employers with annual withholding over \$8,000 are required to remit the tax four times during each month rather than twice a month. The one-time effect of the accelerated payments is \$8.4 million.
2. The liquor enforcement tax and liquor drink tax payment date is changed from the last day of the month following date of sale to the 25th day of the following month. The one-time effect of the accelerated payment is \$1 million.
3. Privilege taxpayers are required to make estimated tax payments in the same manner as corporations for income tax purposes. Estimated tax payments would be made quarterly rather than as a single payment as required under current law. The creation of a system of estimated tax payments for privilege taxpayers has a one-time effect of \$6.79 million. The bill should be amended to provide that the estimated payments would be effective for privilege tax years beginning after December 31, 1992.

The total revenue from these various accelerators would be \$16.2 million. The proposed statutory changes would take effect upon publication in the state register.

I would be happy to respond to any questions you might have.

SENATE ASSES. & TAX  
3-17-92  
ATT. 1

M E M O R A N D U M

TO: Ms. Gloria M. Timmer, Director  
Division of Budget

DATE: March 16, 1992

FROM: Kansas Department of Revenue

RE: House Bill 2111  
As Amended By  
House Committee

BRIEF OF BILL:

House Bill 2111, as amended by House Committee, is a bill that amends the dates on which certain taxes are required to be remitted to the State and requires financial institutions subject to the privilege tax to make estimated tax payments.

Section 1, amending K.S.A. 79-3298, would require all employers withholding in excess of \$8,000 in a calendar year to file returns in the following manner: each calendar month is divided into four remittance periods that end on the 7th, 15th, 21st, and the last day of the month. Whenever an employer has undeposited taxes equal to or in excess of \$667 at the end of a remittance period the taxpayer has three days to remit the tax to the State.

Section 2, amending K.S.A. 79-4103, would require persons subject to collect and remit liquor enforcement taxes to remit those taxes on the 25th of the month following the month of collection, instead of the last day of the month.

Section 3, amending K.S.A. 1990 Supp. 79-41a03, would require persons subject to collect and remit liquor excise taxes to remit those taxes on the 25th of the month following the month of collection, instead of the last day of the month.

Old Section 4, amending K.S.A. 79-4220, would have changed the payment of mineral taxes from the second month following removal to the first month following removal. In the amended version this entire section has been deleted.

New Section 4 is new legislation providing for an estimated tax to be paid by privilege taxpayers whose annual liability can reasonably expect to exceed \$500. This section utilizes essentially the same language as for corporations that pay income taxes. One major difference is that corporations must pay an estimated tax on 80% of their current year taxes while privilege taxpayers would be required to pay 90%. This section also provides for a penalty if estimated tax is not paid when due and provides for the same two exceptions as does income tax.

The bill is effective from and after publication in the Kansas Register.

FISCAL IMPACT:

It is estimated that passage of this bill would increase State General Fund revenues in Fiscal Year 1992 by about \$16.2 million.

SENATE ASSES. & TAX  
3-17-92  
ATT. 2-1

## Section 1 (Withholding)

Department records show that \$24.0 million was received in withholding for the last half (the last two weeks) of June, 1991. Assuming that the bill would accelerate the first week of this two-week period, to be payable within three bank days following the 21st day of the month (June 25, 1992), assuming that filing is timely, assuming flat growth, and that the one week would be half the total for the prior year, the estimate is \$12.0 million. Assuming that the accelerated revenue would include payments from weekly-payroll filers and from some biweekly-payroll filers, and estimating that these would represent less than the \$12.0 million, the amount is reduced by 30%, or about \$8.4 million ( $\$24.0 \text{ million} / 2 = \$12.0 \text{ million} \times .70 = \$8.4 \text{ million}$ ).

## Section 2 and 3 (Liquor Enforcement and Private Club Taxes)

The moving of the payment date for both of these taxes from the last day of each month to the 25th day of the month is estimated to increase revenues by approximately \$1.0 million.

## New Section 5 (Financial Institutions)

The Fiscal Year 1993 Consensus Estimate for Financial Institutions is \$28 million. Assuming that the first quarterly estimated payment would be made on or before June 15, 1992, that 97% of the total liability represents filers with liability of at least \$500, and based on 100% of the total, the estimate is \$6.8 million ( $\$28 \text{ million} \times 97\% = \$27.1 \text{ million} \times 100\% = \$27.1 \text{ million} \times 25\% = \$6.79 \text{ million}$ ).

### ADMINISTRATIVE IMPACT:

The primary administrative impact of passage of this bill would be in the Record Services Bureau due to the estimated additional 228,000 withholding returns that would be received. Some minor costs would also be incurred in the Information Systems Bureau for program modifications that would be necessary.

A detailed list of additional administrative costs that the Department would expect to incur with the enactment of House Bill 2111 is reflected in the attached tables.


### ADMINISTRATIVE PROBLEMS AND COMMENTS:

1) The Department can see some problems in identifying withholding nonfilers on accounts that should be filing four times a month. Will the nonfilers program in withholding be looking for four postings or will one posting be enough to satisfy the filing of a return? Will we ever know that an account should be filing four deposits (the account has a weekly payroll) as opposed to one deposit (the account has a monthly payroll)?

2) It would seem that, if this is the course that the Department wishes to follow, it should initiate a true deposit system similar to the federal system. In the federal system accounts are instructed to make deposits within three days of their payrolls to banks enrolled in the federal system. The account then sends in a quarterly return to the IRS detailing their payroll deductions and payments. The IRS reconciles the returns to the accounts' deposit statements provided by the banks. Late charges and underpayment assessments are then billed to the account on a quarterly basis. This

system would eliminate our processing of remittances on large accounts and would get these remittances deposited into our bank accounts in a more timely manner. It would also allow for the orderly processing of these large accounts on a quarterly basis without the loss of float time on the remittances to be processed.

APPROVED BY:



Mark Beshears  
Secretary of Revenue

House Bill 2111  
As Amended By House Committee  
Annual Expenses  
March 16, 1992

I. Operating Expenses	FY 1993	FY 1994
1. Salaries and Wages		
(1) Tax Examiner II, @ \$22,400	\$ 22,400	\$ 22,400
(1) Office Assistant II, @ \$18,800	18,800	18,800
(1) Key Board Operator II, @ \$20,500	20,500	20,500
Total Salaries and Wages	\$ 61,700	\$ 61,700
II. Other Operating Expenses		
1. Contractual Services		
Microfilm Supplies	\$ 350	\$ 350
Total Contractual Services	\$ 350	\$ 350
Total Other Operating Expenses	\$ 350	\$ 350
Total Operating Expenses	<u>61,700</u>	<u>61,700</u>
<b>TOTAL ANNUAL EXPENSES</b>	<b>\$ 62,050</b>	<b>\$ 62,050</b>



House Bill 2111  
As Amended By House Committee  
One-Time Expenses  
March 16, 1992

I.	Operating Expenses	FY 1992
	1. Salaries and Wages	
	Computer Systems Analyst, 26 days @ \$135	\$ 3,510
	Programmer, 26 days @ \$148	<u>3,848</u>
	Total Salaries and Wages	\$ 7,358
II.	Other Operating Expenses	
	1. Contractual Services	
	Electrical Outlet, 2 ea. @ \$78	\$ 156
	Electrical Outlet (dedicated), 1 ea. @ \$87	87
	Terminal Cable, 1 ea. @ \$125	125
	Installation of Cable, 1 ea. @ \$275	275
	Total Contractual Services	\$ 643
	2. Capital Outlay	
	Desk, 60" x 30", Executive, Double Pedestal, 2 each @ \$450 ea.	900
	Steno Posture Chair, 3 each @ \$150	450
	Mainframe Telex Color Terminal, 1 ea. @ \$1,020	1,020
	Calculator, 12 column, printing calculator, 1 each @ \$88 ea.	<u>88</u>
	Total Capital Outlay	\$ 2,458
	Total Other Operating Expenses	\$ 3,101
	Total Operating Expenses	\$ 7,358
	<b>TOTAL ONE-TIME EXPENSES</b>	<b>\$ 10,459</b>