

Approved June 26, 1992

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Sen. Edward F. Reilly, Jr. at 11:00 a.m. on February 12, 1992 in Room 254-E of the Capitol.

All members were present except:

Sens. Ehrlich, McClure and Strick were excused

Committee staff present:

Mary Torrence, Office of Revisor of Statutes
Mary Galligan, Legislative Research Department
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:

Gene Yockers, Director, Kansas Real Estate Commission
Jean Duncan, Admin. Asst., Kansas Real Estate Commission
Dana Nelson, Executive Director, Kansas Racing Commission
John Roberts, Kansas Lottery Office

Others attending: See attached list

Sen. Reilly called the committees' attention to SB 515 and the motion pending, which was made yesterday by Sen. Ward. Sen. Ward stated he had gotten feedback and changed his mind and withdrew the motion; Sen. Walker withdrew his second to the motion. The committee asked questions from the Real Estate Commission staff regarding fee schedules and the processing procedures. Sen. Morris made a motion that all fees be set at \$100, and it was seconded by Sen. Ward. After further discussion, Sen. Walker made a substitute motion that no fees exceed \$300, leaving the amount of fees at the Boards' discretion, and it was seconded by Sen. Vidricksen. The substitute motion passed. Sen. Walker moved SB 515 be passed as amended, (Committee Report - Attachment 1), and it was seconded by Sen. Morris. The motion passed. Sen. Ward will carry the bill on the Senate floor.

The Chairman asked the committee to look at SB 516, relating to parimutuel racing and the tax on wagering. The committee asked numerous questions of Dana Nelson regarding escalation of the wagering tax, delaying the increase for one year and the economy and how it affects the racing industry. Mr. Nelson told the committee the commission had discussed the impact this would have on the racing industry and the general conclusion was that the Legislature should regulate it. He went on to discuss the fiscal impact and provided data to the committee (Attachment 2). Sen. Reilly suggested that Mr. Nelson go to the commission for additional information and bring it back to the committee for further discussion, along with data from other states. Sen. Bond suggested Mr. Nelson provide to the committee a formula and alternative suggestions from the commission. Sen. Walker made a motion to table the bill, and Sen. Morris seconded the motion. Sen. Strick made a substitute motion to leave the tax on wagering at 3/18, and it was seconded by Sen. Vidricksen. After discussion, Sen. Walker asked for a point of order, and the Chairman ruled that a substitute motion cannot be made on a motion to table a bill, and that it will require a two-thirds to pass the motion to table. The Chairman called for a vote, and a division was called. The vote: Yes - 4; No - 3; the motion failed. The Chairman requested that Mr. Nelson return to the

committee with the report from the commission next Tuesday.

Sen. Reilly called attention to SB 513 and introduced John Roberts, Kansas Lottery, who presented information on the assignment of prizes (Attachment 3). Sen. Bond stated he believes additional language is needed, and Sen. Morris stated he would like to see figures relating to the amounts of money it would cost the Lottery Office to implement. Sen. Reilly requested that Mr. Roberts return to the committee with a recommendation on additional language and costs, as had been discussed. Sen. Bond stated he was prepared with amendments to SB 513 when the committee is ready to consider.

Sen. Reilly announced the committee will have a hearing tomorrow on SCR 1632.

Meeting adjourned at 12:05.

Don Kelly
2/13/96
CRS515ml
Attach.

REPORTS OF STANDING COMMITTEES

MR. PRESIDENT:

Your Committee on Federal and State Affairs

Recommends that Senate Bill No. 515

"AN ACT amending the state certified and licensed real property appraisers act; amending K.S.A. 1991 Supp. 58-4104, 58-4106 and 58-4107 and repealing the existing sections."

Be amended:

On page 2, by striking all of lines 42 and 43;

On page 3, by striking all of lines 1, 2 and 3; in line 4, by striking all before the comma and inserting "original or renewal certification or licensure"; in line 5, by striking "(6)" and inserting "(4)"; in line 7, by striking "(7)" and inserting "(5)"; in line 8, by striking "\$10" and inserting "\$25"; in line 9, by striking "(8)" and inserting "(6)"; in line 12, by striking "(9)" and inserting "(7)"; in line 19, by striking "no expiration date and may charge a fee of \$10" and inserting "the expiration date, and may charge a fee not exceeding \$50"; in line 26, by striking "subsections (a)(8) and (9)" and inserting "subsections (a)(6) and (7)";

On page 4, in line 22, by striking "statute book" and inserting "Kansas register";

And the bill be passed as amended.

Chairperson

Att. 1
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STATE OF KANSAS



Attach. 2

DIVISION OF THE BUDGET

Room 152-E
State Capitol Building
Topeka, Kansas 66612-1578

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JOAN FINNEY, GOVERNOR
GLORIA M. TIMMER, Director

February 6, 1992

The Honorable Edward Reilly, Chairperson
Committee on Federal and State Affairs
Senate Chamber
Third Floor, Statehouse

Dear Senator Reilly:

SUBJECT: Fiscal Note for SB 516 by Committee on Federal
and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 516 is respectfully submitted to your committee.

SB 516 would amend current law concerning the state tax on parimutuel wagering at greyhound races. The current tax is $\frac{3}{18}$ of the total daily takeout (the total amount wagered less the amount required for winning ticket payments). Under current law, the tax is scheduled to increase to $\frac{4}{18}$ of the total daily takeout in the fifth year of operation of a track dedicated to greyhound racing only (for example, the Wichita Greyhound Park). In the sixth and subsequent years, the tax would increase to $\frac{5}{18}$ of the total daily takeout. The Wichita Greyhound Park's fifth year of operation would coincide approximately with the state's FY 1994. Furthermore, under current law, at racetrack facilities offering both horse and greyhound races (for example, the Woodlands), the parimutuel tax is scheduled to increase to $\frac{4}{18}$ of the total daily takeout in the eighth year of operation, and to increase again to $\frac{5}{18}$ in the tenth year of operation. The Woodlands' eighth year of operation would coincide approximately with the state's FY 1997. The bill would delete the scheduled changes in the greyhound parimutuel tax, thereby maintaining the current tax of $\frac{3}{18}$ of the total daily takeout of all greyhound races.

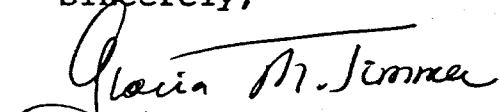
In statute, "takeout" is defined as "the total amount of money withheld from each parimutuel pool for the payment of purses, taxes and the share to be kept by the organization licensee. Takeout does not include the breakage." The "parimutuel pool" is the total amount of money wagered.

Att. 2
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Assuming the average daily amount wagered in FY 1991 at greyhound races and the number of greyhound race days scheduled for FY 1992 to remain constant, the Kansas Racing Commission estimates the following revenues to the State Gaming Revenues Fund would be foregone.

	<u>Woodlands</u>	<u>Wichita</u>	<u>Total</u>
FY 1994	\$ --	\$ 717,004	\$ 717,004
FY 1995	--	1,606,092	1,606,092
FY 1996	--	1,778,174	1,778,174
FY 1997	1,458,838	1,778,174	3,237,012
FY 1998	1,717,548	1,778,174	3,495,722
FY 1999	3,176,390	1,778,174	4,954,564
FY 2000+	3,435,100	1,778,174	5,213,274

Sincerely,


Gloria M. Timmer
Director of the Budget

cc: Georgann Smith, Kansas Racing Commission

4573

TO: The Honorable Edward F. Reilly, Jr.
 FROM: John N. Roberts, Director of Administration, Kansas Lottery
 DATE: February 10, 1992
 RE: Assignment of Prizes-Other States Statutes

JNR

As requested, I have researched the relevant state statutes of other state lotteries regarding assignment of prize winnings. No other state lottery allows a blanket assignment of winnings. Most states have statutory language restricting assignments to "The right of any person to a prize is not assignable; except that payment of any prize may be paid to the estate of a deceased prize winner or to a person pursuant to an appropriate judicial order."

A few states expand the language above to include "...Any prize, or portion thereof remaining unpaid at the death of a prize winner, may be paid to the estate of such deceased prize winner, or to the trustee under a revocable living trust established by the deceased prize winner as settlor, provided that a copy of such trust has been filed with the department along with a notarized letter of direction from the settlor and no written notice of revocation has been received by the department prior to the settlor's death. Following such a settlor's death and prior to any payment to such a successor trustee, the Director shall obtain from the trustee and each trust beneficiary a written agreement to indemnify and hold the Department harmless with respect to any claims that may be asserted against the Department arising from payment to or through the trust...."

Kansas law currently allows payment of a prize "to one natural person who is adjudged by the executive director, the director's designee or the retailer paying the prize, to be the holder of such winning ticket or share, or the person designated in writing by the holder of the winning ticket or share on a form satisfactory to the executive director, except that the prize of a deceased winner shall be paid to the duly appointed representative of the estate of such winner or to such other person or persons appearing to be legally entitled thereto." K.S.A. 1991 Supp. 74-8720 (b). The underlined language was added to the statute by the 1988 Legislature and is unique to state lottery statutes.

It appears that the proposed language contained in Senate Bill No. 513 would give power to the Lottery Commission that has been reserved to state legislatures elsewhere. The assignment of prizes pursuant to appropriate judicial order has been the subject of litigation in New Jersey where the courts refused to allow the winner to assign his winnings to a finance company for business purposes.



Joan Finney
Governor

Kansas Lottery

Ralph W. E. Decker
Executive Director

To: John N. Roberts, Director of Administration

From: Kevin Scott, Games Accounting Manager *KS*

Date: February 11, 1992

Subject: Tax withholdings of Lottery Winners

The Kansas Lottery abides by the tax withholding regulations as set forth by the following authorities:

K.S.A. 74-8720 (e)

"All prizes awarded shall be taxed as Kansas source income and shall be subject to all state and federal income tax laws and rules and regulations. State income taxes shall be withheld from prizes paid whenever federal income taxes are required to be withheld under current federal law."

Internal Revenue Service Code Sec. 3402(g)

"Twenty percent of the following types of gambling winnings must be withheld by the payor:

- (1) proceeds of more than \$1,000 from
 - (a) sweepstakes, wagering pools or lotteries (other than state-conducted lotteries),
 - (b) parimutuel pools in horse races, dog races, or jai alai if the proceeds are at least 300 times the wager, and
 - (c) all other wagering transactions if the proceeds are at least 300 times the wager;

and

- (2) proceeds of more than \$5,000 from a state-conducted lottery.

Winnings from bingo, keno, and slot machines are exempt from withholding."

Kansas Department of Revenue - Withholding Section

Based on an annual income of \$5,000 the Kansas income tax (without any adjustments) would be \$200 (4%). Thus the Kansas Lottery withholds a flat 4% of winnings in excess of \$5,000 for Kansas income tax.

Currently for those persons who have Lottery winnings as part of a group or "lottery pool" the IRS has a specific form 5754 which allows them to distribute the tax liability of winnings to those within the group (copy of form attached).

5754

1989)

Department of the Treasury
Internal Revenue Service

Statement by Person(s) Receiving Gambling Winnings

► For additional instructions for Form 5754, see the separate
Instructions for Forms 1099, 1098, 5498, 1096, and W-2G.

1545-0239

4-30-92

Date won	Type of winnings	Game number	Machine number	Face number
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Part I Person to Whom Winnings Are Paid

Name		Address		
Taxpayer identification number	Other I.D.	Amount received	Federal income tax withheld	

Form 5754 (Rev. 6-89)

Page 2

Part II Persons to Whom Winning Payments Are Taxable (Continued)

Name	Taxpayer identification number	Address	Amount won	Winnings from identical wagers

Purpose of Form.—Form 5754 is completed by persons who receive gambling winnings either for someone else or as a member of a group of winners on the same winning ticket. The information provided on the form enables the payer of the winnings to prepare Form W-2G, Statement for Recipients of Certain Gambling Winnings, for each winner to show the winnings taxable to each.

Completing the Form.—The person to whom gambling winnings are paid must enter his or her name, address, and taxpayer identification number in Part I. If the winnings are from state-conducted lotteries, the box labeled "Other I.D." can be left blank. The total amount received and the total Federal income tax withheld must be entered in the remaining columns.

Part I must be completed for each winner showing his or her share of the winnings. If the person to whom the winnings are paid is also one of the winners, his or her own information should be shown first in Part II, followed by the information for the other winners. The amount of the winnings each winner is entitled to receive and the winnings from identical wagers must be entered in the remaining columns.

Taxpayer Identification Number.—The taxpayer identification number for an individual is the social security number; for all others, it is the employer identification number.

Signature.—If Federal income tax is to be withheld, the person who receives the winnings must sign and date the form.

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