

Approved: 3/15/96 lan
Date

MINUTES OF THE HOUSE COMMITTEE ON BUSINESS, COMMERCE & LABOR.

The meeting was called to order by Chairman Al Lane at 9:07 a.m. on February 6, 1996 in Room 526-S of the Capitol.

All members were present except: Rep. Vaughn Flora - excused
Rep. Dale Swenson - excused

Committee staff present: Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Bev Adams, Committee Secretary

Conferees appearing before the committee: Jennifer Chaulk Wentz, Deputy Asst. Secretary of State
Randy Hearrell, Kansas Judicial Council

Others attending: See attached list

The minutes of 1/30, 1/31, and 2/1 were handed out. They will be approved at the next meeting.

Chairman Lane asked for introduction of bills. There was no one present with a bill introduction request.

Hearing on:

HB 2742 - Business entity cleanup; expansion of fax filings; addressing shareholders' filing requirements.

Jennifer Chaulk Wentz, Deputy Assistant Secretary of State, appeared as a proponent of **HB 2742**. The bill was introduced at the request of the Secretary of State, and contains measures which he considers to be of a technical and noncontroversial nature. (see Attachment 1) She concluded her testimony by answering questions from the committee.

No one else was present who wanted to testify on the bill. Chairman Lane closed the hearing on **HB 2742**.

Hearing on:

HB 2744 - Corporations or transfer agents need not require a fiduciary furnish a consent to transfer, as proof of the release of the lien prior to the completion of the transfer

Randy Hearrell, Kansas Judicial Council, appeared as a proponent of the bill. The bill should alleviate the confusion as to when a transfer is made in accordance with law. The proposed amendment would affirmatively state that transfers made under the provisions of the uniform act are deemed to have been made in accordance with law for the purposes of the Inheritance Tax Act and, therefore, a corporation or transfer agent need not require that the estate obtain a consent to transfer or waiver. (see Attachment 2) He ended his appearance before the committee by answering questions.

Chairman Lane called for others who wanted to testify on **HB 2744**. Seeing none, he closed the hearing on the bill.

The committee was adjourned at 9:45 a.m.

The next meeting is scheduled for February 7, 1996.

HOUSE BUSINESS, COMMERCE & LABOR COMMITTEE
GUEST LIST

DATE February 6, 1996

| NAME | REPRESENTING |
|------------------|-------------------------|
| ROLAND WALTER | SECURITIES COMMISSIONER |
| Randy M. Hazzell | KANSAS JUDICIAL Council |
| Chuck Knapp | SOS |
| JASON PISZBORGER | BRAD SMOOT |
| Rick Sargent | Concerned citizen |
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Ron Thornburgh
Secretary of State



2nd Floor, State Capitol
300 S.W. 10th Ave.
Topeka, KS 66612-1594
(913) 296-2236

STATE OF KANSAS

House Committee on Business, Commerce & Labor

February 6, 1996
Hearing on HB 2742

Chairman Lane and Members of the Committee:

Thank you for the opportunity to appear before you in support of HB 2742.

This bill was introduced at the request of the Secretary of State, and contains measures which he considers to be of a technical and noncontroversial nature.

New Section One. This section expands the availability of fax filing to limited partnerships. In 1990, the legislature permitted corporations to fax file most documents filed with the secretary of state, and in 1993, this privilege was extended to limited liability companies. Granting the privilege to limited partnerships will equalize the opportunity for the major types of business entities that file with the secretary of state.

Section Two. This section, on page 4, lines 16 through 18, amends the Kansas statute dealing with dissenting shareholders' rights to conform with the corresponding Delaware Code section. It exempts from the notice and right to arbitration provisions of the statute in a merger or consolidation situation shareholders who own stock which is listed on NASDAQ.

Section Three. This section, on page 5, lines 21 through 23, permits a foreign corporation to fax file a certificate of withdrawal. When the legislature authorized fax filing in 1990, it permitted those documents executed in accordance with K.S.A. 17-6003 to be fax filed. This covered virtually all corporate documents, with the exception of name reservations, withdrawals and annual reports. Permitting withdrawals to be fax filed makes the corporate fax filing provisions more uniform.

Section Four. This section, on page 6, lines 11 and 12, permits a corporation to fax file a name reservation. Again, permitting name reservations to be fax filed makes the corporate fax filing provisions more uniform. We request that the committee amend page 6, line 12 to change the citation to "K.S.A. 17-6003a". K.S.A. 17-6003a is the fax filing statute; there is no K.S.A. 17-6002a.

*House Business, Commerce
& Labor Committee
2/6/96*

Corporations (913) 296-4564
FAX (913) 296-4570

Elections (913) 296-4561
Administration (913) 296-2236
FAX (913) 291-3051

UCC (913) 296-3650
FAX (913) 296-3659

Attachment 1

Section Five. This section, on page 6, lines 32 and 33, clarifies who may sign a certificate of merger filed by a limited liability company. The statute currently does not specify who may sign this certificate, which is authorized to be filed under K.S.A. 17-7650.

Section Six. This section, on page 7, lines 7 through 9, clarifies the filing requirement for a general partnership that is converting to a limited liability company. General partnerships do not file certificates of partnership with the secretary of state, and this section deletes references to such filings.

Section Seven. This section, on page 8, lines 29 through 31, clarifies that both domestic and foreign corporations qualified to do business in Kansas must file with the appropriate register of deeds if they are parties to a merger with a non-corporate entity. The statute presently only requires a local filing if a domestic corporation is involved, which is inconsistent with corporate filing requirements pursuant to K.S.A. 17-6003.

I will address any questions you may have at this time.

Jennifer Chaulk Wentz
Legal Counsel

Randy Hearnell

KANSAS JUDICIAL COUNCIL TESTIMONY ON
1996 HB 2744

Presently, K.S.A. 1995 Supp. 79-1569 provides that the inheritance tax lien:

". . . shall not affect any property after it has been sold or disposed of for value by the executors or administrators ~~in accordance with law~~, and no consent to transfer issued by the director shall be required to release such lien, but in all such cases a lien shall attach to the proceeds . . ."

Many transfer agents take the position that they will not determine whether the transaction is in accordance with law and choose to assume the lien continues to apply until such time as the Department of Revenue issues a consent to transfer or waiver. As a result many transfers which might be accomplished pursuant to law are delayed while the estate obtains a specific release from the Department of Revenue.

HB 2744 should alleviate much of the confusion as to when a transfer is made in accordance with law. K.S.A. 17-4911 is a part of the Uniform Act for the Simplification of Fiduciary Security Transfers, an act which provides corporations and transfer agents with guidelines to follow when dealing with fiduciaries. The proposed amendment would affirmatively state that transfers made under the provisions of the uniform act are deemed to have been made in accordance with law for the purposes of the Inheritance Tax Act and, therefore, a corporation or transfer agent need not require that the estate obtain a consent to transfer or waiver.

*House Business, Commerce
& Labor Committee
2/6/96
Attachment 2*

PROBATE LAW ADVISORY COMMITTEE

Hon. Edward Larson
(Acting Chair)
301 W. 10th Street
Topeka, KS 66612
(913) 296-6146

Cheryl C. Boushka
P.O. Box 25830
40/400 Corporate Woods
9401 Indian Creek Pkwy
Overland Park, KS 66225
(816) 292-2000
(816) 292-2150 FAX

Hon. Sam K. Bruner
Johnson County Courthouse
Olathe, KS 66061
(913) 764-8484 Ext. 5564
(913) 791-5258 FAX

Rep. Tim Carmody
4707 College Blvd. #206
Leawood, KS 66211
(913) 491-6332
Special Member

Jack R. Euler
P.O. Box 326
137 S. Main
Troy, KS 66087
(913) 985-3561
(913) 985-2322 FAX

Gerald L. Goodell
515 S. Kansas Ave.
Topeka, KS 66603
(913) 233-0593
(913) 233-8870 FAX

John F. Kuether
Washburn Law School
Topeka, KS 66621
(913) 231-1010
(913) 232-8087 FAX

Richard L.D. Morse
2429 Lookout Drive
Manhattan, KS 66502
(913) 539-5135

Philip D. Ridenour
P.O. Box 1028
107 S. Main Street
Cimarron, KS 67835
(316) 855-7051
(316) 855-3207 FAX

Marvin E. Thompson
525 Main St.
Russell, KS 67665
(913) 483-3195

Willard Thompson
P.O. Box 997
125 N. Market, Ste. 1600
Wichita, KS 67202
(316) 267-7361
(316) 267-1754 FAX

JUDICIAL COUNCIL OF KANSAS

Kansas Judicial Center
301 W. 10th, Room 262
Topeka, KS 66612
(913) 296-2498

Hon. Tyler C. Lockett, Chair
301 W. 10th Street
Topeka, KS 66612
(913) 296-4900

J. Nick Badgerow
500/40 Corporate Woods
9401 Indian Creek Pkwy.
Overland Park, KS 66225-5407
(913) 345-8100

Hon. J. Patrick Brazil
301 W. 10th, Rm. 263
Topeka, KS 66612
(913) 296-5407

Sen. Tim Emert
P.O. Box 747
304 N. 6th St.
Independence, KS 67301
State Capitol, Rm. 143-N
(316) 331-4831

Gerald L. Goodell
515 S. Kansas Ave.
Topeka, KS 66603
(913) 233-0593

Hon. Marla Luckert
Shawnee Co. Courthouse
200 S.E. 7th St.
Topeka, KS 66603
(913) 233-8200, Ext. 4130

Phillip Mellor
200 W. Douglas, Ste. 200
Wichita, KS 67202
(316) 262-4403

Rep. Michael R. O'Neal
P.O. Box 2977
335 N. Washington #260
Hutchinson, KS 67504-2977
(316) 662-0537

Marvin E. Thompson
525 Main Street
Russell, KS 67665
(913) 483-3195

Hon. Nelson E. Toburen
120 W. 4th
Pittsburg, KS 66762
(316) 231-3570