

Approved: 4/4/97
Date

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

The meeting was called to order by Chairman Al Lane at 9:06 a.m. on March 14, 1997 in Room 526-S of the Capitol.

All members were present except: Rep. David Adkins - excused

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

Conferees appearing before the committee: Phil Wages, Deputy Asst. Secretary of State
Terry Leatherman, KCCI
Melissa Wangemann, Deputy Asst. Secretary of State
Tim Roudebush, TMR Materials Company

Others attending: See attached list

Rep. Beggs made a motion to approve the minutes of February 18, 19, 20, and 21. It was seconded by Rep. Wilson. The motion passed and the minutes were approved as written.

Action to reconsider: HB 2501

Rep. Grant made a motion to reconsider HB 2501, which was amended and renamed Sub HB 2501 and passed out of committee favorably at yesterday's committee meeting. The motion was seconded by Rep. Storm. The motion to reconsider was passed. Rep. Grant withdrew his motion from yesterday to pass out Sub HB 2501 favorably. Chairman Lane made an announcement that HB 2501, as amended and renamed Sub HB 2501 will be scheduled for a hearing on Monday, March 17.

Action to remove HB 2155 from table:

Rep. Pauls made a motion to remove HB 2155 from the table. It was seconded by Rep. Geringer. The motion passed 9-4.

Rep. Geringer made a motion to go back to his motion to amend of March 13, 1997. It would amend the original bill by putting all stricken language back into the bill and removing all italicized language except (g) which would be left in. Rep. Beggs seconded the motion. The motion carried.

Rep. Mason made a motion to strike all previous amendments and go back to the original bill and add the amendment included on the balloon from the Department of Transportation. (see Attachment 1) It was seconded by Rep. Wilson. On a division of vote, the motion failed 4-9.

Rep. Geringer made a motion to pass out HB 2155 favorably as amended. The motion was seconded by Rep. Beggs. The motion carried 8-7.

Hearing on: **SB 175 - Foreign corporations, applications to do business and annual reports.**

Phil Wages, Deputy Assistant Secretary of State, appeared before the committee as a proponent of the bill. The bill does two things. It eliminates the balance sheet from the foreign applications and eliminates question number 14 from the annual report for foreign-for-profit corporations. They believe that the bill will reduce paper work and eliminate the confusion of their customers about answering question 14, which will make doing business with the Secretary of State's office much easier. (see Attachment 2) He concluded his testimony by answering questions from the committee.

No others were present to testify for or against the bill and Chairman Lane closed the hearing.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON BUSINESS, COMMERCE & LABOR, Room 526-S
Statehouse, at 9:06 a.m. on March 14, 1997.

Hearing on: **SB 227 - Confidentiality of financial information in the annual reports of business associations.**

Terry Leatherman, Kansas Chamber of Commerce and Industry (KCCI), testified to explain why KCCI enthusiastically supports passage of the bill. Kansas is one of only two states that includes a balance sheet in corporate annual reports. The bill proposes to eliminate the balance sheet portion from the annual report document. (see Attachment 3) He ended his testimony by answering questions.

Melissa Wangemann, Legal Counsel, Deputy Assistant Secretary of State, spoke in support of the bill. The annual report includes a formula that the corporation uses to calculate its franchise fee. Under the bill the corporation will instead use a worksheet created by the Secretary of State's office to calculate the franchise fee and examinations by their office of the balance sheet and franchise computation will no longer be necessary. She also requested the bill be amended with two amendments attached to her testimony. One of the amendments would allow their office to replace about \$85,000 in fees that would be lost if the bill is passed. (see Attachment 4) She concluded her testimony by answering questions from the committee.

Tim Roudebush, TMR Materials Company, Lenexa, Kansas, appeared before the committee in support of the bill. He explained to the committee the need for financial privacy for Kansas and U. S. companies. If someone starts giving out financial information or other information to a competitor or potential competitor, it allows a competitor to focus on the little firm where ideas are promulgated and exploit the idea to the detriment of the inventor firm. (see Attachment 5) He answered questions from the committee.

The hearing on **SB 227** will be continued on Monday, March 17, 1997.

The meeting was adjourned at approximately 10:00 a.m.

The next meeting is scheduled for March 17, 1997.

HOUSE BUSINESS, COMMERCE & LABOR COMMITTEE GUEST LIST

DATE: March 14, 1997

NAME	REPRESENTING
Melissa Wangemann	Sec. of State
PHIL WAGES	"
HAL HUDSON	NFIB/KS
Chuck Knapp	Sec of State
Anne Spiess	Peterson Public Affairs Group
Steve Brookner	Dun & Bradstreet
Ben Brown	Mid Am Lumberman Assn
J. Clark	SOI
MARIL BECIC	KDOR
Tom Roubesh	- AKRO Fireguard Products -
John Polisar	Ks Governmental Consulting
Tim Roubesh	JMIR Materials Co
Vernon McKinzie	McKinzie Pest Control
JACIL PARADISE	JANAWIL PLASTICS
Glenn M. Graber	KTLA
Terry Leatherman	KCCI

Subject to approval by the director, any state agency which is otherwise required by law to conduct a drug testing program for some or all of such agency's employees may develop and implement a drug testing program for all its employees based upon reasonable suspicion of illegal drug use by such employees with the same federal guidelines as safety-sensitive positions are tested.

- 1 or both. Discipline of a permanent classified employee shall be subject to
2 the limitations of K.S.A. 75-2949e or 75-2449f, and amendments thereto.
3 (d) Except in hearings before the state civil service board regarding
4 disciplinary action taken against the employee, the results of any test
5 administered as a part of a program authorized by this section shall be
6 confidential and shall not be disclosed publicly.
7 (e) The secretary of administration may adopt such rules and regu-
8 lations as necessary to carry out the provisions of this section.
9 (f) "Safety sensitive positions" means state law enforcement officers
10 who are authorized to carry firearms, state corrections officers, heads of
11 state agencies who are appointed by the governor and employees on the
12 governor's staff.
13 (g) ~~All persons employed within a correctional institution, as defined~~
14 ~~by K.S.A. 21-3826 and amendments thereto, may be subject to drug~~
15 ~~screening based upon reasonable suspicion of illegal drug use.~~
16 Sec. 2. K.S.A. 1996 Supp. 75-4362 is hereby repealed.
17 Sec. 3. This act shall take effect and be in force from and after its
18 publication in the statute book.

*Business, Commerce
& Labor Committee
3/14/97
Attachment 1*

**TESTIMONY TO HOUSE COMMITTEE ON
BUSINESS, COMMERCE AND LABOR
SENATE BILL 175
MARCH 14, 1997**

Mr.Chairman and Members of the House Business, Commerce and Labor Committee:

The Secretary of State appreciates the opportunity to appear before you today on SB175. We believe that SB175 will reduce paper work and eliminate questions for our customers, which will make doing business with our office much easier.

SECTION 1 OF SB175 eliminates the balance sheet from the foreign application. The balance sheet is not used by our office in any manner other than to satisfy the current statutory requirement. The balance sheet is not used by legislative research for any purpose. The balance sheet is not used to qualify or disqualify a corporation from qualification in Kansas. By eliminating the balance sheet from the application, we will be removing a complex piece of information that requires time and effort to complete but is not used for any purpose by our office.

After a corporation has been granted authority to do business in Kansas, it can apply for a confidential annual report. If it qualifies, its balance sheet is closed to the public. Many of our customers have complained that there is no reason to file a confidential annual report when their balance sheet has already been made public on the foreign application, thus removing all confidentiality.

In summary, by removing the balance sheet we will reduce paper work for our customers. We will eliminate a piece of information that our office does not use, and our customers' complaints about the confidential annual reports will be addressed.

*Business, Commerce
& Labor Committee
3/14/97
Attachment 2*

SECTION 2 OF SB 175 refers to eliminating question number 14 from the annual report for foreign-for-profit corporations. The question asks for “The value of the property owned and used by the company in Kansas, where situated, and the value of the property owned and used outside of Kansas and where situated.” The answers to this question are not used by our office or by legislative research. Also, the statute does not define “value.” Many of our foreign customers telephone our examiners and ask them what accounting method to use to determine value. They ask whether it should be book value, market value, depreciated value, among others. Our examiners are unable to tell our customers what accounting method to use, because the statute does not define the term “value” or set out the proper accounting method.

By eliminating the question, we will reduce confusion among our customers.

I appreciate the opportunity to discuss SB175, and I thank you for your consideration of these comments.

Phil Wages

Deputy Assistant Secretary of State

Note: Please type or complete in ink.

Annual application for profit corporations

Form
AC

Confidentiality of Financial Information

Name of Corporation _____ Tax year ending _____
month/day/year

Corporate No. _____ State of Incorporation _____ Telephone No. _____

Mailing Address _____
(street address) (city, state, zip)

Complete each of the following:

1. Does the corporation have a net worth of \$5,000 or more, and does the net worth equal at least 5 percent of total assets?
2. Has the corporation ever been the subject of a proceeding under Chapter 7, 11 or 13 of the Federal Bankruptcy laws?
3. Is the corporation subject to the reporting requirements of the Securities Exchange Act?
4. Does the corporation have 35 or fewer holders of its voting shares?
5. Is the corporation an applicant or holder of a license under the Kansas Parimutuel Racing Act?
6. Is the corporation a vendor under the Kansas Lottery Act?

YES	NO

If any answer falls in a darkened area, the corporation does not meet the statutory requirements for confidentiality as set forth in K.S.A. 17-7515.

DO NOT WRITE IN THIS SPACE

Include
\$20 non-refundable application fee and franchise fee, payable to:
 Ron Thornburgh
 Office of the Secretary of State
 2nd Floor, State Capitol
 300 S.W. 10th Ave.
 Topeka, KS 66612-1594
 (913) 296-4579
Do not send cash.

I declare (or verify, certify or state) under penalty of perjury that I executed this application and balance sheet on behalf of the corporation and that to the best of my knowledge the items contained herein are true and correct.

Authorized Signature _____

Print or type name of signer _____

Title/Position _____

Second signature and date
required on page 4 of 4

2-3

2-4

Confidential

Corporate Balance Sheet

1. Complete the balance sheet of the corporation for the tax year ending _____ (month, day, year)

ASSETS			LIABILITIES AND SHAREHOLDERS' EQUITY	
	AMOUNT	TOTAL	AMOUNT	TOTAL
a. Cash			o. Accounts payable	
b. Trade notes & accounts receivable - Less allowance for bad debts			p. Mortgages, notes, bonds payable in less than 1 year	
c. Inventories			q. Other current liabilities	
d. Government obligations - U.S. and instrumentalities - State, subdivisions thereof, etc.			r. Loans from shareholders	
e. Other current assets			s. Mortgages, notes, bonds payable in 1 year or more	
f. Loans to shareholders			t. Other liabilities	
g. Mortgage and real estate loans			u. Total liabilities	
h. Other investments			v. Capital stock: - Preferred stock - Common stock	
i. Buildings and other fixed depreciable assets - Less accumulated depreciation			w. Paid-in or capital surplus	
j. Depletable assets - Less accumulated depletion			x. Retained earnings - appropriated	
k. Land (net of any amortization)			y. Retained earnings income fund - unappropriated	
l. Intangible assets (amortizable only) - Less accumulated amortization			z. Less cost of treasury stock ()	
m. Other assets			aa. Net worth (total shareholders' equity)	
n. TOTAL ASSETS			bb. TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	

(Lines n. and bb. must be identical)

2. Shareholders' equity attributable to Kansas means the shareholders' equity of a corporation multiplied by a percentage, which is the average of the following three percentages.

	Total in KS	÷ \$	Total everywhere	=	Percent to KS
a. Average value of real and tangible personal property owned or rented during the preceding year	\$ _____	÷ \$ _____	_____	=	_____ %
b. Compensation paid	\$ _____	÷ \$ _____	_____	=	_____ %
c. Sales	\$ _____	÷ \$ _____	_____	=	_____ %
d. AVERAGE percentage of the three percentages					_____ %

If there is no property or activity mentioned in one of the above factors, the appropriate percentage for that factor is 100% (K.S.A. 17-7501).

3. Tax Computation:

- a. Enter net worth (Total shareholders' equity - item aa on balance sheet)..... \$ _____
- b. Enter average percentage from line 2d..... % _____
- c. Multiply 3a by 3b and enter result \$ _____
- d. Multiply 3c by .001 \$ _____

Tax due (round off to nearest dollar) \$ _____

Minimum tax is \$20, maximum tax is \$2,500. Make check payable to Secretary of State.

Plus application fee..... \$20.00

TOTAL DUE \$

2-4

State of Kansas/Office of the Secretary of State Form

Corporate Annual Report AC

1. Corporate No. _____ 2. Name of Corporation _____

3. Date of tax year ending _____ 4. Address _____
month/day/year (street address) (city, state, zip)

5. Mailing Address _____
(street address)

(city, state, zip)

Office Use Only

6. State of Incorporation _____

7. Officers

	Name	Residential Address	City, State, Zip	Director Y/N
Pres.				
Sec.				
Treas.				

8. Board of Directors (If not listed in 7)

Name	Residential Address	City, State, Zip

KANSAS CORPORATIONS ONLY

9. Stockholders who own 5% or more of capital stock

Name	Post Office Address	City, State, Zip

(If additional space is needed, attach a separate sheet.)

ALL CORPORATIONS

10.

Shares Issued and Type	* Stock Paid Up
	\$
	\$
	\$

*Must agree with line v. on balance sheet

11. Telephone No. _____

12. FEIN No. _____
Federal Employer Identification Number

13. Nature and kind of business in which the corporation is engaged: _____

NON-KANSAS CORPORATIONS ONLY

14. State the value of property owned and used by the corporation in and outside of Kansas, and where located:

	Value of Property	Where Located
Within Kansas		
Outside Kansas		

ALL CORPORATIONS

15. Does the corporation own or lease land in Kansas that is suitable for use in agriculture?

This question does not apply to: 1). Tracts of land of less than 10 acres; 2). Contiguous tracts of land that in the aggregate are less than 10 acres; 3). State-assessed railroad operating property.

YES _____ If yes, complete the section below. NO _____ If no, skip the section below and go to section 16.

- a. Total number of stockholders of the corporation _____
b. Value of agricultural and non-agricultural assets that are owned and controlled by the corporation, both within and outside Kansas, and location of land:

Table with columns: Location (Within/Outside Kansas), Asset Type (Agricultural/Non-Agricultural), Value, and Where Located.

c. Provide information on each lot, tract or parcel of agricultural land in Kansas that is owned or leased by the corporation. If extra space is needed, attach additional pages.

Large table for land details with columns: County, Section, Township, Range, Acres, Acquisition Date (Yes/No), Purposes, and Leasing Status (Owned/Leased).

d. Provide total agricultural acres for:

- 1. Total acres owned and operated
2. Total acres owned and operated and irrigated
3. Total acres leased by the corporation
4. Total acres leased by the corporation and irrigated
5. Total acres leased to the corporation
6. Total acres leased to the corporation and irrigated

16. I declare (or verify, certify or state) under penalty of perjury that the foregoing is true and correct.

Executed on this _____ day of _____, 19 ____.

Authorized Signature

Name of signer (printed or typed)

Title/Position

Instructions

Please type or print legibly in ink.

DUE DATE-Annual reports are due when the Kansas annual income tax report is due, generally the 15th day of the fourth month following the close of the tax period.

INTERIM REPORT-An interim report may need to be filed if a corporation changes its tax period. The franchise tax for an interim report is prorated with a minimum fee of \$20.

EXTENSIONS-An extension of the filing deadline may be obtained by submitting a copy to the Secretary of State of the application for an extension of time for filing the Kansas or federal income tax return.

Foreign Corporation Application

To the Secretary of State of the State of Kansas:

_____, a for profit/
Name of corporation EXACTLY as shown on attached certificate

not for profit (circle one) corporation organized under laws of the state of _____,
 applies for authority to engage in business in the state of Kansas, and submits the following statement:

1. The date the corporation commenced, or intends to commence, doing business in *Kansas* _____

2. A certificate issued within 90 days prior to the date of filing by the proper officer of the jurisdiction where the corporation is incorporated, attesting to the fact that the corporation is in good standing in that jurisdiction, must be attached.

Is certificate enclosed? Yes _____ No _____ Was it issued within 90 days of filing? Yes _____ No _____ (If answer is no to either question, application will be returned.)

Do not write in this space.

3. The place where the principal office of the corporation is located:

Street City

State Zip Code

4. The place, if known, where the principal office or place of business in Kansas is to be located:

Street City State Zip Code

5. The address of its registered office in Kansas is:

Street Address or Rural Route City County Zip Code

and the name of the resident agent in charge at that address is: _____

6. The full nature and character of the business the corporation proposes to conduct in Kansas:

7. The name and address of each of the officers, trustees or directors of the corporation: (If this space is insufficient, a complete list should be attached. **Names and titles of the officers must be typed exactly the same throughout this application and all documents submitted with it.**)

Officers

Name	Title	Street Address	City, State, Zip

Trustees or Directors

Name	Street Address	City, State, Zip

8-7

8. Does the corporation have perpetual existence? Yes _____ No _____
 If the answer is no, give specific date of expiration: ____/____/____.
9. Provide a detailed statement of the assets and liabilities of the corporation. Is the date of the balance sheet within 12 months of the filing date? Yes _____ No _____ (If answer is no, application will be returned.) A previously prepared balance sheet may be attached to this application in lieu of the following form. The penalty of perjury statement on this page must be completed.

Give specific date of statement: ____/____/____.

ASSETS			LIABILITIES AND SHAREHOLDERS' EQUITY		
	AMOUNT	TOTAL		AMOUNT	TOTAL
1. Cash			15. Accounts payable		
2. Trade notes & accounts receivable			16. Mortgages, notes, bonds payable in less than 1 year		
- Less allowance for bad debts			17. Other current liabilities		
3. Inventories			18. Loans from shareholders		
4. Government obligations			19. Mortgages, notes, bonds payable in 1 year or more		
- U.S. and instrumentalities			20. Other liabilities		
- State, subdivisions thereof, etc.			21. Total liabilities		
5. Other current assets			22. Capital stock:		
6. Loans to shareholders			- Preferred stock		
7. Mortgage and real estate loans			- Common stock		
8. Other investments			23. Paid-in or capital surplus		
9. Buildings and other fixed depreciable assets			24. Retained earnings - appropriated		
- Less accumulated depreciation			25. Retained earnings income fund - unappropriated		
10. Depletable assets			26. Less cost of treasury stock	()	
- Less accumulated depreciation			27. Net worth (total shareholders' equity)		
11. Land (net of any amortization)			28. TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		
12. Intangible assets (amortizable only)					
- Less accumulated amortization					
13. Other assets					
14. TOTAL ASSETS					

(Lines 14. and 28. must be identical)

10. The corporation's fiscal year closing date is: _____
 Month, day

I declare under penalty of perjury under the laws of the State of Kansas that the foregoing is true and correct.

 Signature of President or Vice President (circle one) EXACTLY as shown on previous page

 Date

 Signature of Secretary or Assistant Secretary (circle one) EXACTLY as shown on previous page

 Date

2-8

Resolution

The Board of Directors (Managers or Trustees) of _____
Name of Corporation

_____ adopted the following resolution:

RESOLVED, That the President or Vice President and Secretary or Assistant Secretary of this corporation are hereby authorized and instructed to execute the written consent thereof to be sued in the state of Kansas in the manner provided in K.S.A. 17-7301 *et seq.*, as amended.

The undersigned, duly certifies, states that he/she is an officer of the above-named corporation and that the foregoing is a true and correct copy of the resolution adopted by the Board of Directors (Managers or Trustees) of said corporation.

Signature of Officer (EXACTLY as shown on application)

Office

I declare under penalty of perjury under the laws of the State of Kansas that the foregoing is true and correct.

Signature of officer EXACTLY as shown on application

Date

Irrevocable Consent

Know all Men by these Presents:

That _____,
Name of Corporation
a corporation organized under the laws of the state of _____,
hereby consents, without power of revocation, that actions may be commenced against it in the proper court of any county in the state of Kansas where there is proper venue by service of process on the Secretary of State of the State of Kansas; and the corporation stipulates and agrees that such service shall be taken and held in all courts to be as valid and binding as if due service had been made upon the President and Secretary of the corporation.

IN WITNESS WHEREOF, Said corporation has caused these presents to be executed
by its President or Vice President and its Secretary or Assistant Secretary
this _____ day of _____, A.D. 19_____.

Signature of President or Vice President (circle one) EXACTLY as shown on application

Signature of Secretary or Assistant Secretary (circle one) EXACTLY as shown on application

2-9

Instructions

Article 1. Date the corporation commenced or will commence doing business in Kansas.

Article 3. Principal office of the corporation. The address shown in this blank is the address to which all forms and correspondence will be mailed, unless otherwise provided by statute.

Article 4. Principal office or place of business in Kansas, if known.

Article 5. The corporation must designate a Kansas registered office and resident agent. Kansas statutes provide that a resident agent may be either an individual or a Kansas corporation at the registered office. A Post Office box may be used in conjunction with a street address or rural route, but may not be used alone as the registered office.

Article 6. Nature of corporation's business in Kansas. The nature must be fully explained. If the corporation is non-profit, please indicate in this article.

Article 7. Names and addresses of all officers and directors.

Article 8. Corporate existence. "Perpetual" or the specific date corporate existence will expire in home state should be shown.

Article 9. Statement of assets and liabilities. We cannot accept an application when the balance sheet is dated more than 12 months prior to the date the application is received in this office. The balance sheet must balance. A consolidated balance sheet cannot be accepted unless it is the parent corporation who is applying for authority.

6 steps to assist you in expediting the application for authority to engage in business in the state of Kansas

1. Submit in duplicate.

Applications for authority to do business in Kansas must be submitted in duplicate. Each application must be accompanied by the written irrevocable **consent** of the corporation that actions may be commenced against it in the proper court of any county where there is proper venue by the service of process on the Secretary of State, and the duly certified copy of the order of **resolution** of the Board of Directors authorizing the execution of the consent. All items must be completed on all documents.

2. Certificate of good standing or existence.

This application must be accompanied by an original certificate issued by the appropriate government official (usually the Secretary of State) in the state of incorporation attesting that the corporation is a viable corporation in that state. **The certificate must not be more than 90 days old when filed.**

3. Enclose \$95 fee.

A fee of \$95 must be included with the application before the corporation can be authorized to do business in Kansas.

4. Use *exact* corporate name.

The corporate name on all documents must be exactly the same as it appears on the certificate, including punctuation.

However, if the corporation applying for authority has the same name as a corporation already on file, the new corporation must show the state of incorporation in all of its dealings in Kansas.

5. Mail to:

Office of the Secretary of State
300 SW 10th
Topeka, KS 66612-1594
(913) 296-4564

6. File with register of deeds.

Kansas statutes provide that the certificate of authority issued by the Kansas Secretary of State **must be forwarded to the resident agent in Kansas** for recording with the register of deeds in the county where the registered office is located. The certificate must be recorded with the register of deeds within 20 days of the date filed in this office or the register of deeds may assess a penalty when filed.

7. Provide contact person.

Enclose a cover letter with the name and phone number of a person who may be contacted if there is a problem with the application. Many errors can be corrected over the telephone.

Corporate Annual Report AR

In this box, enter the corporation ID number, the exact corporation name and mailing address. If a preprinted name and address is shown, correct if necessary.

Corporation ID No. _____

1. Tax Closing Date _____
month/day/year
2. Due Date _____
3. State of Incorporation _____

Do not write in this space.

(Complete all items or make corrections to existing information in the space provided below.)

4. Officers	Name	Residential Address	City, State, Zip Code	Director Y/N
Pres.				
Sec.				
Treas.				

5. Board of Directors	Name (if not listed above)	Residential Address	City, State, Zip Code

KANSAS CORPORATIONS ONLY

6. Stockholders who own 5% or more of capital stock	Post Office Address	City, State, Zip Code

(if additional space is needed, attach a separate sheet)

7. Shares Issued & Type	*Stock Paid Up
	\$
	\$
	\$
	\$

ALL CORPORATIONS
*Must agree with line v. of balance sheet

8. FEIN No. _____
Federal Employer Identification Number
9. Phone No. _____

2-11

ASSETS			LIABILITIES AND SHAREHOLDERS' EQUITY	
	AMOUNT	TOTAL	AMOUNT	TOTAL
a. Cash			o. Accounts payable	
b. Trade notes & accounts receivable - Less allowance for bad debts			p. Mortgages, notes, bonds payable in less than 1 year	
c. Inventories			q. Other current liabilities	
d. Government obligations - U.S. and instrumentalities - State, subdivisions thereof, etc.			r. Loans from shareholders	
e. Other current assets			s. Mortgages, notes, bonds payable in 1 year or more	
f. Loans to shareholders			t. Other liabilities	
g. Mortgage and real estate loans			u. Total liabilities	
h. Other investments			v. Capital stock:	
i. Buildings and other fixed depreciable assets - Less accumulated depreciation			- Preferred stock	
j. Depletable assets - Less accumulated depletion			- Common stock	
k. Land (net of any amortization)			w. Paid-in or capital surplus	
l. Intangible assets (amortizable only) - Less accumulated amortization			x. Retained earnings - appropriated	
m. Other assets			y. Retained earnings income fund - unappropriated	
n. TOTAL ASSETS			z. Less cost of treasury stock ()	
			aa. Net worth (total shareholders' equity)	
			bb. TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	

(Lines n. and bb. must be identical)

11. Shareholders' equity attributable to Kansas means the shareholders' equity of a corporation multiplied by a percentage, which is the average of the following three percentages.

	Total in KS	÷ \$	Total everywhere	=	Percent to KS
a. Average value of real and tangible personal property owned or rented during the preceding year	\$ _____	÷ \$	_____	=	_____ %
b. Compensation paid	\$ _____	÷ \$	_____	=	_____ %
c. Sales	\$ _____	÷ \$	_____	=	_____ %
d. AVERAGE percentage of the three percentages				=	_____ %

If there is no property or activity mentioned in one of the above factors, the appropriate percentage for that factor is 100% (KSA 17-7501).

12. Tax Computation:

- Enter net worth
(Total shareholders' equity - item aa on balance sheet)..... \$ _____ %
- Enter average percentage from line 11d..... _____ %
- Multiply 12a by 12b and enter result \$ _____
- Multiply 12c by .001 \$ _____

TOTAL TAX DUE (round off to nearest dollar)
Minimum fee is \$20; maximum fee is \$2,500. Make check payable to Secretary of State. Do not send cash.

13. Nature and kind of business in which the corporation is engaged: _____

NON-KANSAS CORPORATIONS ONLY

14. State the value of property owned and used by the corporation in and outside of Kansas, and where located:

	Value of Property	Where Located
Within Kansas		
Outside Kansas		

ALL CORPORATIONS

15. Does the corporation own or lease land in Kansas that is suitable for use in agriculture?
 This question does not apply to: 1) Tracts of land of less than 10 acres; 2) Contiguous tracts of land that in the aggregate are less than 10 acres; 3) State-assessed railroad operating property.

YES _____ Complete items 16 and 17. NO _____ Skip section 17 and complete item 16.

16. I declare (or verify, certify or state) under penalty of perjury that the foregoing is true and correct.

Executed on this _____ day of _____, 19 ____.

Name of signer (printed or typed)

Authorized Signature

Title/Position

Filing Information

Please type or print legibly in ink.

The corporate information on the first page is printed from the records in this office. Please make changes or corrections on the line following the printed data. This information should be listed as of the tax closing date stated in item 1.

Be sure to complete all applicable items to the best of your knowledge. Use zeros and N/A if needed.

If additional space is needed, attach a separate sheet.

DUE DATE-Annual reports are due when the Kansas annual income tax report is due, generally the 15th day of the fourth month following the close of the tax period. *State law provides that, in addition to penalties, the failure to file the annual report or to pay its annual taxes within 90 days of the time for filing and paying will result in the forfeiture of the corporation in Kansas.* The annual report must be filed every year if the corporation wishes to remain in good standing in Kansas.

EXTENSIONS-An extension of the filing deadline may be obtained by submitting a copy of an application for an extension of time for filing a Kansas or federal income tax return. The request for extension must be filed not more than 90 days after the due date of the annual report. No fee is necessary until the report is filed.

INTERIM REPORT-An interim report must be filed if the tax period changes. The franchise tax for an interim report can be prorated for the number of months the report covers. However, there is a minimum fee of \$20.00. An interim report cannot be filed for a period greater than 12 months from the date of the last report filed.

AMENDED REPORT-If this is an amended report, indicate by printing "amended" at the top of the first page.

Please be sure to enclose a check with the annual report. Make checks payable to Secretary of State. Do not send cash. Please return to:

Ron Thornburgh
Kansas Secretary of State
2nd Floor, State Capitol
300 S.W. 10th Ave.
Topeka, KS 66612-1594

For general information and forms requests, please call: (913) 296-4564

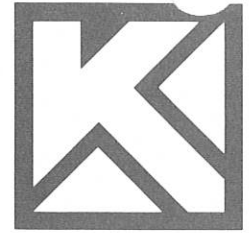
For questions on completing report, please call: (913) 296-4579

NOTICE

CONFIDENTIALITY-Corporation annual reports are available for public inspection. An application to keep the corporation's financial information confidential can be obtained by calling the Office of the Secretary of State. Complete the 4-page confidential application and enclose a \$20 application fee in addition to the franchise tax due.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



835 SW Topeka Blvd. Topeka, Kansas 66612-1671 (913) 357-6321 FAX (913) 357-4732
SB 227

March 14, 1997

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

House Committee on Business, Commerce and Labor

by

Terry Leatherman
Executive Director
Kansas Industrial Council

Madam Chairperson and members of the Committee:

I am Terry Leatherman, with the Kansas Chamber of Commerce and Industry. On behalf of the members of the Kansas Chamber, thank you for this opportunity to explain why KCCI enthusiastically supports passage of SB 227.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 46% of KCCI's members having less than 25 employees, and 77% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Kansas is one of only two states that includes a balance sheet in corporate annual reports.

The balance sheet is a financial report detailing a corporation's assets and liabilities. What SB 227

proposes to do is eliminate the balance sheet portion from the annual report document.

*Business, Commerce
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Attachment 3*

SB 227 would end the practice of sensitive financial information being available for public inspection. For years, financial rating bureaus, attorneys looking for a deep pocket, and business competitors have used balance sheets to peek at the financial underwear of Kansas business. This has caused the Kansas Secretary of State's office to be a place for an unauthorized credit check of businesses. Since Kansas has been the only state with this open door to the financial condition of its businesses, we have placed our businesses at a competitive disadvantage.

In 1989, the Kansas Legislature did recognize this problem when it created a process to shield the balance sheet from public review. If a business currently meets a series of criteria and pays the state a \$20 fee, their balance sheet will be placed in a confidential file.

Now, SB 227 proposes a logical solution to this longtime concern. In helping to craft SB 227, the Secretary of State's office has indicated confidence that balance sheet information is not needed to determine the franchise fee a corporation pays the state of Kansas. As a result of SB 227, the following positive benefits would occur. The annual report would literally be cut in half, simplifying this annual paperwork requirement. In addition, the long-held concern of private employers regarding public inspection of balance sheet information, which has literally caused some businesses to decide Kansas was not the place to locate their operations, would be put to rest.

In our support for this legislation, KCCI has never desired to disadvantage the operation of the Secretary of State's office. It is my understanding the representative of the Secretary of State's office will request an amendment to SB 227 to permit them to retain a small portion of corporate franchise fees to defray revenue they will lose due to the elimination of balance sheets. KCCI would support the inclusion of their amendment to SB 227.

Thank you for this opportunity to urge this Committee to recommend SB 227 for passage to the Kansas House. I would be happy to answer any questions.

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Roll Thornburgh
Secretary of State



2nd Floor, State Cap
300 S.W. 10th Ave.
Topeka, KS 66612-1594
(913) 296-4564

STATE OF KANSAS
TESTIMONY TO THE HOUSE BUSINESS,
COMMERCE, AND LABOR COMMITTEE
ON SB 227, MARCH 14, 1997

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to speak in support of Senate Bill 227. SB 227 will eliminate the requirement that business entities include a balance sheet listing their assets, liabilities, and shareholder equity when filing annual reports with our office.

Kansas, like many other states, modeled its corporate code after the Delaware corporate code. The state of Delaware is considered the leader in the field of corporate law because of its well-developed corporate statutes and its strong body of case law. Most Fortune 500 companies are incorporated in Delaware and over one-half of companies registered on the New York Stock Exchange are Delaware corporations. Although the Kansas Corporate Code is similar to the Delaware code, one important difference between the two codes is the inclusion of a balance sheet in the Kansas annual report. Kansas kept the balance sheet as part of the annual report, a requirement dating back to the 1868 General Statutes. Delaware has not used the balance sheet in its annual report for more than 40 years. Kansas and Arizona are the only two states that continue to require a balance sheet as part of the corporate annual report. If the state of Kansas wishes to follow the lead of Delaware and encourage business development it will need to pattern its corporate provisions after the Delaware code and eliminate balance sheets from the annual report.

The Model Business Corporation Act has likewise eliminated the balance sheet from the annual report. In fact, the Delaware corporate code and the Model Business Corporation Act

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contain the same provisions on annual reports. Both the Delaware code and the Model Act require only general information in the annual report such as the registered office, resident agent, names and addresses of the directors, shareholders and the information regarding the corporation's shares of stock. According to the Official Comments to the Model Act, the Act was modified in 1980 to make the annual report a "limited information document." These revisions and comments demonstrate the current direction in corporate law, which is to eliminate the requirement that corporations provide detailed financial information in annual reports.

SB 227 would allow the state of Kansas to catch up with the current trend in corporate law by implementing changes that have already been made by Delaware and the Revised Model Business Corporation Act.

KANSAS LAW

Current Kansas law requires corporations, professional corporations, limited liability companies, and limited partnerships to register with our office and to file an annual report containing a balance sheet. The annual report requires the corporation to list information on the corporation's officers, directors, shareholders, properties, and, if the corporation holds agricultural land, specific information on acreage and location. The annual report also requires the business entity to assemble a detailed balance sheet listing 27 categories of assets, liabilities, capital, and net worth.

Kansas law also allows a corporation to file a confidential annual report and seal the financial information off from the public. The corporation must meet certain statutory criteria before this option is available. Even so, we estimate that 75% of corporations have the option of filing confidential reports. Therefore, the majority of corporations registered with our office already have the choice of keeping their financial information private.

SIMPLIFICATION FOR BUSINESS

The only purpose the balance sheet serves for the Secretary of State is the calculation of the annual franchise fee. The annual report includes a formula that the corporation uses to calculate its franchise fee, which is based on the net worth listed on its balance sheet. Our office examines corporate annual reports to check all information including the balance sheet and the computation of the franchise fee. Under SB 227 the corporation will instead use a worksheet created by our office to calculate the franchise fee and examinations by our office of the balance sheet and franchise computation will no longer be necessary. Eliminating the balance sheet would reduce government's involvement with business and limit the paperwork the business must submit to our office.

FISCAL IMPACT

Current law permits a corporation to pay a \$20 fee and close its financial information to the public if the corporation meets certain criteria set out in statute. Confidential filings would no longer be necessary and therefore SB 227 eliminates the confidential filing statute. The elimination of the confidential filing fee as a source of revenue for our office will result in a loss of approximately \$60,000 to our fee fund. We also expect to lose \$20,000 in copying fees from Dun & Bradstreet and a \$4,425 loss in copying fees from others who request copies of the financial information. Because the Secretary of State's office cannot afford the loss of almost \$85,000, the Secretary of State requests an amendment to SB 227, which would allow the Secretary of State to receive \$1 from each franchise fee. Approximately 80,000 corporations file annual reports with our office and therefore we would receive \$80,000 from a \$1 administrative fee, which would limit our loss to \$4,425.

I appreciate the opportunity to appear before you today and discuss SB 227.

A handwritten signature in cursive script, appearing to read "Melissa A. Wangemann". The signature is written in black ink and extends across the width of the text block.

Melissa A. Wangemann, Legal Counsel
Deputy Assistant Secretary of State

AMENDMENTS TO SB 227

SB 227 eliminates the references to net worth in the provisions relating to corporations. The original bill did not delete these provisions in the sections pertaining to limited liability companies and limited partnerships. To be consistent, these sections must be amended to eliminate any reference to net worth. Therefore, the following amendments need to be made.

1. Page 7, Section 5, Lines 14-16, relating to K.S.A. 17-7647, by striking paragraph (b)(2).
2. Page 8, Section 6, lines 25-27, relating to K.S.A. 17-7648, by striking paragraph (b)(2).
3. Page 9, Section 7, lines 36-38, relating to K.S.A. 56-1a606, by striking paragraph (b)(2).
4. Page 11, Section 8, lines 17-19, relating to K.S.A. 56-1a607, by striking paragraph (b)(2).

AMENDMENTS TO SB 227

1. The following language should be added to: 56-1a606(d); 56-1a607(d); 17-7503(c); 17-7504(c); 17-7505(b)(7); 17-7647(c); 17-7648(c); 17-2718(b).

One dollar of the annual franchise tax shall be deposited to the secretary of state's franchise tax fee fund.

2. The following NEW statute shall be added:

K.S.A. 75-443. Franchise tax fee fund.

There is hereby created in the state treasury the franchise tax fee fund. \$1 from each franchise tax payment made to the secretary of state pursuant to chapter 17 and 56 shall be deposited in the state treasury to the credit of the franchise tax fee fund.



FINANCIAL PRIVACY IN BUSINESS

1. The need for privacy in Kansas companies and U.S. companies.
 - A. 22 Million Small businesses.
 - B. 40,000 Medium size businesses
 - C. 7,000 Large size businesses
2. There are 45,000 technical firms in the U.S. Each one has its peculiarity and uniqueness to itself and should not have to share in any way, shape or form its financial information with firms in the US, Europe or Far East.
3. Ideas are a dime a dozen, but ones that work and turn into a financial profit are a whole different matter. If someone starts giving out financial information or other information to a competitor or potential competitor, it is thus allowing the competitor to focus on the little firm where ideas were promulgated and exploit the idea to the detriment of the inventor firm.
4. Because of the high income taxes in the United States at over 50% of income for individuals it is extremely difficult to accumulate capital for investing in business purposes. The business capital gains tax at 28% does not allow U.S. businesses, particularly small firms like ours, to compete against the Japanese and European business firms whose capital gains tax is zero.
5. The most prosperous country in the world which has low taxes is Hong Kong. They have a 10% growth rate every year. U.S. has lost over one million manufacturing jobs since 1985. Keeping small firm and large firm financially confidential is important as stated in #3.
6. Getting favorable bank loans or other private loans is extremely important on a confidential basis rather than have this information public. The growth rate is important so that potential customers either domestic or foreign do not have the ability to find out if that firm's growth rate is profitable or not.

Tim Roudebush

*Business, Commerce
& Labor Committee
3/14/97
Attachment 5*