

Approved: 3/3/00
Date

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson Wagle at 9:00 a.m. on March 8, 2000, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright , Legislative Research Department
April Holman, Legislatirve Research Department
Don Hayward, Revisor of Statutes
Shirley Sicilian, Department of Revenue
Ann Deitcher, Committee Secretary
Edith Beaty, Taxation Secretary

Conferees appearing before the committee: Karla Pierce, Secretary of Department of Revenue

The Chair introduced Department of Revenue Secretary, Karla Pierce who appeared before the Committee in regard to the February tax refunds. (Attachment 1).

Asked if this problem was discovered last November, why was the Committee not told when she appeared before them in January, the Secretary said they thought the problem was solved.

Representative Edmonds asked a question about the recipients of checks they were not entitled to and the interest they would have to pay if the money wasn't returned in a timely fashion. He asked why they would have to pay any interest on the amount since it wasn't their fault in the first place.

Secretary Pierce said that each case would be dealt with individually

In regard to people having to hire a tax accountant to handle the problem, the secretary was asked if the Department of Revenue planned to compensate these people for this additional expense. She said she didn't have the authority to do that.

Representative Aurand asked the Secretary if she would be willing to help with the language for a bill that would allow a credit in cases where the taxpayer, through no fault of their own, had been charged a fee or faced expenses brought about by the errors of others.

The Secretary said she would be happy to help craft some language that would give discretionary authority to give guidelines that would be appropriate.

The Chair said that since there was no meeting planned for Monday, March 13, members of the Committee would tour the Department of Revenue.

HCR 5064 - Amend article 11 of the constitution of the state of Kansas by adding a new section thereto, prohibiting the increase of the rate of certain taxes.

It was moved by Representative Long and seconded by Representative Gregory to favorably pass HCR 5064 out of Committee. The motion carried by a show of hands. Representative Flora wished his vote to be recorded as a no.

CONTINUATION SHEET

HB 2588 - Farming loss carrybacks allowed for income tax purposes.

Don Hayward explained what **HB 2588** would do. A copy of an amendment to the bill was distributed. (Attachment 2).

Representative Aurand made the motion to adopt the amendment to **HB 2588**. It was seconded by Representative Minor and carried on a voice vote.

It was moved by Representative Wilt and seconded by Representative Gilbert to pass **HB 2588** as amended. The motion passed on a voice vote.

HB 2577 - Income check-off for USD technology fund programs.

A balloon amendment to **HB 2577** was passed out to Committee members. (Attachment 3). Additional changes had been suggested. In line 19 the word "annually" would be replaced with "quarterly" and on line 21 the word "monthly" would be added following the word "report".

Representative Johnston moved and Representative Campbell seconded the motion to adopt the balloon amendment to **HB 2577**.

A substitute motion was made by Representative Aurand and seconded by Representative Jenkins that **HB 2577** be tabled at this time. The motion passed by a show of hands.

The meeting was adjourned at 10:30 a.m. The next meeting is scheduled for Thursday, March 9, 2000.

Ade Toy
3/8/00
Attach. 1-1

Department of Revenue Processing Status Report

March 8, 2000

Karla J. Pierce, Secretary

Service is Better and Faster

- Refund volume is up
- Refund turnaround on target
- Refund status line accurate
- Customer calls are answered
- Refund incident description
- Quality assurance process in place

Refund Volumes are Up

- 307,000 refunds have been issued in 2000
 - 62% increase over the 190,000 issued in 1999
 - Turnaround is 5 days for electronic returns and 2-3 weeks for paper returns
- Volume continues to grow
 - 5% increase in overall returns received
 - 23% increase in electronic filers

Refund Status Line Improvements

- Refund status line is accurate
 - daily audit of performance
- Unlimited access
- Call volume is down
 - receiving 35% less calls than March 1999
 - accurate information the first time
 - refunds issued quicker means no need to call

Customer Calls are Answered

- Telephone system improvements
 - Toll-free number available for general assistance
 - New switch and phone system software installed February 25
 - Enabled us to manage to over 95% answer rate last week
 - February volumes 60% less than 1999
 - Voice Response system self service option answers 12% of the calls 24 hours a day

The Refund Incident

- System bug identified and fixed in early December 1999
- Accounts affected placed on hold
- Hold expired February 11 and refunds issued February 14
- Affected less than .2% of refunds issued
- Impact on State Treasury was \$456,000, remaining \$1,788,000 checks were never cashed

Quality Assurance

- LPA Report -- “Problems with any new software system are to be expected the first year, especially with software as complex as that being developed for the Department.”
- Department Actions
 - System integrity
 - Data integrity
 - Refund integrity
- Errors are a fact of life

On page 2, after line 16, by inserting the following:

(f) No refund of income tax which results from a net farm loss carry back shall be allowed in an amount exceeding \$1,500 in any year. Any excess amount may be carried back or forward to any other year or years as provided by this section."

House Taxation

Date 3/8/00

Attachment # 2

HOUSE BILL No. 2577

By Representative Johnston

7-15

9 AN ACT relating to income taxation; providing a check-off for the fund-
10 ing of unified school district technology programs.
11

12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. (a) For ~~tax years 2000 and 2001~~, each Kansas state indi-
14 vidual income tax return form shall contain a designation as follows:

15 Kansas millennium K-12 education technology fund program. Check
16 if you wish to donate, in addition to your tax liability, or designate from
17 your refund, ___\$1, ___\$5, ___\$10, or \$___.

18 (b) The director of taxation of the department of revenue shall de-
19 termine annually the total amount designated for use in the Kansas mil-
20 lennium K-12 education technology fund program pursuant to subsection

21 ~~(a)~~ and shall report such amount to the state treasurer who shall credit
22 the entire amount thereof to the millennium technology fund which fund
23 is hereby established in the state treasury. In the case where donations
24 are made pursuant to subsection (a), the director shall remit the entire
25 amount thereof to the state treasurer who shall credit the same to such
26 fund. All moneys deposited in such fund shall be used solely for the
27 purpose of providing technological advancements for K-12 students en-
28 rolled in a unified school district. All expenditures from such fund shall
29 be made in accordance with appropriation acts.

30 Sec. 2. This act shall take effect and be in force from and after its
31 publication in the statute book.

all taxable years commencing after
December 31, 1999

and shall be distributed to the unified
school district within which the taxpayer
so designating or donating resides on
August 1, 2001, and February 1, 2002, and
on such dates in each year thereafter

Monthly

House Taxation

Date: 3/8/00

Attachment # 3