

Approved: 1-31-00
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:08 a.m. on January 26, 2000 in Room 519-S of the Capitol.

All members were present except: Senator Sandy Praeger – Excused

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Senator Nancey Harrington
Lloyd Swor
Marci Hess, Sedgwick County
Shirley Sicilian, Kansas Department of Revenue
Randy Allen, Kansas Association of Counties
Don Moler, League of Kansas Municipalities
Karen Persinger, Osage County Clerk

Others attending: See attached list.

SB 376–Property taxation; authority for boards of county commissioners to abate or provide credit against property taxes levied upon residential property destroyed by calamity

Senator Nancey Harrington, sponsor of **SB 376**, testified in support of the bill. To illustrate the need for the bill, she discussed the devastation caused by a tornado that ripped through portions of Sedgwick County in May of 1999. She noted that the bill applies only to individuals who lose their homes as a result of a disaster declared a major disaster by the President of the United States. She pointed out that language in the bill is “may,” not “shall;” therefore, it is not a mandate from the state to local units of government. (Attachment 1)

Lloyd Swor, a resident in an area one mile south of Haysville, explained that he was a victim of the May 1999 tornado. His home was totally destroyed as were many other homes. Although he has insurance, he has been unable to rebuild quickly because contractors are currently too busy. He commented that, basically, his house does not exist. Thus, he feels it is fair that his house be removed from the tax rolls as of May 3. He emphasized his belief that individuals deserve relief under these circumstances. He noted that he is not asking for a continued abatement, only for the time period in which he does not have a home.

Marci Hess, Sedgwick County, testified in support of **SB 376**. She noted that Sedgwick County experienced two presidentially-declared disasters in less than one year. She supports the concept of the bill; however, she questioned the clarity of some of the details in the bill. (Attachment 2)

In response to questions Ms. Hess raised in her testimony, Mr. Hayward explained that “destroyed” does not have a technical definition. As to who would validate the destruction, he noted that lines 30 and 31 of the bill provide that the county commissioners are to make findings regarding the property destroyed. With regard to appeals, he explained that there is no appeal. He noted that it was the hope of the sponsor of the bill that it would remain a local concern rather than proceeding to an appeal process at the state level.

In addition, Mr. Hayward noted that a mistake was made when the bill was drafted as the title indicates “residential property,” but the body of the bill indicates “any property.” He was uncertain if the sponsor intended to limit the bill to residential property. Senator Harrington said her intent was to limit the bill to residential property, but she had no objection to expanding it to include all property if the Committee wishes to do so.

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE
Room 519-S, Statehouse, at 11:08 a.m. on January 26, 2000.

SB 407—Administration of the intangibles gross earnings tax

Shirley Sicilian, Kansas Department of Revenue, reminded the Committee that the Department requested the introduction of **SB 407**. She explained that the provisions of the bill would move the state's administrative role for the local intangibles tax back to the counties. The purpose of the bill is to eliminate a barrier for individual income taxpayers filing electronically. She outlined the role the state and counties play in the administration of the local option tax, noting that the Department's role comes down to mailing blank forms out to taxpayers and then mailing the completed forms back to the counties. (Attachment 3) Ms. Sicilian stated that she realizes the bill could cause concern for local governments, but the Department is willing to work with them to resolve any problems created by the bill.

Randy Allen, Kansas Association of Counties (KAC), testified in opposition to **SB 407**. Mr. Allen's primary objection is that the Department of Revenue advised KAC that the bill was going to be introduced only days before the 2000 legislative was to begin. Thus, there was not adequate time to have a thoughtful discussion and exchange of information about the proposal. In addition, he believes that **SB 407** must be viewed within the context of other proposals this session which negatively impact counties. (Attachment 4)

Don Moler, League of Kansas Municipalities (LKM), followed with further testimony in opposition to **SB 407**. While the modification suggested by the Department of Revenue does not currently impact cities by requiring them to collect the intangibles tax, he opposes **SB 407** because it very easily could be modified to require cities to collect the intangibles tax, and he feels it could impact the ability of cities, counties, and townships to receive all of the tax that is due. He noted that the Department recommended in 1983 that the intangible tax forms be collected at the state level. Mr. Moler contended that the state is still the appropriate level of government to collect the intangibles tax as it is a natural to be collected at the time of the state income tax. He pointed out, since some cities and counties do not have the ability to collect an income tax, there is no logical time for cities and counties to collect the intangibles tax. He contended that collections will suffer, expenses will increase, and the system will become unworkable if the bill is passed. (Attachment 5)

Karen Persinger, Osage County Clerk, reported that a poll of county clerks concerning **SB 407** showed that they are not in favor of the bill's provisions. She followed with an itemization of reasons the clerks object to the bill. The objections concern the inconvenience to the taxpayer, enforcement, and administrative costs. (Attachment 6)

The meeting was adjourned at 11:55 a.m.

The next meeting is scheduled for January 27, 2000.

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: January 26, 2000

NAME	REPRESENTING
Don Moler	LKM
Randy Allen	Kansas Assoc. of Counties
Karen Persinger	Osage Co. Clerk - K's Co Clerks
George Petersen	Ks Taxpayers Network
Tony Folson	BOTA
David Belpedio	City of Overland Park
Kelly Kuitala	City of Overland Park
Mary Becku	Kansans Respond
Janet Stubbbs	Ks. Bldg. Ind. Assn.
Dave Helthaus	Western Resources
Chuck Suddall	Adjutant General's Dept
Craig Cough	Harvey County
Anne Spiess	Peterson Public Affairs Group
Marlee Berthold	KCCI
Nanci Liss	Sedgwick County
Cashy Keller	Sedgwick County
Cashy Mc Kim	Sedgwick County
Bobby Quin	Sedgwick County
Lloyd M. Twer	Self citizens

STATE OF KANSAS

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TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS
VICE CHAIR: FEDERAL AND STATE AFFAIRS
MEMBER: JUDICIARY
TRANSPORTATION AND TOURISM

January 26, 2000

Chairman Langworthy and members of the committee.

I appreciate the opportunity to appear before you today, and I'm grateful to the chair for holding hearings on SB 376.

Last May a tornado ripped thru portions of Sedgwick County.

The core of the town of Haysville population of almost 9,000, was devastated by the tornado. As well as homes that sat outside the town.

I will not take much of the committee's time because the mayor of Haysville, Tim Norton is here to address the committee as well as others who lost their homes as a result of the storm.

*Senate Assessment + Taxation
1-26-00
Attachment 1*

It is my desire to give local county officials the opportunity to allow for tax credits or to abate property taxes for individuals that would qualify as a result of a major disaster.

In order for someone to qualify the disaster must be declared a major disaster by the President of the United States.

The Kansas Department of Budget supplies the fiscal note regarding the lost to Sedgwick County from the May 1999 storm. The impact to the county budget if everyone in the county would have applied for property tax credit or abatement would have been \$1 million. It is not my intention to shift the tax burden unto other taxpayers. Surely in cases such as the May 1999 lost county budgets could be reprioritized for one year, so the tax burden would not be shifted. Keep in mind SG 376 language is may not shall therefore not a mandate from the state to local units of government.

One last point to be made; it is my understanding after speaking to the Budget Department that the information provided to them by the Department of Revenue there will no fiscal impact to the state school mill levy.

If the committee is inclined to work this bill I certainly would appreciate the suggested adjustments to the language if we are able to address the needed change in Statute to allow local governments the ability to make the decision about individual tax bills for major disasters.

A handwritten signature in cursive script that reads "Nancy Harrington". The signature is written in black ink and is positioned above the printed name.

Senator Nancy Harrington

State Senator - 26th District



SEDGWICK COUNTY, KANSAS

GOVERNMENT RELATIONS

MARCI HESS, DIRECTOR

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SENATE ASSESSMENT AND TAXATION COMMITTEE TESTIMONY ON S.B. 376

January 26, 2000

Senator Langworthy and Committee Members:

Good Morning! Sedgwick County is supportive of S.B. 376 and the concept of abating property taxes for homes destroyed in presidentially-declared disasters.

As many of you are probably aware, our county experienced 2 presidentially-declared disasters in less than 1 year: the flood of October 1998 and the tornado of April 1999. The fiscal impact of these 2 disasters to Sedgwick County could be absorbed, but that may not be the case for the smaller entities involved.

As this committee works through this bill, some questions to consider are:

- How is "destroyed" defined?
- Who validates that destruction?
- Would there be an appeal process?

Again, Sedgwick County conceptually supports this idea, and we feel it is important to clearly understand the details.

*Senate Assessment & Taxation
1-26-00
Attachment 2*

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Office of Policy & Research

TESTIMONY

To: Senator Langworthy
Chair, Senate Assessment and Taxation Committee
From: Shirley K. Sicilian
Re: **Senate Bill 407 – Regarding Administration of the Local Intangibles Tax**
Date: January 26, 2000

Senator Langworthy and members of the committee, thank you very much for the opportunity to testify today regarding SB 407. Senate bill 407 is a department bill. It would move the State's administrative role for the local Intangibles Tax back to the counties. Our purpose is not to reduce our operating budget (it would have little effect), but to eliminate a barrier for individual income taxpayers filing electronically.

The Intangibles tax is a local option tax on the gross earnings from "money, notes and other evidence of debt." (K.S.A. 12-1,101). Administration of the tax is currently split between the state and the counties:

- By July 15, the county clerk mails the department a list of the intangibles tax rates for that county and its cities and townships.
- The department includes the local intangibles tax form (along with list of all the local rates) in its individual income tax booklet mailed to Kansas taxpayers.
- Taxpayers who are subject to a local intangibles tax must include a completed intangible form with their individual income tax return envelope. They do not include payment for the intangibles tax, only the form.
- As the department processes individual income tax returns, we open the envelope, remove any completed intangibles forms, and sort the removed forms into batches by county.
- The batches are then mailed to the appropriate county clerks.
- The county clerks compute the tax due for each taxpayer and certify this amount to the county treasurers.
- The county treasurers include a statement of the amount of intangibles tax due in the (real and tangible) personal property tax statement that they mail in November.
- The taxpayer remits a check to the county treasurer.
- The county treasurer and the sheriff are empowered by statute (K.S.A. 12-1,106) to collect the intangibles tax in the same manner as personal property taxes are collected.
- The secretary of revenue has rule and regulation authority. (K.S.A. 12-1,110).

As you can see, the department's operational role comes down to mailing the blank forms out to taxpayers, and then mailing the completed forms back to the counties. The Treasurers are responsible for billing and collecting the tax. Our concern is that the intangibles tax is part of the

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1-26-00
Attachment 3

individual income tax form, yet it is a paper process only. Taxpayers, who must return the intangibles tax form on paper, are not inclined to file the income tax return using a separate, electronic method. Thus, the department's role in the administration of the intangibles tax poses a barrier to our strategic goal of increasing electronic filings. This bill would remove the State's responsibilities in processing that local tax.



KANSAS
ASSOCIATION OF
COUNTIES

TESTIMONY
concerning SB 407

Senate Assessment and Taxation Committee

Presented by Randy Allen, Executive Director
Kansas Association of Counties
January 26, 2000

Madam Chair and members of the committee, my name is Randy Allen, Executive Director of the Kansas Association of Counties. I am here to express our opposition to the immediate proposal embodied in SB 407 concerning administration of the intangibles tax.

Currently, 34 counties levy a county intangibles tax of 0.75%. Additionally, in 25 other counties, there are cities and townships which levy intangibles taxes, even though the county governments do not. As such, 59 of the 105 counties are involved to some extent in administering the local intangibles tax. The counties' rate is 0.75%, and the cities and townships can impose up to an additional 2.25%, with the maximum burden for any taxpayer totaling 3.0%. Currently, administration of the tax is a joint effort of the Kansas Department of Revenue and counties, primarily through the offices of county clerks and treasurers.

Our immediate objection to this proposal has more to do with timing than anything else. Our staff was advised by the Department of Revenue only days before the 2000 legislative session that this proposal was going to be introduced. As such, there has not adequate time to bring the county clerks and Department of Revenue officials together to have a thoughtful discussion and exchange of information about this proposal.

Additionally, we unavoidably view SB 407 within the context of other legislative proposals this session which negatively impact counties. The most troubling is the possible reduction of \$7 million in demand transfer revenue from the state to cities and counties. Another troubling concern is the proposal to eliminate the Municipal Accounting section of the Division of Accounts and Reports, which would place an even greater burden on county clerks. Some may dispute the linkage I have drawn, but in our desire to be partners with the state, we need to think of the big picture.

As such, I urge you to table this proposal, and allow the Department of Revenue and counties to work together (as we have on many occasions) on this and other issues of mutual concern. Thank you.

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services to its 105 member counties. The Association's main office is in Topeka, and the Education Program office is located at 3500 N. Rock Road, Building 100, Wichita, KS 67226.

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Senate Assessment & Taxation
2-26-00
Attachment 4



League of Kansas Municipalities

To: Senate Assessment and Taxation Committee
From: Don Moler, Executive Director
Date: January 26, 2000
Re: Opposition to SB 407

First let me thank the Committee for allowing the League to appear today in opposition to SB 407. While the modification suggested by the Department of Revenue in SB 407 does not currently impact cities by requiring them to collect the intangibles tax, we are joining with the Kansas Association of Counties today in opposing this legislation because it very easily could be modified to require cities to collect this tax and because we feel it could impact the ability of cities, counties and townships to receive all of the tax that is due. Not only would there be an expense to counties in this transfer, but the ability of county government or city government to collect the data necessary to collect this tax would be severely limited.

I would draw your attention to an attachment to this testimony which is from the legislative interim report to the 1983 Kansas Legislature. It regards proposal number five concerning the intangibles tax and at the top and I would direct your attention to the page 89. In 1983 the Department of Revenue appeared before the interim committee and presented a memorandum giving two options for the enhanced performance of the intangibles tax. The first option was to provide state income tax information to local jurisdictions. The department testified that implementing this option would jeopardize the state's agreement on coordination of tax administration with the IRS. If the IRS refused to provide the state with federal income tax information because of this transfer, the state would then be hampered severely in its own tax administration and collection efforts according to the Kansas Department of Revenue. The second option, which was recommended by the Kansas Department of Revenue, was to implement a system whereby the intangible tax return would be filed with the department and the taxable intangibles income would be certified to the local county. This was the recommended course of action by KDOR, and we would suggest that it is still the best way to go.

The fact of the matter is that the collection of the intangibles tax, given the nature of the tax, is reasonably placed at a statewide level. While we appreciate the concerns of KDOR in this matter, the League submits that the State is the appropriate level of government to collect the intangibles tax as it is a natural to be collected at the time of

the State income tax. Since cities and counties do not have the ability to collect an income tax, we would submit that there is no logical time for cities and counties to collect the intangibles tax. We believe collections will suffer, expenses will increase, and the system will become unworkable. We would urge the Committee to reject SB 407. Thank you. I will be happy to answer any questions the Committee may have.

RE: PROPOSAL NO. 5 - INTANGIBLES TAX*

Proposal No. 5 directed the Special Committee on Assessment and Taxation to:

monitor the implementation of the new statutes authorizing counties, cities, and townships to impose a tax on the gross earnings from money, notes, and other evidence of debt and recommend any necessary changes therein, including the advisability of requiring the Department of Revenue to disclose income data to local government officials for intangibles tax enforcement purposes.

Background

There have been six principal stages in the taxation of intangibles in Kansas, as follows:

1. uniform and equal, at the general property tax rate;
2. classification and low millage rate from 1926 through 1958 (with one interruption in 1929);
3. on the basis of earnings or millage at taxpayer's option from 1959 through 1970;
4. on the basis of earnings from 1971 through 1976;
5. on the basis of earnings, at local option, from 1977 through 1981; and
6. locally imposed tax, 1982.

* H.B. 2021, H.B. 2022, and H.B. 2023 accompany this report.

Uniform and Equal. The requirement in Article 11, Section 1 of the Kansas Constitution of a uniform and equal rate of assessment and taxation has been a part of the Kansas Constitution since statehood. The early application of the tax was universal, that is, all property, both real and personal, tangible and intangible, was subject to the tax. The exemptions allowed were only for property used for governmental, charitable and religious purposes, and a limited amount of household goods. Compliance with the law by taxpayers and appraisers' efforts at discovery of intangibles were poor, however, as the tax on intangibles was unpopular and difficult to enforce.

Classification. In 1924, Article 11, Section 1, was amended to provide that "mineral products, money, mortgages, notes and other evidence of debt may be classified and taxed uniformly as to class as the legislature shall provide." The 1925 Legislature imposed a 2.5 mill levy on intangibles and a mortgage registration fee of 25 cents per \$100 (or 2.5 mills), both in lieu of the general property tax. It was hoped that taxation of intangibles at a special low rate would result in greater compliance with the law. In 1927, the intangible tax rate was increased to 5 mills. The intangibles tax law was held partially invalid by the Kansas Supreme Court in November 1929. In 1930 the Legislature repealed the intangibles tax law, but a new law was enacted in 1931 and the tax rate of 5 mills was reestablished.

Taxpayer's Option. The 1958 Special Session of the Legislature authorized individuals, partnerships, associations, companies, and corporations, to elect one of two tax rates applicable to intangible property — 3 percent of gross earnings or 5 mills on the value of the property. Various studies over the years had concluded that, even under the special 5-mill rate, there was substantial lack of compliance with the intangibles tax law. Proponents of the earnings option contended, among other things, that the new system would result in greater reporting of intangibles. That law required a special intangibles tax return to be filed with the Department of Revenue along with the state income tax return. The Department was directed to compute the amount of tax due and certify the amounts to the counties for collection. Finance companies and certain other types of businesses

continued to be assessed locally and taxed at the 5-mill rate. In 1963 a special privilege (income) tax on banks and savings and loan associations was enacted in lieu of the intangibles tax. Such financial institutions had been paying a tax of 5 mills on the net value of their stock or shares.

Removal of 5 Mill Option. For most taxpayers, the option of paying 5 mills on the value of intangibles was removed in 1970. Finance companies remained subject to the 5-mill tax on the value of their shares of stock or average capital employed in Kansas, with certain deductions. Also in 1970 the intangibles tax was first applied to savings and loan shares, shares of stock in corporations with a principal office in Kansas, and accounts receivable arising out of business conducted within Kansas.

Local Option. In 1976, a special local option provision was enacted which allowed cities, counties, and townships to reduce or eliminate their respective shares of the intangibles tax. A 1979 law permitted voters to petition for an election to reduce or eliminate the intangibles tax. The local governing body also could place the question on the ballot. As of September 1, 1981, the intangibles tax rate had been reduced by one county, six cities, and four townships. The tax had been eliminated by 24 counties, 107 cities, and 165 townships.

Supreme Court Decision. In its decision in the case Von Ruden, Jr., v. Miller, 231 Kan. 1 (1982), the Kansas Supreme Court declared the authority of local units to eliminate or reduce the intangibles tax invalid. The Court found the intangibles tax to be a state-imposed specific property tax, and the local units' option to reduce or eliminate the rate to be an unconstitutional delegation of legislative authority. The effect of the decision was to reinstate the tax statewide at the 3 percent rate.

Locally Imposed Tax. Following the decision in Von Ruden, Jr., v. Miller, the 1982 Legislature repealed the statewide intangibles tax and exempted intangibles from ad valorem and other property taxes. In a separate bill, the Legislature then authorized cities, counties, and townships to levy a tax on gross earnings from intangibles. The maximum

rates authorized are the same as under the prior state intangibles tax law, i.e., 0.75 percent for counties and 2.25 percent for cities or townships, but the tax may be imposed in increments of one-eighth of one percentage point. For tax year 1982, the resolution or ordinance adopting such a tax had to be adopted before June 15, 1982. For tax year 1983, such resolution or ordinance had to be adopted by September 1, 1982. If the tax was imposed for 1982, taxpayers were required to file a return with the county treasurer by August 1; in following years returns will be due by July 1. After January 1, 1983, electors may petition for a referendum at the next primary or general election on the question of whether the governing unit shall either eliminate or impose such a tax.

For tax year 1982, exemptions from the tax, with one exception, will be the same as under the former state intangibles tax. The new exemption beginning in tax year 1982 is for stock dividends from savings and loan association stock. For tax years after 1982, there will be two additional changes in the exemptions. The first change is an increase in the exemption for elderly or disabled taxpayers, with such taxpayers being able to exempt up to \$5,000 of earnings from intangible property, and the exemption reduced by the amount of household income in excess of \$15,000. The second change is for earnings from notes to the extent such earnings are reimbursement of interest paid on another note, the proceeds of which were a source of funds for the first note.

Committee Activity

The Committee reviewed testimony from staff, the League of Kansas Municipalities, the Department of Revenue, and the Kansas Association of Counties. The testimony received by the Committee is summarized below.

Staff. Staff presented memoranda to the Committee on the history of the intangibles tax and potential areas of legislative concern.

League of Kansas Municipalities. Jim Kaup presented the League's publication "Levying a Local Intangibles Tax" and

explained example ordinances prepared by the League for the imposition of local intangibles taxes.

Ernie Mosher reviewed some problem areas with the new law and presented the results of the League's survey of counties to determine the number of local units which had imposed an intangibles tax for 1982. The results of the survey were summarized by the League as follows:

1. Countywide. Counties in which the county, and all cities and all townships therein, have levied the tax (Ford, Hodgeman, Jackson, Kearny, Mitchell, Nemaha, Ness, Osborne, Sheridan, Sherman, Smith, Thomas, Trego, Wallace).14
2. Countywide. Counties in which every taxpayer is subject to the tax (above 14, plus 53 other). 67
3. Countywide. Counties in which no county, city, or township levy is made (Allen, Comanche, Finney, Grant, Leavenworth, Linn, Miami, Montgomery, Scott, Seward, Wyandotte). 11
4. Countywide. Counties in which the county, or one or more cities or townships, have levied the tax (105 less 11).94
5. Counties Only. 67 (63.8%) of the 105 counties levy the tax; 38 (36.2%) do not.
6. Cities Only. 368 (58.7%) of the 627 cities levy the tax; 259 (41.3%) do not.
7. Townships Only. 890 (62.7%) of the 1,419 townships levy the tax; 529 (37.3%) do not.
8. Tax Rates. Counties: 66 of the 67 levying counties levy the maximum .75% rate. Cities:

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361 of the 368 levying cities levy the maximum of 2.25%. Townships: 860 of the 890 levying townships levy the maximum of 2.25%.

9. Population. Of the 1980 population of 2,364,236, approximately 974,700 residents live within a county, city, or township which levies the tax — about 41.2% of the total. Approximately 1,389,500, or 58.8% of the total population, are not subject to the tax.

Department of Revenue. The Department presented a memorandum giving two options for enhanced enforcement of the intangibles tax. The first option was to provide state income tax information to the local jurisdictions. Implementing this option would jeopardize the state's agreement on coordination of tax administration with the Internal Revenue Service. If the Service should refuse to provide the state with federal income tax information, the state would be hampered severely in its own tax administration and collection efforts, according to the Department.

The second option presented was to return to a system whereby the intangibles tax return is filed with the Department, and the taxable intangibles income is in turn certified to the local county. The Department recommended the latter option.

Kansas Association of Counties. Fred Allen of the Association endorsed the second enforcement option presented by the Department of Revenue.

Recommendations

The Committee recommends that all taxpayers having intangibles tax liability be required to file a return with the Department of Revenue beginning in 1984. The Committee recognizes that local officials are unable to discover or verify many kinds of intangibles income and that state processing of income and intangibles tax forms may encourage taxpayer

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compliance. County clerks would be required to notify the Department of Revenue of the imposition of the tax by any jurisdiction so that as many of such jurisdictions as possible may be listed on the return distributed by the state.

The Committee recommends the repeal of subsection (1) of section 9 of 1982 H.B. 3142 (Chapter 63, 1982 Session Laws). Subsection (1) duplicates the exemption contained in subsection (d).

The Committee recommends requiring that referenda on imposing or eliminating the intangibles tax be held at the general election of the governing body or at state general elections. The Committee recognizes that referenda held at the corresponding primary elections would affect the same tax years anyway, and recommends this change in the hope of ensuring the maximum possible voter participation in such elections.

Under current law, a governing body cannot under any circumstances reimpose an intangibles tax following its elimination by referendum. The Committee believes that a local body should have the power to reimpose the tax, realizing that such action probably would not be undertaken unless the circumstances have changed since the election.

Under the old state-imposed intangibles tax, in counties that have adopted the county unit road system, townships would receive sufficient revenues from the tax to fund their adopted budget and the balance was credited to the county general fund. The Committee recommends that townships in such counties receive sufficient revenues from the locally-imposed tax to fund their adopted budgets, and the balance be credited one-half to the county general fund and one-half to the county road and bridge fund.

Intangibles income can easily be calculated from the intangibles tax liability. In order to prevent the intangibles income or intangibles tax liability of any individual taxpayers from becoming public information, the Committee recommends that the list of intangibles tax due remain separate and

confidential. Enactment of H.B. 2023 would carry out all of the above recommendations.

The Committee recommends that the exemption from the tax lid which had been contained in the state-imposed intangibles tax law be reenacted so as specifically to cite K.S.A. 79-5001 to 79-5016, inclusive. Such an exemption had been enacted in 1982 S.B. 891 (K.S.A. 1982 Supp. 79-5019) but that bill did not specifically cite the tax lid law. K.S.A. 79-5003 requires that all acts authorizing exemptions from the tax lid specifically cite the tax lid law. Enactment of H.B. 2021 would carry out this recommendation.

Finally, the Committee recommends that counties be authorized to share their part of a countywide sales tax revenue with townships. Under current law, cities, counties, and townships may impose an intangibles tax, but only cities and counties may impose a local sales tax. This change would allow townships to refrain from imposing an intangibles tax and to replace such revenue with revenue other than from a property tax. Enactment of H.B. 2022 will carry out this recommendation.

Respectfully submitted,

November 8, 1982

Sen. Charlie Angell,
Chairperson
Special Committee on Assessment and Taxation

Rep. James Braden,
Vice-Chairperson
Sen. Jim Allen
Sen. Paul Burke
Sen. Bert Chaney
Sen. Joe Warren

Rep. Robin Leach
Rep. Kent Ott
Rep. Richard Schmidt
Rep. John Sutter
Rep. Lawrence Wilbert

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5-6

Assessment and Taxation Committee - Comments on Senate Bill No. 407

Senator Langworthy and members of the committee:

I am Karen Persinger, Osage County Clerk and Vice Chair of the Kansas County Clerks' legislative committee. The county clerks were polled yesterday concerning Senate Bill No. 407. The response of the clerks showed they are not in favor of amending KSA 12-1,104 whereby the intangible tax forms would be filed directly with the county clerk on forms prescribed and provided by the county clerk. The reasons they are not in favor of this change are as follows:

1. Lost revenue due to an increase in taxpayers' failure to file. County Clerks do not have any means to check records to find those taxpayers who have failed to file. (I do not know if the state does any checking, but they do have income tax forms to check.)
2. Inconvenience to taxpayers. The intangibles tax form is now included in the state tax booklet. If another agency is involved in distributing the forms; this will cause more inconvenience to the taxpayer.
3. Would not have a uniform statewide form.
4. Filing directly with the county clerk was tried several years ago and apparently was not successful as the procedure was changed back to filing with the state.
5. Added cost to the county to prescribe, provide and distribute the form .
6. The Kansas County Clerks' Association shares the concern of all county elected officials about unfunded mandates. The clerks provide many services to our citizens on behalf of the state with no reimbursement. We are concerned about the state increasing the services at the same time they criticize local government for increasing taxes in order to provide the necessary services to our citizens. One county noted they had 1,254 intangibles tax forms filed last year. It would not be possible for the clerk to absorb the cost of preparing and mailing the forms without an increase in the budget. There is also the potential for questions about how to complete the form.

Senate Assessment & Taxation
1-26-00
Attachment 6