

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by the Chairman Edmonds at 9:00 a.m. March 14 in Room 519-S of the Capitol.

All members were present except: Representative Howell, excused

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor
Winnie Crapson, Secretary

Conferee appearing before the committee:

Representative Dillmore
Richard Cram, Department of Revenue
Ron Hein, Kansas Restaurant and Hospitality Assn

Others attending See attached list.

Hearing was opened on

SB 42 - Liquor drink tax periods of limitation

Representative Dillmore presented testimony in support of the bill (Attachment #1) together with a report from the National Council on Alcoholism and Drug Dependence, Inc. "Use of Alcohol and Other Drugs Among Women" (Attachment #2). Representative Dillmore pointed out the lack of consistency in response of cities and counties to the recommendations of Alcohol and Drug Abuse Advisory Boards. He responded to questions from members of the Committee and presented a proposed amendment to **SB 42**.

Richard Cram, Director of the Office of Policy and Research, Department of Revenue, presented testimony in support of **SB 42** (Attachment #3) explaining that the statute of limitations is taken from the sales tax act, K.S.A. 79-3609. He responded to questions from members of the Committee.

Hearing was closed on SB 42.

Hearing was opened on

SB 41 - Inheritance tax liability expiration.

Richard Cram presented testimony in support of **SB 41** (Attachment #4), explaining that the bill was requested by the Estate Tax Advisory Committee of the Kansas Judicial Council which considered that the continued existence of potential inheritance tax liability after July 1, 2008 could create clouds on titles. He responded to questions from members of the Committee.

Hearing was closed on SB 41.

Hearing was opened on

SB 43 - Sales tax refund appeals.

Richard Cram presented testimony in support of **SB 43** (Attachment #5) providing that appeals of denials of food sales tax refund claims will go through an informal conference process within the Department of Revenue instead of going straight to the Board of Appeals. Such denials are often due to insufficient information which is easily resolved in such a conference. He answered questions of Committee members.

Hearing was closed on SB 43.

CONTINUATION SHEET

Hearing was opened on

SB 45 - Income tax statute of limitations.

Richard Cram presented testimony in support of SB 45 (Attachment #6) outlining its provisions.

Hearing was closed on SB 45

The committee considered bills previously heard.

Representative Powers moved to recommend SB 41 favorable for passage. Representative Vickrey seconded and motion was adopted.

Representative Larkin moved to recommend SB 45 favorable for passage and recommend it be placed on the consent calendar. Representative Sharp seconded and motion was adopted.

Meeting adjourned at 9:44 a.m. The next scheduled meeting is March 15.

GUEST LIST

DATE Mar. 14

| NAME | REPRESENTING |
|------------------|-------------------------|
| Richard Gunn | KDOR |
| Bill Yanek | KS Assn of Realtors |
| Linnier Crow | Federica Consulting |
| Stephanie Buchan | IDOB |
| Maribeth Turner | Blue Valley High School |
| Kevin Bazzone | Hem/ner chrd |
| Maylee Carpenter | KCCT |
| Paul Pofajski | KS Taxpayers Network |
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TOPEKA

HOUSE OF
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS
 MEMBER: FISCAL OVERSIGHT
 JUDICIARY
 TRANSPORTATION
 UTILITIES

March 13, 2001

Chairman Edmonds
 Members of Taxation Committee

Testimony on Amendment to SB 42

Mr. Chairman and committee members I thank you for the opportunity to appear before this committee today to address what I believe is an important issue. This issue touches every social ill in our culture today. The problem of substance abuse is a component of truancy, spouse abuse, lost productivity, unemployment, crime, repeat DUI offences, and every other problem you can name. I would ask you to review some of the information attached to my testimony to get a sense of how pervasive this problem is.

Before serving in the House, I had the privilege to serve as the vice president of the Wichita/Sedgwick County Alcohol and Drug Abuse Advisory Board. During that time, I saw first hand how inadequately we, as a society, deal with the problem of substance abuse and prevention. Public funding for treatment and prevention is an important component of the effort to address this problem and we need to do so much more. That is why I am here to today to propose an amendment to SB 42.

Current law assesses an excise tax on liquor sales and rebates 70% of the funds back to local units of government. Cities with population of 6,000 and over receive these funds and counties receive the funds for cities under 6,000. The current statutes direct 1/3 of the funds to parks and recreation, 1/3 to general fund and 1/3 to prevention and treatment programs. This amendment would redirect the funds to 40% for parks and recreation and 60% to treatment and prevention programs.

Many counties have organized advisory boards to review grant applications and prioritize how the Alcohol Fund will be spent. Current law requires the county commission to override the recommendations of these boards with a unanimous vote. No such provision is made in the statutes for cities. This amendment would give the city appointed advisory boards parity with the county appointed boards.

Let's ask the question of why do we need this amendment? On the change in the split, I think it is obvious we need to increase the amount being spent on prevention and treatment programs and this amendment will accomplish this goal.

As to the issue of advisory boards let me share with you some findings from a

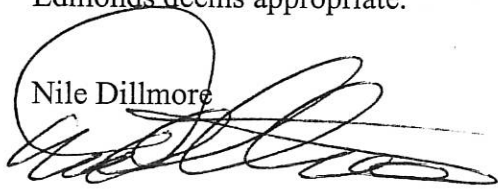
House Taxation
 Date 3-14-01
 AH No. 1
 Page 1 of 2

Performance Audit Report. The Legislative Division of Post Audit conducted the last review of the Special Alcohol and Drug Program Funds in February 1995. That audit found that only 85% of the funds were deemed spent in accordance with the statutes. That study looked at a total of \$3,744,284 returned to five municipalities and \$435,795 returned to five counties. The compliance rate for cities was 80% as compared with 97% for counties. This is an issue of accountability and I believe that the over-sight provided by the current law, that provides a unanimous vote of the county commission to override the recommendation of advisory boards, accounts for the difference in compliance rates between cities and counties.

For the above stated reasons I urge this committee to amend SB 42 to split the Special Alcohol and Drug Program Funds as requested and to give the municipal advisory boards parity with the county advisory boards.

Thank you for your attention to this matter, I will stand for questions as Chairman Edmonds deems appropriate.

Nile Dillmore



Representative 92nd District

Date 3-14-01
AH No. 1
Page 2 of 2

Use of Alcohol and Other Drugs Among Women

CONSUMPTION RATES, PATTERNS & TRENDS

- 45% of females ages 12 or older report current (past month) alcohol use; 8% are binge drinkers (defined as 5 or more drinks on the same occasion at least once in the past month); and 2% drink heavily (5 or more drinks on the same occasion on at least 5 different days in the past month) (*US Department of Health & Human Services {DHHS}, Office of Applied Studies, National Household Survey on Drug Abuse: Main Findings, 1997, pp. 106, 110-111*).
- Current use of alcohol is highest among women ages 26 to 34; binge and heavy drinking are highest among 18- to 25-year-olds (*Ibid*).
- While significantly fewer adult women than men use alcohol, cigarettes or illicit drugs, among 12- to 17-year olds, rates of female and male use are similar (*DHHS, Substance Abuse and Mental Health Services Administration {SAMHSA} news release, 9/22/97*).
- Never-married, divorced and separated women generally have the highest rates of heavy drinking and drinking related problems; widowed women, the lowest rates, and married women, intermediate rates (*S Wilsnack, et al., "How Women Drink: Epidemiology of Women's Drinking and Problem Drinking," National Institute on Alcohol Abuse and Alcoholism {NIAAA}, Alcohol Health & Research World {AHRW}, Vol. 18, No. 3, 1994, p. 176*).
- 4.5% of women report current use of any illicit drug; of these, 0.5% use cocaine (*1997 Household Survey*).
- Four times as many pregnant women drank frequently (7 or more drinks per week or 5 or more drinks on at least one occasion) in 1995 (3.5%) as in 1991 (0.8%) (*Centers for Disease Control and Prevention, "Alcohol Consumption Among Pregnant and Childbearing-Aged Women--United States, 1991 and 1995," Morbidity and Mortality Weekly Report, 4/25/97, p. 345*).

ALCOHOL AND OTHER DRUG RELATED PROBLEMS

- Research suggests that women may be at higher risk for developing alcohol-related problems at lower levels of

House Taxation
Date 3-14-01
AH No. 2
Page 1 of 14

consumption than men (*NIAAA, Ninth Special Report to US Congress on Alcohol and Health, 6/97, p. 306*).

- **Nearly 4 million American women ages 18 and older can be classified as alcoholic or problem drinkers, one-third the number of men; of these women, 58% are between the ages of 18 to 29** (*B Grant, et.al., "Prevalence of DSM-IV Alcohol Abuse and Dependence," AHRW, Vol. 18, No. 3, 1994, pp. 243, 245*).
- **Compared with men, women with drinking problems also are at increased risk for depression, low self-esteem, alcohol-related physical problems, marital discord or divorce, spouses with alcohol problems, a history of sexual abuse, and drinking in response to life crises** (*M McCaul & J Furst, "Alcoholism Treatment in the United States," AHRW, Vol. 18, No. 4, 1994, p. 257*).
- **Among the personal and environmental factors that increase women's risks for problem drinking are: the influence of husbands' or partners' drinking; the relationship of depression and alcohol abuse or alcohol dependence in women; sexual experience, including alcohol expectancies and reported effects of drinking on sexual behavior, sexual orientation and sexual dysfunction; and violent victimization, including physical and sexual victimization in childhood as well as in adulthood** (*Ninth Special Report, op.cit., p. 22*).
- **More than 4 million women need treatment for drug problems** (*NIDA, "Women & Drug Abuse: You And Your Community Can Help," 1994, p. 6*).
- **Among drug-using women, 70% report having been abused sexually before the age of 16; and more than 80% had at least one parent addicted to alcohol or one or more illicit drugs** (*NIDA Capsules, "Women and Drug Abuse," 6/94, p. 2*).
- **Alcohol or other drug use may make women more vulnerable to rape. A 1988 survey of female college students found that 53% of rape victims had used alcohol or both alcohol and other drugs beforehand. 64% reported alcohol or other drug use by the rapist** (*J Collins & P Messerschmidt, "Epidemiology of Alcohol-Related Violence," AHRW, Vol. 17, No. 2, 1993, p. 95*).
- **Alcohol is present in more than one-half of all incidents of domestic violence, with women most likely to be battered when both partners have been drinking** (*Ibid., p. 96*).

Date 3-14-01
AH No. 2
Page 2 of 14

HEALTH ISSUES

- **The death rate among women alcoholics is higher than among males because of their increased risk for suicide, alcohol-related accidents, cirrhosis and hepatitis** (*Journal of the American Medical Association* news release, 3/12/96).
- **Women develop cirrhosis of the liver at a much lower cumulative dose of alcohol than do men; moreover, women remain at increased risk of disease progression even after abstinence** (J Maher, "Exploring Alcohol's Effects on Liver Function," *AHRW*, Vol. 21, No. 1, 1997, p. 10).
- **The frequency of menstrual disturbances, spontaneous abortions and miscarriages increases with level of drinking; problem drinking has adverse effects on fertility and sexual function** (*Ninth Special Report*, op.cit., p. 160).
- **In one large study, the death rate from breast cancer was 30% higher among middle-aged and elderly women reporting at least one drink daily than among nondrinkers** (MJ Thun, et.al., "Alcohol Consumption and Mortality Among Middle-Aged and Elderly US Adults," *New England Journal of Medicine*, Vol. 337, No. 24, 12/11/97, p. 1711).
- **70% of AIDS cases among women are drug-related** ("Women & Drug Abuse: You And Your Community . .," op.cit., p. 7).

TREATMENT ISSUES

- **Women with alcohol problems are less likely than men to seek help initially in alcoholism or other chemical dependency services; instead, women prefer consulting physicians or mental health clinics staff, settings in which their drinking problem is less likely to be diagnosed** (L Beckman, "Barriers to Alcoholism Treatment for Women," *AHRW*, Vol. 18, No. 3, 1994, p. 208).
- **29.5% or 363,127 of the clients admitted for treatment of alcohol or drug-related problems in 1995 were women; alcohol, or alcohol in combination with another drug, was the primary reason for admission in 42% of these cases; smoked cocaine in 18%; and heroin in 16%. Distinct patterns of use also are evident among certain ethnic/age groups: 50% of African American women ages 30 to 34 smoked cocaine/crack; 63% of Mexican-American origin women ages 40 to 44 used heroin; 16%**

Date 3-14-01
AH No. 2
Page 3 of 14

of women from Other racial/ethnic groups, which includes Asian American women, ages 20-24 used methamphetamine (*SAMHSA, National Admissions to Substance Abuse Treatment Services, Advance Report No. 12, 2/97, pp. 2-3, 30, 34*).

- **Women make up 34% of the Alcoholics Anonymous (AA) membership. Among AA members ages 30 and under, 38% are women** (*General Services Branch of Alcoholics Anonymous, Inc., 1998 Membership Survey*).

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Date 3-14-01
AH No. 32
Page 4 of 14

Youth, Alcohol and Other Drugs

AN OVERVIEW

- **About 10.4 million Americans between ages 12-20 had at least one drink last month; of these 6.8 million were "binge" drinkers (consuming five or more drinks in a row on a single occasion) including 2.1 million heavy drinkers (consuming five or more drinks on the same occasion on at least five different days)** (*National Institute on Drug Abuse {NIDA}, 1999 National Household Survey on Drug Abuse*).
- **The highest rates of illicit drug use are found among youth ages 18-20 (between 20% and 21%) with marijuana the most commonly used illicit drug** (*NIDA, 1999 National Household Survey on Drug Abuse*).
- **80% of high school seniors have used alcohol; in comparison, 62% have smoked cigarettes; 49% have used marijuana; and 9% have used cocaine** (*NIDA, 2000 Monitoring the Future Study, Secondary School Students*).
- **Purchase and public possession of alcohol by people under the age of 21 is illegal in all 50 states** (*Office of the Inspector General {OIG}, US Department of Health and Human Services {HHS}, "Youth and Alcohol: Laws and Enforcement: Is the 21-Year-Old Drinking Age a Myth?," 10/91*).
- **Approximately 2/3 of teenagers who drink report that they can buy their own alcoholic beverages** (*OIG, HHS, "Youth and Alcohol: A National Survey. Drinking Habits, Access, Attitudes, and Knowledge," Washington, DC, 6/91*).
- **Use of alcohol and other drugs is associated with the leading causes of death and injury (e.g., motor-vehicle crashes, homicides, and suicides) among teenagers and young adults** (*Centers for Disease Control {CDC}, "Alcohol and Other Drug Use Among High School Students--United States, 1990," Morbidity and Mortality Weekly Report {MMWR}, 11/91, p. 776*).
- **The total cost of alcohol use by youth--including traffic crashes, violent crime, burns, drowning, suicide attempts, fetal alcohol syndrome, alcohol poisonings and treatment--is more than \$58 billion per year** (*DT Levy, K Stewart, et al "Costs of Underage Drinking" {report prepared for the US Department of Justice Office of Juvenile Delinquency Prevention}, Pacific Institute for Research and Evaluation, 7/99*).

Date 3-14-01
AH No. 2
Page 5 of 14

- **Use of alcohol or other drugs at an early age is an indicator of future alcohol or drug problems** (*J Hawkins, R Catalano, "Risk and Protective Factors for Alcohol and Other Drug Problems in Adolescence and Early Adulthood: Implications for Substance Abuse Prevention, 1989, p. 78*) ; people who begin drinking before age 15 are four times more likely to develop alcoholism than those who begin at 21 (*National Institute on Alcohol Abuse and Alcoholism news release, 1/14/98*).

USAGE RATES AND PATTERNS

- **First use of alcohol typically begins around the age 13; marijuana around 14** (*NIDA, Drug Use Among Racial/Ethnic Minorities, 1995, p.31*).
- **People who begin smoking before age 13 are significantly more likely than nonsmokers and those who begin smoking later to have problems with alcohol and other drugs** (*E Hanna & B Grant, "Parallels to Early Onset Alcohol Use . . .," Alcoholism: Clinical and Experimental Research, Vol. 23, No. 3, 1999, p. 513-522*).
- **Among high school seniors, current use of alcohol is higher for whites and Hispanics than blacks; the same is true for marijuana, but with greater similarity in the rates of use** (*NIDA, Drug Use Among Racial/Ethnic Minorities, 1995, pp. 32, 34*).
- **Approximately 8% of the nation's eighth graders; 24% of tenth graders; and 32% of twelfth graders have been drunk during the last month; 12%, 23% and 25%, respectively, have used an illicit drug** (*NIDA, 2000 Monitoring the Future Study, Secondary Students*).
- **Among teenagers who binge drink, 39% say they drink alone; 58% drink when they are upset; 30% drink when they are bored; and 37% drink to feel high** (*OIG, HHS, "Drinking Habits, etc."*).
- **Junior/middle and senior high school students drink 35% of all wine coolers sold in the United States; they also consume 1.1 billion cans of beer** (*Ibid*).
- **40% of college students have "binged" on alcohol during the past two weeks** (*NIDA, 1999 Monitoring the Future Study, College Students and Young Adults*).
- **Among college students in one survey, rates of binge drinking were highest among Caucasians, 43.3% for males and 24.4% for females; among African-Americans**

Date 3-14-01
 AH No. 2
 Page 6 of 14

the rates were 24.8% for males and 5.4% for females; and among Asians, 32% for males and 20% for females (*"Alcohol and Drugs on Virginia College Campuses," State Council of Higher Education for Virginia, 3/93, p. 11*).

- Young adults ages 18-25 are most likely to binge or drink heavily. 54% of the drinkers in this age group binge and about one in four are heavy drinkers (*NIDA, 1998 National Household Survey on Drug Abuse*).

NEGATIVE CONSEQUENCES

- Drivers under the age of 25 were more likely than those 25 or older to be intoxicated in a fatal crash (*CDC, "Alcohol-Related Traffic Fatalities Among Youth and Young Adults - United States, 1982-1989," MMWR, 3/91, p. 179*).
- The prevalence of drinking and driving increases substantially among youth and young adults with the frequency of alcohol use and is strongly associated with binge drinking (*CDC, "Update: Alcohol-Related Traffic Crashes and Fatalities Among Youth and Young Adults--United States, 1982-1994," MMWR, 12/95, p.872*).
- Drivers ages 21-24 had the highest intoxication rates (27%) for fatal crashes in 1996 (*National Highway Traffic Safety Administration, "Traffic Safety Facts 1996"*).
- In 1995, 21.5% (262,112) of the clients admitted to alcohol or other drug treatment programs were under age 24, including 18,194 under age 15 (*Substance Abuse and Mental Health Services Administration, National Admissions to Substance Abuse Treatment Services, Advance Report No. 12, 2/97, p.30*).
- A clear relationship exists between alcohol use and grade-point average among college students: students with GPAs of D or F drink three times as much as those who earn As (*C Presley and P Meilman, "Alcohol and Drugs on American College Campuses," Student Health Program Wellness Center, Southern Illinois University, 7/92*).
- 31.9% of youth under 18 in long-term, State-operated juvenile institutions in 1987 were under the influence of alcohol at the time of the arrest (*U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Statistics, "Survey of Youth in Custody, 1987. Bureau of Justice Statistics Special Report, 9/88*).
- Almost half of college students who were victims of campus crimes said they drinking or using other drugs when they were victimized (*CR Bausell et al, "The Links Among*

Date 3-14-01
AH No. 2
Page 7 of 14

Drugs, Alcohol and Campus Crime," Towson State University Center for Study and Prevention of Campus Violence, MD, 1990).

- **Researchers estimate that alcohol use is implicated in one- to two-thirds of sexual assault and acquaintance or "date" rape cases among teens and college students** (OIG, HHS, "Youth and Alcohol: Dangerous and Deadly Consequences," Washington, DC, 4/92).
- **Among sexually active teens, those who average five or more drinks daily were nearly three times less likely to use condoms, thus placing them at greater risk for HIV infection. Among all teens who drink, 16% use condoms less often after drinking** (RW Hingson, L Strunin, et al, "Beliefs About AIDS, Use of Alcohol and Drugs, and Uprotected Sex Among Massachusetts Adolescents." *American Journal of Public Health*, 3/90, p. 295-299).

ATTITUDES, PERCEPTIONS AND INFLUENCES

- **80% of teenagers don't know that a 12 oz. can of beer has the same amount of alcohol as a shot of whiskey; similarly, 55% don't know that a 5 oz. glass of wine and a 12 oz. can of beer have the same amount of alcohol** (OIG, HHS, "Drinking Habits, etc.").
- **56% of students in grades 5 to 12 say that alcohol advertising encourages them to drink** (*The Scholastic/CNN Newsroom Survey on Student Attitudes About Drug and Substance Abuse*, 2/90).
- **30% of children in grades four through six report that they have received "a lot" of pressure from their classmates to drink beer; 31% to try marijuana; and 34% to try cigarettes** (*The Weekly Reader National Survey on Drugs and Alcohol, Middletown, CT, Field Publications, Spring 1995*).
- **A survey of high school students found that 18% of females and 39% of males say it is acceptable for a boy to force sex if the girl is stoned or drunk** (OIG, HHS, "Dangerous and Deadly Consequences").
- **Teenagers whose parents talk to them regularly about the dangers of drugs are 42% less likely to use drugs than those whose parents don't, yet only 1 in 4 teens reports having these conversations** (*Partnership for a Drug-Free America news release*, 4/26/99).

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Date 3-14-01
AH No. 2
Page 8 of 14

Alcohol and Other Drugs in the Workplace

AN OVERVIEW

- **6.6% of Americans employed in full-time jobs report heavy drinking, defined as drinking five or more drinks per occasion on five or more days in the past 30 days; 4.9% of part-timers and 10.4% of unemployed workers also report heavy drinking; the highest percentage of heavy drinkers (12.2%) is found among unemployed adults ages 26-34** (*National Institute on Drug Abuse (NIDA), National Household Survey on Drug Abuse: Main Findings 1997, 4/99, p. 111*).
- **Up to 40% of industrial fatalities and 47% of industrial injuries can be linked to alcohol consumption and alcoholism**(*M Bernstein & JJ Mahoney, "Management Perspectives on Alcoholism: The Employer's Stake in Alcoholism Treatment," Occupational Medicine, Vol 4, No. 2, 1989, pp. 223-232*).
- **60% of alcohol-related work performance problems can be attributed to employees who are not alcohol dependent, but who occasionally drink too much on a work night or drink during a weekday lunch** (*TW Mangione, et. al, "New Perspectives for Worksite Alcohol Strategies: Results from a Corporate Drinking Study," JSI Research & Training Institute, Inc., Boston, MA, 12/98, p. 1*).
- **21% of workers reported being injured or put in danger, having to re-do work or to cover for a co-worker, or needing to work harder due to others' drinking** (*Ibid, p. 2*).
- **Shortfalls in productivity and employment among individuals with alcohol or other drug-related problems cost the American economy \$80.9 billion in 1992, of which \$66.7 billion is attributed to alcohol and \$14.2 billion to other drugs** (*NIDA and National Institute on Alcoholism and Alcohol Abuse (NIAAA), "The Economic Cost of Alcohol and Drug Abuse," 1992 (preprint copy) 5/98, p. 5-1*).
- **Although 70% of all current adult illegal drug users are employed** (*NIDA, "Research on Drugs and the Workplace," NIDA Capsules, 6/90, p. 1*), **use of most illicit drugs is substantially higher among the unemployed; prevalence differences in crack use are especially pronounced, with rates almost 10 times higher among unemployed persons than those with jobs** (*NIDA, National Household Survey on Drug Abuse: Race/Ethnicity, Socioeconomic Status, and Drug Abuse 1991,*

Date 3-14-01
AH No. 2
Page 9 of 14

12/93, p. 19).

- **63% of firms responding to a 1991 survey were engaged in some sort of drug testing, a 200% increase since 1987** (*American Management Association {AMA} Research Reports, E Greenberg, ed., "1991 AMA Survey on Workplace Drug Testing and Drug Abuse Policies," p. 1*).
- **Only 5.8% of employees tested positive for drugs in 1996 (down from 13% in 1995), fewer than at any time in the previous ten years according to one survey of four million workers** (*SmithKline Beecham Clinical Laboratories as reported in Time magazine's 3/17/97 "Health Report"*).
- **Employees who were in serious trouble with alcohol showed significant improvement in drinking behavior and job adjustment during the months immediately following an intervention to confront problem drinking that was intruding on their work** (*NIAAA, Alcohol Health & Research World {AHRW}: Alcohol and the Workplace, Vol. 16, No. 2, 1992, p. 147*).

THE RISKS

- **Work roles with little or no supervision, and those characterized by high mobility, are associated with increased rates of problem drinking** (*Ibid., p. 107*).
- **Numerous studies suggest a significant relationship between work stress and the development of drinking problems** (*Ibid.*).
- **In general, unmarried workers (divorced, separated, or never married) had about twice the rate of illicit drug and heavy alcohol use as married workers** (*USDHHS, SAMHSA, Drug Use Among US Workers: Prevalence and Trends by Occupation and Industry Categories, 5/96, p. 1*).
- **Workers who report having three or more jobs in the previous five years are about twice as likely to be current or past year illicit drug users as those who have had two or fewer jobs** (*Ibid.*).
- **75% of workers paid on an hourly basis at one manufacturing plant reported that it was easy for them to drink at their work stations. This group included assembly line workers, electricians and machinists** (*G Ames, & W Delaney, "Minimization of Workplace Alcohol Problems: The Supervisor's Role," Alcoholism: Clinical and Experimental Research, Research Society on Alcoholism, Vol. 16, No. 2, 4/92, p. 185*).

Date 3-14-01
AH No. 2
Page 10 of 14

GENDER DIFFERENCES

- **Studies have shown that the drinking patterns of employed women are different from those of women not employed outside the home, with less abstinence, increased consumption, and greater frequency of drinking occasions observed among employed women** (*NIAAA, AHRW, Ibid., p. 161*).
- **Theories about job stress, job conflict, or role overload (ie working women who also are married) as factors influencing alcohol consumption among women in paid employment have found little support; in fact, some studies associate a lack of roles with increased drinking and problem drinking. Drinking patterns of employed women instead seem to be influenced by greater accessibility to alcohol and by complex issues surrounding the gender balance of a workplace or occupation** (*Ibid., p. 164*).

PREVALENCE BY OCCUPATION

- **The highest rates of current and past year illicit drug use are reported by workers in the following occupations: construction, food preparation, and waiters and waitresses. Heavy alcohol use followed a similar pattern, although auto mechanics, vehicle repairers, light truck drivers and laborers also have high rates of alcohol use** (*USDHHS, SAMHSA, Drug Use etc., p. 1*).
- **The lowest rates of illicit drug use are found among workers in the following occupations: police and detectives, administrative support, teachers and child care workers. The lowest rates of heavy alcohol use are among data clerks, personnel specialists and secretaries** (*Ibid.*).

THE COST

- **Individuals with drinking problems or alcoholism at any time in their lives suffer income reductions ranging from 1.5% to 18.7% depending on age and sex compared with those with no such diagnosis** (*NIAAA, Eighth Special Report to US Congress on Alcohol and Health, 9/93, p. 256*).
- **Absenteeism among alcoholics or problem drinkers is**

Date 3-14-01
AH No. 2
Page 11 of 14

3.8 to 8.3 times greater than normal (Bernstein & Mahoney, op. cit.) and up to 16 times greater among all employees with alcohol and other drug-related problems (*US Department of Labor {USDOL}, What Works: Workplaces Without Drugs, 8/90, p. 3*). **Drug-using employees take three times as many sick benefits as other workers. They are five times more likely to file a worker's compensation claim** (*TE Backer, Strategic Planning for Workplace Drug Abuse Programs, NIDA, 1987, p. 4*).

- **Non-alcoholic members of alcoholics' families use ten times as much sick leave as members of families in which alcoholism is not present** (*Bernstein & Mahoney, op. cit.*).
- **43% of CEOs responding to one survey estimated that use of alcohol and other drugs cost them 1% to 10% of payroll** (*National Association of Addiction Treatment Providers {NAATP}, "Treatment Is the Answer: A White Paper on the Cost Effectiveness of Alcoholism and Drug Dependence Treatment, 3/91, p. 1*).

EMPLOYEE ASSISTANCE PROGRAMS

- **For every dollar they invest in an Employee Assistance Program (EAP), employers generally save anywhere from \$5 to \$16. The average annual cost for an EAP ranges from \$12 to \$20 per employee** (*US Department of Labor {USDOL}, op.cit., p. 17*).

--**General Motors Corporation's EAP saves the company \$37 million per year -- \$3,700 for each of the 10,000 employees enrolled in the program** (*ASIS OP Norton Information Resources Center, Substance Abuse: A Guide to Workplace Issues, 8/90, p. 23*).

--**United Airlines estimates that it has a \$16.95 return for every dollar invested in employee assistance** (*Ibid.*).

--**Northrop Corporation saw a 43% increase in the productivity of each of its first 100 employees to enter an alcohol treatment program. After three years' sobriety, the average savings for each was nearly \$20,000** (*D Campbell & M Graham, Drugs and Alcohol in the Workplace: A Guide for Managers, New York: Facts on File Publications, 1988*).

--**Philadelphia Police Department employees undergoing treatment reduced their sick days by an average of 38% and their injured days by 62%** (*Ibid.*).

--**Oldsmobile's Lansing, Michigan plant saw the**

Date 3-14-01
AH No. 2
Page 12 of 14

following results in the year after its alcoholic employees underwent treatment: lost man-hours declined by 49%, health care benefits by 29%, leaves by 56%, grievances by 78%, disciplinary problems by 63% and accidents by 82% (*Ibid.*).

- 45% of full-time employees who were not self-employed had access to an EAP provided by their employers but within a single year only 1.5% used an EAP because of alcohol or other drug-related problems (*NIAAA, AHRW, op.cit., p. 121*).
- While roughly 90% of the Fortune 500 companies have established EAP's (*TR Burke, "The Economic Impact of Alcohol Abuse and Alcoholism," Public Health Reports, Vol. 103, No. 6, Nov/Dec 1988, p. 567*), this percentage is much lower among smaller companies. Only 9% of businesses with fewer than 50 employees have EAP programs. 90% of U.S. businesses fall into this category (*USDL, Bureau of Labor Statistics, Report 760: Survey of Employer Anti-drug Programs, 1/89, p. 2*).

TREATMENT ISSUES

- Studies suggest that employees who are pressured into treatment by their employers are slightly more likely to recover from their alcoholism and improve their performance than those who are not so pressured (*NIAAA, AHRW, op.cit., p. 132*).
- Research indicates that alcoholism treatment can yield significant reductions in total health care costs and utilization for an alcoholic and his or her family (*HD Holder & JO Blose, "Alcoholism Treatment and Total Health Care Utilization and Costs: A Four-Year Longitudinal Analysis of Federal Employees, Journal of the American Medical Association, No. 256, 1986, pp. 1456-1460*).
- Less than 1/3 of one percent of employed persons are receiving treatment for alcoholism and other drug dependence (*NAATP, op. cit., p. 2*).
- One survey reports that nearly nine in ten employers limit benefits for alcoholism, other drug dependence and mental disorders despite the fact that 52% of the survey participants could not say how much it cost them to provide treatment for these diseases (*A Foster Higgins & Co., Inc., Health Care Benefits Survey, 1989*).

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Date 3-14-01
AH No. 2
Page 13 of 14



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Date 3-14-01
AH No. 2
Page 14 of 14

STATE OF KANSAS

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Office of Policy & Research

**To: Representative John Edmonds, Chair
House Taxation Committee**

From: Richard L. Cram

Re: Testimony Supporting Senate Bill 42

Date: March 14, 2001

Senate Bill 42 proposes to amend K.S.A. 79-41a03 to add a statute of limitations to the liquor drink tax. No statute of limitations is currently contained in the liquor drink tax act. Adding the statute of limitations will help create certainty for both the Department and the taxpayer. The liquor drink tax is imposed at the rate 10% on the gross receipts received for the sale of alcoholic liquor by any club, caterer, drinking establishment or temporary permit holder. K.S.A. 79-41a02. It is reportable and payable to the Department at the same time that retailers' sales tax would be reported and paid (although it must be kept track of separately).

The statute of limitations provision shown in Senate Bill 42 is taken from the sales tax act, K.S.A. 79-3609. It provides that assessments must be made within three years after the return is filed, except in cases as fraud, when the assessment must be made within two years after the fraud is discovered. Refund claims must be filed within three years from the date of payment.

Also, Senate Bill 42 provides that prior to the statute of limitations otherwise expiring, the director of taxation and the taxpayer are authorized to enter into an agreement voluntarily extending the time for assessments or refunds. This provision greatly facilitates the Department's audit staff when additional information has to be obtained from the taxpayer before an assessment can be finalized or refund claim processed.

House Taxation
Date 3-14-01
AH No. 3
Page 1 of 1

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**To: Representative John Edmonds, Chair
House Taxation Committee**

From: Richard L. Cram

Re: Testimony Supporting Senate Bill 41

Date: March 14, 2001

Senate Bill 41 seeks to abolish any liability for the Kansas inheritance tax as of July 1, 2008, for those estates for which no return has been filed by that date. Inheritance tax applies only to estates of persons dying before July 1, 1998. K.S.A. 79-15,119. In 1998, the legislature adopted the Kansas estate tax act, which applies to estates of persons dying on or after July 1, 1998. The Kansas estate tax act provides for a "pick-up" tax, based on the credit set forth in federal estate tax laws, section 2011 of the internal revenue code.

The Estate Tax Advisory Committee of the Kansas Judicial Council has advised that if the Department did not propose this legislation, they would do so next year. The continued existence of potential inheritance tax liability after July 1, 2008 could create clouds on titles. The statute of limitations for inheritance tax does not begin to run until a return is filed. For an estate that never files a return, the statute of limitations will never begin to run, let alone expire. However, the statutory tax lien for inheritance liability under K.S.A. 79-1569 will expire ten years following the date of death. Thus, for those estates subject to inheritance tax (persons dying before July 1, 1998), the tax lien will expire by June 30, 2008. After that date, the Department's ability to collect any outstanding inheritance tax liability would be very limited.

Inheritance tax is due at the expiration of nine months after the date of death, and interest accrues thereafter. K.S.A. 79-1564. The Department anticipates that the vast majority of estates of persons dying before July 1, 1998 would file returns (if required) before July 1, 2008. Therefore, the Department does not attribute any significant fiscal impact to this proposal. As discussed above, for any estate filing after June 30, 2008, expiration of the tax lien by that date would limit the Department's ability to collect the tax, in any event.

House Taxation
Date 3-14-01
AH No. 4
Page 1 of 1

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**To: Representative John Edmonds, Chair
House Taxation Committee**

From: Richard L. Cram

Re: Testimony Supporting Senate Bill 43

Date: March 14, 2001

Senate Bill 43 amends K.S.A. 79-3639 to provide that appeals of the Department's denials of food sales tax refund claims will go through the Department's informal conference process applicable to income tax appeals, instead of going straight to the Board of Tax Appeals.

Food sales tax refund claims are filed as part of an individual's income tax return. Under current law, an income tax liability dispute must proceed through the Department's informal conference process before the right to appeal to the Board of Tax Appeals exists. K.S.A. 79-3226. Because the food sales tax refund claim is included in the income tax return, it is much more efficient for a food sales tax issue and income tax issue to both proceed through the Department's informal conference process simultaneously.

Often, food sales tax refund claims are denied because the Department received insufficient information from the claimant to process the refund claim. Appeals of these denials then clutter the docket of the Board of Tax Appeals, when those appeals could possibly be easily resolved if the Department had received the additional information needed. If appeals of denials of these claims first go through the Department's informal conference process, the Department and the claimant will have the opportunity to resolve information issues before the matter goes to the Board of Tax Appeals. This should help reduce the food sales tax refund appeals going to the Board of Tax Appeals to those involving substantive issues.

House Taxation
Date 3-14-01
AH No. 5
Page 1 of 1

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To: Representative John Edmonds, Chair
House Taxation Committee

From: Richard L. Cram

Re: Testimony Supporting Senate Bill 45

Date: March 14, 2001

Senate Bill 45 proposes to amend K.S.A. 79-3230, the statute of limitations applicable to assessments and refunds of income tax. Paragraph (a) currently provides that the Department must assess income tax within three years after the return was filed or the tax was paid, whichever is later. The Department has interpreted the word "return" to mean the "original return." However, when an amended return is filed near the end of the three-year period, the Department has little, if any time to review the amended return before the statute of limitations expires. Senate Bill 45 would amend paragraph (a) to provide that the Department must assess within three years after the original return is filed, the tax is paid, or within one year after an amended return is filed, whichever of those three events occurs latest.

Paragraph (c) currently provides that an income tax refund must be claimed within three years after the date prescribed by law for filing the return, if filed before that date, or if filed after the due date, within three years of the actual filing date or the payment of tax, whichever is later. Both the Department and taxpayers have been confused by this provision. Recently, the Department unsuccessfully argued to the Board of Tax Appeals that (c) required a different statute of limitations, depending whether the return was filed on time or not. The Board of Tax Appeals interpreted (c) to provide that a refund claim is timely if filed within two years after the tax was paid, regardless of whether original or amended returns were filed. Senate Bill 45 proposes to amend (c) to conform with the Board of Tax Appeals' interpretation. Some of the language in Senate Bill 45 amending (c) is modeled after the relevant portion of the federal income tax statute of limitations for refunds, I.R.C. § 6511. A copy of the relevant portion of I.R.C. § 6511 is quoted below.

Senate Bill 45 also proposes to amend paragraph (f), which is a separate statute of limitations applicable to an amended return filed as result of the Internal Revenue Service having adjusted a taxpayer's federal return (known as a federal "revenue agent report" or "RAR"). The

Date 3-14-01
AH No. 6
Page 1 of 2

adjustment to federal income will often cause an accompanying change to the Kansas income. A taxpayer may not receive a federal RAR until several years after the statutes of limitations under 79-3230(a) and (c) have already expired. Paragraph (f) currently provides that once the RAR has been issued, the taxpayer has 180 days to file an amended return reporting the RAR to the Department. After that amended return is filed, the Department has 180 days to assess and the taxpayer has that same time period to claim a refund attributable to that RAR. As previously mentioned, the Board of Tax Appeals has interpreted the statute of limitations to provide that a taxpayer always has two years from the payment of tax to claim a refund. Senate Bill 45 proposes to amend (f) to provide that when the taxpayer has paid additional tax as a result of an RAR, the Department has two years to assess and the taxpayer has two years to claim a refund attributable to the RAR.

I.R.C. § 6511

I.R.C. § 6511 provides in relevant part:

(a) Claim for credit or refund of an overpayment of any tax imposed by this title in respect of which tax the taxpayer is required to file a return shall be filed by the taxpayer within 3 years from the time the return was filed or 2 years from the time the tax was paid, whichever of such periods expires the later, or if no return was filed by the taxpayer, within 2 years from the time the tax was paid. . . .

(b)(1) No credit or refund shall be allowed or made after the expiration of the period of limitation prescribed in subsection (a) for the filing of a claim for credit or refund, unless a claim for credit or refund is filed by the taxpayer within such period.

(2) (A) If the claim was filed by the taxpayer during the 3-year period prescribed in subsection (a), the amount of the credit or refund shall not exceed the portion of the tax paid within the period, immediately preceding the filing of the claim, equal to 3 years plus the period of any extension of time for filing the return. . . .

(B) If the claim was not filed within such 3-year period, the amount of the credit or refund shall not exceed the portion of the tax paid during the 2 years immediately preceding the filing of the claim.

(C) If no claim was filed, the credit or refund shall not exceed the amount which would be allowable under subparagraph (A) or (B), as the case may be, if claim was filed on the date the credit or refund is allowed.

Date 3-14-01
AH No. 6
Page 2 of 2