

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator David Corbin at 10:45 a.m. on January 10, 2001 in Room 519-S of the Capitol.

All members were present except: Senator Sandy Praeger

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: Stephen S. Richards, Secretary, Department of Revenue

Others attending: See attached list.

At the request of Senator Corbin, committee members introduced themselves and indicated the district they serve.

Senator Corbin introduced Stephen S. Richards, the newly appointed Secretary of Revenue. Secretary Richards briefly discussed his educational and business background. He stated that he believes that his tax compliance background in the corporate world and his business experiences provide him with a new perspective on the administration of the Department of Revenue. He noted that he plans to build on the success of Project 2000 and that he believes it is important for the Department to monitor and review the Streamlined Sales Tax Project. (Attachment 1)

Secretary Richards followed with a report on the Department's recent mailing to taxpayers notifying them of a change in the frequency in which they must remit retail sales tax or withholding taxes. At the outset, he called attention to a copy of the notice which was included with the form letters, noting that the notice contains a table describing the statutory filing frequencies for sales and withholding taxes. He went on to explain that the Department ran a computer program this past fall and produced a report which detailed those taxpayers who needed to change their remittance frequency. The change was based upon the taxpayer's filings for the previous calendar. In December of 2000, the Department mailed out approximately 11,116 form letters notifying taxpayers that their filing frequencies needed to be increased. The changes were effective January 1, 2001. (Attachment 2)

Secretary Richards explained that the Department had not conducted this type of review for quite some time, but Project 2000 gave the Department the capability for review in a much more streamlined manner. He said the notices were a part of the Department's effort to improve taxpayer compliance and to ensure that taxpayers adhere to the statutes in terms of their reporting responsibilities. He noted that, even though this change was effective January 1, the earliest the taxpayer would have to comply with an earlier frequency filing would be January 25. The majority will not come into play until February because the change affects collection of taxes that begin in January, not taxes collected in December.

With regard to retail sales taxes, Senator Jenkins commented that retailers complained to her that they did not know their collections were above \$32,000. Secretary Richards said that retailers should have been aware of their collections, but acknowledged that the Department previously had not adequately reviewed accounts and notified taxpayers. He explained that, due to Project 2000, the Department has the capability to identify taxpayers who need to be on a different reporting cycle.

Mr. Richards introduced Richard Cram, Director of Policy and Research for the Department of Revenue. He noted that Mr. Cram will present the Department's views on legislative matters to the Committee.

The meeting was adjourned at 11:10 a.m.

The next meeting is scheduled for January 11.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: January 10, 2001

NAME	REPRESENTING
Steve Kuchera	KDOR
Richard Cum	KDOR
Julie Clark	Hallmark
Ashley Sherard	Johnson County
Kelley Kuitala	City of Overland Park
Larry Klemm	League of KS Municipalities
Ann Dukes	DOB
Mike Beam	Ks LUSTK. ASSN.
Hans LANGE	Ks Assn Broadcasters
A. M. H.	Home & Wain, Child
W. J. M. J.	KANSAS AUTO DEALERS ASSN.
Kathryn Olson	Ks Bankers Assn.
Marlee Carpenter	KCCI
Anne Syress	KATFA
Bill Jareee	BOEING
STEVE KEARNEY	KMCA

STATE OF KANSAS

Bill Graves, Governor

DEPARTMENT OF REVENUE

Stephen S. Richards, Secretary

Office of the Secretary
Kansas Department of Revenue
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Topeka, KS 66612-1588



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Office of the Secretary

Testimony
Committee on Assessment and Taxation
January 10, 2001

Mr. Chairman and members of the Committee, my name is Steve Richards and I am very pleased to appear before you as Governor Graves's selection for the position of Secretary of Revenue. It is truly an honor to be appointed to this extremely important cabinet post and I sincerely appreciate the trust the Governor has placed in my ability to serve.

Last March, I was confirmed by the Senate to serve as a member of the Board of Tax Appeals. That position provided me with great insight into the administrative judicial process and I truly enjoyed performing in that capacity.

For those of you unfamiliar with my background, I hold an accounting degree from the University of Kansas, and became a Certified Public Accountant in 1971. Prior to my appointment to the Board of Tax Appeals, I held the position of Director, Government Affairs for Yellow Corporation. Yellow is an international transportation company, known mainly for its recognizable orange vehicles. In that capacity I was responsible for federal and state legislative and regulatory matters. I also monitored legislative activity in Kansas, as well as the other 49 states.

Before holding that position, I managed Yellow's operating tax compliance and research division for 17 years. This role allowed me to represent the company on multiple state issues in sales tax, state income, property and motor carrier taxation. I have also served on numerous advisory committees and task forces relating to tax compliance issues in the trucking industry. During this time, I helped develop the International Fuel Tax Agreement, a multi-state cooperative agreement for the collection of motor carrier fuel taxes. Prior to my employment with Yellow, I practiced public accounting and held internal audit positions.

Senate Assessment + Taxation
1-8-01
Attachment 1

I believe my tax compliance background and business experiences provide me with a new perspective on the administration of the Department of Revenue. While I have only been at Revenue a few short weeks, I recognize the agency has a strong management team in place. The re-engineered tax processing systems and organization are solid; and it is my desire to build on the successes of Project 2000. Specifically, I plan to expand customer-focused services—from increasing the number of technology applications for tax filings to improving responsiveness to taxpayer inquiries. During the next few months, it will also be important for KDOR to monitor and review the Streamlined Sales Tax Project and evaluate state cooperative compacts. Finally, I pledge to strengthen the compliance of all tax laws. I believe that as our auditors focus on customer education—overall compliance will improve, bringing in more revenue for the state.

I believe my background in the corporate business world, experience with tax statutes and exposure to the legislative process and the Kansas Legislature provide a perspective that will benefit the administration of the Kansas Department of Revenue. While I am relatively new to state government, I am confident in my ability to serve the taxpayers of Kansas. I will also do my best to ensure that the Department continues to set the benchmark for all other revenue agencies in the nation.

Thank you for your time. I look forward to working with you to serve the people of this great state. At this time, I will be happy to answer any questions you may have.

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Office of the Secretary

Testimony
Notices Sent to Retailers Regarding Remittance Frequency
Committee on Assessment and Taxation
January 10, 2001

For retailers, K.S.A. 79-3607 sets forth the frequency that retailers must file returns and sales tax remittances, based on the volume of sales tax collections: the higher the volume, the higher the filing frequency. The attached Notice contains a table describing the filing frequencies contained in the statute. Our experience has been that not all retailers follow the filing frequency schedule contained in the statute.

For employers, K.S.A. 79-3298 sets forth the frequency that they must file withholding tax returns and remit the taxes, based on the volume of employer withholding taxes, the greater the volume, the greater the filing frequency. The filing frequencies set forth in the statute are explained in the table shown on the attached Notice.

This past fall, the Department ran a computer program to review taxpayers' remittances for employer's withholding taxes and retailers' sales tax for the previous calendar year. The program determined if the taxpayer's filing frequency, based on remittance history, needed to be changed. This program, which was part of our software upgrade in Project 2000, enables the Department to make this determination much more quickly and efficiently. The objective in running this program was to identify the taxpayers who needed to increase their filing frequency and notify them, so that the change could become effective by January, 2001.

In early December, 2000, the Department mailed out approximately 11,116 letters notifying taxpayers that their filing frequencies for employer withholding taxes or retailer's sales tax needed to be increased. The letter notified the taxpayer of the correct filing frequency and the date when that filing frequency would become effective. Approximately 5,802 letters were sent to employers regarding withholding taxes and 5,314 letters were sent to retailers regarding sales tax. Enclosed with each letter was the Notice (copy attached) containing the tables explaining the various filing frequencies. A copy of the form letter is also attached.

Senate Assessment & Taxation
1-8-01
Attachment 2

- IMPORTANT NOTICE -

RETAIL SALES TAX: Pursuant to K.S.A. 79-3607*, filing frequency is determined by the retailers' amount of liability in a calendar year or by estimates in cases where there is no previous sales tax history. The frequency for filing and paying sales tax is based on the volume of retail business. The director of taxation is authorized to modify the filing schedule of any retailer when it is apparent that the volume of business has increased or decreased to require a change in the payment schedule. The chart below shows the filing status and due dates of sales tax accounts for each of the annual tax guidelines established in the law.

Annual Tax Due	Filing Frequency	Return Due Date
\$ 0.00 — \$ 80.00	Annual	On or before January 25th of the following year.
\$ 80.01 — \$ 1,600.00	Quarterly	On or before the 25th of the month following the end of the calendar quarter—April 25, July 25, October 25, January 25.
\$ 1,600.01 — \$ 32,000.00	Monthly (Seasonal)	On or before the 25th of the following month — a March return is due by April 25.
\$ 32,000.01 and above	Prepaid Monthly	First 15 days liability is due on or before the 25th of that month.

WITHHOLDING TAX: Every employer shall remit withholding tax and file returns in accordance with provisions outlined in K.S.A. 79-3298*. The director of taxation is authorized to modify the filing schedule of any employer or payor when it is apparent that the amount of withholding has increased or decreased. The following chart details the filing frequency and due dates for Withholding Tax reporting.

QUAD-MONTHLY - \$		SEMI-MONTHLY - S		MONTHLY - M		QUARTERLY - Q		ANNUAL - A	
ANNUAL AMTS. WITHHELD: \$100,000.01 AND ABOVE		ANNUAL AMTS. WITHHELD: \$8,000.01 TO \$100,000.00		ANNUAL AMTS. WITHHELD: \$1,200.01 TO \$8,000.00		ANNUAL AMTS. WITHHELD: \$200.01 TO \$1,200.00		ANNUAL AMTS. WITHHELD: \$.00 TO \$200.00	
REPORTING PERIOD	DUE DATE	REPORTING PERIOD	DUE DATE	REPORTING PERIOD	DUE DATE	REPORTING PERIOD	DUE DATE	REPORTING PERIOD	DUE DATE
Reports are due within three banking days of the 7 th , 15 th , 21 st , & the last day of the month.		Jan 1-15	Jan-25	Jan	Feb-15	Jan, Feb, Mar	Apr-25	Jan-Dec	Jan-25
		Jan 16-31	Feb-10	Feb	Mar-15	Apr, May, Jun	July-25		
		Feb 1-15	Feb-25	Mar	Apr-15	Jul, Aug, Sep	Oct-25		
		Feb 16-28	Mar-10	Apr	May-15	Oct, Nov, Dec	Jan-25		
		Mar 1-15	Mar-25	May	Jun-15				
		Mar 16-31	Apr-10	Jun	Jul-15				
		Apr 1-15	Apr-25	Jul	Aug-15				
		Apr 16-30	May-10	Aug	Sep-15				
		May 1-15	May-25	Sep	Oct-15				
		May 16-31	Jun-10	Oct	Nov-15				
		Jun 1-15	Jun-25	Nov	Dec-15				
		Jun 16-30	Jul-10	Dec	Jan-15				
A calendar of Electronic Funds Transfer (EFT) due dates is available from the EFT Section, Kansas Department of Revenue, 915 SW Harrison St., Topeka, Kansas 66625-0001, or call (785) 296-6990 or (800) 525-3901.		Jul 1-15	Jul-25						
		Jul 16-31	Aug-10						
		Aug 1-15	Aug-25						
		Aug 16-31	Sep-10						
		Sep 1-15	Sep-25						
		Sep 16-30	Oct-10						
		Oct 1-15	Oct-25						
		Oct 16-31	Nov-10						
		Nov 1-15	Nov-25						
		Nov 16-30	Dec-10						
		Dec 1-15	Dec-25						
		Dec 16-31	Jan-10						

* Visit the Policy Library on the Kansas Department of Revenue webpage at www.ink.org/public/kdor for the referenced statutes.

DEPARTMENT OF REVENUE



STATE OF KANSAS

915 SW Harrison St.
Topeka KS 66625-2007
Internet Address: www.ink.org/public/kdor

Toll Free: 877-526-7738
Topeka Area Phone: [REDACTED]
FAX: [REDACTED]
Hearing Impaired TTY: [REDACTED]

[REDACTED]

[REDACTED]

RE: Tax Account Number [REDACTED]

We reviewed the filing frequency for your [REDACTED] tax account. Your filing frequency should be changed to [REDACTED]. This change becomes effective as of [REDACTED].

You should receive a new return before the due date. Be sure to use this new return when filing your taxes.

If you have any questions, please call toll-free 877-526-7738 between 7:00 a.m. and 5:45 p.m., Monday through Friday.

Sincerely,

[REDACTED]