

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:45 a.m. on March 12, 2001, in Room 519-S of the Capitol.

All members were present except: Senator Pugh

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: Don Seifert, City of Olathe
Randy Allen, Kansas Association of Counties
Sandy Jacquot, League of Kansas Municipalities
Dan Harden, Riley County Engineer

Others attending: See attached list.

The minutes of the March 8, 2001, meeting were approved.

HB 2007—Sales and transient guest taxation; concerning the provision of certain information by the Director of Taxation to local governments.

Don Seifert, City of Olathe, testified in support of **HB 2007**, noting that it deals with local tax information reports that are received by city officials from the Director of Taxation. He explained that, as introduced, **HB 2007** was aimed at facilitating information sharing between a county and city about local sales tax distributions. As passed by the House, the bill would also apply to the transient guest tax and would allow the clerk or treasurer who receives the report to share the information with other appropriate local financial officials. He noted that the City of Olathe has been concerned about the reliability of the local sales tax distribution process. The bill would foster cooperation between local officials and the Department of Revenue in monitoring local sales tax revenue distributions. (Attachment 1) Mr. Seifert noted that **HB 2007** passed the House almost unanimously.

Senator Allen began a discussion concerning the penalty for divulging the sales tax information to anyone other than allowed by the bill. Mr. Seifert stated that violation of the confidentiality requirement is a Class B misdemeanor. In addition, he reiterated that, currently, a city clerk or city treasurer who requests retailers' sales tax information from the Department of Revenue cannot share the information with financial analysts, auditors, or members of the city council.

Senator Lee expressed her concern that information revealing the tax receipts of an individual retailer could be used by a competing retailer. Don Hayward, Revisor of Statutes Office, commented that the bill is an attempt to allow the information to be shared with more people, but it still contains a confidentiality requirement. Senator Allen commented that more people having access to the information increases the possibility of the confidentiality provision being violated. Mr. Hayward commented that, originally, the statute provided that reports on local sales tax collections could be given to the clerk or treasurer of any city or county levying a local retailers' sales tax. However, the bill would allow reports to be given to any city or county whether or not they levy a tax, and then the information can be further shared with the governing bodies.

Senator Lee recalled that cities and counties expressed their concern to an interim committee that they were not receiving the amount of sales tax money back from the Department of Revenue that they should have received from the tax they imposed. She suggested that perhaps the bill could be amended to provide that the Department of Revenue could release retailer sales tax reports for specific businesses to the treasurer, but the treasurer could reveal only the aggregate amount collected to the city council. Thus, the council would have no information about sales taxes collected by a specific retailer.

CONTINUATION SHEET

Randy Allen, Kansas Association of Counties, testified in support of **HB 2007**. He noted that the bill would remedy the current constraints imposed on the Department of Revenue by allowing the governing bodies and designated financial officers of cities and counties to more readily share information concerning sales and transient guest tax revenue. (Attachment 2) He noted that the bill would ensure that the local retailers' sales tax revenue is credited within the correct jurisdiction, especially in cases where a countywide sales tax is shared with the cities within the county. He recalled that the original intent of the bill, as recommended by the interim committee, was to allow the Director to share retailers' sales tax information with the treasurer, not with the governing body.

Richard Cram, Kansas Department of Revenue, stood to clarify that the intent of **HB 2007** was to enable the Department to do a better job in sharing information with counties, which, in turn, would allow counties to help the Department do a better job in collecting the correct amount of tax and correctly distributing the taxes collected.

Sandy Jacquot, League of Kansas Municipalities, testified in support of **HB 2007**. She reiterated that the bill deals with the concerns expressed by local governments about the accuracy of local tax distributions from the Department of Revenue. She feels the bill would remedy restrictions on the Department and would provide a comfort level to cities that such distributions are accurate. In addition, she noted that cities would be able to more accurately project revenue when preparing their budgets. (Attachment 3)

There being no others wishing to testify, the hearing on **HB 2007** was closed.

HB 2221—Sales taxation; authorizing certain counties to impose countywide tax for economic development initiative and infrastructure purposes.

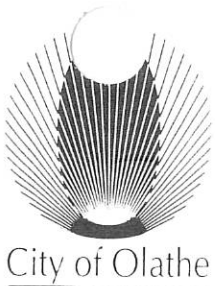
Dan Harden, Riley County Engineer, testified in support of **HB 2221**. He explained that the bill allows Riley County to use a sales tax to fund public infrastructure projects, specifically, to fund road and bridge improvements. He further explained that the Riley County Road and Bridge Advisory Committee reported to the Board of County Commissioners that the use of a local retail sales tax as a funding source is preferred by Riley County citizens over the use of local ad valorem property tax. He noted that the time limit on page 4, line 39, of the bill would allow the voters more flexibility in what they can approve as a sales tax rate. (Attachment 4)

Chairman Corbin called attention to written testimony in support of **HB 2221** submitted by Stan Morgan, Riley County Counselor and Director of Administrative Services. (Attachment 5)

There being no others wishing to testify, the hearing on **HB 2221** was closed.

The meeting was adjourned at 11:25 a.m.

The next meeting is scheduled for March 13, 2001.



MEMORANDUM

TO: Members of the Senate Assessment and Taxation Committee

FROM: Donald R. Seifert, Policy Development Leader *DRS*

SUBJECT: **House Bill 2007**; Local Sales Tax Information

DATE: March 12, 2001

On behalf of the city of Olathe, thank you for the opportunity to appear today in support of this bill. This bill deals with information reports received by city officials from the director of taxation. The interim tax committee introduced HB 2007 after study of the local sales tax distribution issue. As introduced, the bill was aimed at facilitating information sharing between a county and city about local sales tax distributions. As passed in the House, the bill would also apply to the transient guest tax, and allow the clerk or treasurer that receives a report to share information with other appropriate local financial officials.

For several years, the city of Olathe, like many other communities dependent on sales tax for general operations, has been concerned about the reliability of the local sales tax distribution process. This is a critical issue because sales tax revenues account for nearly 60% of our city's general fund revenues. Having also captured the attention of the legislature, a legislative post audit report on the local tax distribution issue will be released later this week.

Last year, HB 3007, introduced at Olathe's request, became part of the final tax bill. This bill allowed the Department of Revenue to use its new information system to produce and release more useful reports used by local government to monitor and forecast local sales tax trends. It authorized reports indicating tax liability as well as tax remittance, provided for identification of multiple business locations under a single taxpayer, and slightly relaxed confidentiality provisions to allow some conversation with local officials about the basis for these reports. Last year's legislation was a positive step in allowing the Department to work closer with local units on this nagging issue. The first reports authorized last session are now becoming available. HB 2007 this year will continue to foster cooperation between local officials and the Department in monitoring this vital revenue source.

Thank you again for the opportunity to support this bill. We urge the committee to recommend it favorably for passage.

*Senate Assessment + Taxation
3-12-01
Attachment 1*



KANSAS
ASSOCIATION OF
COUNTIES

TESTIMONY

concerning House Bill No. 2007

re. Sharing of Sales Tax Information among City and County Officials
Senate Assessment and Taxation Committee

Presented by Randy Allen, Executive Director
Kansas Association of Counties
March 12, 2001

Mr. Chairman and members of the committee, my name is Randy Allen, Executive Director of the Kansas Association of Counties. I am here today to express the Association's support for HB 2007.

Over the past year, the Association along with the League of Kansas Municipalities have had several discussions and meetings with officials of the Kansas Department of Revenue concerning the collection and distribution of local-option sales tax revenue. Due to a variety of reasons, both county and city officials questioned the distributions of local option sales taxes by the State to counties and cities.

In the course of our discussions, it became apparent that the Department of Revenue cannot currently divulge certain sales tax information in the form of reports to cities or city officials in counties where there are county-wide sales taxes shared by the county and the cities therein. It is our further understanding that the counties (specifically a county treasurer or finance director) cannot provide such information to their counterparts in a city or cities within the county, even though the revenue from such tax is extremely important to that city(s).

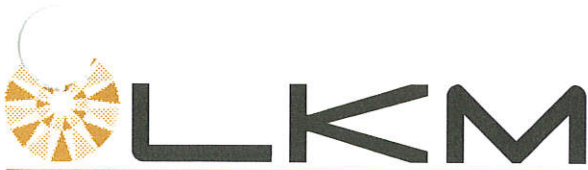
HB 2007 would remedy the current constraints imposed on the Kansas Department of Revenue by allowing the governing bodies and designated financial officers of cities and counties to more readily share information concerning sales (and transient guest) tax revenue.

The Association supports the recommendations in HB 2007 which emerged from the Special Committee on Assessment and Taxation, and urges the committee to report the bill favorably for passage. Thank you for your consideration.

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its member counties. Inquiries concerning this testimony should be directed to Randy Allen or Judy Moler by calling (785) 272-2585.

6206 SW 9th Terrace
Topeka, KS 66615
785•272•2585
Fax 785•272•3585
email kac@ink.org

Senate Assessment & Taxation
3-12-01
Attachment 2



League of Kansas Municipalities

300 SW 8th Avenue
Topeka, Kansas 66603-3912
Phone: (785) 354-9565
Fax: (785) 354-4186

TO: Senate Committee on Assessment and Taxation
FROM: Sandra Jacquot, Legal Counsel
DATE: March 12, 2001
RE: HB 2007

Thank you for allowing me to appear today on behalf of the League of Kansas Municipalities and its member cities. HB 2007, as amended, broadens the sales tax and transient guest tax information that the Director of Taxation is allowed to provide to cities and counties. This bill allows cities within a county imposing a local tax and counties within which are located cities imposing local taxes to obtain information about sales tax and transient guest tax collections in that governmental entity.

This issue is as a result of concerns on behalf of local governments about the accuracy of local tax distributions from the Department of Revenue. The Department has been hampered by the inability to provide some of this information to local units of government. This bill would remedy those restrictions and provide a comfort level to our cities that such distributions are accurate. In addition, it will aid cities in budgeting by being able to more accurately project revenue. The League of Kansas Municipalities supports HB 2007 and requests that you report the bill out favorably for passage. Thank you again for allowing me to testify in support of HB 2007.

*Senate Assessment & Taxation,
3-12-01*

www.ink.org/public/kmin

Attachment 3

Testimony of Dan Harden
Before the Senate Assessment and Taxation Committee
Regarding House Bill 2221
12 March 2001

Senator David Corbin
Chair

Senator Corbin, and members of the Senate Assessment and Taxation Committee; my name is Dan Harden. I am a registered professional engineer in the state of Kansas. I have been employed for the past 25 years as the Riley County engineer. I thank you for allowing me the opportunity to testify today.

I am here today to support House Bill 2221. My support is founded on the following.

The inclusion of Riley County in line 31 of page 4 of the bill allows Riley County to use a sales tax to fund public infrastructure projects. Specifically Riley County would use this authority to use a sales tax to fund road and bridge improvements.

Senate Assessment & Taxation
3-12-01
Attachment 4

In September 1997 the Riley County Board of County Commissioners appointed a 32-member committee of Riley Countians to study the Riley County highway system. This committee was called the Riley County road and bridge advisory committee. These Riley Countians recently reported back to the Board of County Commissioners that Riley County needed to fund several road and bridge replacement projects. They also reported the use of the local retail sales tax as a funding source was preferred over the use of local ad valorem property tax. The inclusion of Riley County on line 31 of page 4 would allow the Riley County Board of County Commissioners to carry out the recommendation of the Riley County road and bridge advisory board, and take the matter to the voters in Riley County.

The time limit in line 39 of page 4 was increased from 5 years to 10 years. This change will allow the voters more flexibility in what they can approve as a sales tax rate. For example the voters may chose to fund a particular bond issue at a higher sales tax rate for a shorter period of time, or the voters may chose to fund the issue at a lower sales tax rate over a longer period of time. A 5 year limit allows for the former option, but not the later. A 10 year limit would allow for either option. The voters are capable of making this decision, and should be given the latitude to do so.

I feel this bill is excellent public policy as it allows Riley Countians to select road and bridge improvement projects, debate the necessity of making the improvements, and then voting on the matter. It is consent of the governed, and the social contract at its best.

I stand for any questions.

Testimony before the Senate Assessment & Taxation Committee
Regarding House Bill 2221
12 March 2001

Stan Morgan
Riley County Counselor and Director of Administrative Services

Mr. Chairman and distinguished members of this Committee. My name is Stan Morgan and I am the County Counselor and Director of Administrative Services for Riley County. This testimony is being presented on behalf of the Board of Commissioners of Riley County, Kansas.

Riley County is requesting an amendment to K.S.A. 2000 Supp. 12-187(b)(9) to allow the Board of Commissioners of Riley County to submit the question of imposing a county-wide retailer's sales tax at the rate of up to .5% for the purpose of financing economic development initiatives or public infrastructure projects. House Bill No. 2221 will provide the County with that authority.

Mr. Harden has presented testimony regarding the need for the authority requested. I only add to that a point made by Monty Prescott, engineer with BG Consulting and member of the Road and Bridge Committee, who noted that deferred maintenance of roads results in sharply higher expenditures in later years. It is important that Riley County be given authority to propose to its citizens a sales tax revenue option to avoid that result.

My brief comments are primarily to make clear to the members of this Committee that Riley County is not asking for authority to impose total sales taxes at a rate higher than the 1.0% authorized by K.S.A. 2000 Supp.12-189. The County currently has in place a 1.0% sales tax, which includes a .5% sales tax for the County General Fund and a .5% amount imposed to pay the costs of the new Riley County Law Enforcement Center. We estimate the LEC will be paid off by January of 2004, and any tax authorized by this proposed legislation would be designed to take effect after the LEC .5% sales tax sunsets.

Thank you for considering House Bill 2221.

*Senate Assessment & Taxation
3-12-01
Attachment 5*