

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by Chairman Edmonds at 9:00 a.m. on February 27, 2002 in Room 519-S of the Capitol.

All members were present except: Representative Flora, excused
Representative Kirk, excused
Representative Mays, excused

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

Conferrees appearing before the Committee: None
OTHERS ATTENDING: SEE ATTACHED LIST

Committee was recessed until a quorum was present at 9:05 a.m.

Consideration of HB 2560 was opened.(Cigarette and tobacco products tax rate increase).

Chairman Edmonds distributed copies of balloon amendment (Attachment #1) making technical changes and amending back to current law so it is not a tax increase.

Representative L. Powell moved, Representative Gilbert seconded, that balloon amendment to HB 2560 be adopted. Motion carried.

Representative Huff moved, Representative Powers seconded, to report HB 2560 favorable for passage as amended. Motion carried.

Consideration was opened on HB 231 - Establish the family development account program and family development account reserve fund.

Representative Osborne gave an oral report for the Subcommittee appointed February 26, 2001 (Representatives Cook and Flora, Representative Osborne, Chair). Representative Osborne noted a "sister" bill was worked in 2001 on which Subcommittee reported April 5, 2001, recommending amendment and favorable passage as amended. [**SB 332 - Establishing the individual development account program and individual development account reserve fund**]. In their April 5, 2001 report the Subcommittee recommended that **SB 231** be referred to an interim committee for study.

Upon request of Chairman Edmonds, the Subcommittee reconsidered **SB 231** February 26, 2002. Representative Osborne reported the Subcommittee was not encouraged with **SB 231** and recommends adverse report.

Representative Osborne moved, Representative Hutchins seconded, to accept Subcommittee on SB 231 report. Motion carried.

Mr. Courtwright noted the Subcommittee and the Senate had worked with the Fiscal Note in 2001 and called attention to the Supplemental Note which states: "The latest fiscal information available based on ongoing discussions with the Department of Revenue suggested that the bill would be expected to reduce receipts by about \$519,000 and would necessitate expenditure of an additional \$59,889 in administrative costs."

CONTINUATION SHEET

Representative Larkin moved, seconded by Representative Gatewood, to amend HB 231 by taking out the language in lines 30-31 on page 3 relating to the small business component. Motion carried.

Representative Cook, a member of the Subcommittee, said administration of the program was an issue.

Representative Huff moved, Representative Osborne seconded, that SB 231 be tabled. Motion carried.

Consideration of HB 2066 was opened (Elimination of severance tax on gas and oil).

Chairman Edmonds called attention to the revised Fiscal Note.

Representative L. Powell moved, Representative Powers seconded, to amend the bill to 10%. Motion carried.

Representative Powers moved, Representative L. Powell seconded, to report HB 2066 favorable for passage as amended. Motion carried.

Consideration was opened of HB 2092 - City and County development activity excise tax act.

Mr. Courtwright said **HB 2092** would provide requirements for cities and counties before establishing or modifying any excise tax. Hearing was held on February 6, 2001.

Representative Larkin said cities and counties consider this would be a mandate on them with additional expenses and significant negative impact.

Mr. Courtwright said testimony was that they would not realistically be able to avail themselves of the home rule power with regard to excise tax..

Representative T. Powell moved, Representative L. Powell seconded, that HB 2092 - City and County development activity excise tax act be reported favorable for passage.

Representative Gatewood noted this unfunded mandate would certainly run business costs up for local government and increase the costs they incur.

Representative Owens said this unfunded mandate on local government would require a huge amount of paperwork

Mr. Courtwright said the Fiscal Note was only for the state. A number of restrictions, requirements and costs would be imposed on cities and counties and the tax would continue to be collected at the local levels.

In response to a question Mr. Cram, Department of Revenue, said there is normally no attempt to estimate implementation costs for cities and counties.

Representative Larkin moved, seconded by Representative Owens, that HB 2092 be tabled. Motion carried.

The meeting adjourned at 9:22 a.m. The next meeting is scheduled March 7.

GUEST LIST

DATE Feb. 27, 2002

NAME	REPRESENTING
Michelle Peterson	K. Governmental Consulting
Larry R Baer	LKM
Mark Carpenter	KCEI
Jack Graves	Kupe; P-U-M
Bill Vanek	Kansas Assn of REALTORS
Ed O'Malley	OF Chamber
John Franch	The Franch Co.
Karl Peterson	KS Taxpayers Network
Deann Williams	KS Motor Carriers ASSOC.
Ann Dukes	DOB

HOUSE BILL No. 2560

By Committee on Taxation

3-7

9 AN ACT relating to the taxation of cigarettes; [increasing the rate imposed
10 thereon] amending K.S.A. 79-3310, 79-3311 and 79-3312] and repeal-
11 ing the existing [sections].

section

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

14 Section 1. [On and after June 1, 2001,] K.S.A. 79-3310 is hereby
15 amended to read as follows: 79-3310. There is imposed a tax upon all
16 cigarettes sold, distributed or given away within the state of Kansas. The
17 rate of such tax shall be ~~\$.24~~ \$.39 on each 20 cigarettes or fractional part
18 thereof or ~~\$.30~~ \$.49 on each 25 cigarettes, as the case requires ~~on and~~
19 ~~after June 1, 2001, but before June 1, 2002. On and after June 1 of each~~
20 ~~year thereafter, but before June 1 of the next succeeding year, such rates~~
21 ~~shall be equal to the product of that of the next preceding year multiplied~~
22 ~~by a fraction the numerator of which is the average consumer price index~~
23 ~~for all urban consumers published by the federal department of labor as~~
24 ~~of the close of the 12-month period ending on August 31 of the first cal-~~
25 ~~endar year preceding the appropriate year and the denominator of which~~
26 ~~is such index as of such period ending on August 31 of the second calendar~~
27 ~~year preceding the appropriate year]. Such tax shall be collected and paid~~
28 ~~to the director [as provided in this act. Such tax shall be paid] only once~~
29 ~~and shall be paid by the wholesale dealer first receiving the cigarettes as~~
30 ~~herein provided.~~

hereby

\$.24

\$.30

31 The taxes imposed by this act are hereby levied upon all sales of ciga-
32 rettes made to any department, institution or agency of the state of Kan-
33 sas, and to the political subdivisions thereof and their departments, insti-
34 tutions and agencies.

35 ~~New Sec. 2. (a) On or before June 30, 2001, each wholesale dealer,~~
36 ~~retail dealer and vending machine operator shall file a report with the~~
37 ~~director in such form as the director may prescribe showing cigarettes,~~
38 ~~cigarette stamps and meter imprints on hand at 12:01 a.m. on June 1,~~
39 ~~2001. A tax of \$.15 on each 20 cigarettes or fractional part thereof or \$.19~~
40 ~~on each 25 cigarettes, as the case requires and \$.15 or \$.19, as the case~~
41 ~~requires upon all tax stamps and all meter imprints purchased from the~~
42 ~~director and not affixed to cigarettes prior to June 1, 2001, is hereby~~

By striking all on pages 2 and 3

1 ~~from the director. The director shall prepare a voucher showing the net~~
 2 ~~amount of such refund due, and the director of accounts and reports shall~~
 3 ~~draw a warrant on the state treasurer for the same. Wholesale dealers~~
 4 ~~shall be entitled to a refund of the tax paid on cigarettes which have~~
 5 ~~become unfit for sale upon proof thereof less 2.65% 1.63% of such tax.~~

6 Sec. ~~[5]~~ ~~[On and after June 1, 2001,]~~ K.S.A. 79-3310, ~~79-3311 and 79-~~
 7 ~~3312 are hereby repealed.~~

8 Sec. ~~[6]~~ This act shall take effect and be in force from and after its
 9 publication in the ~~[Kansas register]~~

2.

is

3.

statute book