

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 11:05 a.m. on February 21, 2002, in Room 519-S of the Capitol.

All members were present except:

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 Lynn Jenkins

Others attending: See attached list.

SB 575—Income taxation; concerning the withholding against certain distributions and awards

Senator Jenkins testified in support of **SB 575**, explaining that it would simply give the Kansas Department of Revenue the authority to require Kansas income tax withholding on nonresident individual partners, S corporation shareholders, and professional athletes. She explained further that, although current law requires payment of Kansas tax on Kansas source income, the bill helps insure that Kansas actually collects the tax. In addition, it would accelerate the receipt of payments. She also noted that there is a minimum threshold under current law that applies to most withholding requirements, and she suggested that the same requirement apply to these additional sources of income. (Attachment 1)

Senator Jenkins called the Committee's attention to copies of the fiscal note on **SB 575** prepared by the Division of the Budget. She pointed out that the fiscal note estimates that **SB 575** would increase State General Fund revenues by \$500,000 in FY 2003 as a result of the acceleration effect. She pointed out that the compliance effect was not considered in the fiscal note.

There being no others wishing to testify, the hearing on **SB 575** was closed.

Committee discussion followed regarding the minimum withholding threshold under current law. In addition, Senator Jenkins clarified to whom the bill would apply.

Senator Jenkins moved to recommend **SB 575** favorably for passage, seconded by Senator Lee. The motion carried.

Senator Corbin called the Committee's attention to two previously heard bills, **SB 471**, which concerns volumetric taxation of sales of natural gas used for agricultural and residential purposes, and **SB 415**, which concerns a penalty provision for taxpayers with a \$100,000 liability threshold who do not pay by electronic funds transfer after the Department of Revenue directs them to do so.

Senator Allen moved to recommend **SB 471** favorably for passage, seconded by Senator Donovan. The motion carried.

With regard to **SB 415**, the Committee questioned Richard Cram, Kansas Department of Revenue, regarding electronic payment procedures and penalty provisions. Committee members expressed their concern that the bill would give the Department authority to impose a penalty for not paying by electronic transfer even if timely payment by check is received.

The minutes of the February 20, 2002, meeting were approved.

The meeting was adjourned at 11:30 a.m.

The next meeting is scheduled for February 22, 2002.



TOPEKA

SENATE CHAMBER

Senate Assessment and Taxation Committee
February 2002

SB 575

Mr. Chairman and members of the committee, thank you for the opportunity to appear today in support of Senate Bill 575. The concept behind this proposal is simple and is borrowed in part from a few of our surrounding states.

This provision would simply give the Kansas Department of Revenue the authority to require Kansas income tax withholding on nonresident individual partners or S corporation shareholders, and professional athletes. Under current law nonresident partners, shareholders, and athletes are already required to pay Kansas tax on Kansas source income. All this proposal does is to help insure that Kansas does collect the tax, and it may accelerate the receipt of the payments.

I believe the department already requires similar withholding on nonresident beneficiaries of estates and trusts, and obviously we require withholding from the majority of hard working Kansas residents. I don't believe nonresidents should receive favorable tax consideration. Some businesses may object to withholding the tax and filing the appropriate tax forms. However, the majority of businesses that would be affected by this legislation already have employees and other payroll issues to account for. I fail to see this as an unreasonable requirement.

In addition, I hesitate to be too prescriptive within the provision in this legislation. I am however, open to debate. Under current law there is a minimum threshold that applies to most withholding requirements, and I believe that same requirement could simply apply to these additional sources of income.

I'd be happy to stand for questions.

*Senate Assessment & Taxation
 2-21-02
 Attachment 1*

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