

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson John Edmonds at 9:00 a.m. on March 21, 2003 in Room 519-S of the Capitol.

All members were present except:

Representative John Edmonds
Representative Paul Davis
Representative Jeff Goering
Representative Steve Brunk
Representative Ted Powers

Committee staff present:

Chris Courwright, Legislative Research Dept.
April Holman, Legislative Research Dept.
Gordon Self, Office of the Revisor of Statutes
Carol Doel, Committee Secretary

Conferees appearing before the committee:

Joan Wagon, Acting Secretary of Revenue
Eileen King, Riley County Treasurer
Marlee Carpenter, KCCI
Christy Caldwell, Topeka Chamber of
Commerce
Hal Hudson, NFIB

Others attending:

See attached list

Vice-Chairman Huff opened the meeting requesting any bill introductions. Hearing none, he opened the meeting for public hearings on **HB 2430** - *relating to interest on overpayments; periods of limitation on refunds or credits*. The Vice-Chair requested an overview of the bill by Chris Courtwright from the Legislative Research Department followed by introduction of the Acting Secretary of Revenue, Joan Wagon who appeared before the committee in as a proponent of **HB 2430**. Her testimony stated that the bill includes a number of provisions that will save the State of Kansas substantial money. It reduces the interest rate on tax refunds to 2%, and shortens the statute of limitations on the filing of income tax and sales tax refund claims from three years to one year. It also makes clear that the interest clock only starts running on income tax refund claims if the Department does not pay them within six months. Pending sales tax refund claims based on exemptions, as well as pending income tax refund claims based on certain economic development incentive tax credits are terminated. (Attachment 1)

Eileen King, Riley County Treasurer was next to address the committee in support of **HB 2430**. Ms. King represented both the Treasurers Association and the Kansas Association of Counties. In her testimony, she stated that as noted in her written testimony, this bill would save Riley County \$5,196.28 over the last two years. They ask for support for the bill as the current statute is costly, complicated and difficult to explain. (Attachment 2) Also submitted by Ms. King was a State document on the Division of Property Valuation (Attachment 3).

KCCI (Kansas Chamber of Commerce and Industry) was represented by Marlee Carpenter as an opponent of **HB 2430**. Their testimony states that this bill would preclude refund claims for sales and use tax exemptions and exclusions. This would put an end to legitimate refund claims for taxes paid on transactions that were never intended to be taxed under the sales and use tax statutes. Also, this bill would preclude refund claims for income tax credits unless filed on the original income tax return. If enacted, this bill would put into statute one set of rule the Department of Revenue must follow for an audit and another set of rules a taxpayer must follow for a refund claim. (Attachment 4)

Christy Caldwell of the Greater Topeka Chamber testified before the committee of **HB 2430**. Their testimony voiced the opinion that this bill reduces the statue of limitations for the refund of any overpayment of income, sales and use tax from three years to one year. If a tax payer overpays their income tax or remits too much sales/use tax and the error or omission is discovered a year later, the taxpayer is just out of luck. This policy change effects all taxpayers. (Attachment 5)

CONTINUATION SHEET

MINUTES OF THE HOUSE TAXATION COMMITTEE at 9:00 a.m. on March 21, 2003 in Room 519-S of the Capitol.

NFIB (National Federation of Independent Business) was represented by Hal Hudson who testified in opposition of **HB 2430** as well as **HB 2449**. **HB 2430** would allow imposition of interest charges of up to 7% on any unpaid taxes, while rolling back the rate to only 2% on any overpayments. Second, it would roll back the time allowed for credit or refund of overpayment from three years to one year. Why should a taxpayer be required to pay a higher interest rate on overdue taxes than would be paid on taxpayer money held by the state as result of overpayment? Further the bill provides that if a refund is paid within six months (current law is two months) no interest shall be allowed or paid. When **HB 2430** is coupled with **HB 2449** it seems the taxpayer would get a double whammy. **HB 2449** would deny refund if a taxpayer claims income tax credits allowed by law in excess of the current tax liability. Such tax credits could be carried forward to the next tax year, but not refunded. (Attachment 6)

With no further conferees regarding **HB 2430**, Chairman Edmonds closed the hearing and opened the meeting for hearing on **HB 2449**.

Acting Secretary of Revenue, Joan Wagon, testified in favor of **HB 2449** stating that this bill includes a number of provisions that will save the State of Kansas substantial money. The positive fiscal impact of this bill for FY 04 is estimated to be \$8.77 million. If a tax credit is refundable, the taxpayer can claim it, whether the taxpayer has any tax liability to apply the credit against or not. If the taxpayer has insufficient tax liability to apply the credit against, the taxpayer is entitled to receive a refund of the unused amount of credit. Refundable tax credits do not simply reduce a taxpayer's tax liability. Changing the listed tax credits from refundable to non-refundable does not mean that those credits cannot be claimed. It only means that tax liability must exist for the credit to be applied against. (Attachment 7)

With no further proponents on **HB 2449**, Chairman Edmonds opened the meeting for opposition to the bill.

Marlee Carpenter, KCCI (Kansas Chamber of Commerce and Industry) testified in opposition to **HB 2449**. In her testimony, she stated that the Kansas Chamber has fought for many years to enhance the credit to offset the high property taxes on machinery and equipment. If refundability of this credit is removed, the incentive the legislature envisioned when it passed the income tax credit is removed. Even if a business has little or no taxable income, they must still pay the high property taxes on machinery and equipment. (Attachment 8)

Christy Caldwell, Greater Topeka Chamber, appeared before the committee as an opponent to **HB 2449**. This bill eliminates the refundability of tax credits now allowed in the statute. The availability of a tax credit refund is particularly important in an economy such as we have now. When Kansas a businesses succeed and grow, the state succeeds and revenues grow. (Attachment 9)

Assistant Vice-President of State and Local Tax for Sprint, Mark Beshears, also presented testimony in opposition to **HB 2449**. The enactment of the refundable tax credit put Sprint and other facility-based providers on a level playing field with other non-facility based providers. If the refundability feature of the current statute is removed, Sprint and other facility-based providers would once again be treated differently than other non-facility-based providers. **HB 2449** would penalize facility-based providers by effectively delaying the equalization that was the sole reason for enacting it in the first place. (Attachment 10)

There being no further conferees on **HB 2449**, Chairman Edmonds closed the bill for hearing.

The Chairman called to the attention of the committee, a submission from Karl Peterjohn. This was information explaining a booklet which the committee had requested entitled *50 State Comparisons* published by the Taxpayers Network Inc. (Attachment 11) (This booklet is available from Taxpayers Network, Inc. W 67 N 222 Evergreen Blvd #202 - Cedarburg, Wisconsin 53012)

Also submitted was a letter written to Representative Jack from Ronald Hein, legislative counsel for the Kansas Restaurant and Hospitality Association in answer to a question regarding **HB 2323** which was heard last week. (Attachment 12)

Submitted in response to a question by Representative Schwab, was the accounts receivable report for February of 2003 published by the Kansas Department of Revenue. (Attachment 13)

CONTINUATION SHEET

MINUTES OF THE HOUSE TAXATION COMMITTEE at 9:00 a.m. on March 21, 2003 in Room 519-S of the Capitol.

With no further business before the committee, Chairman Edmonds adjourned the meeting at 10:30 a.m.



K A N S A S

JOAN WAGNON, SECRETARY

DEPARTMENT OF REVENUE
OFFICE OF THE SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

Testimony to House Tax Committee
Joan Wagnon
Secretary of Revenue

March 21, 2003

House Bill 2430

Chairman Edmonds and Members of the Committee:

We support House Bill 2430, which includes a number of provisions that will save the State of Kansas substantial money. The bill reduces the interest rate on tax refunds to 2%, and shortens the statute of limitations on the filing of income tax and sales tax refund claims from three years to one year. It also makes clear that the interest clock only starts running on income tax refund claims if the Department does not pay them within six months. Pending sales tax refund claims based on exemptions, as well as pending income tax refund claims based on certain economic development incentive tax credits are terminated.

Right now, the State pays 7% interest on tax refunds, a higher interest rate than 30-year mortgages are paying. The State Treasury is the vital funding source for a great many services needed by the citizens of Kansas. Under current law, K.S.A. 79-2968, the interest rate on both tax refunds and underpayments of taxes is pegged to 1% above the underpayment rate prescribed in Section 6621 of the Internal Revenue Code. In times when the State coffers are flush, it may make sense to pay the same rate of interest on tax refunds as the State is charging on underpayments. In these times, it does not. Section 1 reduces the interest rate on tax refunds to 2%, approximately the same rate as a certificate of deposit. This interest rate reduction would generate savings to the State of \$1.3 million per year.

Sections 2 and 4 reduce the statute of limitations on income tax and sales tax refund claims from three years to one year. Had this change been in place at the time of the military retirement case, *Barker v. Kansas*, 503 U.S. 594 (1992), the fiscal note in resolving that matter would have been much lower. In recent years, sales tax refund "consultants" working for contingent fees have gleaned the countryside for clients, conducting reverse audits, and then filing hundreds of sales tax refund claims with the Department covering the prior three years. Many of the claims are of questionable validity and are poorly documented. However, they are filed en masse in hopes that at least some of them may have settlement value. The Department must then devote its limited resources to handling refund claims, instead of conducting audits or collecting taxes. We

estimate that this change, which would be prospective, could reduce income tax refund payments by \$12 million and sales tax refund payments by \$9.3 million.

Section 3 provides that interest on income tax refunds will not begin to accrue unless the Department takes longer than six months to pay the refund. Section 3 also makes clear that interest will not begin to accrue on amended returns filed after the original due date, at the earliest, until the amended return is filed, and if the refund is paid within six months, no interest would accrue. This provision would save \$1 million in reduced interest expense. Under current law, the Department only has two months to process income tax refund claims before interest can begin to accrue. The Department makes every effort to expeditiously process refund claims, and this bill is not intended to cause any slow-down in the payment of refunds. However, it is not possible to process all of the refund claims received during the height of the income tax return filing season by the end of two months following April 15. If the Department were given six months to process the refunds, this would significantly reduce the amount of interest being paid.

We would like to propose an amendment to House Bill 2430 (balloon attached) that would accomplish changes to interest accrual on sales tax refunds similar to those made in Section 3 with respect to interest accrual on income tax refunds. Under current law, interest accrues on sales tax refunds from the date the return was filed and tax paid. If the Department pays the refund within 60 days from when the return was filed, no interest accrues. However, sales tax refund claims filed by the contingent fee consultants are generally filed years after the returns were filed. Interest accrues back to the date the tax was paid and return filed. The consultant claims often require additional information gathering, because they are poorly documented. However, the consultants are rewarded for this, because these claims require more follow-up time and effort by Department staff, and all the while, the interest clock keeps ticking. Our proposal would provide that interest does not begin to accrue until the refund claim is filed, and if the Department pays the refund within six months, no interest will accrue. This would likely save the State another \$1 million.

Sections 5 and 6 would terminate pending sales/use tax refund claims based on sales tax exemptions and income tax refund claims based on certain economic development incentive tax credits, including the business and job development credit, business machinery and equipment credit, community service contribution credit, high performance incentive credit, and research and development credit. As previously mentioned, the Department is currently deluged with hundreds of sales tax refund claims filed by consultants working on a contingent fee basis. The Department also receives amended income tax returns from corporations seeking large refunds based on claims that they should qualify after-the-fact in prior tax years for certain economic development incentive tax credits. These claims, if pending as of the effective date of this bill, if passed, would be terminated.

Sections 5 and 6 may draw constitutional challenges. However, legal precedent exists for legislatively terminating pending tax refund claims. The right to claim a tax refund is considered purely statutory, and such a refund statute may be repealed. See *Fulton Bag & Cotton Mills v. Williams*, 212 Ga. 783, 787 (1956) ("It has been held that the State, in authorizing the refund of taxes legally collected, may provide the conditions under which the refund may be made, and may repeal a statute authorizing such refund, taking away the right of the taxpayer's claim to a refund and the authority of public officers to make the same, and by such action terminate all pending actions." [citing *Eitel v. Lindheimer*, 371 Ill. 367, 21 N.E.2d 318 (1939)]).



TREASURER'S OFFICE

R. Eileen King, CFM, CFE
County Treasurer

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Manhattan, Kansas 66502-0108
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Fax: 785-537-6326
E-mail: eking@co.riley.ks.us
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TO: House Taxation Committee, John Edmonds, Chairman.
FROM: Eileen King, Riley County Treasurer & KCTA Representative
DATE: March 21, 2003
RE: HB 2430

In 1996 under the Taxpayer Fairness Act, the interest rate that was charged on delinquent taxes was reduced from the statutory amount of 18% per annum to a floating rate based on the federal internal revenue code. At that same time, it was mandated that we also should pay interest on refunds made to the taxpayers. The rate we charge on delinquent taxes is 2 percentage points above the federal internal revenue code rate. The rate on refunds depends on type of refund. I have attached the memo from the Property Valuation Department stating the rates that we collect and refund for the calendar year 2003. I have also attached a copy of the interest rates since the inception of the statute.

The following is the refund amounts paid out by Riley County for the respective years:

Year	Refund	Interest & Rate	2% rate
2003	\$14,137.75	\$ 565.61 @ 4%	\$ 282.80
2002	\$87,155.17	\$5,229.31 @ 6%	\$1,743.10
2001	\$23,787.75	<u>\$1,903.02 @ 8%</u>	<u>\$ 475.75</u>
Total		\$7,697.94	\$2,501.66

As you can see this would have saved Riley County, \$5,196.28 (67%) over the last 2 years. The current statute is costly, complicated and difficult to explain to anyone. I ask for your support for HB 2430 to help reduce State and County expenses and make things a little simpler for everyone.

House Taxation
Attachment 2
Date 3-21-03

STATE OF KANSAS
Bill Graves, Governor

DEPARTMENT OF REVENUE
Stephen S. Richards, Secretary

Mark S. Beck, Director
Department of Revenue
Division of Property Valuation
915 SW Harrison St., Room 400
Topeka, KS 66612-1585



(785) 296-2365
FAX (785) 296-2320
Hearing Impaired TTY (785) 296-3909
Internet Address: www.ink.org/public/kdor

Division of Property Valuation

August 29, 2002

TO: All County Treasurers and County Appraisers
FROM: Laura E. Johnson, Deputy Director
SUBJECT: Property Tax Interest Rates for Calendar Year 2003

In 1997, the legislature adopted a new law that had two major components. First, it required counties to pay interest to taxpayers. Second, it tied the interest rate the counties pay and collect to an annually updated interest rate prescribed in the Internal Revenue Code (IRC). Various statutes provide for percentage point adjustments to the federal rate for Kansas property tax purposes. For calendar year 2003, the interest rates are two points less than 2002:

Calendar Year 2003

Interest Rate Applied when a County *Collects* Interest:

Taxpayer's late payment of real or personal property taxes: 8%

Interest Rate Applied when a County *Pays* Interest on Refunds:

Payment under protests and "equalization" appeals 4%
Tax grievance/clerical error refunds ordered by BOTAs 4%
Clerical error refunds ordered by the county 6%

You should also be aware of two Board of Tax Appeals (BOTA) decisions that were issued this year pertaining to the new interest laws:

The Board has ruled that when refunds are issued on or after July 1, 1997, as the result of a clerical error, interest should be paid to the taxpayer back from the date the applicant paid the taxes. (*See, e.g., In the Matter of the Application of Reynolds, Ernest and Darlene, for Relief from a Tax Grievance in Atchison County, Kansas*, Docket No. 97-3542-TG, Kansas Board of Tax Appeals Docket No. 97-3542-TG, November 6, 1997).

House Taxation
Attachment 3
Date 3-21-03

**Notification of Interest Rates by the Division of Property Valuation
 Delinquent Tax Interest**

K.S.A. 79-2004 (real property), K.S.A. 79-2004a (personal property): Interest paid when taxpayer fails to pay their property taxes by the December 20th and June 20th deadlines.

K.S.A. 79-2968 prescribes the interest rate thereto, plus two percentage points.

YEAR	INTEREST RATE
July 1, 1997 to December 31, 1997	14%
1998	12%
1999	11%
2000	11%
2001	12%
2002	10%
2003	8%

Payment Under Protest and Equalization Appeals

K.S.A. 79-2005: Interest on refunds for protested and equalization appeals. Applies only for those appeals filed on July 1, 1997 and thereafter. Note: no refund is allowed on delinquent protested tax.

K.S.A. 79-2968 prescribes the interest rate thereto, minus two percentage points.

YEAR	INTEREST RATE
July 1, 1997 to December 31, 1997	10%
1998	8%
1999	7%
2000	7%
2001	8%
2002	6%
2003	4%

Tax Grievance / Clerical Error Refunds ordered by BOTA

K.S.A. 79-1702: The Board of Tax Appeals does not specifically order interest to be paid on an ordered refund, therefore, the county must know when interest should be paid. K.S.A. 79-2968 prescribes the interest rate thereto, minus two percentage points.

YEAR	INTEREST RATE
July 1, 1997 to December 31, 1997	10%
1998	8%
1999	7%
2000	7%
2001	8%
2002	6%
2003	4%

Clerical Error Refunds ordered by the County Commissioners

K.S.A. 79-1701a: When the County Commissioners direct a clerical error refund, the amount of the overpayment will include interest at the rate prescribed by K.S.A. 79-2968, from the date of payment and from tax moneys collected during the current year.

YEAR	INTEREST RATE
July 1, 1997 to December 31, 1997	12%
1998	10%
1999	9%
2000	9%
2001	10%
2002	8%
2003	6%

LEGISLATIVE TESTIMONY



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HB 2430

March 21, 2003

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony before the House Taxation Committee
By Marlee Carpenter, Director of Taxation and Small Business

Chairman Edmonds and members of the Committee:

I am Marlee Carpenter with the Kansas Chamber of Commerce and Industry testifying in opposition to HB 2430. This bill sends the wrong message to the Kansas business community. It enacts several anti-business and anti-taxpayer measures.

We believe that HB 2430 would preclude refund claims for sales and use tax exemptions and exclusions. This would put an end to legitimate refund claims for taxes paid on transactions that were never intended to be taxed under the sales and use tax statutes. We also believe this bill would preclude refund claims for income tax credits unless filed on the original income tax return. This includes income tax refunds under the research and development income tax credit and the HPIP income tax credit. For example, companies may be in the process of talking with the Department of Commerce and Housing about qualifying for the HPIP credit but have not been approved. They file their income tax form without the tax credit, but then when they are approved file an amended return requesting a refund.

HB 2430 also shortens the statute of limitations for refunds to one year while leaving the statute of limitations for the Department of Revenue to audit the taxpayer at three years. We believe that this is unfair to the taxpayer and if an overpayment is discovered during the audit process the statute of limitation would cut off the valid refund claim. In addition, HB 2430 would require interest for the underpayment of tax to be set at one rate, but the interest for the overpayment of taxes set at the 2% rate.

This bill, if enacted, would put into statute one set of rules the Department of Revenue must follow for an audit and another set of rules a taxpayer must follow for a refund claim. This is unfair to the taxpayer. Kansas businesses want to follow the laws and not be assessed penalties by the Department of Revenue. This penalizes the taxpayer and cuts off legitimate refund claims.

House Taxation
Attachment 4
Date 3-21-03

The Kansas Chamber requests that you not act upon HB 2430. Thank you for your time and I'll be happy to answer any questions.

About the Kansas Chamber of Commerce and Industry

The Kansas Chamber of Commerce and Industry (KCCI) is the leading broad-based business organization in Kansas. KCCI is dedicated to the promotion of economic growth and job creation and to the protection and support of the private competitive enterprise system.

KCCI is comprised of nearly 2,000 businesses, which includes 200 local and regional chambers of commerce and trade organizations that represent more than 161,000 business men and women. The organization represents both large and small employers in Kansas. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

120 SE 6th Avenue, Suite 110
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785 234 2644 785 234 8656

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Testimony before the House Taxation Committee
Friday, March 21, 2003
Re: HB 2430 & HB 2449
By: Christy Caldwell, Greater Topeka Chamber of Commerce

Mr. Chairman and members of the Committee, I am Christy Caldwell, Vice President of Government Relations for the Greater Topeka Chamber of Commerce. I am here today to express our strong opposition to HB 2430 & 2449.

HB 2430 reduces the statute of limitations for the refund of any overpayment of income, sales and use tax from three years to one year. It is my understanding; should this bill pass, if a taxpayer overpays their income tax or remits too much sales/use tax and the error or omission is discovered a year later, the taxpayer is just out of luck! The State of Kansas is just going keep the money! This policy change affects all taxpayers: large businesses, small businesses, the moms & pops, the kid with his first tax return, or the 70 year old lady down the street who filed her income tax return incorrectly. Many errors are not found until the next year's tax return is completed, or a tax credit is not applied for in the year that it is claimed. A one year limitation to correct the error or apply for the credit is not reasonable; the Department of Revenue is not suggesting a change be offered in the statute of limitations for state audits. This is not good tax policy; we urge you not to approve HB 2430, the current three year statute of limitations is appropriate and should be retained.

HB 2449 eliminates the refundability of tax credits now allowed in statute. The availability of a tax credit refund is particularly important in an economy such as we have now. For example, you heard testimony early in February from Jeff Berke, owner of CJS Industries concerning one of the tax exemption bills. He stood in front of you and told you that his company with 25 employees and \$3.6 million invested in machinery and equipment, was not making any money because of the economy. He is doing everything he can to keep his doors open and not layoff his employees. Now, while he is struggling to keep afloat, the state is going to tell him that he will not receive the tax credit refund that was created for the express purpose of offsetting the state's high personal property tax on his machinery and equipment. He must wait until his company is again making money to receive any relief. Let's just hope he can stay in business that long.

Refundable tax credits were put in place to incent growth. The machinery and equipment income tax credit was created to help businesses reduce the effect of the burden of personal property taxes. We continue to have the highest taxes on machinery and equipment, even with the credit. Last year the legislature recognized this continuing problem and passed legislation to increase the refundable 15% income tax credit to 25% in the next few years. It was done to help Kansas businesses, to encourage more private capital investment in the state. Jeff Berke at CJS Industries believed that message. He has continued to work hard to grow his business in Kansas, he has bought machinery so he can do more work and hire more employees. Are we not still interested in growing our state through increased private capital investment and job growth? Do you have any Jeff Berke's in your communities? Is it in the state's best interest to take away the assistance for businesses who are struggling in this economy? Will passing legislation such as this negatively affect or slow down recovery from this very difficult economy?

The message I would like to again repeat is: When Kansas businesses succeed and grow, the state succeeds and revenues grow. Now is not the time to reverse the strides we have made in Kansas to create, and retain businesses. Please vote no on HB 2449.



KANSAS

**Statement by Hal Hudson, State Director
National Federation of Independent Business
Before the
House Committee on Taxation
On HB 2430 and HB 2449
March 21, 2003**

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to speak with you today. My name is Hal Hudson, and I am the State Director for the National Federation of Independent Business. With some 6,000 members, NFIB is the largest small business advocacy organization in Kansas. Our members are small businesses, most with 15 or fewer employees, that form the backbone of the Kansas economy.

With your indulgence, I would like to address the problems with both HB 2430 and HB 2439⁴, because there is a link between these two bills that can be detrimental to small business.

HB 2430 would allow imposition of interest charges of up to 12%⁷ on any unpaid taxes, while rolling back the rate to only 2% on any overpayments. Second, it would roll back the time allowed for credit or refund of overpayment from three years to one year.

Why should a taxpayer be required to pay a higher interest rate on overdue taxes than would be paid on taxpayer money held by the state as result of overpayment? Further, the bill provides that if a refund is paid within six months (current law is two months) no interest shall be allowed or paid. In other words, the state could keep a taxpayer's overpayment for up to six months without paying any interest. But the taxpayer will be assessed interest from the first day a due payment is not received. What's fair about this?

Now, when HB 2430 is coupled with HB 2449, it seems the taxpayer is subject to a double whammy. HB 2449 would deny refund if a taxpayer claims income tax credits allowed by law in excess of the current tax liability. Under HB 2449, such credits could be carried forward to the next tax year, but not refunded.

What does this mean? A small business experiencing a downturn in today's fragile economy could wind up at the end of the year with no profit. However, it could have substantial tax credits as a result of previous decisions made, and allowed under law, before it was known that there would be no tax liability.

This would result in an overpayment, the credit for which could not be claimed sooner than the next tax year's filing. And, according to HB 2430, the state would have use of this money for one year, or more, at the interest rate of only two percent.

We all recognize the problem facing you in trying to fund state services with revenues coming in below projected needs. But denying refunds and/or interest payments on overpayments of taxes will deny some small businesses with funds they need to keep their doors open, to provide jobs with payroll and benefits for their employees.

We urge you to reject both HB 2430 and HB 2449.

Hal Hudson, State Director
National Federation of Independent Business
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K A N S A S

JOAN WAGNON, SECRETARY

DEPARTMENT OF REVENUE
OFFICE OF THE SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

Testimony to House Tax Committee
Joan Wagnon
Secretary of Revenue

March 21, 2003

House Bill 2449

Chairman Edmonds and Members of the Committee:

We support House Bill 2449, which includes a number of provisions that will save the State of Kansas substantial money. The bill identifies the following refundable tax credits and modifies them to become nonrefundable: the business machinery and equipment credit, K.S.A. 79-32,206; the telecommunications credit, K.S.A. 79-32,210; the disabled access credit, K.S.A. 79-32,175, et al.; the child day care assistance credit, K.S.A. 79-32,190; the community service contribution credit, K.S.A. 79-32,196, et al.; and the small employer health insurance credit, K.S.A. 40-2246. The positive fiscal impact of this bill for FY 04 is estimated to be \$8.77 million.

If a tax credit is refundable, the taxpayer can claim it, whether the taxpayer has any tax liability to apply the credit against or not. If the taxpayer has insufficient tax liability to apply the credit against, the taxpayer is entitled to receive a refund of the unused amount of credit. Refundable tax credits do not simply reduce a taxpayer's tax liability. They require that tax revenue collected from somewhere else must be used to fund the refundable credits. With a nonrefundable credit, the taxpayer must have sufficient tax liability to apply the credit against in order to claim the credit. Typically, if there is unused credit left over after applying the credit against the outstanding tax liability and reducing that liability to zero, the unused credit can be carried over to the next tax year and claimed on that year's return. This process will continue until the credit is fully used up, unless the law provides that the credit must be used within a certain time period.

Changing the above tax credits from refundable to nonrefundable does not mean that those credits cannot be claimed. It only means that tax liability must exist for the credit to be applied against. We will not be taking revenue away from someplace else to fund them.

House Taxation
Attachment 7
Date 3-21-03

LEGISLATIVE TESTIMONY



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HB 2449

March 21, 2003

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony before the House Taxation Committee
By Marlee Carpenter, Director of Taxation and Small Business

Chairman Edmonds and members of the Committee:

I am Marlee Carpenter with the Kansas Chamber of Commerce and Industry testifying in opposition to HB 2449. The Kansas Chamber opposes the removal of the refundability of income tax credits. This concept is especially important when companies do not have any taxable income. In a slumping economy when profits are down, companies may not have any taxable income. Refundability of tax credits reimburses the company for tax credits rightfully earned that taxable year, even if there is no taxable income.

The income tax credit for property taxes paid on business machinery and equipment is addressed in section 6 of the bill. The Kansas Chamber has fought for many years to enhance this credit to offset the high property taxes on machinery and equipment. If refundability of this credit is removed, the incentive the legislature envisioned when it passed the income tax credit is removed—to reduce the burden of property taxes paid on business machinery and equipment. Even if a business has little or no taxable income, they must still pay the high property taxes on machinery and equipment and then are unable to receive the relief intended. If the refundability aspect is removed, relief is not always guaranteed.

KCCI opposes HB 2449 and requests the committee not act upon this issue. Thank you for your time and I'll be happy to answer any questions.

About the Kansas Chamber of Commerce and Industry

The Kansas Chamber of Commerce and Industry (KCCI) is the leading broad-based business organization in Kansas. KCCI is dedicated to the promotion of economic growth and job creation and to the protection and support of the private competitive enterprise system.

KCCI is comprised of nearly 2,000 businesses, which includes 200 local and regional chambers of commerce and trade organizations that represent more than 161,000 business men and women. The organization represents both large and small employers in Kansas. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as the

House Taxation
Attachment 8
Date 3-21-03

120 SE 6th Avenue, Suite 110
Topeka, Kansas 66603-3515

785 234 2644 785 234 8656
www.topekachamber.org
topekainfo@topekachamber.org

Testimony before the House Taxation Committee
Friday, March 21, 2003
Re: HB 2430 & HB 2449
By: Christy Caldwell, Greater Topeka Chamber of Commerce

Mr. Chairman and members of the Committee, I am Christy Caldwell, Vice President of Government Relations for the Greater Topeka Chamber of Commerce. I am here today to express our strong opposition to HB 2430 & 2449.

HB 2430 reduces the statute of limitations for the refund of any overpayment of income, sales and use tax from three years to one year. It is my understanding; should this bill pass, if a taxpayer overpays their income tax or remits too much sales/use tax and the error or omission is discovered a year later, the taxpayer is just out of luck! The State of Kansas is just going to keep the money! This policy change affects all taxpayers: large businesses, small businesses, the moms & pops, the kid with his first tax return, or the 70 year old lady down the street who filed her income tax return incorrectly. Many errors are not found until the next year's tax return is completed, or a tax credit is not applied for in the year that it is claimed. A one year limitation to correct the error or apply for the credit is not reasonable; the Department of Revenue is not suggesting a change be offered in the statute of limitations for state audits. This is not good tax policy; we urge you not to approve HB 2430, the current three year statute of limitations is appropriate and should be retained.

HB 2449 eliminates the refundability of tax credits now allowed in statute. The availability of a tax credit refund is particularly important in an economy such as we have now. For example, you heard testimony early in February from Jeff Berke, owner of CJS Industries concerning one of the tax exemption bills. He stood in front of you and told you that his company with 25 employees and \$3.6 million invested in machinery and equipment, was not making any money because of the economy. He is doing everything he can to keep his doors open and not layoff his employees. Now, while he is struggling to keep afloat, the state is going to tell him that he will not receive the tax credit refund that was created for the express purpose of offsetting the state's high personal property tax on his machinery and equipment. He must wait until his company is again making money to receive any relief. Let's just hope he can stay in business that long.

Refundable tax credits were put in place to incent growth. The machinery and equipment income tax credit was created to help businesses reduce the effect of the burden of personal property taxes. We continue to have the highest taxes on machinery and equipment, even with the credit. Last year the legislature recognized this continuing problem and passed legislation to increase the refundable 15% income tax credit to 25% in the next few years. It was done to help Kansas businesses, to encourage more private capital investment in the state. Jeff Berke at CJS Industries believed that message. He has continued to work hard to grow his business in Kansas, he has bought machinery so he can do more work and hire more employees. Are we not still interested in growing our state through increased private capital investment and job growth? Do you have any Jeff Berke's in your communities? Is it in the state's best interest to take away the assistance for businesses who are struggling in this economy? Will passing legislation such as this negatively affect or slow down recovery from this very difficult economy?

The message I would like to again repeat is: When Kansas businesses succeed and grow, the state succeeds and revenues grow. Now is not the time to reverse the strides we have made in Kansas to create, and retain businesses. Please vote no on HB 2449.

Delore

House Taxation
Attachment 9
Date 3-21-03

MEMORANDUM

TO: The Honorable John Edmonds, Chairperson
House Committee on Assessment and Taxation

FROM: Mark Beshears, Assistant Vice President
State and Local Tax for Sprint

DATE: March 21, 2003

RE: House Bill No. 2449

I am Mark Beshears, Assistant Vice President, State and Local Tax for Sprint Corporation located in Overland Park, Kansas. Thank you for the opportunity to appear before the Committee to speak in opposition to House Bill No. 2449. The bill converts a number of refundable income tax credits into credits that may only be carried forward if the taxpayer is in a situation where it may not have a tax liability for a particular year and thus not able to utilize the credit for that year. My comments focus principally on Section 7 of the bill which addresses the refundable income tax credit that is currently available only to telecommunication companies to address a tax inequity between facility-based and non-facility based providers. K.S.A. 79-32,210 recognizes that facility-based providers, such as Sprint, are assessed at a 33% rate for property tax purposes, while non-facility based providers selling the same services are taxed at a 25% assessment rate. The refundable credit is an amount equal to the difference in tax between property tax paid at the 33% assessment rate and the amount paid at the 25% assessment rate.

When the refundable credit for telecommunications companies was enacted in 2000, the Legislature was attempting to create a fair and equitable system of taxation that did not discriminate against facility-based providers. Without the refundable tax credit, traditional telecommunication providers such as Sprint, would not be able to compete with cable companies, re-sellers and paging companies who are non-facility based re-sellers. These companies obviously would receive an economic advantage over companies such as Sprint. In addition, when the income tax credit legislation was enacted, local jurisdictions were held harmless and would experience no loss of property tax revenue.

The enactment of the refundable tax credit put Sprint and other facility-based providers on a level playing field with other non-

House Taxation
Attachment 10
Date 3-21-03

facility based providers. If the refundability feature of the current statute is removed, Sprint and other facility-based providers would once again be treated differently than other non-facility-based providers. House Bill No. 2449 would penalize facility-based providers by effectively delaying the equalization that was the sole reason for enacting K.S.A. 79-32,210 in the first place.

Thank you for the opportunity to speak in opposition to House Bill No. 2449. I would be happy to respond to any questions that any committee members may have.

Kansas Taxpayers Network
P.O. Box 20050
Wichita, KS 67208
March 17, 2003

<http://www.kansastaxpayers.com>
316-684-0082
Fax 316-684-7527

To: House Tax Committee Members

From: Karl Peterjohn, Executive Director



Subject: Fiscal Information Sourcing

Last week during testimony in front of the House Tax Committee I presented fiscal and economic information to this committee from the Taxpayers Network Inc.'s, source book that is attached for each committee member.

This booklet contains a variety of 50 state comparisons along with the sources. My government public school expenditure information came from Table 30. The fact that Kansas spends more on its public schools than the surrounding states was sourced from NEA data. The fact that Kansas is only tied for second in its pupil-teacher ration despite spending more per pupil information was taken from Table 31. The Kansas graduation rate in Kansas is only third in this five state region (Kansas and adjacent states) despite being a leader in spending per pupil (Table 32). Assertions made by advocates for higher public school spending indicating that Kansas is not spending as much as neighboring states are inaccurate.

Table 4 and Table 5 from this booklet provided documentation of the dismal Kansas rating on taxes on families and retirees. I should have added Table 6 which showed Kansas scoring a dismal 47th on business taxes but neglected to do so in my testimony. Table 9 and Table 10 show that personal income for Kansans is exceeded by some of our surrounding states and that aggravates the relatively high taxes imposed here. That, should have been part of my extemporaneous committee testimony. Table 1 shows that as a percentage of income, Kansas imposes the second highest level of state and local taxation in our region.

If only state taxes are measured, federal census data continues to show that Kansas has the highest level of state taxes in our region. I also used Table 18 to point out that Kansas was the lowest state for new corporate facilities in 2000 in our region.

I did point out the data from Table 22 showing that Kansas has the highest net out-migration of people in our five state region between April 1, 2000 and July 1, 2001 according to Census Department data.

While I did accurately report that Kansas had dropped from 8 members of the U.S. House of Representatives in 1930 to only 4 today, I believe that I misstated one of the census

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Date 3-21-03

years that Kansas lost a house member. Kansas lost house members in the 1930, 1940, 1960, and 1990 censuses.

There is a variety of other valuable state comparison information that is documented in this booklet. I believe that this information would be quite valuable to legislators interested in inter-state comparisons. Kansas' tax structure is not competitive with our surrounding states and this is negatively impacting this state's economy.

HEIN LAW FIRM, CHARTERED

5845 SW 29th Street, Topeka, KS 66614-2462

Phone: (785) 273-1441

Fax: (785) 273-9243

Ronald R. Hein

Attorney-at-Law

Email: rhein@heinlaw.com

March 19, 2003

Rep. Jeff Jack
300 SW 10th Room 182W
Topeka, KS 66612

Dear Jeff:

When I testified regarding HB 2323 relating to sales tax exemptions, including employee meals provided by restaurants and others, you asked me a question regarding the taxability of meals which are provided free of charge for employees.

Attached to this letter is material out of a guide book which we received from the National Restaurant Association regarding the taxability of meals. I have printed out portions of the publication which are relevant to your question.

In general, the rule appears to be that meals provided without charge are not taxable to the employee if they are provided for the convenience of the employer.

I am providing a copy of this letter to Rep. John Edmonds so that if he wishes to have this response distributed to the entire committee, he may do so. If you have any further questions, please let me know, and thank you for your patience while we were trying to obtain this information.

Sincerely,



Ronald R. Hein
Legislative Counsel
Kansas Restaurant and Hospitality Association

RRH:djc
Enclosure

cc: Rep. John Edmonds, House Tax Committee Chairman
Mr. Dennis Carpenter, KRHA

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Attachment 10
Date 3-21-03

EMPLOYEE MEALS AS A NON-TAXABLE FRINGE BENEFIT

Although gross income generally includes the value of fringe benefits paid or given to employees (26 U.S.C. §61(a)(1)), some benefits may be excluded from employees' federal taxable income.

In restaurants, for example, one of the most common employee benefits is free or discounted employee meals. Employees do not have to pay federal taxes on these meals in the following circumstances:

Meals Provided for the Employer's Convenience

26 C.F.R. § 1.119-1(a)(1) provides that the value of meals furnished to an employee by the employer shall be excluded from the employee's gross income if (1) the meals are furnished on the business premises of the employer, and (2) the meals are furnished for the convenience of the employer.

According to the IRS, "meals furnished for the employer's convenience" are meals an employer provides employees for a substantial non-compensatory business reason. Two types of meals commonly furnished in the foodservice and lodging industries meet this definition:

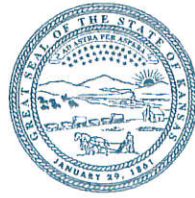
1. meals furnished to a foodservice employee immediately before, during or immediately after an employee's working hours, for each meal period during which the employee works (26 C.F.R. § 1.119-1(d)); and
2. meals furnished without charge to an employee who is required to occupy living quarters on the business premises of the employer (26 C.F.R. § 1.119(a)(2)).

Valuing Meals Not Furnished for Employer's Convenience

If an employer furnishes meals to employees for some other reason than the employer's convenience, IRS Rev. Rul. 68-321 explains how to value these meals so they can be included in wages for federal employment tax purposes.

Discounts on Employee Meals

Employers who offer meal discounts to employees can exclude the value of the discount from the employee's gross income if the discount does not exceed the gross profit the employer receives on the meal, based on the prices charged to customers (26 U.S.C. § 132(c)(1)(A)). For example, if the employer's gross profit percentage on a meal is 60 percent, the employee's non-taxable discount cannot exceed 60 percent. If the employer's gross profit on a meal is \$6, the employee's non-taxable discount cannot exceed \$6.



K A N S A S

JOAN WAGNON, ACTING SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

DEPARTMENT OF REVENUE
RESOURCE MANAGEMENT
BUDGET/PURCHASING

TO: Secretary Wagon, Freda Warfield, Jim Conant, Nick Kramer, Steve Stotts, Rick Clelland, Jeff Scott, Robin Harris, Dedra Platt, Gary Kinnan, Robert Badenoch,

FROM: Lanny N. McMahan

DATE: March 11, 2003

SUBJECT: Accounts Receivable Reports for February 2003

Attached you will find Accounts Receivable Reports for the month of February 2003.

NEW FOR FEBRUARY REPORTS: All Line Charts now include "NET AR" along with "GROSS AR".

NET AR equals GROSS AR minus uncollectables and bankruptcies.

Table of Contents::

- Page 1. FY03 Monthly AR for all Tax Types
- Pages 2-7 FY03 Monthly AR for Individual Tax Types
- Page 8 Percent Comparison of Major Tax Type AR to Total AR
- Page 9 Quarterly Historical AR for Combined Totals for all Tax Types beginning June 2000 to current.
- Page 10 AR Aging Report on New (under 90 days) Old (over 90 days) for ACM Tax Types only
- Page 11 AR Aging Report by Tax Year for ACM Tax Types only.

Total "Gross" AR for all tax types went from \$487,543,301 in January to \$466,382,580 in February a decrease of **\$21,160,721** or **4.34%**.

The following tax types had the **most dramatic decreases** in February AR:

Tax Type	January	February	Dollar Decrease	Percent Decrease
* Drug Tax	\$94,509,889	\$70,864,539	-\$23,645,350	-25.01%
** Cigarette	\$5,210,585	\$4,031,721	-\$1,178,864	-22.62%
Mineral	\$151,753	\$96,504	-\$55,249	-36.40%

- During February \$23,668,157.38 was written off in Drug Tax.
- ** Because of the tax increase again in January, a number of the distributors that ordered on credit are now paying cash instead of charging their stamps. They are not raising their bonds and dealing with the mail. Five distributors canceled their licenses.

The following tax types had the **most dramatic increases** in February AR numbers:

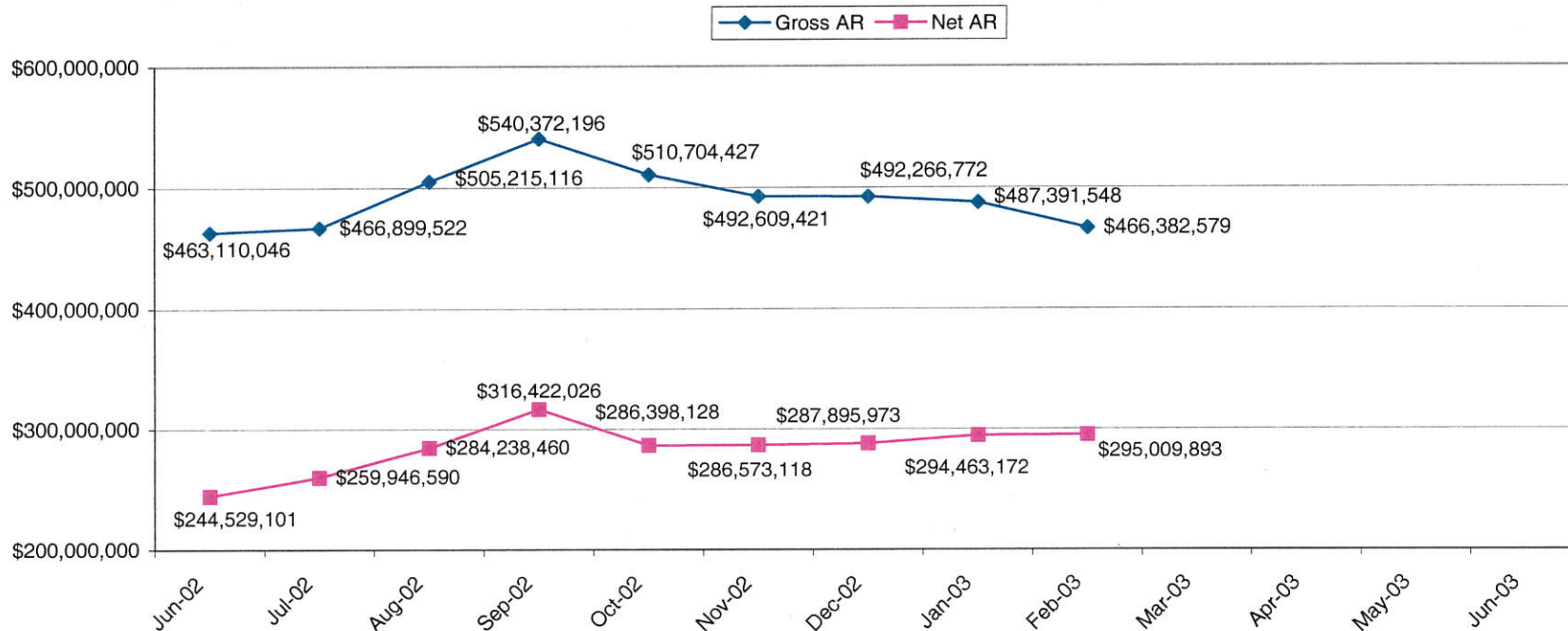
Tax Type	January	February	Dollar Increase	Percent Increase
* Sales	\$138,600,011	\$140,983,393	\$2,383,382	1.71%
* Withholding	\$47,829,729	\$48,774,181	\$944,452	1.97%

* Normal business and billing

KANSAS DEPARTMENT OF REVENUE ACCOUNTS RECEIVABLE

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**FY03 Monthly Accounts Receivable Totals For All Tax Types
Beginning June 30, 2002 to Current
Net AR Equals Gross AR Minus Uncollectables and Bankruptcies**



The increase in **August** AR for Motor Carrier is the result of adding \$24,608,738 in 2002 tax billing.
 The Corporate Tax AR increase in **September** is the result of a \$22 million dollar assessment for one taxpayer.
 The Corporate Tax AR decrease in **October** is related to \$20 million dollar amended return.
 The Withholding Tax AR decrease in **October** is due to manual cleanup effort of over \$10 million dollars related to W2 bug.
 For **November** and **December** decrease in overall AR balances see the charge off spreadsheet below.

The following charge offs occurred in November and December : Total charge offs for Nov/Dec : \$21,190,543					
Individual Income	\$5,576,960	Liquor Enforcement	\$1,075,156	Interstate Motor Fuel	\$113,652
Withholding	\$4,940,670	Transient Guest	\$749,359	Consumers Comp	\$82,414
Retail Liquor	\$4,139,312	Retail Comp.	\$306,215	Fiduciary	\$12,482
Retailers' Sales	\$2,018,381	Water protection	\$219,306	Vehicle Rental	\$1,612
Corporate Inc.	\$1,783,222	Motor Fuel	\$171,802		

During **January** \$19,475,056 was written off in Drug Tax.
 During **February** \$23,668,157 was written off in Drug Tax.

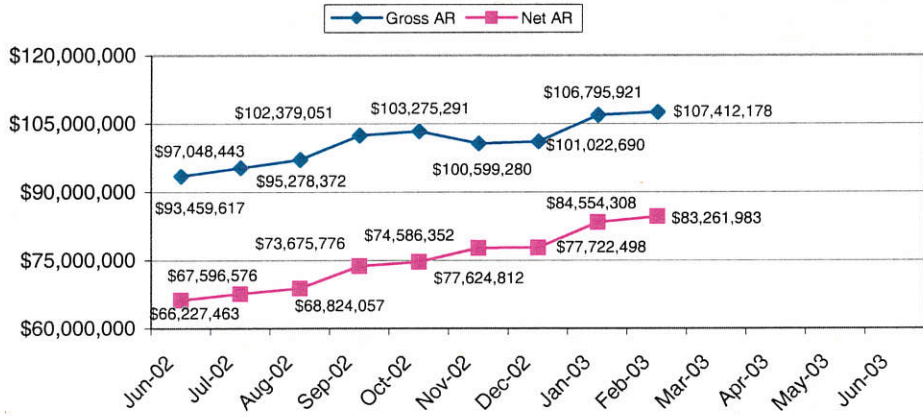
KANSAS DEPARTMENT OF REVENUE

FY03 ACCOUNTS RECEIVABLE MONTHLY BALANCE COMPARISON

BEGINNING JUNE 30, 2002 TO CURRENT

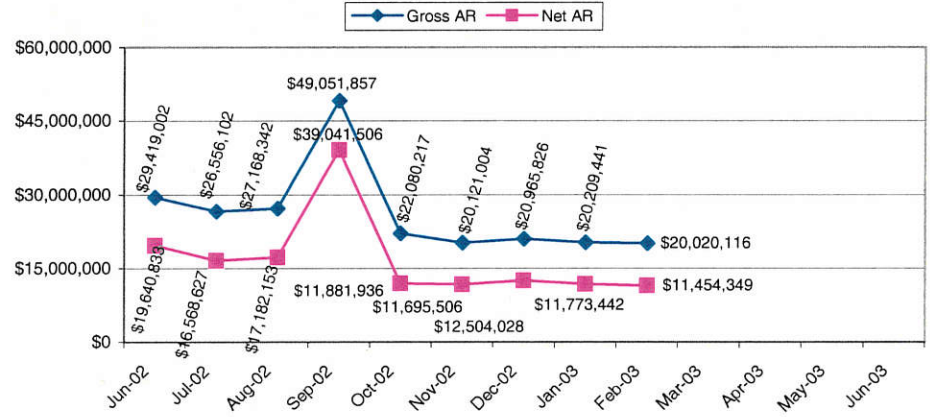
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72-3

Individual Income



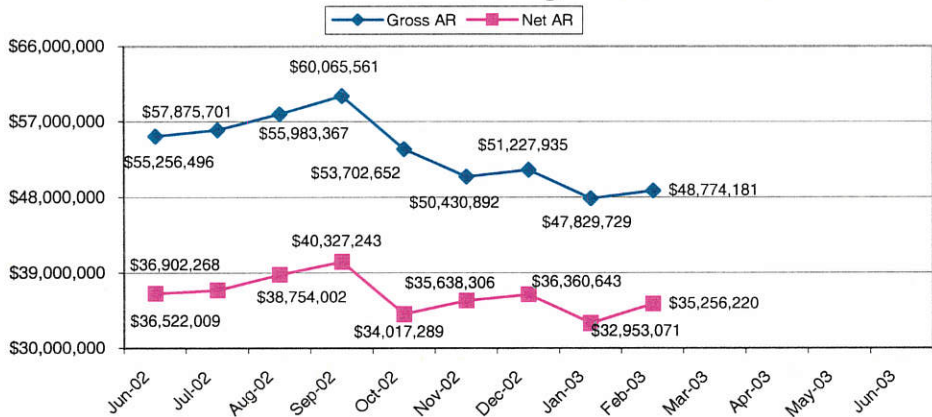
November charge off of \$5,576,960.
Billed \$9.3 million in January

Corporate Income



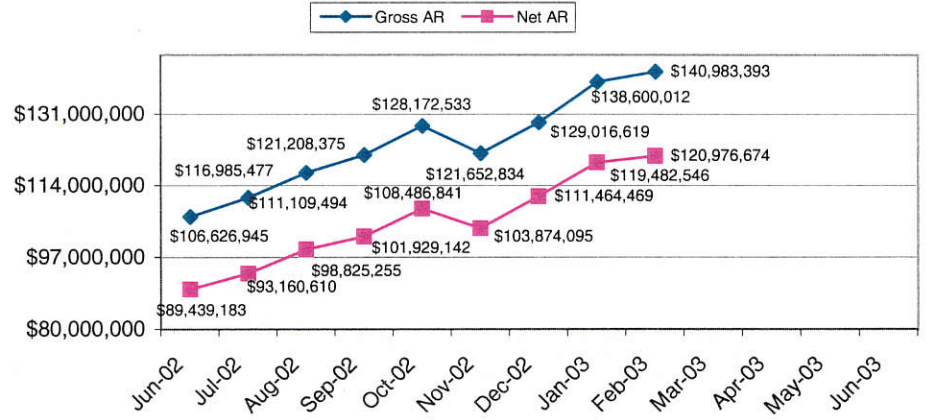
Corporation September increase due to \$22 million referral for one taxpayer.
Corporation October decrease due to amended return.
November charge off of \$1,783,222

Withholding



October decrease is the result of manual cleanup effort of over #10 million dollar related to W2 bug.
November charge off of \$4,940,670
Normal recovery action in January

Sales Tax

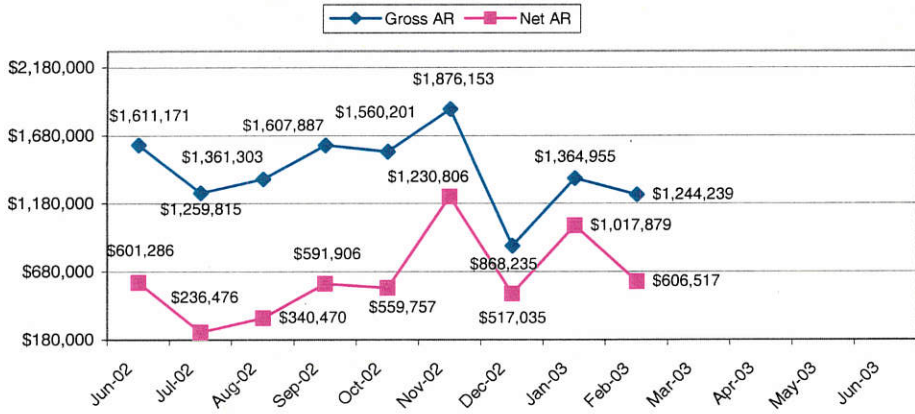


November charge off of \$2,018,381
Billed \$8 million in January

KANSAS DEPARTMENT OF REVENUE
FY03 ACCOUNTS RECEIVABLE MONTHLY BALANCE COMPARISON
BEGINNING JUNE 30, 2002 TO CURRENT

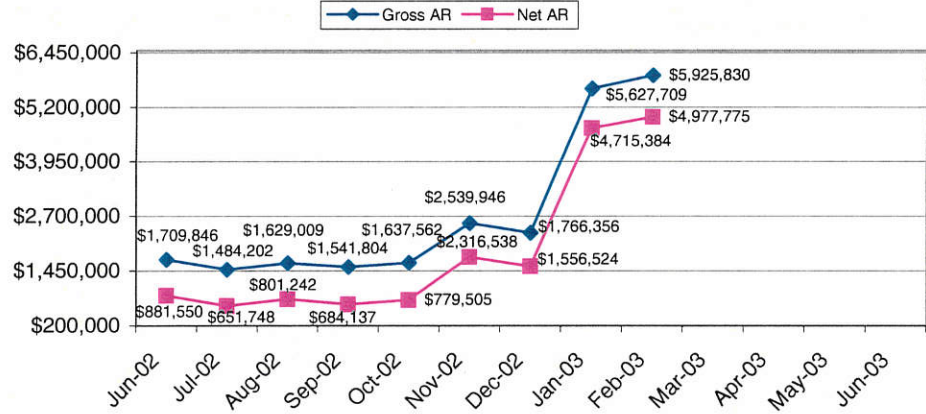
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72-4

Retailers Compensating Use



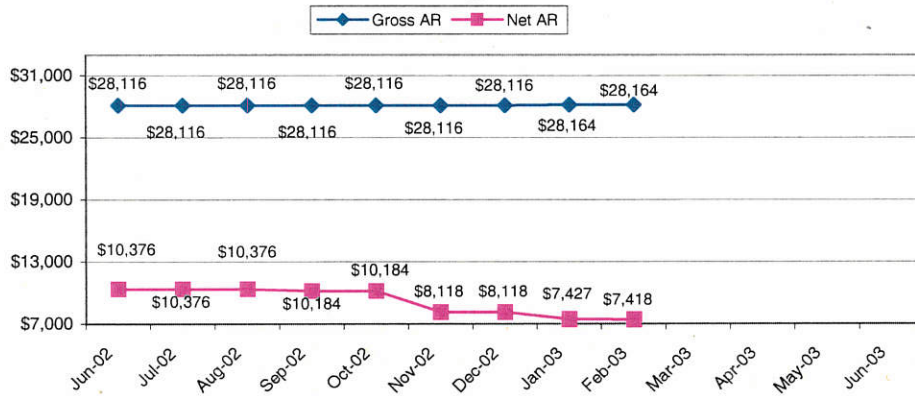
December charge off of \$306,215
 Billed \$522K in January.

Consumers Compensating Use

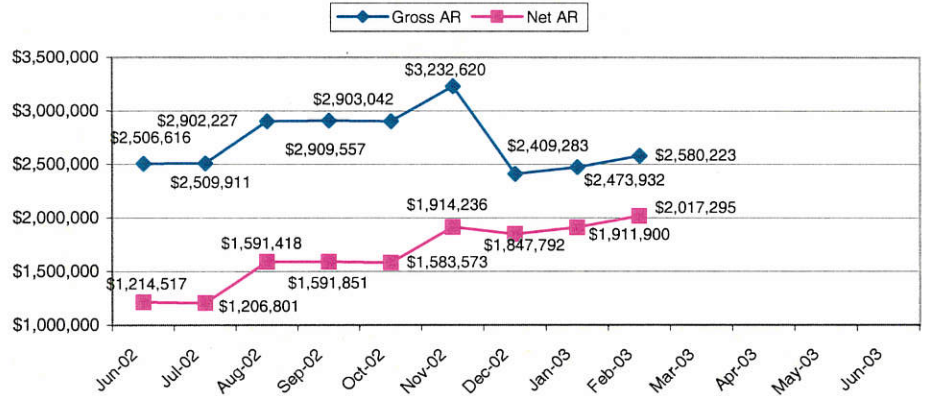


December charge off of \$82,414
 \$3.5 Million Billed in January

Bingo



Transient Guest

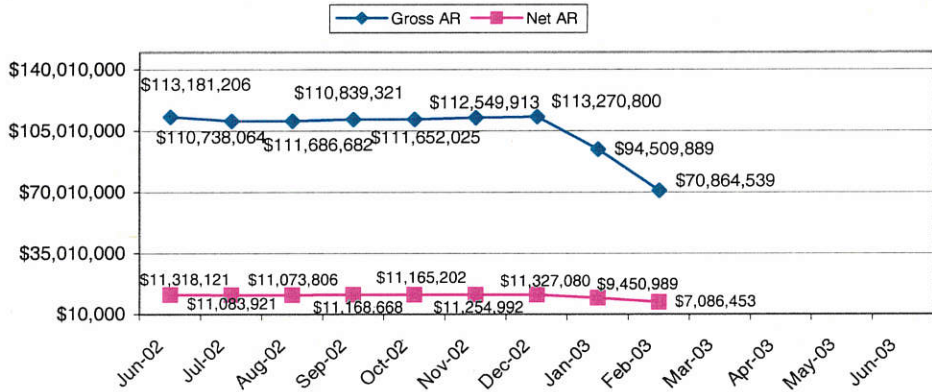


December charge off of \$749,359

KANSAS DEPARTMENT OF REVENUE
FY03 ACCOUNTS RECEIVABLE MONTHLY BALANCE COMPARISON
BEGINNING JUNE 30, 2002 TO CURRENT

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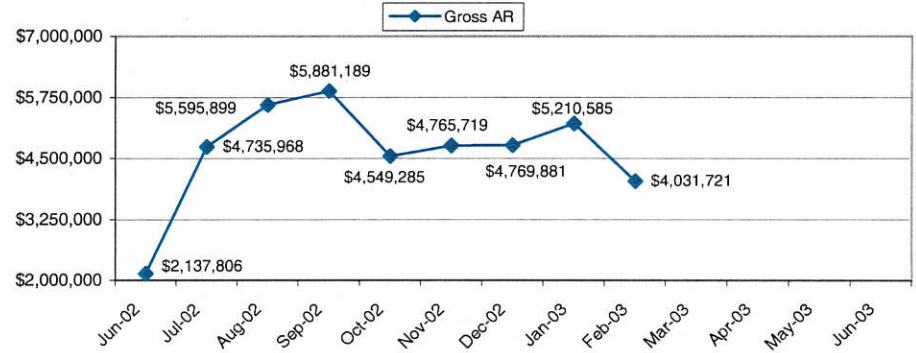
Drug Tax



Charge off of \$19,475,056 in January
 Charge off of \$23,668,157 in February

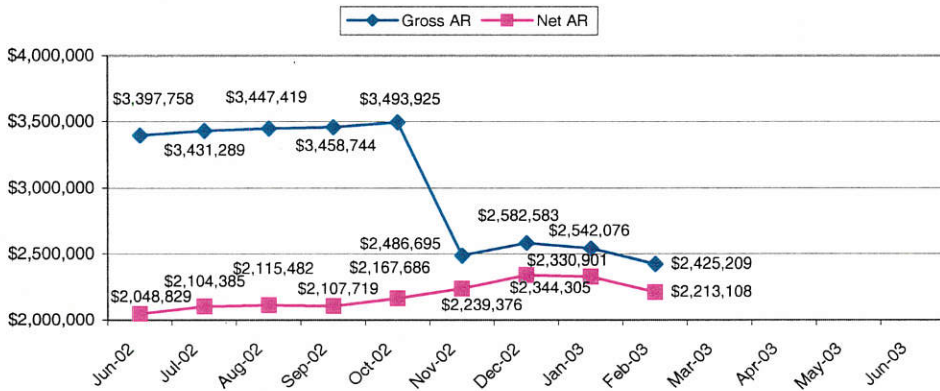
Cigarette Tax

There are no Uncollectables for Cigarette Tax
 Therefore Gross and Net AR Equal



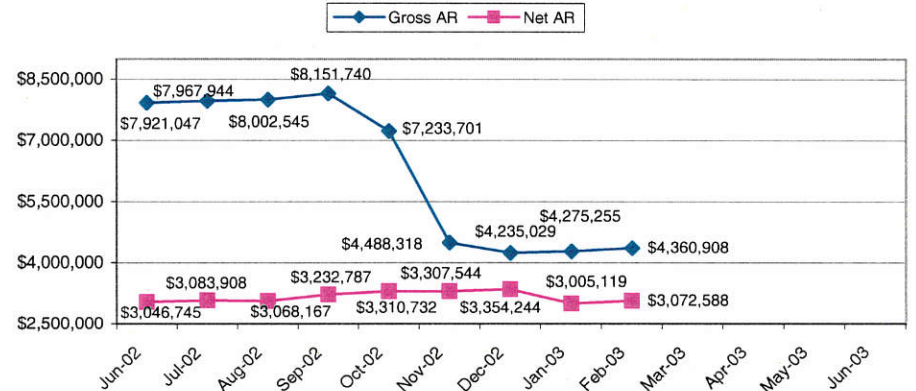
The July AR increase is because the price of a roll jumped from \$7,009.20 to \$20,811.00 and many of the distributors have raised their bonds to order on credit.

Liquor Enforcement



November charge offs of \$1,075,156

Retail Liquor Excise



November and December charge offs of \$4,139,312

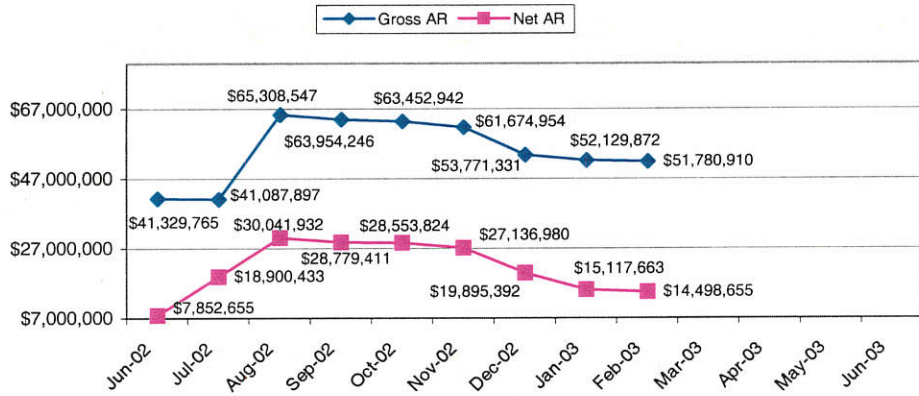
KANSAS DEPARTMENT OF REVENUE

FY03 ACCOUNTS RECEIVABLE MONTHLY BALANCE COMPARISON

BEGINNING JUNE 30, 2002 TO CURRENT

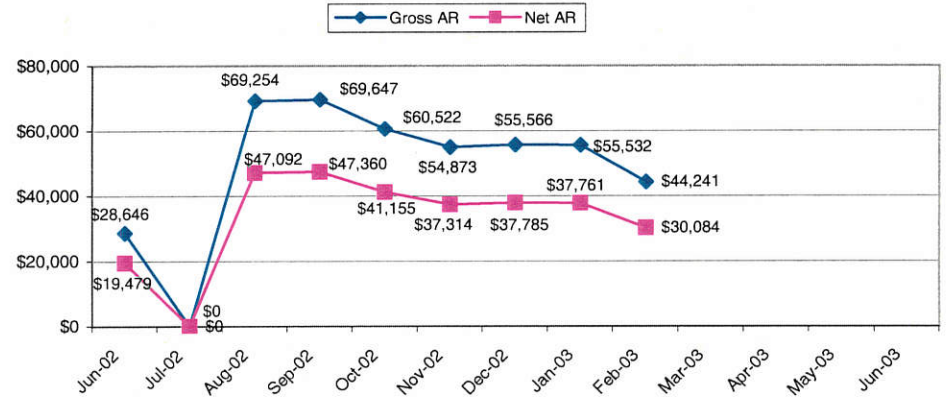
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Motor Carrier



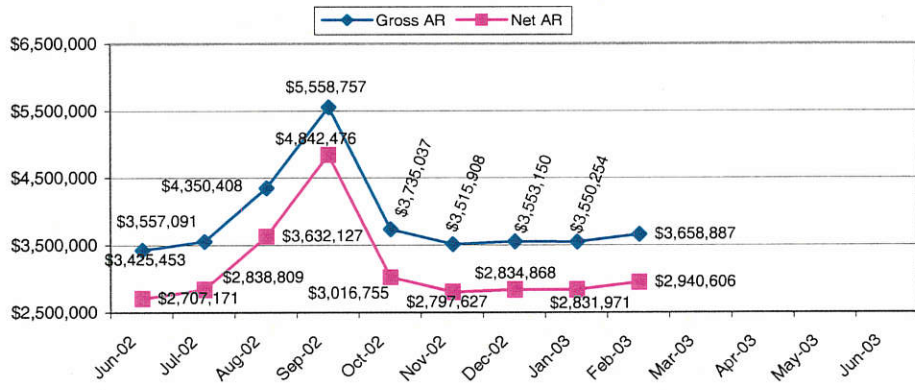
August AR increase due to \$24,608,738 billing of 2002 taxes.
December AR decrease due to normal billing receipts.

Rental Vehicle



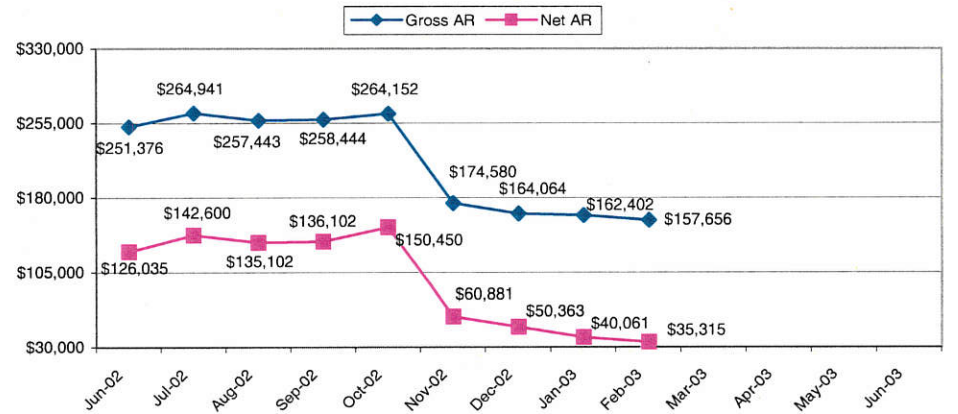
November charge off of \$1,612

Motor Fuel Distributors



October decrease in AR is due to a \$1.3 million dollar payment from one account.
November charge offs of \$171,802

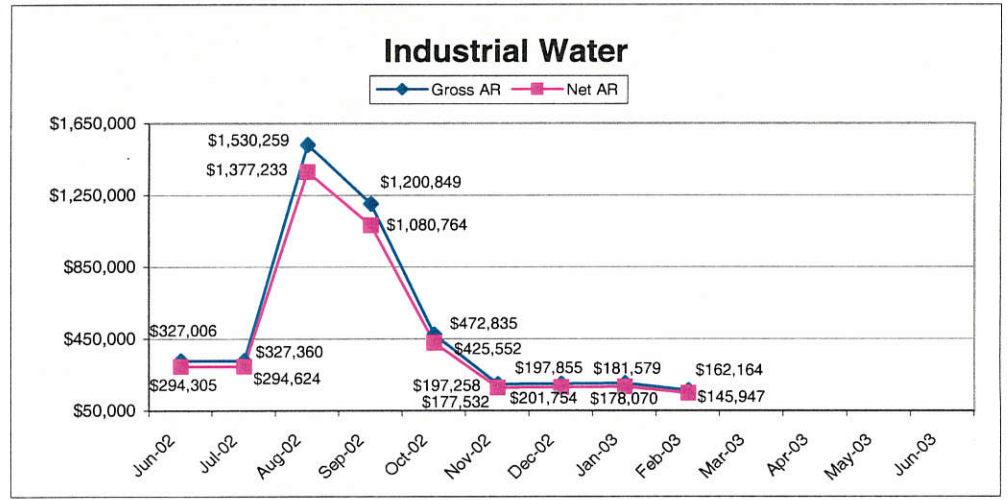
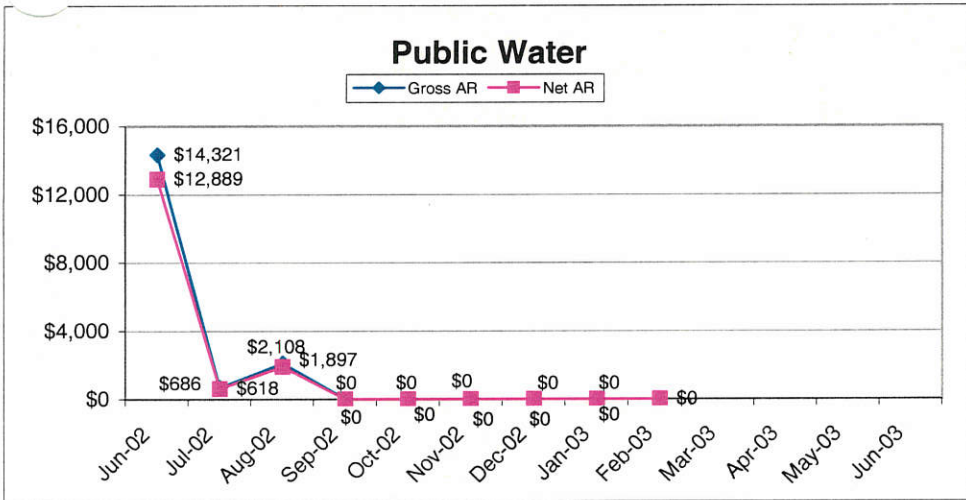
Interstate Motor Fuel



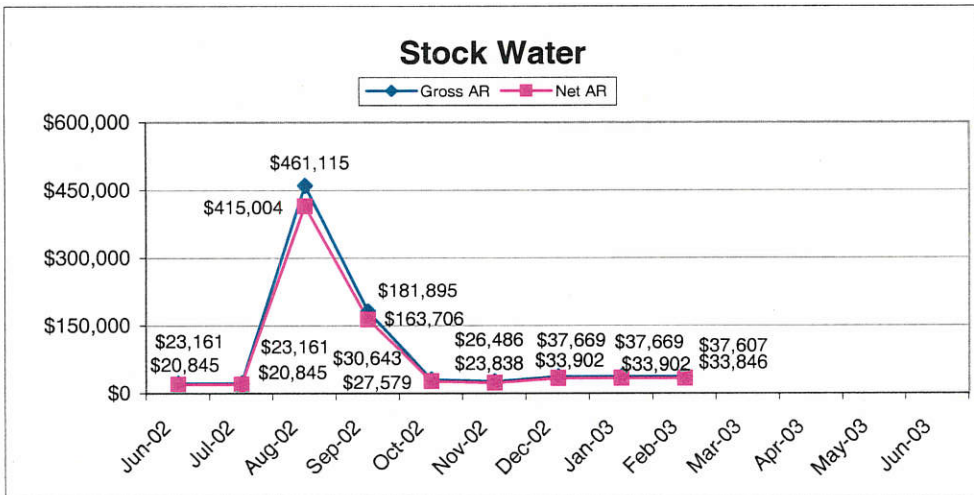
November and December charge offs of \$113,652

KANSAS DEPARTMENT OF REVENUE
FY03 ACCOUNTS RECEIVABLE MONTHLY BALANCE COMPARISON
BEGINNING JUNE 30, 2002 TO CURRENT

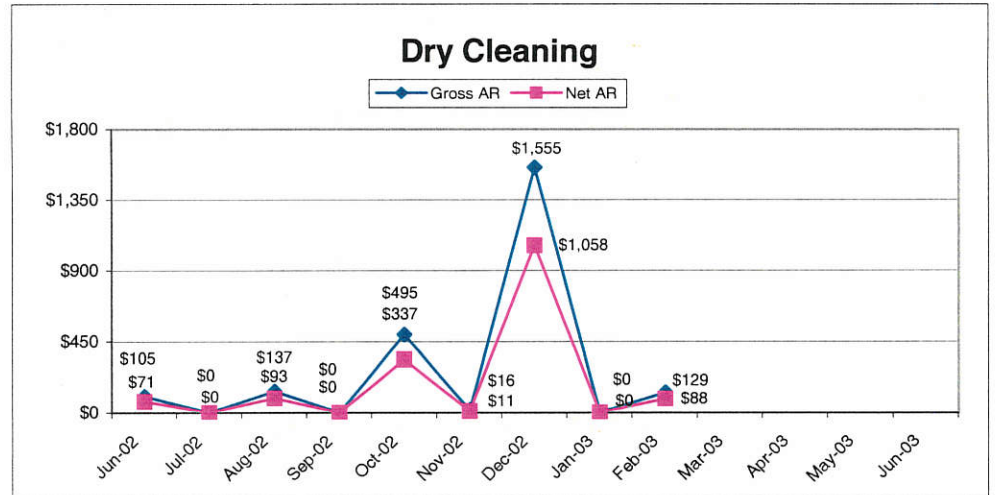
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X2-7



Annual liability assessments were ran in August.
 November charge offs of \$219,306



Annual liability assessments were ran in the month of August.

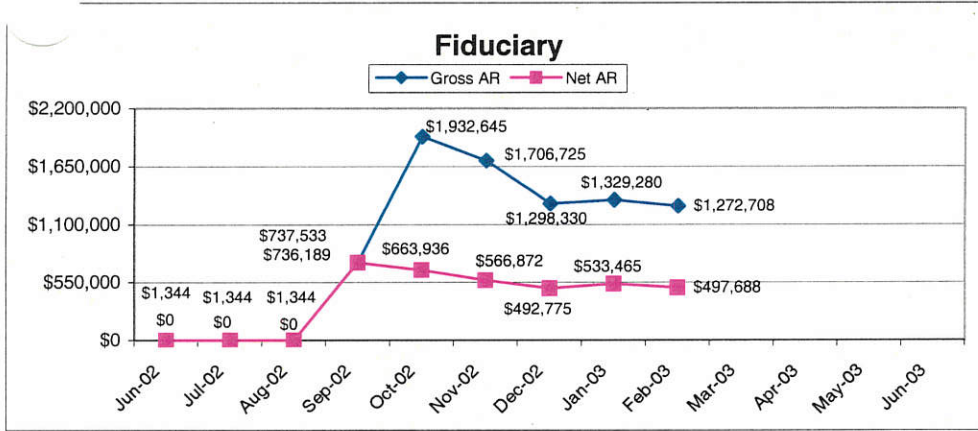


KANSAS DEPARTMENT OF REVENUE

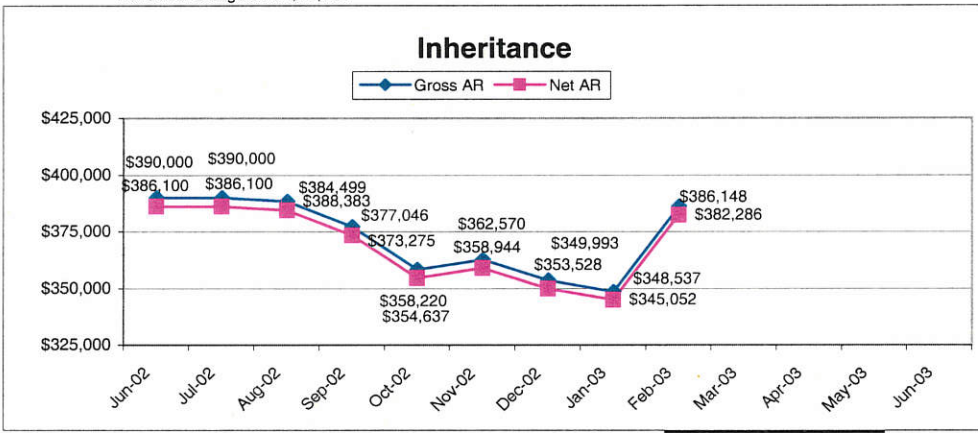
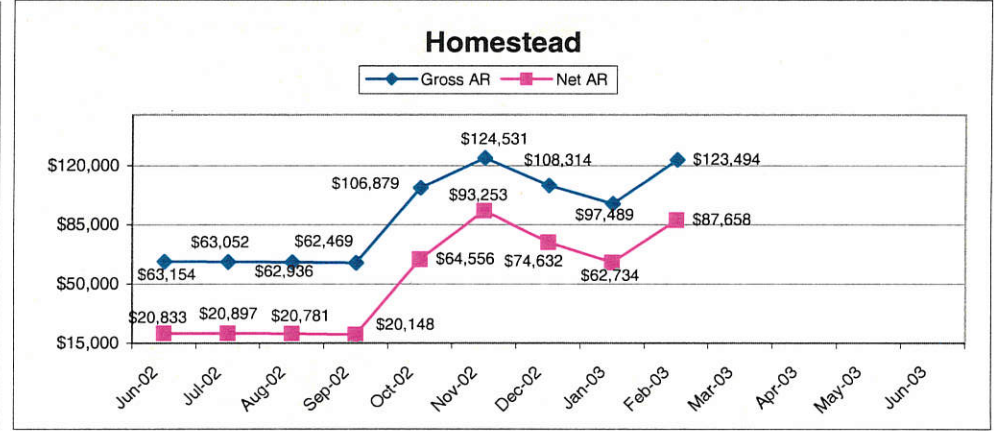
FY03 ACCOUNTS RECEIVABLE MONTHLY BALANCE COMPARISON

BEGINNING JUNE 30, 2002 TO CURRENT

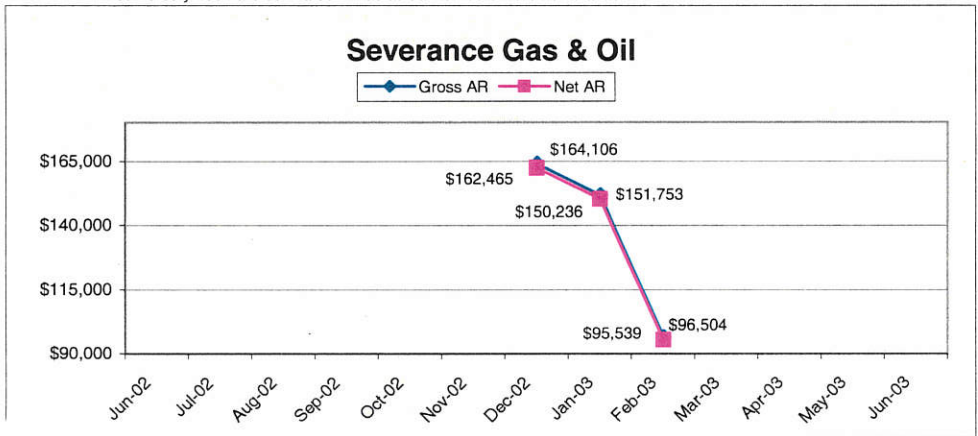
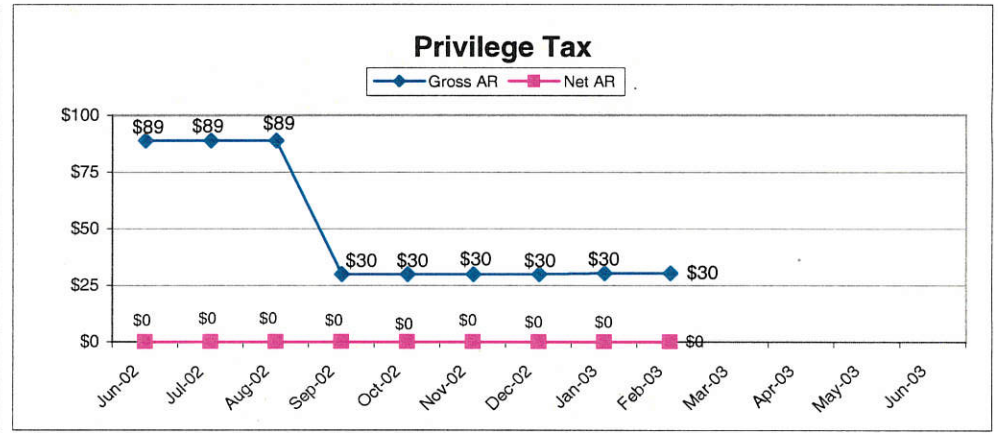
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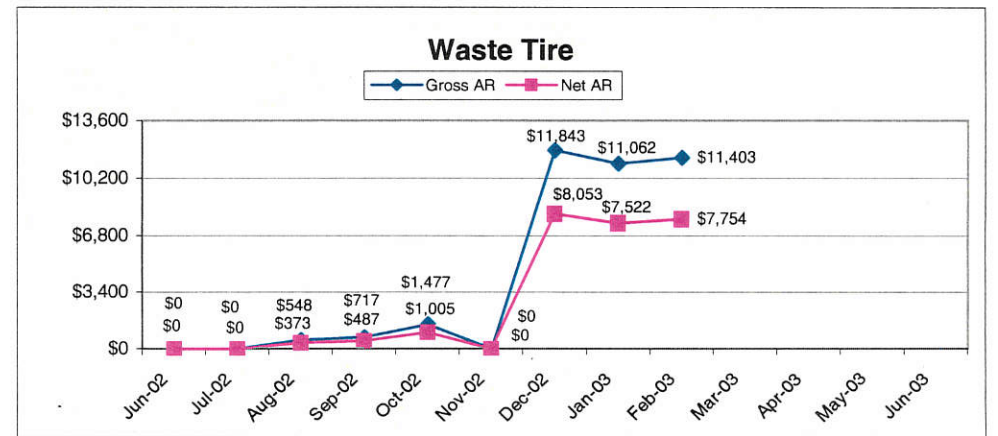
November charge off of \$12,482



Jun & July 2002 are estimated AR as actual numbers were not available.



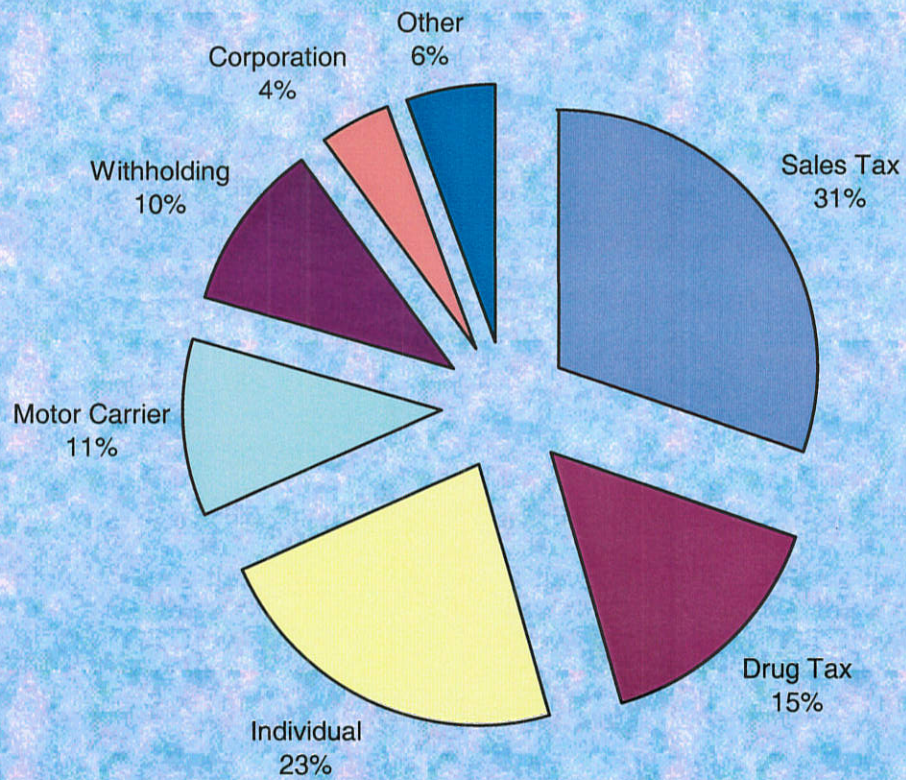
First AR report for Gas & Oil was developed in December 02. Previous months not available.



**KANSAS DEPARTMENT OF REVENUE
ACCOUNTS RECEIVABLE**

13
X2-9

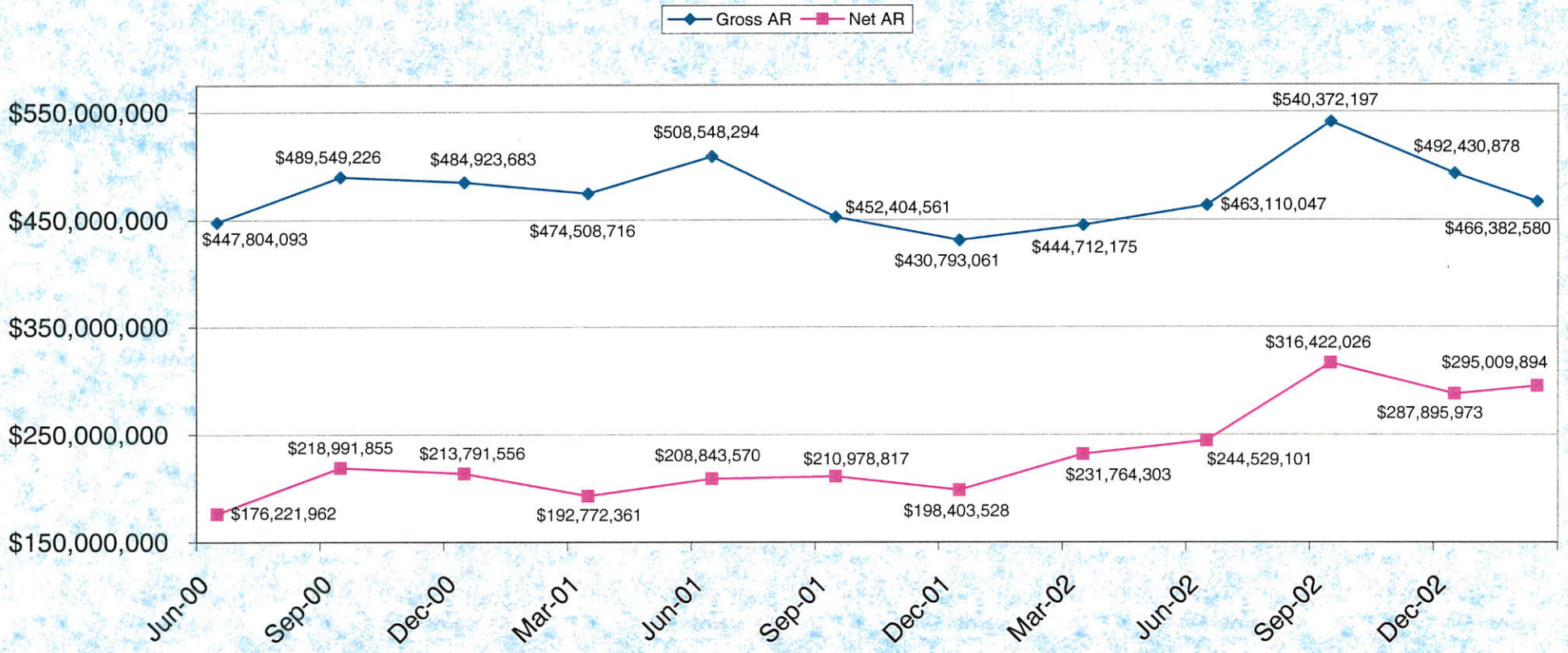
**PERCENT COMPARISON OF
MAJOR TAX TYPE ACCOUNTS RECEIVABLE
TO TOTAL ACCOUNTS RECEIVABLE
FEBRUARY 2003**



KANSAS DEPARTMENT OF REVENUE ACCOUNTS RECEIVABLE

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Historical Accounts Receivable For All Tax Types Quarterly From June 30, 2000 to Current



Following are explanations of major peaks and valleys of AR balances throughout the above displayed quarters.

Jun 2000 to Sept. 2000 increase:	Annual billings for Motor Carrier Tax equalled \$26,490,218 and annual billings for Water Taxes also went out during this time period.
Mar 2001 to Jun 2001 increase:	Withholding Tax AR jumped \$20 million during this timeframe mainly as a result of (1) \$11.5 million being referred to billing in May after the posting of KW 5's and reconciling of KW 3's and (2) a \$7 million error made by a taxpayer when filling KW-3E; amended in following month. Drug Tax AR also increased during this timeframe by \$10 million dollars.
Jun 2001 to Dec 2001 decrease:	Corp. Income \$53,040,885 charge-off approved by BOTA 7/9/01. Approx. \$30 million dollar reduction in Corp. conversion and collection effort.
Dec 2001 to Jun 2002 increase:	In February 2002 Corp. Income AR increased \$28,044,630 after Customer Account Reps received training which enabled the referring of Corp. tax periods from ATP into ACM.
Jun 2002 to Sep 2002 increase:	August annual billing for Motor Carrier = \$24,608,738. September \$22 million Corp. referral to one taxpayer.
Sep 2002 to Dec 2002 decrease:	October receipt of one Corp. Tax amended return lowering Corp. AR by some \$20 million. \$21,190,543 in approved AR charge-offs occurred in Nov. and Dec.
Jan 2003 to Feb 2003 decrease:	January \$19,475,056 was written off in Drug Tax. February \$23,668,157 was written off in Drug Tax.

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72-11

**KANSAS DEPARTMENT OF REVENUE
ACCOUNTS RECEIVABLE**

**AGING REPORT FOR ACM TAXES ONLY
UNDER 90 DAYS / OVER 90 DAYS
FOR FEBRUARY 2003**

Tax Types	"New" Gross AR 1 to 90 Days	"Old" Gross AR Over 90 Days	Total Gross AR	Bankruptcy	Uncollectable	Total Net AR
Individual Inc	\$ 15,126,496	\$ 92,285,682	\$ 107,412,178	\$ 8,420,052	\$ 14,437,818	\$ 84,554,308
Fiduciary	\$ 93,488	\$ 1,179,220	\$ 1,272,708	\$ 75	\$ 774,944	\$ 497,688
Homestead	\$ 34,598	\$ 88,896	\$ 123,494	\$ 691	\$ 35,144	\$ 87,658
Sales	\$ 13,911,120	\$ 127,072,274	\$ 140,983,393	\$ 9,315,286	\$ 10,691,433	\$ 120,976,674
Retailers Comp	\$ 180,852	\$ 1,063,387	\$ 1,244,239	\$ 273,062	\$ 364,660	\$ 606,517
Consumers Comp	\$ 3,519,421	\$ 2,406,409	\$ 5,925,830	\$ 283,746	\$ 664,310	\$ 4,977,775
Corporation Inc	\$ 573,488	\$ 19,446,628	\$ 20,020,116	\$ 766,919	\$ 7,798,847	\$ 11,454,349
Privilege Tax	\$ -	\$ 30	\$ 30	\$ -	\$ 30	\$ -
Withholding	\$ 2,823,101	\$ 45,951,079	\$ 48,774,181	\$ 4,642,487	\$ 8,875,474	\$ 35,256,220
Bingo	\$ -	\$ 28,164	\$ 28,164	\$ -	\$ 20,746	\$ 7,418
Liquor Enforce	\$ 57,300	\$ 2,367,909	\$ 2,425,209	\$ 114,063	\$ 98,038	\$ 2,213,108
Ret Liquor Excise	\$ 82,581	\$ 4,278,327	\$ 4,360,908	\$ 298,301	\$ 990,019	\$ 3,072,588
Transient Guest	\$ 99,253	\$ 2,480,970	\$ 2,580,223	\$ 358,808	\$ 204,120	\$ 2,017,295
Total AR	\$ 36,501,697	\$ 298,648,975	\$ 335,150,671	\$ 24,473,491	\$ 44,955,582	\$ 265,721,599

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22-12

KANSAS DEPARTMENT OF REVENUE ACCOUNTS RECEIVABLE

AGING REPORT FOR ACM TAXES ONLY BY TAX YEAR FOR FEBRUARY 2003

Debt Type	INDIVIDUAL INCOME	FIDUCIARY	HOME-STEAD	SALES	RETAIL COMP	CONSUM COMP	CORPORATE INCOME	PRIVILEGE	WITHHOLDING	BINGO	LIQUOR ENFORCE	RETAIL LIQUOR	TRANSIENT GUEST	TOTAL
1980	136,444.00	.	.	.	.	.	.	.	.	.	.	.	.	1,136,444.00
1981	10,713.80	.	.	.	.	.	.	.	.	.	.	.	.	10,713.80
1982	553,192.38	.	.	1,160,915.03	25,905.65	382,428.55	.	.	567,323.70	.	.	.	.	2,689,765.31
1983	555,013.35	.	.	87,173.00	.	127,917.00	.	.	158,482.78	.	.	.	.	928,586.13
1984	1,132,680.96	.	.	81,955.30	.	35,861.53	.	.	348,666.61	663.13	.	11,219.88	.	1,611,047.41
1985	994,041.62	.	.	133,020.71	136.57	4,231.25	.	.	355,295.15	357.23	.	5,288.64	5,740.61	1,498,111.78
1986	909,200.82	.	.	286,010.00	6,080.85	17,973.68	.	.	648,230.17	2,995.52	.	18,109.12	.	1,888,600.16
1987	2,217,869.40	.	.	290,543.52	9,186.96	23,444.26	26,932.40	.	574,808.88	.	.	421.32	16,432.62	3,159,639.36
1988	2,943,763.57	273.29	.	768,481.74	3,608.67	8,741.66	110,815.57	.	634,106.29	2,777.28	.	2,844.91	36,298.01	4,511,710.99
1989	3,810,942.21	.	1,284.62	896,180.09	13,910.12	102,775.48	395,942.06	.	905,993.92	337.84	.	30,660.27	638.11	6,158,664.72
1990	3,984,039.14	.	8,012.19	1,546,895.35	10,227.45	69,872.64	525,715.51	.	1,172,618.75	209	41,548.34	85,260.58	6,905.44	7,451,304.39
1991	3,146,124.15	.	3,529.34	3,343,157.31	51,984.88	8,055.03	160,432.95	.	1,636,990.67	274.37	47,911.65	404,709.62	124,664.74	8,927,834.71
1992	4,368,297.40	.	22,384.24	3,565,680.46	90,372.16	85,705.87	1,236,089.28	.	1,119,956.44	.	32,276.52	122,640.80	46,309.26	10,689,712.43
1993	4,326,488.65	4,354.13	6,710.00	7,081,504.33	38,729.42	124,316.06	2,541,810.95	.	957,699.54	.	82,073.72	134,653.68	41,032.07	15,339,372.55
1994	5,544,405.09	871.23	1,147.00	7,280,037.34	57,215.61	752,632.00	4,477,385.06	.	1,249,142.77	162.86	67,827.35	157,100.88	58,205.15	19,646,132.34
1995	5,530,347.08	8,018.54	790.88	9,213,720.32	420,972.12	923,904.17	3,401,341.98	.	1,246,723.68	6,950.38	153,630.59	480,687.68	99,825.70	21,486,913.12
1996	6,719,701.92	64,309.55	424.11	10,154,488.90	120,227.70	1,153,704.88	2,591,072.34	.	2,759,315.49	4,048.67	103,659.35	511,122.13	187,109.78	24,369,184.82
1997	7,050,945.55	74,994.79	843.6	11,435,984.40	271,757.46	638,069.42	1,299,769.27	.	2,639,702.99	1,728.44	48,461.70	206,315.97	12,606.43	23,681,180.02
1998	8,841,180.16	632,247.92	4,632.24	13,121,067.28	226,254.46	230,149.86	580,369.37	.	5,816,461.22	370.88	501,878.46	296,104.13	122,532.53	30,373,248.51
1999	11,254,236.05	157,688.30	12,594.28	14,983,449.62	372,734.16	168,198.53	1,547,808.93	30.31	5,904,234.03	5,675.75	405,368.15	408,345.60	174,620.27	35,394,983.98
2000	14,733,112.52	232,465.07	20,712.52	23,294,814.74	365,536.90	482,728.66	533,889.70	0	7,099,873.10	1,612.27	612,460.07	737,176.35	367,805.20	48,482,187.10
2001	18,649,330.24	97,484.79	40,428.76	22,206,780.30	384,031.04	305,796.90	570,220.60	.	8,255,745.53	.	161,499.79	548,362.41	823,799.76	52,043,480.12
2002	108.03	.	.	10,051,533.39	-1,224,633.32	279,322.27	20,520.00	.	4,722,537.40	.	166,612.99	199,883.97	455,618.55	14,671,503.28
2003	.	.	.	.	.	.	.	.	271.53	.	.	.	78.92	350.45
TOTAL	107,412,178.09	1,272,707.61	123,493.78	140,983,393.13	1,244,238.86	5,925,829.70	20,020,115.97	30.31	48,774,180.64	28,163.62	2,425,208.68	4,360,907.94	2,580,223.15	335,150,671.48