

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman David Corbin at 10:50 a.m. on January 20, 2004, in Room 519-S of the Capitol.

All members were present except:

Senator Barbara Allen
Senator David Haley

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee:

Richard Cram, Kansas Department of Revenue

Others attending:

See Attached List.

Senator Corbin called the Committee's attention to the minutes of the January 14 meeting.

Senator Donovan moved that the minutes of the January 14, 2004, meeting be approved, seconded by Senator Goodwin. The motion carried.

Richard Cram, Kansas Department of Revenue, requested the introduction of the following bills:
(Attachment 1)

- A bill which would enable the Department to share taxpayer information relevant to pending legislative proposals with the Governor, the Department of Commerce, and state legislators. In addition, the bill would provide for the publication of names of businesses registered for sales tax and would allow information sharing with local governments and other state agencies.

Senator Lee moved to introduce the proposed bill, seconded by Senator Donovan. The motion carried.

- A bill which would require state agencies issuing professional licenses to share their licensee lists with the Department and which would require that the agencies not renew a professional license if the licensee has a delinquent tax liability.

Senator Lee moved to introduce the proposed bill, seconded by Senator Oleen. The motion carried.

- A bill which would require that a liquor license applicant be current in sales tax and withholding tax liability before a license can be issued or renewed. It would further require that liquor licensees operate as one entity for liquor and sales tax purposes.

Senator Lee moved to introduce the proposed bill, seconded by Senator Oleen. The motion carried.

- A bill which would require organizations that have entity-based sales tax exemptions to register with the Department in order to obtain the registration number required on the exemption certificate.

Senator Lee moved to introduce the proposed bill, seconded by Senator Taddiken. The motion carried.

- A bill which would make it unlawful to alter an interstate motor fuel user's license and which

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:30 a.m. on January 20, 2004, in Room 519-S of the Capitol.

would add license alteration to the list of existing unlawful acts for which a fine can be imposed.

Senator Lee moved to introduce the proposed bill, seconded by Senator Corbin. The motion carried.

- A bill which would provide a procedure for prompt issuance of a restraining order by the Shawnee County District Court against a business delinquent in reporting or remitting sales or employer withholding tax.

Senator Lee moved to introduce the proposed bill, seconded by Senator Goodwin. The motion carried.

- A bill which would amend current tax warrant statutes to provide for the filing of tax liens that will attach to the real property of a debtor as well as personal property without the necessity of seizure of the personal property in order to protect the Department under the bankruptcy law.

Senator Lee moved to introduce the proposed bill, seconded by Senator Oleen. The motion carried.

- A bill which would amend the motor fuel tax refund statute by deleting certain obsolete language and which would provide that claims for a refund of motor fuel taxes may be supported by electronic invoices.

Senator Lee moved to introduce the proposed bill, seconded by Senator Buhler. The motion carried.

- A bill which would increase the period for renewing certification of the mineral severance tax minimum production exemption on oil wells and leases from one year to two years.

Senator Donovan moved to introduce the proposed bill, seconded by Senator Goodwin. The motion carried.

- A bill which would replace the K.A.P.A. appeal process for drug tax assessment with an informal process essentially identical to that currently used for income and sales taxes.

Senator Oleen moved to introduce the proposed bill, seconded by Senator Lee. The motion carried.

The meeting was adjourned at 11:20 a.m.

The next meeting is scheduled for January 21, 2004.

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: January 20, 2004

NAME	REPRESENTING
Rubert Crum	KDOR
Joak Wagon	"
April Holman	Kansas Action for Children
Ed Cross	KIOGA
Don Schuacke	KIOGA
Jack Graves	Waker - P H
Ken Peterson	KS Petroleum Council
Wes Ashton	Overland Park Chamber
Alan Cobb	Tallgrass Ranchers
LARRY R BAER	LKM
TOM BRUNO	GBBA
Tom Whitaker	Ks Motor Carriers Assn
George Peterson	Ks Taxpayers Network
Leslie Kaufman	Ks Coop Council
Walter Ed Smith	KMHA
Andy Stuess	KTIA - Ks. Telecom Industry Assn
Rh May	Hum Law Firm



K A N S A S

JOAN WAGNON, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

DEPARTMENT OF REVENUE
OFFICE OF THE SECRETARY

January 20, 2004

To: Senator David Corbin
Chair, Senate Committee on Assessment and Taxation

From: Joan Wagon

Re: Summary of Department of Revenue Legislative Proposals for Introduction

Expand Tax Information Disclosure

Enable the department to share taxpayer information relevant to pending legislative proposals with the Governor, Commerce and state legislators. Those persons receiving the information would be subject to the same confidentiality restrictions that the department is under. Enable the department to share taxpayer information with Department of Commerce relevant to the administration of any tax incentive programs that Commerce is involved in. Further, provide for the publication of the names of businesses registered for sales tax, to facilitate identification of those operating businesses that are not registered and not reporting or remitting sales tax. Expand necessary tax information sharing with local governments and other state agencies concerning dry cleaning tax, clean drinking water fees, water excise tax, transient guest tax, and liquor excise tax.

Enhance Enforcement

Provide that state agencies issuing professional licenses shall regularly share their licensee lists with the department of revenue, and shall not renew a professional license if the licensee has delinquent tax liability owed to the state.

Require that a liquor license applicant be current in sales tax and withholding tax liability before the license can be issued or renewed. Further require liquor licensees to operate as one entity, for both liquor and sales tax purposes. This will enable the department to determine whether licensees are current on sales and withholding tax liability. (Currently, licensees are allowed to have one entity for their Liquor account and another entity for their sales tax account. If two entities are allowed with different FEINs, it is impossible to ensure that the other tax types are paid before issuing a license or renewing a license.)

Require organizations that have entity-based sales tax exemptions to register with the department of revenue, in order to obtain a registration number that must be shown on any exemption certificate given to a retailer when the exempt organization claims a sales tax exemption on its purchases. This will enable the department to track more easily these types of exemption claims

and determine if they are proper. The Streamlined Sales and Use Tax Agreement allows states require that exempt organizations use registration numbers on their sales tax exemption claims.

Amend K.S.A. 79-34,122 to make it unlawful to alter an interstate motor fuel user's license. Add text to 79-34,122 to add license alteration to the list of existing unlawful acts in the statute, for which a fine can be imposed. Fines/penalties are currently in place for other unlawful acts. Law enforcement has stopped carriers and have identified license alterations, resulting in this statutory change request. This would allow law enforcement the statutory authority to issue a fine should an interstate motor fuel users (IFTA) license be altered in any way.

Provide a procedure for prompt issuance of a restraining order by the Shawnee County district court, upon request by the department, against a business in the state sufficiently delinquent in reporting or remitting sales or employer withholding tax.

Amend the tax warrant statutes regarding sales, withholding, income, liquor enforcement, liquor excise, cigarette and tobacco, and transient guest tax statutes to provide for the filing of tax liens that will attach to the real property of the debtor, as well as personal property, without the necessity of seizure of that personal property.

Enhance Administrative Efficiency

Amend the motor fuel tax refund statute, K.S.A. 79-3458(2), to delete certain obsolete language and provide that claims for refund of motor fuel taxes must be supported by original or electronic automated invoices that have been approved by the Director of Taxation. This proposal responds to a Legislative Post Audit finding.

*NO
Request*

Require a utility customer to renew with the utilities provider its sales tax exemption for consumed utilities (such as the exemption for electricity "consumed in production") every 3 years. (Kansas law currently does not impose any requirement for a utility customer to renew its sales tax exemption with the utility provider for any time period.) Provide that no refund for exempt utilities purchases will be approved unless the meter qualifies for 50% or more of exempt use. (This would decrease the number of erroneous refunds/exemptions on utilities purchases.) Refunds of amounts under \$5 per period should not require payment, due to the administrative expense involved in cutting the check. (Under current law, only if the refund is under \$5 for the total account will the refund not be paid. This should be changed to be \$5.00 or less per filing period on the taxpayer's account.) These changes would save significant refund processing time for Customer Relations staff.

Increase from one year to two years the period for renewing certification of the mineral severance tax minimum production exemption on oil wells and leases.

Replace the formal K.A.P.A. appeal process for drug tax assessments with an informal process essentially identical to that currently used for income and sales taxes. The proposal amends KSA 79-5205 to delete the K.A.P.A. appeal hearing with the director and replace it with an informal conference.