

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman David Corbin at 10:40 a.m. on February 16, 2004, in Room 519-S of the Capitol.

All members were present except:

Senator Barbara Allen  
Senator Lana Oleen- excused

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:

Jay Befort, Kansas Department of Revenue  
Joan Wagon, Secretary, Kansas Department of Revenue  
Marlee Carpenter, Kansas Chamber of Commerce  
Kevin Robertson, Kansas Dental Association  
Christina Collins, Kansas Medical Society

Others attending:

See Attached List.

Senator Corbin called the Committee's attention to the minutes of the February 11 and 12 meetings.

Senator Goodwin moved to approve the minutes of the February 11 and 12, 2004, meetings, seconded by Senator Taddiken. The motion carried.

**SB 428—Injunctions and restraining orders preventing taxpayers with delinquent taxes from engaging in business**

Jay Befort, a staff attorney for the Kansas Department of Revenue, testified in support of **SB 428**. He explained that the bill will strengthen and streamline the existing procedures for enjoining the operation of businesses delinquent in their tax payments. The bill would allow the Department to file a civil action in Shawnee County District Court to enjoin a taxpayer from doing business in Kansas if the taxpayer has not reported or paid sales or withholding taxes for six consecutive months. In addition, the bill provides a clear standard upon which the court can act when granting the injunction, and it sets out fines for violators of the court's temporary restraining order or the injunction. Mr. Befort emphasized that the Department will continue to use the injunction process as a final remedy after other collection efforts have been exhausted. (Attachment 1)

Senator Journey asked Mr. Befort if the Department would object to including language in the bill which provides that the Department will use the process only as a last resort. Mr. Befort indicated that the Department would have no objection to that provision.

Marlee Carpenter, Kansas Chamber of Commerce, testified in opposition to **SB 428**. She pointed out that the bill does not provide any safe harbor provisions for taxpayers when they have a dispute with the Department of Revenue. To ensure that there is no doubt about the intent of the legislation, she requested that the bill include provisions for taxpayers who have tax issues on appeal. (Attachment 2)

There being no others wishing to testify, the hearing on **SB 428** was closed.

**SB 468—Revocation or nonrenewal of certain professional licenses for delinquent taxes and returns**

Joan Wagon, Secretary, Department of Revenue, testified in support of **SB 468**, which proposes a professional license renewal tax clearance process. She noted that the bill is one of several proposals the

## CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:40 a.m. on February 16, 2004, in Room 519-S of the Capitol.

Department supports in order to step up compliance efforts. She went on to explain that **SB 468** would require various licensing bodies to adopt procedures for the nonrenewal of professional licenses after receiving notice from the Department that the licensee is not current in the payment of taxes or filing of tax returns. Once the licensing agency has been notified that the licensee is delinquent in paying state taxes or filing returns, the licensing agency can renew the licensee only upon receiving a tax clearance certificate from the Department that the licensee is current. Secretary Wagon emphasized that the license nonrenewal provisions will not be triggered if the licensee's tax liability is under administrative appeal or is the subject of a current pay plan with the Department. In conclusion, she called attention to a list of the licensing agencies and professions affected by the bill attached to her written testimony, noting that it would affect almost 118,000 licensees. In addition, she called attention to the last paragraph of her testimony, which lists states which currently have professional license tax clearance programs. She noted that states with these programs uniformly report them as very effective in achieving tax compliance. (Attachment 3)

Jeff Scott, Executive Manager of Compliance and Enforcement, joined Secretary Wagon to answer questions from the Committee. Mr. Scott reported that the Department contacted every licensing agency in the state, and all of the agencies agreed that the proposed compliance process is a good idea. In response to a question regarding the current amount of unpaid taxes, Secretary Wagon noted that, after the amnesty program was completed, \$300 million still remains in the Department's accounts receivable for taxes owed but not paid. She noted that the Department attempts to collect and to be reasonable and work out a tax payment plan. But at some point, delinquent taxpayers who do not respond to the Department's efforts must be required to pay their taxes. Mr. Scott clarified that the bill provides that taxpayers under formal appeal or a current payment plan are considered current in any instance.

Secretary Wagon confirmed that the bill provides that the Department will run a tax clearance 90 days prior to the license renewal date. Both the licensing agency and the delinquent taxpayer would be notified that the licensee must deal with taxes owed within 90 days. She noted that licensees would have been previously notified that their taxes were delinquent; however, they would not have been notified that their professional license was at risk. She reiterated that, in order to get their license renewed, delinquent licensees would not be required to pay the entire amount of taxes due but could set up a payment plan. She commented that the Department has found that many times people who get behind simply procrastinate until it becomes a problem to pay their taxes. She observed that other forms of collection are not as effective as the proposed tax clearance process. Mr. Scott clarified that, once a payment plan is set up, the Department will immediately issue a tax clearance certificate, and a license will most likely be issued by the agency within 24 hours. Secretary Wagon confirmed that she would not have a problem with increasing the 90 day notice time. Mr. Scott commented that the Department does not want take away anyone's license but simply wants another tool to bring delinquent taxpayers into compliance.

Senator Corbin called the Committee's attention to written testimony in support of **SB 468** with amendments submitted by Philip Bradley, Kansas Licensed Beverage Association. (Attachment 4)

Kevin Robertson, Kansas Dental Association (KDA), testified in opposition to **SB 468**. He explained that the bill would impact all dentists at the same time because all dental licenses are renewed every two years on January 1. He noted that license nonrenewal would result in a dentist's office being closed, leaving the entire staff unemployed. In addition, access to dental care could suffer. He reasoned that implementation of the bill would take away the license that allows a dentist to earn the income to pay taxes, and licensing fees would increase because the Dental Board would be required to conduct an investigation and hold a hearing before suspending a license. In conclusion, Mr. Robertson discussed KDA's concerns about the Department's ability to accurately and consistently determine a dentist's tax liability. (Attachment 5)

Christina Collins, Kansas Medical Society (KMS), testified in opposition to **SB 468**. KMS believes that, although all Kansans should pay their taxes, elimination of a licensee's ability to earn income is a harsh penalty, and it has many far reaching consequences. Physicians may have to temporarily close their practice, redirect patients, and cancel managed care contracts with insurance companies. In addition, they would no longer be eligible for state-required professional liability insurance. Ms. Collins noted that, once a license is revoked, it may become much more difficult and expensive to obtain professional liability insurance when reinstated. She argued that adequate remedies already exist to ensure that taxes can be collected. In

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:40 a.m. on February 16, 2004, in Room 519-S of the Capitol.

conclusion, she pointed out that licensing boards will be asked to divert their already thin resources to tax collection, a responsibility traditionally in the realm of the Secretary of Revenue. (Attachment 6)

Marlee Carpenter, Kansas Chamber of Commerce, testified in opposition to **SB 468**, noting that the Chamber agrees that all businesses should pay taxes; however, the bill does not provide adequate due process safeguards for the licensed professional to dispute their claims. Ms. Carpenter also pointed out that the bill has no provisions to address the possibility that Department of Revenue may not provide information to the licensing body in a timely fashion. As a result, it is possible that licensed professionals may be unable to practice while waiting on a license renewal. (Attachment 7)

With regard to Ms. Carpenter's concern that the bill does not include sufficient notification time, Secretary Wagon suggested that the bill could be amended to indicate that the triggering point for delinquency is applicable only after the Department makes a final assessment of the amount of tax owed. She noted that the determination of an error would occur prior to a final assessment being issued.

Senator Cobrin called the Committee's attention to testimony in opposition to **SB 468** submitted by Pam Scott, Kansas Funeral Directors and Embalmers Association. (Attachment 8)

There being no others wishing to testify, the hearing on **SB 468** was closed.

The meeting was adjourned at 11:55 a.m.

The next meeting is scheduled for February 17, 2004.



SENATE ASSESSMENT AND TAXATION COMMITTEE  
GUEST LIST

DATE: February 16, 2004

NAME	REPRESENTING
JEFF SCOTT	KDOR - TAXATION
Bob Chellquist	KDOR
Jean Wagner	KDOR
Richard Crum	KDOR
April Holman	KS Action for Children
TC ANDERSON	KSCPA
Steve Stotts	KDOR
Dante Thomas	KDOR
Nick Hanson	Ks Bo of VETERINARY EXAMINERS
Gary Reser	Ks. Veterinary Medical Assn.
Stacy	HEIN Law Firm
Christina Collins	Kansas Medical Society
Pam Scott	KS Funeral Directors Assn
Trudy Aron	Am Inst of Architects in KS
Paul GACHES	KS. Soc. of Profession Engineers
LARRY R BAEZ	LKM
Steve Swin	KDHE
Camille Noha	Att'y Gen'l Office
Larry Williamson	Ken. Dental Board





# K A N S A S

JOAN WAGNON, SECRETARY

DEPARTMENT OF REVENUE  
OFFICE OF THE SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

Testimony to the Senate Committee on Assessment and Taxation  
10:30 a.m., Room 519-S  
Joan Wagnon

February 16, 2004  
**Senate Bill 428**

Chairman Corbin and Members of the Committee:

I would like to introduce Jay Befort, one of the Department's Staff Attorneys, who will discuss the details of this proposal. Senate Bill 428 provides new language to strengthen and streamline the existing procedures for enjoining the operation of businesses delinquent in their tax payments. Under the new law, the Department can file a civil action in the Shawnee County district court to enjoin a taxpayer from doing business in Kansas, if the taxpayer has not reported or paid sales or withholding taxes for six consecutive months. The new law also empowers the district court to issue a temporary restraining order based on the submission of the secretary's affidavit.

K.S.A. 79-3294a and 79-3630 currently authorize the secretary to bring an action to enjoin an employer found in violation of the Kansas Withholding and Declaration of Estimated Tax Act or a retailer in violation of the Kansas Retailers' Sales Tax Act. The current legislation permits the secretary to seek a restraining order without the requirement of posting a bond. The proposed legislation will streamline the process and define a "seriously delinquent" taxpayer, and in doing so, it provides a clear standard upon which the district court can act when granting the injunction. In addition, the proposal sets out fines for violators of the court's temporary restraining order or the injunction. These penalties would supplement the court's discretion to impose citations for a violator's contempt of its order enjoining the business from operation.

Current practice of the Department of Revenue is to use the injunction process as a remedy of last resort, given the equitable nature of the injunction remedy. We first make numerous efforts at resolving a delinquent account prior to seeking an injunction, including several telephone calls, sending tax statements seeking payment, contacts by revenue agents, tax warrants, and collection through levy, execution, and garnishment. When a business continues to operate without properly remitting employer withholding taxes or sales tax, despite our collection efforts, something more drastic must be done. With this proposal, we will continue to use the injunction process as a final remedy after other collection efforts have been exhausted.

We would be pleased to answer your questions concerning this proposal.

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*Senate Assessment & Taxation  
2-16-04 Attachment 1*





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## Legislative Testimony

**SB 428**

**Monday, February 16, 2004**

**Testimony before the Kansas Senate Assessment and Taxation Committee  
By Marlee Carpenter, Vice President Government Relations**

The Kansas Chamber agrees with the intent of SB 428 that all businesses should pay taxes. However, this measure does not provide any safe harbor provisions for taxpayers when they have a dispute with the Kansas Department of Revenue. In SB 468, there are provisions for taxpayers that have tax issues on appeal or agreements with the Department of Revenue. We request that these provisions be specifically outlined in the bill so that there is no doubt in the intent of the legislation.

Again, the Kansas Chamber agrees with the intent of the proposed bill that all businesses should pay their taxes. Thank you for your time and I will be happy to answer any questions.

*The Kansas Chamber is the statewide business advocacy group, with headquarters in Topeka. It is working to make Kansas more attractive to employers by reducing the costs of doing business in Kansas. The Kansas Chamber and its affiliate organization, The Kansas Chamber Federation, have nearly 7,500 member businesses, including local and regional chambers of commerce and trade organizations. The Chamber represents small, large and medium sized employers all across Kansas.*

*Senate Assessment & Taxation  
2-16-04  
Attachment 2*



# K A N S A S

JOAN WAGNON, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

DEPARTMENT OF REVENUE  
OFFICE OF THE SECRETARY

Testimony to the Senate Committee on Assessment and Taxation  
Joan Wagon

February 16, 2004  
**Senate Bill 468**

Chairman Corbin and Members of the Committee:

I would like to introduce Jeff Scott, Executive Manager of Compliance and Enforcement, who is with me today to assist in addressing your questions. We strongly encourage your support for Senate Bill 468, which proposes a professional license renewal tax clearance process. This is one of several proposals we are advancing to step up our compliance efforts through tax clearance programs, following the successful completion of our recent tax amnesty program. Those other initiatives include House Bill 2680 and Senate Bill 414 (sales and withholding tax clearance process for liquor license renewals). We also support House Bill 2648 (mandatory revocation or suspension of motor vehicle dealer's license for 3-month delinquency in remittance of sales taxes).

Senate Bill 468 would require various licensing bodies or agencies listed to have or adopt procedures for the non-renewal of professional licenses if the agency receives notice from the department that the license is not current in the payment of taxes, or filing of tax returns. At least 90 days prior to license renewal, those agencies must electronically provide the department lists of all licensees, including the name and address, social security number, date of renewal, and the licensing agency name. Within 30 days of receipt of the licensee information from the licensing agency, the department will notify the licensee and the licensing body of those licensees who are delinquent in paying state taxes filing returns. The information exchanged between the department and each licensing agency will be protected under the confidentiality provisions that apply to taxpayer information. Once the licensing agency has been notified that the licensee is delinquent in paying taxes or filing returns, the licensing agency can renew the licensee only upon receiving a tax clearance certificate from the department that the licensee is current in paying taxes or filing returns. If the licensee's tax liability is under administrative appeal or is the subject of a current pay plan with the department, the license nonrenewal provisions will not be triggered.

Attached is a spreadsheet listing the licensed professions encompassed in this proposal and the number of licensees in those professions—almost 118,000 licensees. Because professional licenses are generally issued to individuals, the tax clearance program will focus primarily on individual income tax, and to a less extent, for those professionals who run their businesses as sole proprietorships, employer withholding tax and sales tax. We estimate that if this proposal is

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*Senate Assessment & Taxation  
2-16-04 Attachment 3*



enacted, we will experience an increase in tax receipts and state general fund revenues over the next 4 fiscal years of \$1 million in FY 2005, \$2.5 million in FY 2006, \$2.5 million in FY 2007, and \$1 million in FY 2008.

The following states currently have professional license tax clearance programs: California, Delaware, Hawaii, Illinois, Indiana, Maryland, Minnesota, Missouri, and Vermont. States that have these programs uniformly report them as very effective for achieving tax compliance. Minnesota initiated its professional and business license tax clearance program in 1984. If the business or individual becomes delinquent in taxes, they receive a bill from the revenue department along with a notice of intent to revoke their license, which remains in jeopardy until the tax issue is resolved. California reported tax noncompliance rates among licensees of approximately 9% when it began its license tax clearance program in 1994. California has experienced significant decrease in the noncompliance rate since instituting its tax clearance program, although the current noncompliance percentage is not available. Missouri recently adopted a professional license tax clearance program and has also experienced very positive compliance results.

We expect Kansas' experience with achieving excellent taxpayer compliance results through a professional license tax clearance program will also be very positive, if this proposal is adopted.

Name of Licensing Agency	Type Of Professional License	Frequency	# Licensees	TOTAL
Kansas Board Of Accountancy 296-2162	Certified Public Accountants	Ind - Biennial 6/30	3,696	3,696
Behavioral Sciences Regulatory Board 296-3240	Psychologists (Master 647, Clinical 607)	Biennial (Even Year)	1,254	7,590
	Social Workers (Bachelors, Masters, Clinical)	Biennial (Month Reg.)	5,370	
	Professional Counselors	Biennial (Month Reg.)	520	
	Marriage & Family Therapists	Biennial (Month Reg.)	365	
	Alcohol & Other Drug Rehabilitation Counselors	Biennial (Month Reg.)	81	
Kansas Dental Board 296-6400	Doctors of Dental Surgery	Biennial (Even Years)	1,981	3,705
	Dental Hygienists	Biennial (Odd Years)	1,724	
Board Of Healing Arts	Doctors - Medical/Surgical	Annual - Jun 30		10,107
	Doctors - Osteopathic	Annual - Sep 30		
	Doctors - Chiropractic	Annual - Dec 31		
	Doctors - Pediatric	Annual - Jun 30		
	Physicain's Assistants (PA, PTA, OTA)	Annual	1,801	
	Therapists (Respiratory, Physical, Occupational)	Annual	1,940	
	Athletic Trainers	Annual	290	
	Naturopathists	Annual		
Insurance Commissioner 296-3071	Insurance Agents	Biennial (birth month)	1,993	1,993
Office of the Clerk of the Supreme Court of KS 296-8409	Attorneys		9,597	9,597
Board Of Mortuary Arts	Funeral Directors	Biennial	778	1,788
	Embalmers		698	
	Assistant Funeral Director		312	
Board Of Nursing 296-4929	Advanced Registered Nurse Practitioners	Biennial (birthmonth)		41,887
	Registered Nurses	Biennial (birthmonth)		
	Licensed Practical Nurses	Biennial (birthmonth)		
	Licensed Mental Health Technicians	Biennial (birthmonth)		
Kansas State Board Of Examiners In Optometry	Doctors Of Optometry	Biennial (May)	579	579
Kansas State Board Of Pharmacy	Pharmacists	Biennial (even/odd alternate years)	3,583	3,583
Kansas Real Estate Appraisal Board	State Licensed Real Property Appraisers	Annual	260	1,144
	Certified Residential Real Property Appraisers	Annual	331	
	Certified General Real Property Appraisers	Annual	436	
	Provisional Real Prop Appraisers (Trainee)	Annual	117	
Kansas Real Estate Commission	Agent/Salespersons	Biennial (bi monthly)	5,953	10,218
	Brokers	Biennial (bi monthly)	4,265	
Office Of The Kansas Securities Commissioner	Securities Broker-Dealers	Annual	1,738	3,897
	Investment Advisers	Annual	2,159	
Speech-language Pathology & Audiology Board	Speech-language Pathologist			
	Audiologist			
Kansas State Board Of Technical Professions	Architects	Biennial	2,584	13,807
	Landscape Architects	Biennial	388	
	Geologists	Biennial	597	
	Land Surveyors	Biennial	793	
	Engineers	Biennial	9,445	
Veterinarian Board 456-8781	Veterinarians	Annual (June 30)	1,164	1,164
<b>TOTAL:</b>				<b>118,786</b>

*Kansas  
Licensed  
Beverage  
Association*

*President*  
Tom Intfen

*Secretary/Treasurer*  
Tammy Davis

*Vice Presidents*  
Robert Farha  
Glenda Dewey  
Jim Hendricks  
James Fager  
Curt Melzer  
Richard Markle  
Paul Boone  
Billy Long

*Executive Director*  
Philip Bradley

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Senate Assessment and Taxation- SB-468  
Chairman, Senators and Staff,

February 16, 2004

SB-468 has a worthy purpose; to recover taxes rightfully owed our State. The KLBA supports that goal. As you know the Department of Revenue has introduced several bills to accomplish this goal. We ask that all businesses be treated the same. The DOR has agreed at your hearing on SB-414. Further they endorsed the amendments that we suggested from the work done in the 2002 session. We believe they would be appropriate for all businesses.

*Senate Assessment + Taxation  
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**First** that the delinquent taxes in question must be those that apply directly to this business which holds this license or permit.

**Second**, that this condition for renewal of licenses and permits, controlled by the state, should apply to all of the businesses and individuals that the state issues licenses/permits to, and further that these should be treated equally, enacted at the same time and in the same manner.

A **third** concern was raised and the Committee determined it to also have merit. That if only one stockholder in a corporation operating this license, was delinquent that he not penalize the entire business.

The remedies that the Senators adopted follow;

For the **First** they added this clause,

*The provisions of paragraph (1) of this subsection shall apply only to taxes related directly to the business for which the license is issued.*

For the **second** we ask you to include all businesses/professional licenses and permits into one bill.

And **third** they adopted this language.

*If the licensee is a corporation, partnership, trust or association, the individual officers, directors, stockholders, partners, managers or other individual members shall not be required to be current in the payment of the taxes specified in paragraph (1) of this subsection.*

We further believe the **90 day notice** in this bill should be applied to all.

We ask for **current tax compliance** percentages for all businesses and professions. It would be beneficial to know the extent of the challenge and where to begin.

We support these corrections and would ask the committee to do the same. We support all taxes owed being paid on time and in full by all of our citizens. In the hearings on HB-2860 and SB-414 the DOR endorsed these amendments and combining SB's 414, 468 & HB's 2860, 2648, 2776. With those changes we could support this proposal. I have attached the bill and supplemental from 2001/2002 session for your convenience.

Thank you for your time.

Philip Bradley  
Executive Director



Date: February 16, 2004

To: Senate Committee on Assessment & Taxation

From: Kevin J. Robertson, CAE  
Executive Director

**RE: Testimony opposing SB 468**

Chairman Corbin and members of the committee I am Kevin Robertson, executive director of the Kansas Dental Association (KDA) representing 1,168, or some 80% of the state's licensed dentists. I am here today in opposition to SB 468.

The KDA opposes SB 468 for a number of reasons, including:

All dentists' licenses are renewed every two years on January 1. This bill would impact all dentists at the same time. Dental Hygienists renew every two years on January 1 in the opposite years as dentists – further impacting patient care in dental offices at that time.

Dentists own their practice. License non-renewal would, therefore, result of the elimination of the income tax stream from the entire dental office personnel as the office would have to be closed and the entire office staff would be left unemployed.

Access to dental care could suffer if dental offices are closed. Depending on the office and community, an entire dental group with several dentists could be non-renewed and closed.

SB 468 is overly punitive, and would take away the very license that allows a dentist to earn the income required to pay taxes.

Its implementation would result in an increase in licensing fees as the Dental Board would be required to investigate and hold due process hearings for dentists and dental hygienists before suspending licenses of persons submitted by the Kansas Department of Revenue as owing taxes.

Finally, the KDA is currently skeptical of the Kansas Department of Revenue's ability to accurately and consistently determine a dentist's tax liability. Let me take a few minutes to explain. Last September, KDOR sent a letter to 120 dentists asking them to conduct a three-year self audit of their sales tax and compensating use collections and payments. Though people at KDOR have been pleasant to work with and I believe have made an effort to correct errors, misinformation and inconsistencies as to the laws requirements to dentists and the KDA persist. Beginning with the original September letter which mentioned certain prescription drugs were taxable (all prescriptions are exempt under KSA 79-3603) and continuing to a recent KDOR dental office audit that is reportably demanding taxes be paid by a dentist on materials that have previously been published as exempt. This has occurred after the KDA believed all

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issues with regard to a dentist's tax liability were resolved and a seminar conducted by a KDOR tax specialist was held for dentists.

In addition, the KDOR's original letter to dentists was sent on the eve of KDOR's own amnesty program, yet the reporting and amnesty criteria for dentists was different than the amnesty afforded to all other citizens of this state. This was later corrected.

Let me say that there are dentists that were unaware of their state sales tax and compensating use tax liability that are still working to get this issue resolved, but, I would not like a dental license non-renewed based on disputes with KDOR over compensating use tax payments. I would not want to be the person to explain to the citizens of my community why a dental office was closed when, admittedly, there is already a growing shortage of dentists in this state.

Thank you for your time today, I am happy to answer any questions you may have at this time. I urge you to **vote NO on SB 468**.





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TO: Senate Committee on Assessment and Taxation  
FROM: Christina Collins  
Director of Government Affairs  
DATE: February 16, 2004  
RE: SB 468

Chairman Corbin and Members of the Committee:

Thank you for the opportunity to testify before you this morning in opposition to SB 468. The bill requires state agencies that oversee the licensed and regulated professions to refuse to renew professional licenses for individuals whom are delinquent in their state taxes. The Kansas Medical Society strongly agrees all Kansans should pay their taxes and that penalties should attach to those who don't.

However, we believe this bill has some shortcomings that might be rather difficult to remedy and therefore urge its defeat. If the underlying goal of this legislation is to ensure that taxes are paid, such a measure might be counterproductive. In most cases, the revocation of an individual's professional license means that he or she will be unable to earn income to satisfy a tax obligation. To eliminate a licensee's ability to earn income may be a rather harsh penalty that does nothing to solve the practical problem of ensuring that taxes are paid.

Revocation of an individual's license to practice a profession has many far-reaching consequences. In the case of physicians, it means that an individual may have to temporarily close a practice and redirect patients who urgently need medical care. It requires cancellation of contracts with insurance companies and cancellation of state-required professional liability insurance coverage. The revocation of a license must be reported to the National Practitioner Databank and once taxes are paid and the license reinstated, it may become much more difficult and expensive to obtain professional liability insurance for reasons having nothing to do with the quality of care a physician may provide. Closure of a practice necessarily means that the employment of all support staff would be terminated. Passage of this bill has the potential to prevent health care professionals in medically underserved and rural areas from providing medical services. Moreover, adequate remedies at law already exist to ensure that taxes may be collected, such as garnishment and liens.

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Attachment 6*

Kansas Medical Society  
Page Two  
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This bill also presents challenges for the licensing agencies involved. Licensing boards, who are statutorily charged with ensuring standards of professional competence are met and maintained, will instead be asked to divert their already thin resources to tax collection, a responsibility traditionally in the realm of the Secretary of Revenue.

For the foregoing reasons, the Kansas Medical Society respectfully urges the defeat of this bill. While we agree that all Kansans must pay their taxes as required by law, SB 468 would impose a very harsh penalty that would undermine an individual's ability to pay their tax debt. I would be happy to answer any questions the committee may have.



**THE KANSAS  
CHAMBER**

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## Legislative Testimony

SB 468

Monday, February 16, 2004

**Testimony before the Kansas Senate Assessment and Taxation Committee  
By Marlee Carpenter, Vice President Government Relations**

The Kansas Chamber agrees with the intent of SB 468 that all businesses should pay taxes. However, this measure does not provide adequate due process safeguards for the licensed professional to dispute their claims. There are provisions in Section 6 of the bill that addresses a review with the licensing body, but the scope of the review is so limited that it is not adequate.

The bill additionally proscribes a timeline for the licensing body to provide information to the Kansas Department of Revenue and then for the Department to provide a list back to the licensing body of those not current with their taxes. There are no provisions in place that address the possibility of the Department of Revenue not providing the information back to the licensing body in a timely fashion. This situation needs to be addressed so that those licensed professional are not waiting on the Kansas Department of Revenue to renew their license and are unable to practice.

Again, the Kansas Chamber agrees with the intent of the proposed bill that all businesses should pay their taxes. Thank you for your time and I will be happy to answer any questions.

*The Kansas Chamber is the statewide business advocacy group, with headquarters in Topeka. It is working to make Kansas more attractive to employers by reducing the costs of doing business in Kansas. The Kansas Chamber and its affiliate organization, The Kansas Chamber Federation, have nearly 7,500 member businesses, including local and regional chambers of commerce and trade organizations. The Chamber represents small, large and medium sized employers all across Kansas.*

*Senate Assessment & Taxation  
2-16-04  
Attachment 7*





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February 16, 2004

To: Senate Assessment and Taxation Committee

From: Pam Scott, Executive Director

Re: Senate Bill No. 468

Chairman Corbin and members of the Committee, on behalf of the Kansas Funeral Directors and Embalmers Association (KFDA) I would like to thank you for the opportunity to present written testimony concerning Senate Bill No. 468. The KFDA represents over 300 funeral homes across the state of Kansas.

The KFDA opposes Senate Bill No. 468. To deny the renewal of a license because a licensee may not be current in the payment of his or her taxes, would take away the ability of the licensee to make a living in his or her given profession. That would hinder the licensee's ability to generate income to pay any taxes that might be past due. It will not bring the state of Kansas any closer to collecting the delinquent taxes. While we support the recovery of delinquent taxes, we believe the Department of Revenue should pursue collections through other sources available to them.

It is also unfair that the bill limits the scope of review of an agency's action to non-renew in such cases. The review can not include whether the Department of Revenue's claim is valid. This is not due process. There may be a valid reason why the licensee's taxes are not current or the Department of Revenue may have just made a mistake. No action should be taken against a license until the tax dispute is fully adjudicated.

Furthermore, licensing agencies are already overworked and understaffed. Adding the increased burden of submitting a list of license renewals to the Department of Revenue and the agency actions that could result from the non-renewal of licenses due to delinquent taxes would not be an effective use of their limited resources. Their time would be better spent on issues and enforcement actions that protect the public.

For these reasons, the KFDA urges you to oppose the passage of Senate Bill No. 468.

Senate Assessment & Taxation  
2-16-04  
Attachment 8