

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:35 A.M. on February 17, 2005 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research
Martha Dorsey, Kansas Legislative Research
Gordon Self, Revisor of Statutes Office
Nancy Kirkwood, Secretary

Conferees appearing before the committee:

Senator Barnett
Bill Sneed, America's Health Insurance Plans (AHIP)
Ken Daniel, Midway Wholesale, Topeka
Hal Hudson, National Federation Independent Business (NFIB)
Beverly Gossage, Health Saving Account Specialist, Olympic Financial Marketing
Lew Ebert, President & CEO, Kansas Chamber of Commerce (KCCI)
Ashley Sherard, Vice President, Lenexa Chamber of Commerce
April Holman, Kansas Action for Children
Joan Wagon, Secretary, Kansas Department of Revenue (KDOR)

Others attending:

See attached list.

Hearing on:

SB 257 - Income Tax credits for employer contributions to employee health benefit plans and health savings accounts

Senator Barnett testified before the Committee in support of **SB 257**. Senator Barnett's testimony stated **SB 257** reflects the wishes and desires of the majority of small business owners in Kansas. Attached to Senator Barnett's comments were the results of surveys performed by Legislative Research during 2004, with small businesses across the State, noting Figure 6 represents strong support for Health Savings Accounts. Also, Figure 9 reflects the Effect of Tax Credits on Offering Health Insurance (Attachment 1).

Bill Sneed, representing AHIP, testified in support of **SB 257**. Mr. Sneed stated AHIP is the national trade association representing nearly 1300 member companies providing health insurance coverage to more than two hundred million Americans (Attachment 2). Mr. Sneed presented to the Committee a comparison of Tax-Advantaged Health Care Spending Accounts (Attachment 3).

Testifying in support of **SB 257**, was Ken Daniel, CEO, Midway Wholesale. Mr. Daniel appeared as a volunteer Board Member, Kansas Health Partners Benefit Association. Mr. Daniel testified in support of **SB 257**, asking the Committee's consideration of four recommended changes to **SB 257** (Attachment 4).

Hal Hudson, State Director, NFIB, speaking to **SB 257**, was in support. Mr. Hudson stated for more than 10 years health care, health insurance, availability and cost, have ranked as the number one problem or cause for concern by small business owners (Attachment 5).

Beverly Gossage, Health Saving Account (HSA) specialist, stated the best service the Kansas Health Partners Benefit Association and the Insurance Commissioner's office can provide to small businesses is to provide information about HSA qualified plans and related tax credits, not develop a plan, or endorse a particular company or its plan. Ms. Gossage presented testimony in support of **SB 257**, with a recommended change to Section 3 (Attachment 6).

Testifying as a proponent to **SB 257** was Lew Ebert, President and CEO, KCCI. Mr. Ebert stated **SB 257** would provide additional incentives for companies to offer health insurance to their employees (Attachment

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:35 A.M. on February 17, 2005 in Room 423-S of the Capitol.

7).

Written testimony in support of **SB 257** was furnished by Ashley Sherard, Vice-President, Lenexa Chamber of Commerce (Attachment 8).

There being no others wishing to testify on **SB 257**, Chairperson Allen closed the hearing.

After further questions, recommendations, and suggestions, the Chair stated **SB 257** is worthy of a subcommittee. The Majority Leader agreed to bless the bill, and Chairperson Allen set up a subcommittee on **SB 257** with the following members: Senators Allen, Lee, and Jordan.

SB 156 - Tax and revenue assessment report by secretary of revenue to legislature

April Holman appeared on behalf of Kansas Action for Children in support of **SB 156**. Ms. Holman stated **SB 156** would require the Department of Revenue to publish an annual report on tax expenditures. The passage of **SB 156** would ensure the ongoing availability of basic information about government expenditures to the taxpayers and policymakers through this report (Attachment 9).

Secretary Wagon stated KDOR supports **SB 156**, currently produces this report, and intends to continue producing it annually, whether this legislation is enacted or not (Attachment 10).

April Holman testified in support of **SB 159** on behalf of Kansas Action for Children. **SB 159** would require the Department of Revenue to publish a Tax Incidence analysis every three years. A Tax Incidence analysis is a study of the distribution of tax burden between income groups, identifying which groups are most affected by taxes (Attachment 11).

Secretary Wagon, recognized by Chairperson Allen, spoke to **SB 159**. The Secretary of Revenue stated the Department lacks data that would indicate sales tax or property tax expenditures by taxpayer, per household income level. This type of data would need to be gathered through consumer surveys and would involve significant research resources, which the Department lacks. At least this portion of the Tax Incidence study would need to be outsourced. It is estimated the outsourcing costs for such a study could be in the range of \$50,000. When bids are solicited, the actual cost could be significantly higher.

There being no others wishing to testify on **SB 156** and **SB 159**, the Chair closed the hearings.

Final action on:

SB 256 -Income tax exemption for amounts received for recruitment and student loan repayments by members of military

At the previous meeting, the Committee indicated its desire for a fiscal note from the Department stating the fiscal impact of **SB 256**. Steve Stotts, Director of Taxation, stated he had received the information for the fiscal note from the Kansas National Guard only. The fiscal note showed individuals could subtract certain types of military-related income from their federal adjusted gross income when figuring their Kansas income tax liability. The military income to which **SB 256** would apply includes recruitment, signing and retention bonuses, and repayment of education or student loans. This bill would apply to those serving in the Kansas Army and Air National Guard, as well as to those serving in the regular military.

Steve Stotts, at the request of the Committee, distributed a chart on other states' tax policy with respect to income tax exemptions for military recruitment bonuses and repayment of student loans. No other states currently allow those exclusion (Attachment 12).

Chairperson Allen informed the Committee it would wait to take action on **SB 256**. The Committee would work **SB 256** on Monday or Tuesday of next week. By that time, the Committee would hopefully have information as to the fiscal impact for including all military personnel in the bill.

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:35 A.M. on February 17, 2005 in Room 423-S of the Capitol.

SB 13 - Confidentiality and disclosure requirements of tax information

Chairperson Allen brought the Committee's attention to **SB 13**. This bill has been re-referred to Committee for further discussion. The Department of Revenue has presented a balloon to discuss today. Secretary Wagnon stated KDOR has met with the liquor industry, and has agreed to this balloon as currently written. (Attachment 13).

Chairperson Allen called for the Committee's intentions regarding **SB 13**. Senator Lee made a motion to adopt the balloon amendment presented by the Department of Revenue. Senator Goodwin seconded the motion. The motion carried.

Senator Lee made a motion to pass SB 13 out favorably as amended, seconded by Senator Goodwin. The motion carried.

The Chair informed the Committee it would not meet tomorrow. It would meet Monday, and there would be a revised agenda.

The meeting was adjourned at 12:00 p.m. The next meeting is scheduled for Monday, February 21, 2005.

JIM BARNETT
 SENATOR, 17TH DISTRICT
 CHASE, COFFEY, GREENWOOD
 LYON, MARION, MORRIS, AND OSAGE
 COUNTIES



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS
 CHAIR: PUBLIC HEALTH AND WELFARE
 MEMBER: FEDERAL AND STATE AFFAIRS
 FINANCIAL INSTITUTIONS AND
 INSURANCE
 GOVERNOR'S HEALTH CARE
 COST CONTAINMENT COMMISSION
 HEALTH CARE STABILIZATION FUND

**Senate Assessment and Taxation Committee
 Testimony Re: SB 257**

February 17, 2005

Madam Chairman and other distinguished members of the Senate Assessment and Taxation Committee, thank you for the opportunity to testify in support of SB 257.

This legislation will help our state address the issue of the uninsured. This is not a cure all, by any means. However, SB 257 does reflect the wishes and desires of the majority of small business owners in our state. Surveys have demonstrated broad interest in providing a fundamental change in how we pay for health care. Additionally, businesses are not interested in subsidies. They are asking for programs such as health savings accounts and improved and streamlined ability to enjoy tax credits when new health care insurance is provided to their employees.

Health savings accounts represent one of the fundamental changes in how individuals pay for health care. They bring responsibility into the loop of health care expenditures and provide tax incentives to save for future health care needs. Health Savings Accounts provide an investment for the future, similar to IRAs. They are deposited interest bearing accounts and provide transferability, helping future Kansans address the need for health insurance affordability.

Kansas Legislative Research Department has demonstrated that small businesses in Kansas represent the major source of health care insurance to Kansas workers. Over 95% of Kansas businesses have fewer than 50 employees.

I am attaching the results of surveys performed during 2004 with small businesses across the state. Please note Figure 6 that represents strong support for Health Savings Accounts. I also ask that you review Figure 9 reflecting the Effect of Tax Credits on Offering Health Insurance.

Thank you for the opportunity to speak in support of this legislation. I am happy to stand for questions.

Senator Jim Barnett

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Assessment & Taxation
 Date 02-17-05
 Attachment # 1

KANSAS BUSINESSES

Number of Business Establishment by Number of Employees*

2002

	Total	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000 or more
No of Businesses	75,077	40,602	14,600	9,684	6,492	2,090	1,162	302	98	47
Percent of Total		54.1	19.4	12.9	8.6	2.8	1.5	0.4	0.1	0.1

95.1 percent of Kansas businesses have fewer than 50 employees.

*Source: 2002 County Business Patterns, U.S. Census Bureau

Figure 6. Support for Health Savings Accounts

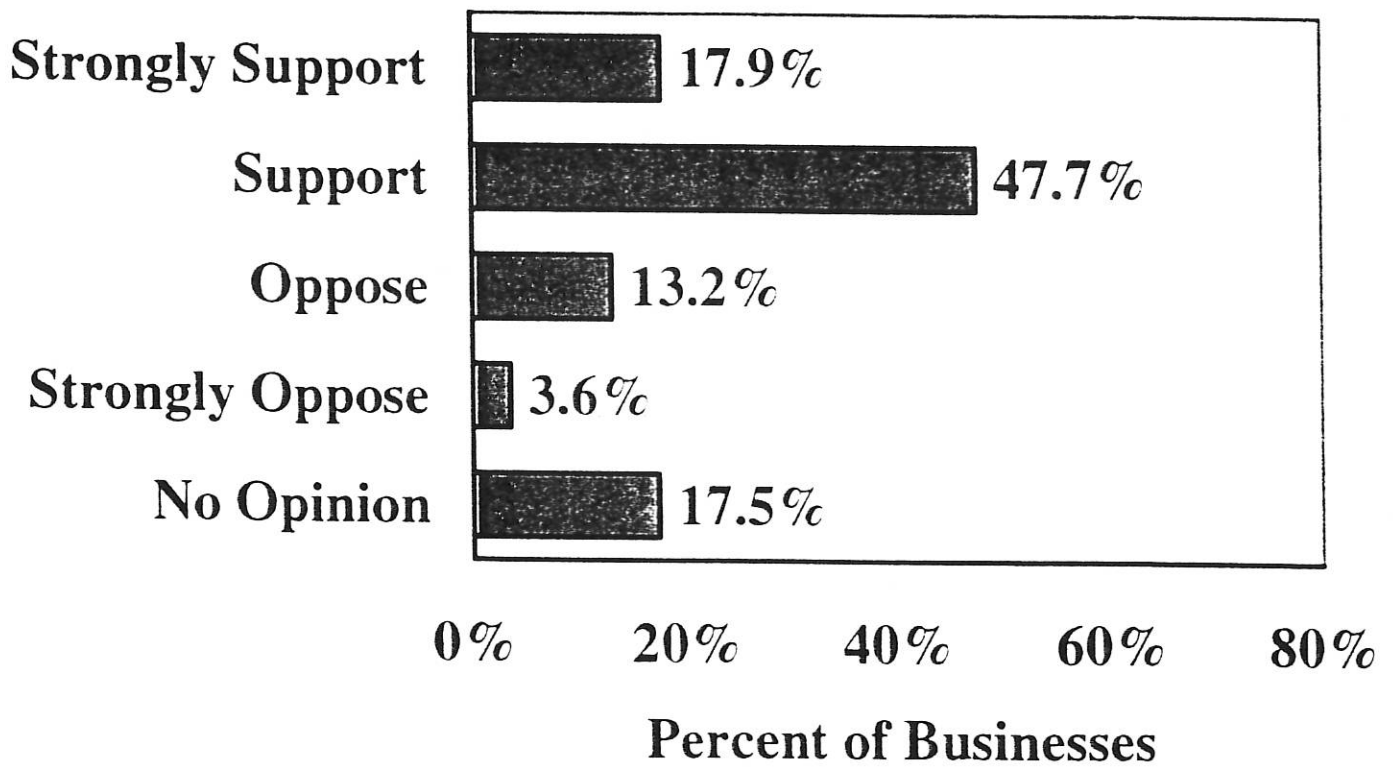
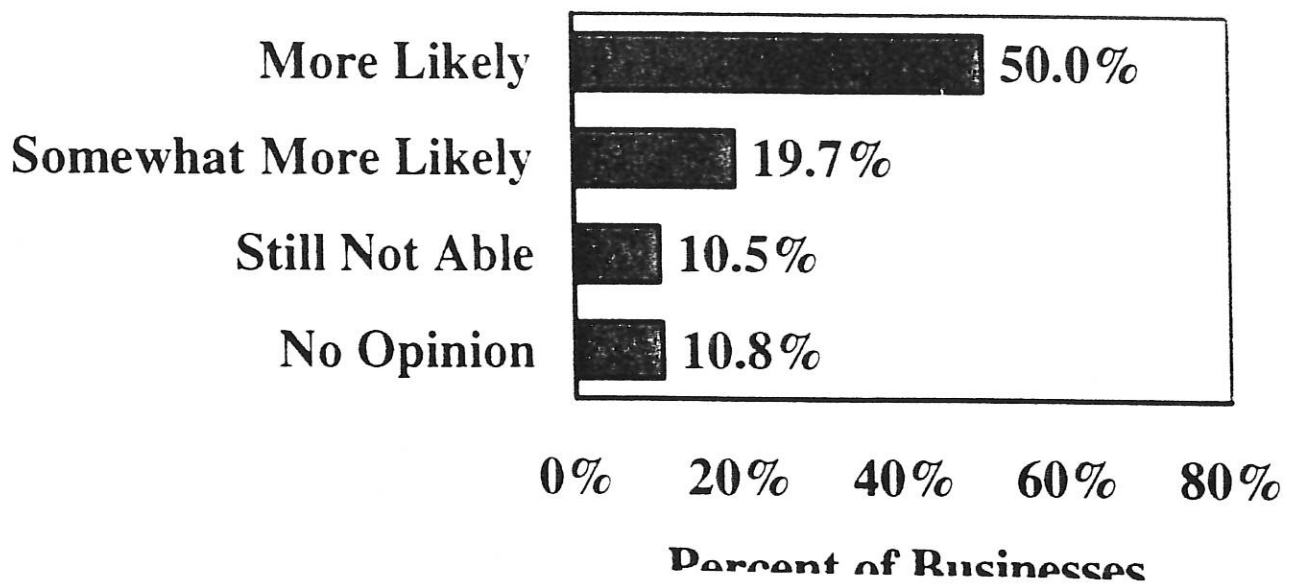


Figure 9. Effect of Tax Credits on Offering Health Insurance



Memorandum

TO: THE HONORABLE BARBARA ALLEN, CHAIR
SENATE ASSESSMENT AND TAXATION COMMITTEE

FROM: WILLIAM W. SNEED, LEGISLATIVE COUNSEL
AMERICA'S HEALTH INSURANCE PLANS

RE: SENATE BILL 257

DATE: FEBRUARY 16, 2005

Madame Chair, Members of the Committee: My name is Bill Sneed and I represent America's Health Insurance Plans (AHIP). AHIP is the national trade association representing nearly 1300 member companies providing health insurance coverage to more than two hundred million Americans. We appreciate the opportunity to testify in favor of Senate Bill 257.

HSAs are personal, portable savings accounts to which employers and employees can contribute to help pay future medical expenses. Contributions to HSAs are exempt from federal income taxes, and the unused portion of the HSA rolls over from year to year, with any investment income also accruing free from federal income taxes.

Congress created this new approach to health care financing based on HSAs coupled with lower-premium, high deductible health insurance plans as part of the Medicare prescription drug law passed in December, 2003.

A study released earlier by AHIP confirmed that HSAs are quickly catching on with consumers. According to the study, individuals purchased more than four-fifths of the initial health savings accounts (HSAs), with nearly half the covered people over the age of 40. Thirty percent of the individual policies were purchased by people who were previously uninsured.

The growth of new companies offering these new plans has occurred across the board since the survey. There are now 58 companies offering high deductible plans to large employers; compared with 15 in September; 56 companies providing plans to small employers, up from 20 at the time of the survey; and 47 companies have plans for individuals, contrasted with just 11 several months ago.

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Assessment & Taxation
Date 02-17-05
Attachment # 2

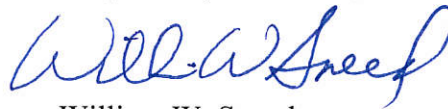
We also believe that the number of individuals purchasing HSAs is expected to grow. Because employers generally make health benefit decisions in the fall, and larger employers often make benefit decisions for several years ahead, the new accounts came too late in the 2004 benefits cycle for most businesses. Many observers expect more small employers to offer HSA-based plans in 2005.

To help those small employers, HSADecisions.org hosts an online Learning Center cosponsored with the U.S. Small Business Administration (SBA), and my client. The Learning Center contains educational materials and features an online library and glossary to help consumers and small businesses better understand available HSA options.

Thus, based upon the foregoing, we respectfully request that the committee to act favorably on Senate Bill 257.

I am available for questions at your convenience.

Respectfully submitted,



William W. Sneed

WWS:pmk

030825 / 066955

WWSNE 1169895



Comparison of Tax-Advantaged Health Care Spending Accounts January 2005

Assessment & Taxation
 Date 02-17-05
 Attachment # 3

Feature	Archer Medical Savings Accounts (MSAs) ¹	Health Savings Accounts (HSAs)	Health Flexible Spending Arrangements (FSAs)	Health Reimbursement Arrangements (HRAs)
<i>Overview</i>	A tax-exempt trust or custodial account with a financial institution in which account holders can save money exclusively for future qualified medical expenses.	A tax-exempt trust or custodial account created exclusively to pay for the qualified medical expenses of the account holder and his or her spouse or dependents.	A type of cafeteria plan authorized under Section 125 of the Internal Revenue Code. ² Separate FSAs can be set up to cover each of the following types of expenses: (1) Health insurance premiums (known as a “premium-only plan”); (2) Qualified medical expenses; (3) Dependent care expenses.	An employer funded account that reimburses employees for qualified medical care expenses, typically combined with a high-deductible health plan.
<i>Who is eligible to set up an account?</i>	An employee (or the spouse of an employee) of a small employer (50 or fewer employees) covered by an individual or family <i>high deductible health plan</i> (HDHP), and a self-employed person (or the spouse of a self-employed person) who maintains an individual or family HDHP.	Individuals and families covered by <i>qualified high-deductible health plan</i> . Individuals and families cannot be covered by any other health plan that covers the same benefits as the high deductible health plan.	An employee whose employer offers an FSA option.	An employee whose employer offers an HRA.
<i>What are the requirements for the corresponding health plan?</i>	<i>High deductible health plan:</i> For 2005, self-only deductible must be between \$1,750 and \$2,650, with an out-of-pocket maximum of not more than \$3,500; family deductible must be between \$3,500 and \$5,250, with an out-of-pocket maximum of \$6,450. Plan can provide first-dollar	<i>Qualified high-deductible health insurance:</i> For 2005, self-only deductible must be at least \$1,000 for self-only coverage; \$2,000 for family coverage. ³ The maximum of the deductible and annual out-of-pocket expenses required to be paid under the plan (i.e., copayments and coinsurance, not premiums) is	No health plan requirements.	No health plan requirements. HRAs may be used with any type of health plan or as a stand-alone account.

¹ MSAs were authorized as a demonstration program under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The program is scheduled to expire at the end of 2005.

² Cafeteria plans are plans under which participants may choose among 2 or more benefits consisting of cash and qualified benefits.

³ The family deductible applies to the entire family as a unit, not to individuals as is more commonly the case in most health insurance policies.

Comparison of Tax-Advantaged Health Care Spending Accounts

Feature	Archer Medical Savings Accounts (MSAs) ¹	Health Savings Accounts (HSAs)	Health Flexible Spending Arrangements (FSAs)	Health Reimbursement Arrangements (HRAs)
	coverage of preventive care and still be qualified.	\$5,100 for self-only; \$10,200 for family. These limits are indexed to the CPI. Plan can provide first-dollar coverage of preventive care and still be qualified. For PPOs, deductible and out-of-pocket limits apply only to in-network services.		
<i>Who may contribute to the account?</i>	Either the employee or the employer, but an employee and an employer may not both make contributions to the MSA in the same year.	The account holder, the employer, or any other person.	The employee, employer, or both. Usually funded by employees, who choose to set aside a certain amount of their pay in an FSA account.	Solely the employer.
<i>What are the limits on contributions?</i>	75% of the amount of the annual health plan deductible for family coverage; 65% of deductible for self-only coverage, subject to an income limit. Contributions cannot exceed the amount earned for the year from one's employer or, if self-employed, net self-employment income.	Up to 100% of the deductible amount of the accompanying high-deductible health insurance policy, up to a maximum in 2005 of \$2,650 for a self-only account, \$5,250 for a family account. Future year limits indexed to the CPI.	No limits under federal income tax law for FSAs set up to pay for qualified medical expenses or health insurance premiums; employers typically set limits. ⁴	No federal income tax law limits. Employers typically set limits, usually equal to or less than the amount of the deductible of employees' health plan.
<i>What are qualified medical expenses?</i>	Unreimbursed qualified medical expenses as defined in Section 213(d) of the Internal Revenue Code, except (in general) for health insurance premiums: e.g., amounts paid for doctors' fees, prescription medicines, and necessary medical services not paid for by insurance (including many over-the-counter medications). MSA funds generally cannot be used to pay health insurance premiums;	Same as Archer MSAs.	Same as Archer MSAs.	Depending on how the employer sets up the HRA, employees may use HRA funds for qualified medical expenses as defined by the IRS, or use of the funds may be limited to medical expenses covered under the employer plan.

⁴ Limit for Dependent Care Accounts is \$5,000 per family per calendar year for single taxpayers with dependents, or for married taxpayers who file a joint income tax return.

Comparison of Tax-Advantaged Health Care Spending Accounts

Feature	Archer Medical Savings Accounts (MSAs) ¹	Health Savings Accounts (HSAs)	Health Flexible Spending Arrangements (FSAs)	Health Reimbursement Arrangements (HRAs)
	however, there are certain exceptions. See below (“When can funds be used to pay health insurance premiums?”).			
<i>When can funds be used to pay health insurance premiums?</i>	<ol style="list-style-type: none"> 1. While receiving unemployment benefits 2. While receiving COBRA continuation benefits. 	<ol style="list-style-type: none"> 1. While receiving unemployment benefits 2. While receiving COBRA continuation benefits. 3. When age 65 or over for any health insurance except Medicare supplemental policies. 	A separate FSA (“premium-only plan”) can be set up to pay the employee's contribution toward the monthly cost of health insurance. Under a salary reduction agreement, the employee agrees to contribute a portion of salary on a pre-tax basis to pay for qualified benefits.	In general, funds can be used to pay for premiums under: <ol style="list-style-type: none"> 1. the employee’s health plan 2. a spouse’s health plan 3. the employer’s retiree health plan 4. COBRA continuation coverage. However, premiums that may be paid by salary reduction may not be funded from an HRA.
<i>Can funds be used to pay for long-term care coverage?</i>	Yes, premiums for long-term care insurance are reimbursable.	Same as Archer MSAs.	No, the Internal Revenue Service code specifically excludes long term care insurance as a qualified benefit under a cafeteria plan; so long term care insurance premiums are not reimbursable under an FSA.	Same as Archer MSAs.
<i>Are withdrawals for non-medical expenses allowed?</i>	Yes, but distributions not used exclusively to pay "qualified medical expenses" are included in income and are subject to a 15% additional tax – except when the individual is age 65 or older, disabled, has died during the year.	Same as Archer MSAs, except the additional tax penalty is 10%.	No.	No.
<i>What is the federal tax treatment of contributions?</i>	Employee contributions are tax deductible. Employer contributions are excludable from gross income and not subject to employment taxes (e.g., FICA).	Same as Archer MSAs.	Employees pay no federal or Social Security taxes on FSA contributions. Employers pay no FICA tax or federal or state unemployment taxes on FSA contributions.	Employer contributions are generally excludable from employee’s gross income. However, an arrangement that distributes the unused HRA amount at termination either as a death benefit or as a severance payment will not qualify as an HRA. Employers receive expense deductions for payments.
<i>Can funds be carried over from one year</i>	Yes. MSA funds may be carried over indefinitely during a	Same as Archer MSAs.	No. Unused FSA balances are	Yes. Unused amounts in an HRA may be carried over, subject to any

Comparison of Tax-Advantaged Health Care Spending Accounts

Feature	Archer Medical Savings Accounts (MSAs)¹	Health Savings Accounts (HSAs)	Health Flexible Spending Arrangements (FSAs)	Health Reimbursement Arrangements (HRAs)
<i>to the next?</i>	participant's lifetime. Upon a participant's death, an MSA may be passed on to a surviving spouse without federal tax liability.	In addition, unspent funds from an Archer MSA may be rolled over into an HSA.	forfeited at the end of the year.	limits set by the employer.
<i>Are accounts portable?</i>	Yes. Employees may take funds with them when they leave or change jobs.	Same as Archer MSAs.	No. Unused FSA balances are forfeited if the employee leaves or changes jobs.	No. However, employers can set up HRAs so that they continue to reimburse former employees or retirees for medical care after termination or retirement.
<i>Does interest accrue on funds deposited in the account?</i>	Yes. Interest accrues tax free.	Same as Archer MSAs.	No. Interest is not accrued.	There is no requirement that interest accrue but employers have discretion to credit interest to the HRA accounts.

¹AHIP January 2005



Midway Sales & Distributing, Inc. d/b/a

MIDWAY WHOLESAL

Topeka • Salina • Lawrence • Manhattan • Elwood • Kansas City • Wichita

**Presentation to the Senate Committee on Assessment and Taxation
February 17, 2005**

**By Kenneth L. Daniel
C.E.O., Midway Wholesale
and
Volunteer Board Member, Kansas Health Partners Benefit Association**

Madame Chairman and Members of the Committee:

My name is Kenneth Daniel.

I would like to testify in favor of Senate Bill 257, but would like to ask your consideration of some changes to it.

Health Savings Accounts as approved by Congress in December of 2003 may well be the single best solution available now to slow down the galloping increases in health care costs.

Probably the most important feature is that they force consumers to pay attention to the costs of the health care they are receiving, and give them a big stake in controlling those costs.

The other key feature is that out-of-pocket expenditures by the consumer are completely tax-deductible except in rare cases. Because the deductions are "above the line", every employee, even those with low wages, save on taxes.

Kansas already has a small business health insurance tax credit, which has been in effect for four years. It has been little used because it is too small and too complicated. Last year's total credits were less than \$100,000.

Senate Bill 257 basically doubles the credit in the beginning, simplifies the calculations, and shortens the period from five years to three years.

The idea is to help small businesses get started on providing insurance if they haven't been providing it, but wean them off the tax credits gradually over 36 months.

Now, I'd like to suggest some changes based on my own experience in marketing and my experience with small business health insurance, including KHPBA.

- 1) Keep the present law but substitute the increased and simplified version of the credit going forward.**
 - As weak as the present credit is, about 4,000 employees and many of their families have health insurance because of it.**
 - I believe that the current law already covers the H.S.A. high-deductible insurance policy.**

- 2) Eliminate any reference to 300% of the federal poverty guidelines. I'm afraid this would kill the deal for most small business owners.**
 - If they are going to spend their money offering insurance, they should be able to participate personally.**
 - The red tape connected with the poverty info is huge.**
 - Owners under 300% won't want it known to agents, etc.**
 - Employees under 300% won't want their employer knowing.**

- 3) Have the employer apply the subsidy to the costs of the insurance policy and not to the savings account. The savings account is not possible without the high-deductible policy, which will cost more than \$70 in every case.**

- 4) Consider providing financial support to the KHPBA or helping us get some financial support. Without any government money at all, KHPBA has enabled about 800 Kansans to get insurance. With some marketing effort, that number could grow substantially. H.S.A.s are already available, and don't depend on KHPBA. KHPBA could help promote H.S.A.s without being in the marketing chain. KHPBA will be looking for other ways to help small businesses and employees to get health care.**

- 5) If the fiscal note becomes a major concern, considering limiting the credit to employers with 20 or even 10 or fewer employees.**

Thank you. I will be happy to answer any questions.

KANSAS SMALL BUSINESS HEALTH INSURANCE INITIATIVES

February 4, 2005

This is compilation of ideas from the Kansas Small Business Coalition, the National Federation of Independent Business, Wichita Independent Business Association, Kansas Chamber of Commerce, Governor Sebelius, the Senate Republicans, and the Kansas Health Partners Benefit Association.

Small business owners have repeatedly identified health insurance costs and the availability of health care as their #1 concern. The following is an analysis of actions that can help Kansas small businesses with this problem.

HEALTH SAVINGS ACCOUNTS

The new "Health Savings Accounts", which are already available in Kansas, may prove to be the most important key to slowing insurance cost increases. HSAs provide tax benefits to workers at all income levels. They provide a financial incentive for patients to ask about and control the costs of their health care.

Action Needed: As put forth in the Senate Republican Plan, add an HSA option for state employees. This will help in publicizing the benefits and speeding acceptance throughout the health care system.

"LIMITED" HEALTH INSURANCE PLANS

"Limited" health insurance plans provide a reduced level of coverage to Kansans instead of insisting that all plans be "Cadillac" plans. The "Kansas Business Health Partnership Act of 2000" enabled a public/private partnership to provide low-cost insurance options to businesses with 2 to 50 employees. The legislation contemplated subsidies, but no money has been made available to date.

Under the auspices of the law, and in the absence of any state money to subsidize such plans, the Kansas Health Partners Benefit Association has recruited a financially sound insurer to offer a "limited" policy which provides coverage for most minor medical care and preventive medicine, but is very limited on the big-ticket items. It costs about 60% of a "Cadillac" plan, and it is sold through existing Kansas agents.

Without any funding from the state, KHPBA has succeeded in getting health insurance coverage for about 800 Kansans through their employers. With some money for marketing, that number can grow substantially. And, if Kansas officials would strongly endorse and assist with the efforts of KHPBA, additional insurers and products can be added.

SUBSIDIZED HEALTH INSURANCE PLANS

Governor Sebelius estimates about 2/3 of the uninsured in Kansas are small business owners and employees and their families.

Instead of trying to attract huge numbers of adults into Medicaid, a strategy that has had dire consequences to Tennessee and other states, Kansas should concentrate on getting them into employer plans and individual plans.

Medicaid carries a stigma that prevents perhaps half of those eligible from participating. Most health care providers detest Medicaid because it underpays and has huge red tape costs. And Medicaid, with very low or no premiums, no co-pays, no deductibles, and no annual or lifetime limits, is very expensive.

In fact, health insurance subsidies of any kind are extremely unpopular with Kansans. Two recent surveys by the Kansas Chamber show that more than 80% of the general population and more than 90% of small business owners dislike subsidies.

If Kansas is to try subsidies, it makes sense to target the 2/3 in small business. And it makes sense to use the system that was specifically set up for that purpose, that being the Kansas Business Health Policy Committee and its contractor, the Kansas Health Partners Benefit Association.

By law, only employers who have not offered health insurance in the past two years can receive the subsidies. By using KHPBA, the subsidies can be in the background and less obnoxious. Traditional agents will sell the policies, keeping the system in normal business channels. Even though there will be no Medicaid money in the system, there will be some employer money, some patient money, some tax-deduction money, and savings on red tape to health care providers.

At least some consideration should be given to limiting subsidies to firms with 10 or 20 employees at most. These groups are the ones with the highest percentages of uninsured. Larger firms are more desirable targets for agents, have more options in general, and are much more likely to start offering insurance without subsidies.

The funding could come from the state's windfall in premiums taxes. Kansas taxes on insurance premiums increased from \$67.6 million in 2000 to \$121.8 million in 2004¹—a \$50.4 million revenue windfall attributable to continuing double-digit price increases for health insurance and casualty insurance. These taxes are paid almost exclusively by small employers. Self-insured large employers do not pay premiums taxes.

SMALL EMPLOYER HEALTH INSURANCE TAX CREDIT

This subsidy already exists but required only \$92,000 in state funds last year. It is too small and too complicated and has been little used. The income tax credit is for businesses that have not offered health insurance to employees in the past two years. By doubling the starting amount to \$70 per month per employee and simplifying the paperwork, more small businesses will use it to offer health insurance.

Any employer or any agent can request this credit without working with KHPBA. Presently, it must be approved prior to the purchasing of coverage, which may scare some away from it.

The Senate Republicans will soon introduce a bill tying HSAs to the Kansas Small Business Health Insurance Credit. Used in conjunction with one of the new Health Savings Accounts, a redesigned credit should be very attractive to small employers, and this approach should be promoted, probably through the Kansas Business Health Policy Committee and the Kansas Health Partners Benefit Association.

KANSAS ASSOCIATION HEALTH PLANS

This is a totally different animal than the national "AHP" legislation. Only insurance companies and policies approved by the Kansas Insurance Department would be involved. Agents would work with associations to establish plans for association members, especially the smallest firms. Associations would be able to provide a valuable service to their members and receive some income for it. Small employers would have clout through their associations. Agents would be attracted to the large numbers, which typically means a lower commission rate.

An assortment of insurance products including limited plans, HSAs, other high-deductible plans without HSAs, plans with limited mandates, and other innovative products could be offered.

The purpose of Kansas AHPs would be to increase "take-up", or utilization, which has proven to be a major obstacle to getting more people insured, both in Kansas and nationwide.

DRUG COSTS

Adopt the three prescription drug plans proposed the Kansas Senate Republicans in January.

Flesh out the Governor's plan for the state to collaborate with Kansas pharmacies to provide generic drugs to low-wage working Kansans. Adopt her plan for a web-based drug information center to access free and reduced price drugs, incorporating the Republican Senate drug plans if possible. On the website, include information about drug costs and generic drug substitutes for name-brand drugs. Name brand drug prices are escalating at 4 times the rate of inflation. Consumers need to be able to check costs of name brand drugs compared to cheaper substitutes.

ADMINISTRATIVE COSTS

Embrace the Governor's Health Care Cost Containment Commission, which will work to lower health care administrative costs and advance the use of computer and other technology to streamline record-keeping.

MANDATES

Avoid new mandated health insurance coverages. Self-insureds don't have to comply, so these just hurt small businesses and their employees and make them less able to compete with big business. Every mandate, no matter how well-intentioned, adds to the number of small-business uninsured.

TORT REFORM

Embrace the Kansas Chamber's "collateral source" and "sound science" initiatives.

-- END --

For information concerning this compilation, contact Kenneth Daniel, publisher, KsSmallBiz.com, 785-232-4590 x205, kdaniel@kssmallbiz.com.

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ⁱ“Kansas Tax Facts 2004 Supplement to the Seventh Edition”, October 2004, page 1.

LEGISLATIVE



TESTIMONY

KANSAS

Statement by
Hal Hudson, State Director
National Federation of Independent Business
Before the
Senate Assessment & Taxation Committee
Re: SB 257
Thursday, February 17, 2005

Madam Chair and Members of the Committee:

Thank you for allowing me to speak with you in support of SB 257. My name is Hal Hudson, and I am State Director for NFIB – the National Federation of Independent Business.

For more than 10 years health care, health insurance, availability and cost, have ranked as the number one problem or cause for concern by small business owners – across our nation and in Kansas.

SB 257 represents an attempt to provide small part of the solution – a small piece of the puzzle.

On our state ballot mailed to members last fall, we asked: **“Should legislation be enacted to double the income tax credit for employers who provide health care insurance coverage for their employees, and simplify employer qualification?”**

Of those responding, 82% said yes, while only 9% said no, and 8% were undecided.

Our proposal was to increase the credit to \$70 per employee per month, and make it available to all employers of 50 or fewer. Some thought doubling this tax credit, and making it simpler for an employer to qualify, would be a strong incentive for employers to pay all or part of the cost of health insurance for their employees.

By making it simpler, we meant that it should apply to all small employers – not just those who have not provided insurance coverage in the past two years. It also should apply to all employees – not just those whose income is below a certain level.

The statute that SB 257 would amend has been on the books for several years, and it has received very little acceptance by small employers. That is, in part because a \$35.00 monthly credit, for which you may have to pay out \$300-\$400 each month, and wait until next April for the credit to reduce your income tax liability – is not much incentive.

We are very pleased to see the language providing that the income tax credit for the employer may be used in connection with a high deductible health benefit plan and contributions to a health savings account.

We are supporting SB 257 primarily because it is better than nothing. We would much prefer to see SB 257 amended to leave the \$70.00 flat for three years, and remove the employee income. restriction.

From: "Beverly Gossage" <beverly@ofmtorch.com>
To: <nancyk@senate.state.ks.us>
Date: 2/18/2005 11:53:22 AM
Subject: Wall Street Journal 1-19-04 for Senator Allen

Wall Street Journal 1-19-2004

Health and Taxes By MARTIN FELDSTEIN

The Health Savings Accounts that President Bush recently signed into law may well be the most important piece of legislation of 2003. These new tax and medical insurance rules have the potential to transform health-care finances, bringing costs under control and making health care reflect what patients and their doctors really want. It is remarkable that this legislation has received so little public attention.

Today's high cost of health care reflects the way that the tax law has subsidized the use of insurance to pay for health care. Private insurance now pays 70% of all non-government health-care costs and more than 90% of non-government hospital costs. Because out-of-pocket payments at the time of care are only a small fraction of the total cost of producing that care, individuals naturally want "the best care" that medical science can provide. And the demand for that high-tech care drives medical innovation toward new and more expensive modes of treatment.

The demand for the typical health-insurance policy reflects the tax provision that allows employees to exclude payments for health insurance from their taxable income. Since the annual premium for a family may be as much as \$10,000, the resulting tax saving is a very large subsidy for the purchase of the kind of comprehensive, low-deductible insurance policy that drives up health-care costs and that has led to the imposition of controls on patient choice. In the aggregate, this exclusion reduces Federal income-tax collections by \$120 billion a year, essentially a \$120 billion subsidy for purchasing the wrong kind of insurance.

Although HMOs and other forms of managed care that aim at controlling health costs have become increasingly common in recent years, health costs continue to take a growing share of GDP. And neither patients nor doctors are happy when HMOs restrict the health care that can be given, or limit the time that doctors can spend with each patient, or appear to deny patients information about the care that might benefit them.

The new HSA law (a part of the recent Medicare reform bill) eliminates the preferential subsidy for comprehensive insurance by giving the same tax treatment to individuals who set aside income to pay cash for a larger share of their own health care. Anyone under the age of 65 can establish a Health Savings Account if they have a "qualified" health-insurance plan. A "qualified" plan is an insurance policy that has a minimum deductible of \$2,000 for a family and a \$10,000 limit on the family's annual out-of-pocket expenses. The deductible is designed to make individuals more cost-conscious in their consumption of health care, and the annual limit on out-of-pocket expenses is there to prevent financial hardship or a lack of care because of an inability to pay. Individuals or their employers can make annual pretax contributions to Health Savings Accounts of up to 100% of the health-plan deductible, with a maximum of \$5,150 in 2004.

An individual can withdraw funds from his HSA without paying tax if the money is used for any kind of health bills, including prescription drugs, dental care and long-term care. Any funds not used in one year are automatically carried forward to the future. Individuals can also withdraw funds from these Health Savings Accounts for nonmedical expenses by paying tax as they would for any IRA withdrawal. And the individual pays no tax on the interest, dividends or capital gains earned on the HSA investment.

Here's an example of how such a "qualified plan" and an HSA can substantially reduce costs for a family without increasing its financial risk. California Blue Cross now offers a traditional low-deductible plan (a deductible of \$500 per family member, up to a maximum of two) with an annual premium of \$8,460. It also

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offers a high-deductible plan that is similar except that the deductible is \$2,500 per family member, also up to a maximum of two. The annual premium for the high-deductible plan is only \$3,936, a premium saving of \$4,524. The premium saving is so large that it actually exceeds the maximum additional out-of-pocket cost that the family would face if it reached the maximum deductible for both individuals!

The traditional tax rules are the only reason why someone in the past would have chosen the low deductible policy. A family that earns \$50,000 faces a marginal tax rate of about 45% (a 27% federal income tax rate, 15% payroll tax rate and a state income tax rate of about 5%). If the \$4,524 premium saving was turned into taxable salary, the individual's net income would rise by only 55% of \$4,524, or \$2,488. But when the saving of \$4,524 is put into a Health Savings Account, there is no tax to pay and the funds can accumulate tax-free.

High-deductible policies give individuals and their doctors an incentive to avoid wasteful health spending. When spending comes from the individuals' own Health Savings Accounts, individuals and their doctors have a strong favorable impact on health. The same incentive can influence the choice among hospitals and among different prescription drugs. And because these cost incentives reduce the need for HMO rules that limit the availability of care, individuals can have greater scope for choosing the care that they want.

In short, the new HSA tax and insurance rules can be the beginning of successfully controlling medical spending and bringing it in line with what patients and their doctors really think is best.

Mr. Feldstein, chairman of the Council of Economic Advisers under President Reagan, is an economics professor at Harvard and a member of the Journal's Board of Contributors.

which benefits are payable with or without regard to fault and which is statutorily required to be contained in any liability insurance policy or equivalent self-insurance; and

(6) "high deductible health benefit plan" means a health benefit plan with an annual deductible which is not less than \$1,000 for self-only coverage, and not less than \$2,000 for family coverage; and the sum of the annual deductible and the other annual out-of-pocket expenses required to be paid under the plan, other than for premiums for covered benefits, does not exceed \$5,000 for self-only coverage, and \$10,000 for family coverage.

(b) For all taxable years commencing after December 31, 2004, an employer shall be allowed a credit against the income tax imposed by the Kansas income tax act in an amount as provided in subsection (c) for contributions made by such employer to pay part or all of the employee's required deductible for a high deductible health benefit plan or contributions to health savings accounts of employees. Contributions made on behalf of an employee for the deductible of such employee's high deductible health plan when such employee was covered under another health plan which is not a high deductible health plan shall not be a basis for a tax credit pursuant to the provisions of this subsection.

(c) The amount of the credit allowed pursuant to subsection (b) shall be \$70 per month per employee for the first 12 months of participation, \$50 per month per employee for the next 12 months of participation and \$35 per employee for the next 12 months of participation. After 36 months of participation, no credit shall be allowed.

(d) If the amount of the credit allowed by subsection (c), exceeds the taxpayer's income tax liability imposed under the Kansas income tax act, such excess amount shall be refunded to the taxpayer.

(e) The secretary of revenue shall verify all tax credit claims by employers pursuant to the provisions of subsection (b). Employers shall submit all information deemed necessary by the secretary to verify such tax claims as required pursuant to this subsection.

~~New Sec. 3. If the business health partnership develops a high deductible health benefit plan, The commissioner of insurance and the business health partnership shall cooperate to provide a coordinated effort of providing and marketing such plan to~~
provide employers with information about HSA qualified plans and the availability, requirements and benefits provided through the utilization of the tax credit provided pursuant to the provisions of section 2, and amendments thereto, ~~to employers.~~

Sec. 4. K.S.A. 40-2246 is hereby repealed.

Sec. 5. This act shall take effect and be in force from and after its publication in the statute book.



HSA Consultants

What is an HSA?

An HSA (Health Savings Account) is a tax-free account you can use to cover your health care expenses if you have a qualified high deductible health plan.

What are the experts saying about HSAs?

- **US Secretary of the Treasury John Snow** “...*HSAs are a terrific option that I think every American ought to consider.*”
- **Reuters: Linda Stern** “...*could be the best savings vehicle yet. These are going to be a huge deal. They're like a flex spending account on steroids; they're better than an IRA.*”
- **Wall Street Journal: Martin Feldstein** “...*may well be the most important piece of legislation of 2003*”
- **Washington Post: Albert B. Crenshaw** “...*the first universally available savings accounts that are tax-free at both ends.*”
- **Inc. Magazine:** “*401K for health care costs...help take the sting out of ever-rising insurance premiums*”
- **American Health Value: Michael Berry** “*Such plans allow workers and their employers to pay sharply lower premiums and plow the savings into an HSA rather than give that money to the insurance company month after month.*”
- **Galen Institute: Greg Scandlen** “*They have the potential to become the dominant kind of health care financing in the next five to ten years*”

Beverly Gossage and Scott Borden
913-207-6141 913-980-4694

Legislative Testimony

SB 257

February 17, 2005

**Testimony before the Kansas Senate Assessment and Taxation Committee
By Lew Ebert, President and CEO**

Madam Chair and member of the Committee;

The Kansas Chamber and its over 10,000 small, medium and large business members support SB 257, tax credits for employers. Currently, there is a tax credit offered for employers, but SB 257 makes the credit more attractive and applicable to contributions made by employers to Health Savings Accounts (HSA's).

As health care costs increase, more and more employers are looking into HSA's for their employees and SB 257 makes the credit applicable to this type of health insurance plan and encourages employers to take advantage of the savings HSA's could bring their company.

We encourage this committee to pass SB 257 and provide additional incentives for companies to offer health insurance to their employees. Thank you for your time and I will be happy to answer any questions.

The Kansas Chamber, with headquarters in Topeka, is the statewide business advocacy group moving Kansas towards becoming the best state in America to do business. The Kansas Chamber and its affiliate organization, The Kansas Chamber Federation, have more than 10,000 member businesses, including local and regional chambers of commerce and trade organizations. The Chamber represents small, medium and large employers all across Kansas.

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Date 02-17-05
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The Force for Business

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TO: Senator Barbara Allen, Chairperson
Members, Senate Assessment & Taxation Committee

FROM: Ashley Sherard, Vice-President
Lenexa Chamber of Commerce

DATE: February 17, 2005

RE: **SB 257—Enhanced Health Care Income Tax Credits
for Employers**

The Lenexa Chamber of Commerce would like to express its support for the concepts embodied in SB 257, which would enhance the income tax credits available to employers who make certain contributions to employee health benefit plans and health savings accounts.

Most health care coverage in the U.S. is provided through an employer. Unfortunately, employers have absorbed several years of double-digit cost increases for employee health benefits.

Higher costs mean fewer employers can afford to provide quality health care coverage for their employees, particularly among small businesses. In some cases benefits may be eliminated altogether. Of those employers that continue to provide coverage, substantial cost increases are often managed by reducing benefits or by requiring employees to contribute more toward their plans.


The prevention or loss of health care coverage endangers employees and their families, promotes costly emergency health care, and makes it more difficult for businesses to attract and retain quality employees.

We believe SB 257 is a key step in the right direction, helping to contain expenses, encourage quality benefits, and ensure that businesses and employees have affordable coverage options.

For these reasons, the Lenexa Chamber of Commerce urges the committee to consider the concepts in SB 257 favorably. Thank you for your time and consideration of this important issue.

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Date 02-17-05
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FISCAL FOCUS

Budget and Tax Policy in  Perspective

April Holman
Legislative Testimony
Senate Bill 156
Senate Committee on Assessment and Taxation
February 17, 2005

Good morning Madam Chair and members of the Committee. On behalf of Kansas Action for Children, I would like to thank you for this opportunity to testify in support of Senate Bill 156.

In 2003, Kansas Action for Children began a new initiative called Fiscal Focus. The purpose of Fiscal Focus is to improve the economic security of Kansas children and their families and ensure a balanced and fair tax system and budget process that protects the well-being of children and families as well as a stable system of state revenues.

Senate Bill 156 would require the Department of Revenue to publish a tax expenditure report annually. A tax expenditure is a departure from the normal tax structure designed to favor a particular industry, activity or class of person. Common examples of tax expenditures are income tax credits and sales tax exemptions.

In Kansas a great deal of scrutiny is given each year to direct state expenditures through the budget process. However, very seldom are tax expenditures revisited once they have been adopted. In fact, information about the cost of several tax expenditures is not even available.

In 37 states, some form of a tax expenditure report is published detailing the amount of tax revenue forgone by the state due to credits, exemptions and other tax expenditures. Kansas joined the ranks of these states this year with the publication of its first tax expenditure report. Passage of Senate bill 156 would ensure the ongoing availability of basic information about government expenditures to the taxpayers and policymakers through this report.

Requiring the publication of a tax expenditure report would:

- Provide transparency in government by making tax expenditure information easily available to the public.
- Provide information about the cost of newly implemented tax provisions.
- Provide a uniform accounting of the tax revenues forgone due to tax expenditures.
- Enable a historical comparison of revenues forgone due to tax expenditures.

In the interest of good government and wider public disclosure, a tax expenditure report which is published regularly can only enhance fiscal policy in Kansas. For this reason we respectfully request your favorable consideration of Senate Bill 156.

MEMORANDUM

To: Mr. Duane Goossen, Director
Division of Budget

From: Kansas Department of Revenue

Date: 02/16/2005

Subject: Senate Bill 156
Introduced as a Senate Bill

Brief of Bill

Senate Bill 156, as introduced, would require the secretary of revenue to make a report prior to each legislative session to the legislature and governor on the effect of exemptions, credits, and exclusions relating to sales and use taxes and individual, corporate and privilege taxes. The report shall include an analysis of each special provision of law that reduces the amount of tax payable, an estimate of the loss of revenue for the current fiscal year and a citation of the statutory or legal authority for such provision.

The effective date of this bill is on publication in the statute book.

Fiscal Impact

Passage of this bill will not impact state general fund revenues.

Administrative Impact

None.

Administrative Problems and Comments

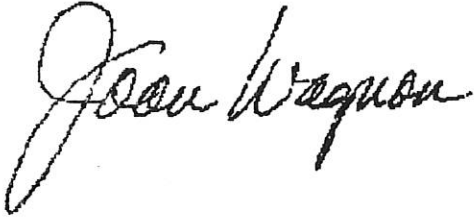
The department currently produces this report and intends to continue producing it annually, whether this legislation is enacted or not.

Taxpayer/Customer Impact

Legal Impact


None.

Approved By:

A handwritten signature in cursive script that reads "Joan Wagon". The signature is written in black ink and is positioned above the printed name.

Joan Wagon
Secretary of Revenue

FISCAL FOCUS

Budget and Tax Policy in  Perspective

April Holman
Legislative Testimony
Senate Bill 159
Senate Committee on Assessment and Taxation
February 17, 2005

Good morning Madam Chair and members of the Committee. On behalf of Kansas Action for Children, I would like to thank you for this opportunity to testify in support of Senate Bill 159.

In 2003, Kansas Action for Children began a new initiative called Fiscal Focus. The purpose of Fiscal Focus is to improve the economic security of Kansas children and their families and ensure a balanced and fair tax system and budget process that protects the well-being of children and families as well as a stable system of state revenues.

Senate Bill 159 would require the Department of Revenue to publish a tax incidence analysis every three years. A tax incidence analysis is a study of the distribution of tax burdens between income groups, identifying which groups are most affected by taxes.

Tax equity or fairness is an important component of tax policy. This is not a new concept in Kansas. In fact, in 1998 the Governor's Tax Review Committee noted that tax burdens should recognize the ability to pay. This group recommended that the tax burden should be equitable in impact on all Kansans and in order to accomplish this, the state should estimate the economic burden of who pays Kansas taxes and promote the public's use of the tax burden distributions in assessing tax legislation.

A study was published in 2003 by the Institute on Taxation & Economic Policy of the Kansas state and local tax structure called, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States." This study showed that the state and local tax structure in Kansas is regressive with the wealthiest one percent of Kansas paying an effective tax rate of 8 percent and the poorest 10 percent of Kansas paying an effective tax rate of over 11 percent.

In order to move toward a Kansas tax structure that is more equitable, we must have the best possible information about the impact of paying taxes under the current structure. This information must be updated on a regular basis and must be from a trusted source. Senate Bill 159 would accomplish this purpose. For this reason, we respectfully request your favorable consideration of Senate Bill 159.

**Illinois Department of Revenue
State Comparison**

<u>State</u>	<u>Exempt Military bonus and Student Loan Payments</u>	
Alabama	No	
Alaska		
Arizona	No	
Arkansas	No	\$6,000 exclusion of military pay
California	No	
Colorado	No	
Connecticut	No	
Delaware	No	
Florida		
Georgia		
Hawaii		
Idaho		
Illinois	No	military pay exempt
Indiana	No	\$2,000 exclusion of military pay
Iowa	No	
Kansas	No	
Kentucky		
Louisiana		
Maine		
Maryland	No	
Massachusetts		
Michigan	No	
Minnesota	No	
Mississippi		
Missouri	No	
Montana	No	
Nebraska	No	
New Hampshire		
New Mexico	No	
New York	No	
North Carolina	No	
North Dakota	No	
Ohio	No	
Oklahoma	No	
Oregon	No	
Pennsylvania	No	
Rhode Island	No	
South Carolina	No	national guard and reserve training pay
Tennessee	No	
Utah	No	Active duty pay of reserves and national guard is exempt
Vermont	No	\$2,000 of national guard and U.S. reserve training pay
Virginia	No	\$3,000 of national guard pay, combat pay for operation joint endeavor combat pay not otherwise subtracted from FAGI, \$15,000 of military basic pay
West Virginia	No	
Wisconsin	No	Active duty pay of reserves and national guard is exempt

Revised Ballot
Amendment 2/16/2005

Session of 2005

SENATE BILL No. 13

By Special Committee on Assessment and Taxation

12-30

9 AN ACT concerning taxation; relating to confidentiality of information;
10 disclosure; amending K.S.A. 79-1119, 79-3392, 79-3614 and 79-4105
11 and K.S.A. 2004 Supp. 12-189, 75-5133, 79-3234 and 79-3657 and
12 repealing the existing sections; also repealing K.S.A. 2004 Supp. 74-
13 8017.

14
15 *Be it enacted by the Legislature of the State of Kansas:*

16 Section 1. K.S.A. 2004 Supp. 12-189 is hereby amended to read as
17 follows: 12-189. Except as otherwise provided by paragraph (2) of sub-
18 section (a) of K.S.A. 12-187, and amendments thereto, the rate of any
19 class A, class B or class C city retailers' sales tax shall be fixed in the
20 amount of .25%, .5%, .75% or 1% which amount shall be determined by
21 the governing body of the city. Except as otherwise provided by paragraph
22 (2) of subsection (a) of K.S.A. 12-187, and amendments thereto, the rate
23 of any class D city retailers' sales tax shall be fixed in the amount of .10%,
24 .25%, .5%, .75%, 1%, 1.125%, 1.25%, 1.5% or 1.75%. The rate of any
25 countywide retailers' sales tax shall be fixed in an amount of either .25%,
26 .5%, .75% or 1% which amount shall be determined by the board of
27 county commissioners, except that:

28 (a) The board of county commissioners of Wabaunsee county, for the
29 purposes of paragraph (2) of subsection (b) of K.S.A. 12-187, and amend-
30 ments thereto, may fix such rate at 1.25%; the board of county commis-
31 sioners of Osage county, for the purposes of paragraph (2) of subsection
32 (b) of K.S.A. 12-187, and amendments thereto, may fix such rate at 1.25%
33 or 1.5%; the board of county commissioners of Cherokee, Crawford,
34 Ford, Saline, Seward or Wyandotte county, for the purposes of paragraph
35 (2) of subsection (b) of K.S.A. 12-187, and amendments thereto, may fix
36 such rate at 1.5%, the board of county commissioners of Atchison county,
37 for the purposes of paragraph (2) of subsection (b) of K.S.A. 12-187, and
38 amendments thereto, may fix such rate at 1.5% or 1.75% and the board
39 of county commissioners of Anderson, Barton, Jefferson or Ottawa
40 county, for the purposes of paragraph (2) of subsection (b) of K.S.A. 12-
41 187, and amendments thereto, may fix such rate at 2%;

42 (b) the board of county commissioners of Jackson county, for the
43 purposes of paragraph (3) of subsection (b) of K.S.A. 12-187, and amend-

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1 ments thereto, may fix such rate at 2%;

2 (c) the boards of county commissioners of Finney and Ford counties,
3 for the purposes of paragraph (4) of subsection (b) of K.S.A. 12-187, and
4 amendments thereto, may fix such rate at .25%;

5 (d) the board of county commissioners of any county for the purposes
6 of paragraph (5) of subsection (b) of K.S.A. 12-187, and amendments
7 thereto, may fix such rate at a percentage which is equal to the sum of
8 the rate allowed to be imposed by a board of county commissioners on
9 the effective date of this act plus .25%, .5%, .75% or 1%, as the case
10 requires;

11 (e) the board of county commissioners of Dickinson county, for the
12 purposes of paragraph (7) of subsection (b) of K.S.A. 12-187, and amend-
13 ments thereto, may fix such rate at 1.5%, and the board of county com-
14 missioners of Miami county, for the purposes of paragraph (7) of subsec-
15 tion (b) of K.S.A. 12-187, and amendments thereto, may fix such rate at
16 1.25%, 1.5%, 1.75% or 2%;

17 (f) the board of county commissioners of Sherman county, for the
18 purposes of paragraph (8) of subsection (b) of K.S.A. 12-187, and amend-
19 ments thereto, may fix such rate at 1.5%, 1.75% or 2%;

20 (g) the board of county commissioners of Russell county for the pur-
21 poses of paragraph (9) of subsection (b) of K.S.A. 12-187, and amend-
22 ments thereto, may fix such rate at 1.5%;

23 (h) the board of county commissioners of Franklin county, for the
24 purposes of paragraph (10) of subsection (b) of K.S.A. 12-187, and
25 amendments thereto, may fix such rate at 1.75%;

26 (i) the board of county commissioners of Douglas county, for the
27 purposes of paragraph (11) of subsection (b) of K.S.A. 12-187, and
28 amendments thereto, may fix such rate at 1.25%; or

29 (j) the board of county commissioners of Jackson county, for the pur-
30 poses of subsection (b)(13) of K.S.A. 12-187 and amendments thereto,
31 may fix such rate at 1.4%.

32 Any county or city levying a retailers' sales tax is hereby prohibited
33 from administering or collecting such tax locally, but shall utilize the serv-
34 ices of the state department of revenue to administer, enforce and collect
35 such tax. Except as otherwise specifically provided in K.S.A. 12-189a, and
36 amendments thereto, such tax shall be identical in its application, and
37 exemptions therefrom, to the Kansas retailers' sales tax act and all laws
38 and administrative rules and regulations of the state department of rev-
39 enue relating to the Kansas retailers' sales tax shall apply to such local
40 sales tax insofar as such laws and rules and regulations may be made
41 applicable. The state director of taxation is hereby authorized to admin-
42 ister, enforce and collect such local sales taxes and to adopt such rules
43 and regulations as may be necessary for the efficient and effective ad-

1 ministration and enforcement thereof.

2 Upon receipt of a certified copy of an ordinance or resolution author-
3 izing the levy of a local retailers' sales tax, the director of taxation shall
4 cause such taxes to be collected within or without the boundaries of such
5 taxing subdivision at the same time and in the same manner provided for
6 the collection of the state retailers' sales tax. Such copy shall be submitted
7 to the director of taxation within 30 days after adoption of any such or-
8 dinance or resolution. All moneys collected by the director of taxation
9 under the provisions of this section shall be credited to a county and city
10 retailers' sales tax fund which fund is hereby established in the state treas-
11 ury. Any refund due on any county or city retailers' sales tax collected
12 pursuant to this act shall be paid out of the sales tax refund fund and
13 reimbursed by the director of taxation from collections of local retailers'
14 sales tax revenue. Except for local retailers' sales tax revenue required to
15 be deposited in the redevelopment bond fund established under K.S.A.
16 74-8927, and amendments thereto, all local retailers' sales tax revenue
17 collected within any county or city pursuant to this act shall be appor-
18 tioned and remitted at least quarterly by the state treasurer, on instruction
19 from the director of taxation, to the treasurer of such county or city.

20 Revenue that is received from the imposition of a local retailers' sales
21 tax which exceeds the amount of revenue required to pay the costs of a
22 special project for which such revenue was pledged shall be credited to
23 the city or county general fund, as the case requires.

24 The director of taxation shall provide, upon request by a city or county
25 clerk or treasurer *or finance officer* of any city or county levying a local
26 retailers' sales tax, monthly reports identifying each retailer ~~having a place~~
27 ~~of doing business in such city or county or making taxable sales sourced~~
28 ~~to such city or county~~, setting forth the tax liability and the amount of
29 such tax remitted by each retailer during the preceding month and iden-
30 tifying each business location maintained by the retailer ~~within such city~~
31 ~~or county and such retailer's sales or use tax registration or account num-~~
32 ~~ber~~. Such report shall be made available to the clerk or treasurer *or fi-*
33 *nance officer* of such city or county within a reasonable time after it has
34 been requested from the director of taxation. The director of taxation
35 shall be allowed to assess a reasonable fee for the issuance of such report.
36 Information received by any city or county pursuant to this section shall
37 be confidential, and it shall be unlawful for any officer or employee of
38 such city or county to divulge any such information in any manner. Any
39 violation of this paragraph by a city or county officer or employee is a
40 class B misdemeanor, and such officer or employee shall be dismissed
41 from office.

42 Sec. 2. K.S.A. 2004 Supp. 75-5133 is hereby amended to read as
43 follows: 75-5133. (a) Except as otherwise more specifically provided by

1 law, all information received by the *secretary of revenue, the director of*
 2 *taxation or the director of alcoholic beverage control* from ~~applications for~~
 3 ~~licensure or registration made or~~ returns or, reports, *license applications*
 4 *or registration documents made or* filed under the provisions of any law
 5 imposing any *sales, use or other* excise tax administered by *the secretary*
 6 *of revenue, the director of taxation, or the director of alcoholic beverage*
 7 *control, or from any investigation conducted under such provisions, shall*
 8 be confidential, and it shall be unlawful for any officer or employee of
 9 the department of revenue to divulge any such information except in
 10 accordance with other provisions of law respecting the enforcement and
 11 collection of such tax, in accordance with proper judicial order ~~and or~~ as
 12 provided in K.S.A. 74-2424, and amendments thereto.

13 ~~(b) Nothing in this section shall be construed to prohibit the publi-~~
 14 ~~cation of~~ *The secretary of revenue or the secretary's designee may:*

15 (1) *Publish* statistics, so classified as to prevent identification of par-
 16 ticular reports or returns and the items thereof, ~~or;~~

17 (2) *allow* the inspection of returns by the attorney general. ~~Nothing~~
 18 ~~in this section shall prohibit or the attorney general's designee;~~

19 (3) *provide* the post auditor ~~from~~ access to all such excise tax reports
 20 or returns in accordance with and subject to the provisions of subsection
 21 (g) of K.S.A. 46-1106, and amendments thereto. ~~Nothing in this section~~
 22 ~~shall be construed to prohibit the disclosure of;~~

23 (4) *disclose* taxpayer information from excise tax returns to persons
 24 or entities contracting with the secretary of revenue where the secretary
 25 has determined disclosure of such information is essential for completion
 26 of the contract and has taken appropriate steps to preserve confidentiality.

27 ~~(c) Notwithstanding the foregoing provisions of this section, the di-~~
 28 ~~rector of taxation may provide: (1) Such;~~

29 (5) *provide* information from returns and reports filed under article
 30 42 of chapter 79 of the Kansas Statutes Annotated to county appraisers
 31 as is necessary to insure proper valuations of property. Information from
 32 such returns and reports may also be exchanged with any other state
 33 agency administering and collecting conservation or other taxes and fees
 34 imposed on or measured by mineral production; ~~and (2) such~~

35 (6) *provide, upon request by a city or county clerk or treasurer or*
 36 *finance officer of any city or county receiving distributions from a local*
 37 *excise tax, monthly reports identifying each retailer doing business in such*
 38 *city or county or making taxable sales sourced to such city or county,*
 39 *setting forth the tax liability and the amount of such tax remitted by each*
 40 *retailer during the preceding month, and identifying each business loca-*
 41 *tion maintained by the retailer and such retailer's sales or use tax regis-*
 42 *tration or account number. City or county clerks or treasurers or finance*
 43 *officers may release this information to staff members within their re-*

1 *spective offices for the sole purpose of verifying distributions or preparing*
2 *revenue projections;*

3 (7) *provide information from returns and applications for registration*
4 *filed pursuant to K.S.A. 12-187, and amendments thereto, and K.S.A. 79-*
5 *3601, and amendments thereto, to a city or county treasurer or clerk or*
6 *finance officer to explain the basis of statistics contained in reports re-*
7 *quired provided by K.S.A. 12-180, and amendments thereto, 12-1604,*
8 *and amendments thereto, and 12-1608, and amendments thereto.*

9 ~~(d) Nothing in this section shall prohibit the disclosure of subsection~~
10 ~~(b)(6);~~

11 (8) *disclose the following oil and gas production statistics received by*
12 *the department of revenue in accordance with K.S.A. 79-4216 et seq. and*
13 *amendments thereto: Volumes of production by well name, well number,*
14 *operator's name and identification number assigned by the state corpo-*
15 *ration commission, lease name, leasehold property description, county of*
16 *production or zone of production, name of purchaser and purchaser's tax*
17 *identification number assigned by the department of revenue, name of*
18 *transporter, field code number or lease code, tax period, exempt produc-*
19 *tion volumes by well name or lease, or any combination of this*
20 *information:*

21 ~~(e);~~

22 (9) *release or publish liquor brand registration information provided*
23 *by suppliers, farm wineries and microbreweries in accordance with the*
24 *liquor control act. The information to be released is limited to: Item num-*
25 *ber, universal numeric code assigned by the distilled spirits council of the*
26 *United States (UNIMERC), type status, product description, alcohol per-*
27 *centage, selling units, unit size, unit of measurement, supplier number,*
28 *supplier name, distributor number and distributor name;*

29 (10) *release or publish liquor license information provided by liquor*
30 *licensees, distributors, suppliers, farm wineries and microbreweries in ac-*
31 *cordance with the liquor control act. The information to be released is*
32 *limited to: County name, owner, business name, address, license type,*
33 *license number, license expiration date and the process agent contact*
34 *information;*

35 (11) *release or publish cigarette and tobacco license information ob-*
36 *tained from cigarette and tobacco licensees in accordance with the Kansas*
37 *cigarette and tobacco products act. The information to be released is lim-*
38 *ited to: County name, owner, business name, address, license type and*
39 *license number;*

40 (12) *provide environmental surcharge or solvent fee, or both, infor-*
41 *mation from returns and applications for registration filed pursuant to*
42 *K.S.A. 65-34,150 and 65-34,151, and amendments thereto, to the secre-*
43 *tary of health and environment or the secretary's designee for the sole*

1 *purpose of ensuring that retailers collect the environmental surcharge tax*
 2 *or solvent fee, or both;*

3 (13) *provide water protection fee information from returns and ap-*
 4 *plications for registration filed pursuant to K.S.A. 82a-954, and amend-*
 5 *ments thereto, to the secretary of the state board of agriculture or the*
 6 *secretary's designee and the secretary of the Kansas water office or the*
 7 *secretary's designee for the sole purpose of verifying revenues deposited*
 8 *to the state water plan fund;*

9 (14) *provide to the secretary of commerce copies of applications for*
 10 *project exemption certificates sought by any taxpayer under the enterprise*
 11 *zone sales tax exemption pursuant to subsection (cc) of K.S.A. 79-3606,*
 12 *and amendments thereto;*

13 (15) *Disclose information received pursuant to the liquor control act,* ← *delete*
 14 *club and drinking establishment act, nonalcoholic malt beverage act or* ← *delete*
 15 *the Kansas cigarette and tobacco act and subject to the confidentiality*
 16 *provisions of this act to any criminal justice agency, as defined in subsec-*
 17 *tion (c) of K.S.A. 22-4701, and amendments thereto, or to any law en-*
 18 *forcement officer, as defined in subsection (c)(10) of K.S.A. 21-3110, and*
 19 *amendments thereto, on behalf of a criminal justice agency, when re-*
 20 *quested in writing in conjunction with a pending investigation; and*

21 (16) *provide to retailers tax exemption information for the sole pur-*
 22 *pose of verifying the authenticity of tax exemption numbers issued by the*
 23 *department.*

24 (c) Any person receiving any information under the provisions of sub-
 25 section (b), ~~(e)~~ or ~~(d)~~ shall be subject to the confidentiality provisions of
 26 subsection (a) and to the penalty provisions of subsection ~~(f)~~ (d).

27 ~~(f)~~ (d) Any violation of this section shall be a class B, nonperson mis-
 28 demeanor, and if the offender is an officer or employee of this state, such
 29 officer or employee shall be dismissed from office.

30 Sec. 3. K.S.A. 79-1119 is hereby amended to read as follows: 79-
 31 1119. (a) All reports, statements, lists and returns required under the
 32 provisions of article 11 of chapter 79 of the Kansas Statutes Annotated,
 33 *and amendments thereto*, shall be preserved for three ~~(3)~~ years and there-
 34 after until the director of taxation orders them to be destroyed.

35 (b) Except in accordance with proper judicial order, or as provided
 36 in subsection (c) of this section, subsection (g) of K.S.A. 17-7511 or 46-
 37 1106, *and amendments thereto*, it shall be unlawful for the director of
 38 taxation, or any deputy, agent, clerk or other officer, employee or former
 39 employee of the department of revenue or any other state officer or em-
 40 ployee or former state officer or employee to divulge, or to make known
 41 in any way, the amount of income or any particulars set forth or disclosed
 42 in any report, statement, list, return, federal return or federal return in-
 43 formation required under the provisions of article 11 of chapter 79 of the

1 Kansas Statutes Annotated, *and amendments thereto*; and it shall be un-
2 lawful for the director of taxation, or any deputy, agent, clerk or other
3 officer or employee of the department of revenue engaged in the admin-
4 istration of the tax imposed under the provisions of article 11 of chapter
5 79 of the Kansas Statutes Annotated, *and amendments thereto*, to engage
6 in the business or profession of tax accounting or to accept employment,
7 with or without consideration, for any person, firm or corporation for the
8 purpose, directly or indirectly, or preparing tax returns or reports re-
9 quired by the laws of the state of Kansas, by any other state or by the
10 United States government, or to accept any employment for the purpose
11 of advising, preparing material or data, or the auditing of books or records
12 to be used in an effort to defeat or cancel any tax or part thereof that has
13 been assessed by the state of Kansas, any other state or by the United
14 States government.

15 ~~(c) Nothing herein shall be construed to prohibit the publication of~~
16 ~~statistics. The secretary or the secretary's designee may: (1) Publish sta-~~
17 ~~tistics, so classified as to prevent the identification of particular reports~~
18 ~~or returns and the items thereof; or;~~

19 (2) allow the inspection of returns by the attorney general or other
20 legal representatives of the state. ~~Nothing in this section shall prohibit;~~

21 (3) provide the post auditor ~~from~~ access to all statements, lists, re-
22 ports or returns in accordance with and subject to the provisions of sub-
23 section (g) of K.S.A. 46-1106, *and amendments thereto*; or

24 (4) disclose to the secretary of commerce specific taxpayer informa-
25 tion related to financial information previously submitted by the taxpayer
26 to the secretary of commerce concerning or relevant to any privilege tax
27 credits, for purposes of verification of such information or evaluating the
28 effectiveness of any tax credit program administered by the secretary of
29 commerce.

30 (d) Any person receiving information under the provisions of ~~this~~ sub-
31 section (c) shall be subject to the confidentiality provisions of subsection
32 (b) ~~of this section~~ and to the penalty provisions of subsection ~~(d)~~ of this
33 section (e).

34 ~~(d)~~ (e) Any violation of subsections (b) or (c) of this section shall be
35 a class B misdemeanor; and if the offender be an officer or employee of
36 the state, ~~he or she~~ such officer or employee shall be dismissed from office.

37 ~~(e)~~ (f) Notwithstanding the provisions of this section, the secretary of
38 revenue may, in his or her discretion, permit the commissioner of internal
39 revenue of the United States, or the proper official of any state imposing
40 an income tax or privilege tax on financial institutions, or the authorized
41 representative of either, to inspect the reports, statements, lists or returns
42 made under the provisions of article 11 of chapter 79 of the Kansas Stat-
43 utes Annotated, *and amendments thereto*, and the secretary of revenue

1 may make available or furnish to the taxing officials of any other state or
2 the commissioner of internal revenue of the United States or other taxing
3 officials of the federal government, or their authorized representatives,
4 information contained in statements, lists, reports, or returns or any audit
5 thereof or the report of any investigation made with respect thereto, filed
6 pursuant to any of the provisions of article 11 of chapter 79 of the Kansas
7 Statutes Annotated, *and amendments thereto*, as the secretary may con-
8 sider proper, but such information shall not be used for any other purpose
9 than that of the administration of tax laws of such state or of the United
10 States.

11 ~~(f) Notwithstanding the provisions of this section, the secretary of~~
12 ~~revenue may provide such information to the president of Kansas, Inc.~~
13 ~~as required by K.S.A. 1997 Supp. 74-8017, and amendments thereto. The~~
14 ~~president and any employees or former employees of Kansas, Inc. re-~~
15 ~~ceiving any such information shall be subject to the confidentiality pro-~~
16 ~~visions of subsection (b) and to the penalty provisions of subsection (d).~~

17 Sec. 4. K.S.A. 2004 Supp. 79-3234 is hereby amended to read as
18 follows: 79-3234. (a) All reports and returns required by this act shall be
19 preserved for three years and thereafter until the director orders them
20 to be destroyed.

21 (b) Except in accordance with proper judicial order, or as provided
22 in subsection (c) or in K.S.A. 17-7511, subsection (g) of K.S.A. 46-1106,
23 K.S.A. 46-1114, or K.S.A. 79-32,153a, and amendments thereto, it shall
24 be unlawful for *the secretary*, the director, any deputy, agent, clerk or
25 other officer, employee or former employee of the department of revenue
26 or any other state officer or employee or former state officer or employee
27 to divulge, or to make known in any way, the amount of income or any
28 particulars set forth or disclosed in any report, return, federal return or
29 federal return information required under this act; and it shall be unlawful
30 for *the secretary*, the director, any deputy, agent, clerk or other officer
31 or employee engaged in the administration of this act to engage in the
32 business or profession of tax accounting or to accept employment, with
33 or without consideration, from any person, firm or corporation for the
34 purpose, directly or indirectly, of preparing tax returns or reports required
35 by the laws of the state of Kansas, by any other state or by the United
36 States government, or to accept any employment for the purpose of ad-
37 vising, preparing material or data, or the auditing of books or records to
38 be used in an effort to defeat or cancel any tax or part thereof that has
39 been assessed by the state of Kansas, any other state or by the United
40 States government.

41 ~~(c) Nothing in this section shall be construed to prohibit the publi-~~
42 ~~cation of *The secretary or the secretary's designee may: (1) Publish* sta-~~
43 ~~tics, so classified as to prevent the identification of particular reports~~

- 1 or returns and the items thereof; ~~or;~~
- 2 (2) *allow* the inspection of returns by the attorney general or other
3 legal representatives of the state. ~~Nothing in this section shall prohibit;~~
- 4 (3) *provide* the post auditor ~~from~~ access to all income tax reports or
5 returns in accordance with and subject to the provisions of subsection (g)
6 of K.S.A. 46-1106 or K.S.A. 46-1114, and amendments thereto. ~~Nothing~~
7 ~~in this section shall be construed to prohibit the disclosure of;~~
- 8 (4) *disclose* taxpayer information from income tax returns to persons
9 or entities contracting with the secretary of revenue where the secretary
10 has determined disclosure of such information is essential for completion
11 of the contract and has taken appropriate steps to preserve confidentiality.
12 ~~Nothing in this section shall be construed to prohibit the disclosure of~~
13 ~~job creation and investment information derived from tax schedules re-~~
14 ~~quired to be filed under the Kansas income tax act to the secretary of~~
15 ~~commerce. Nothing in this section shall be construed to prohibit the~~
16 ~~disclosure of;~~
- 17 (5) *disclose to the secretary of commerce specific taxpayer informa-*
18 *tion related to financial information previously submitted by the taxpayer*
19 *to the secretary of commerce concerning or relevant to any income tax*
20 *credits, for purposes of verification of such information or evaluating the*
21 *effectiveness of any tax credit program administered by the secretary of*
22 *commerce;*
- 23 (6) *disclose* income tax returns to the state gaming agency to be used
24 solely for the purpose of determining qualifications of licensees of and
25 applicants for licensure in tribal gaming. Any information received by the
26 state gaming agency shall be confidential and shall not be disclosed except
27 to the executive director, employees of the state gaming agency and mem-
28 bers and employees of the tribal gaming commission. ~~Nothing in this~~
29 ~~section shall be construed to prohibit the disclosure of;~~
- 30 (7) *disclose* the taxpayer's name, last known address and residency
31 status to the department of wildlife and parks to be used solely in its
32 license fraud investigations. ~~Nothing in this section shall prohibit the dis-~~
33 ~~closure of;~~
- 34 (8) *disclose* the name, residence address, employer or Kansas ad-
35 justed gross income of a taxpayer who may have a duty of support in a
36 title IV-D case to the secretary of the Kansas department of social and
37 rehabilitation services for use solely in administrative or judicial proceed-
38 ings to establish, modify or enforce such support obligation in a title IV-
39 D case. In addition to any other limits on use, such use shall be allowed
40 only where subject to a protective order which prohibits disclosure out-
41 side of the title IV-D proceeding. As used in this section, "title IV-D
42 case" means a case being administered pursuant to part D of title IV of
43 the federal social security act (42 U.S.C. § 651 *et seq.*) and amendments

1 thereto. Any person receiving any information under the provisions of
2 this subsection shall be subject to the confidentiality provisions of sub-
3 section (b) and to the penalty provisions of subsection (d):

4 ~~(d) Any violation of subsection (b) or (c) is a class B nonperson mis-~~
5 ~~demeanor and, if the offender is an officer or employee of the state, such~~
6 ~~officer or employee shall be dismissed from office.~~

7 ~~(e) Notwithstanding the provisions of this section, the secretary of~~
8 ~~revenue may;~~

9 (9) permit the commissioner of internal revenue of the United States,
10 or the proper official of any state imposing an income tax, or the author-
11 ized representative of either, to inspect the income tax returns made
12 under this act and the secretary of revenue may make available or furnish
13 to the taxing officials of any other state or the commissioner of internal
14 revenue of the United States or other taxing officials of the federal gov-
15 ernment, or their authorized representatives, information contained in
16 income tax reports or returns or any audit thereof or the report of any
17 investigation made with respect thereto, filed pursuant to the income tax
18 laws, as the secretary may consider proper, but such information shall not
19 be used for any other purpose than that of the administration of tax laws
20 of such state, the state of Kansas or of the United States-

21 ~~(f) Notwithstanding the provisions of this section, the secretary of~~
22 ~~revenue may;~~

23 ~~(1);~~

24 (10) communicate to the executive director of the Kansas lottery in-
25 formation as to whether a person, partnership or corporation is current
26 in the filing of all applicable tax returns and in the payment of all taxes,
27 interest and penalties to the state of Kansas, excluding items under formal
28 appeal, for the purpose of determining whether such person, partnership
29 or corporation is eligible to be selected as a lottery retailer;

30 ~~(2)~~ (11) communicate to the executive director of the Kansas racing
31 commission as to whether a person, partnership or corporation has failed
32 to meet any tax obligation to the state of Kansas for the purpose of de-
33 termining whether such person, partnership or corporation is eligible for
34 a facility owner license or facility manager license pursuant to the Kansas
35 parimutuel racing act; and

36 ~~(3) provide such information to the president of Kansas, Inc. as re-~~
37 ~~quired by K.S.A. 74-8017, and amendments thereto. The president and~~
38 ~~any employees or former employees of Kansas, Inc. receiving any such~~
39 ~~information shall be subject to the confidentiality provisions of subsection~~
40 ~~(b) and to the penalty provisions of subsection (d).~~

41 (12) provide such information to the executive director of the Kansas
42 public employees retirement system for the purpose of determining that
43 certain individuals' reported compensation is in compliance with the Kan-

1 *sas public employees retirement act at K.S.A. 74-4901 et seq.*, and amend-
2 ments thereto.

3 (d) Any person receiving information under the provisions of subsec-
4 tion (c) shall be subject to the confidentiality provisions of subsection (b)
5 and to the penalty provisions of subsection (e).

6 (e) Any violation of subsection (b) or (c) is a class B nonperson mis-
7 demeanor and, if the offender is an officer or employee of the state, such
8 officer or employee shall be dismissed from office.

9 ~~(g)~~ (f) Nothing in this section shall be construed to allow disclosure
10 of the amount of income or any particulars set forth or disclosed in any
11 report, return, federal return or federal return information, where such
12 disclosure is prohibited by the federal internal revenue code as in effect
13 on September 1, 1996, and amendments thereto, related federal internal
14 revenue rules or regulations, or other federal law.

15 Sec. 5. K.S.A. 79-3392 is hereby amended to read as follows: 79-
16 3392. The provisions of K.S.A. 75-5133, 79-3610, 79-3611, 79-3612, 79-
17 3613, ~~79-3614~~, 79-3615 and 79-3617, and amendments thereto, relating
18 to the assessment, collection, appeal and administration of the retailers'
19 sales tax, insofar as practical, shall have full force and effect with respect
20 to taxes imposed by this act.

21 Sec. 6. K.S.A. 79-3614 is hereby amended to read as follows: 79-
22 3614. ~~All information received by the director from returns filed under~~
23 ~~this act, or from any investigations conducted under the provisions of this~~
24 ~~act, shall be confidential, except for official purposes, and it shall be un-~~
25 ~~lawful for any officer or employee of such director to divulge any such~~
26 ~~information in any manner, except in accordance with a proper judicial~~
27 ~~order, or as provided in K.S.A. 74-2424, and amendments thereto. The~~
28 ~~post auditor shall have access to all such information in accordance with~~
29 ~~and subject to the provisions of subsection (g) of K.S.A. 46-1106, and~~
30 ~~amendments thereto. Nothing in this section shall be construed to pro-~~
31 ~~hibit the disclosure of taxpayer information from sales tax returns to per-~~
32 ~~sons or entities contracting with the secretary of revenue where the sec-~~
33 ~~retary has determined disclosure of such information is essential for~~
34 ~~completion of the contract and has taken appropriate steps to preserve~~
35 ~~confidentiality. Notwithstanding the provisions of this section, the sec-~~
36 ~~retary of revenue may provide such information to the president of Kan-~~
37 ~~sas, Inc. as required by K.S.A. 1997 Supp. 74-8017, and amendments~~
38 ~~thereto. Any person receiving any such information pursuant to this sec-~~
39 ~~tion shall be subject to the same duty of confidentiality imposed on of-~~
40 ~~ficers and employees of the department of revenue by this section and~~
41 ~~shall be subject to any civil or criminal penalties imposed by law for~~
42 ~~violations of such duty of confidentiality. Any information obtained by~~
43 ~~the department of revenue in connection with administration of the Kan-~~

1 *retailer's sales tax act is subject to the confidentiality provisions as set*
2 *forth in K.S.A. 75-5133, and amendments thereto.*

3 Sec. 7. K.S.A. 2004 Supp. 79-3657 is hereby amended to read as
4 follows: 79-3657. Return information submitted to any party or parties
5 acting for and on behalf of the state shall be treated as confidential. Dis-
6 closure of such information necessary under K.S.A. 2004 Supp. 79-3655
7 and 79-3656, *and amendments thereto*, shall be pursuant to a written
8 agreement between the department and the party or parties. Such party
9 or parties shall be bound by the same requirements of confidentiality as
10 the department, under K.S.A. ~~79-3614~~ 75-5133, and amendments
11 thereto.

12 Sec. 8. K.S.A. 79-4105 is hereby amended to read as follows: 79-
13 4105. The provisions of K.S.A. 75-5133, 79-3605, 79-3609, 79-3610, 79-
14 3611, 79-3612, 79-3613, ~~79-3614~~, 79-3615, 79-3617 and 79-3619, and ~~acts~~
15 ~~amendatory thereof or supplemental~~ *amendments* thereto, relating to en-
16 forcement, collection and administration, insofar as practicable, shall have
17 full force and effect with respect to taxes imposed under the provisions
18 of K.S.A. 79-4101 to 79-4104, inclusive, and *amendments thereto*. When-
19 ever the word "director" is used in ~~said sections~~ *such statutes* it shall be
20 construed to mean, for the purposes of this act, the director of taxation.
21 The provisions of K.S.A. 74-2422, 74-2425, 74-2426 and 74-2427, and
22 ~~acts amendatory thereof or supplemental~~ *amendments* thereto, relating
23 to the approval of rules and regulations, and the adoption of uniform rules
24 and regulations for ~~said~~ *such* hearings and for appeals from orders of the
25 director of taxation and prescribing the duties of county attorneys with
26 respect to such appeals, insofar as practicable, shall have full force and
27 effect with respect to taxes imposed by, and proceedings under, the pro-
28 visions of K.S.A. 79-4101 to 79-4108, inclusive, and *amendments thereto*.

29 Sec. 9. K.S.A. 79-1119, 79-3392, 79-3614 and 79-4105 and K.S.A.
30 2004 Supp. 12-189, 74-8017, 75-5133, 79-3234 and 79-3657 are hereby
31 repealed.

32 Sec. 10. This act shall take effect and be in force from and after its
33 publication in the statute book.