Approved: March 31, 2006
Date

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on January 27, 2006 in Room 519-S of the Capitol.

All members were present.

Committee staff present:
Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:
Lynn Jenkins, CPA, Treasurer, State of Kansas

Others attending:
See attached list.

Representative Humerickhouse requested a bill introduction pertaining to severance tax on aggregate. Representative Owens moved that they introduce the bill. Representative Huff seconded the motion. The motion passed.

Representative Owens introduced his wife Donna Owen, an Overland Park City Council member.

Representative Brown introduced his wife Susie and family members: Aaron; Mariah; Lydia; Anna; Alex; Sarah; and a friend, Sara Scherschligt.

Representative Lukert introduce his intern Kate , a student at Kansas State University

HB 2573 - Income taxation, deduction for amounts contributed to qualified tuition programs.

Chris Courtwright explained the *Learning Quest* program, a 529 plan, currently available under Kansas law. **HB 2573** would extend the tax deduction for contributions to all 529 plans, not just the Kansas state sponsored plan. The fiscal impact would reduce SGF revenues by $1.2 million in FY 2008.

The Chairman opened the hearing on **HB 2573.**

Lynn Jenkins, CPA, Treasurer, State of Kansas, introduced the *Learning Quest* team: Scott Gates, Director, Learning Quest; Peggy Hanna, Deputy Assistant State Treasurer; Stacey Belford, Program Manager for American Century Investment; and Jeff Wagaman, Assistant State Treasurer.

Treasurer Jenkins said, "Kansas is better off when its sons and daughters have access to a college education and our public universities benefit when our residents are prepared for its financial costs." She said Kansans should not be penalized if they choose another option that better meets their investment objectives. This tax deduction should be about encouraging Kansans to save for their children's future and not about controlling their investment choices by giving them a tax deduction only if they choose our plan (Attachment 1).

Attached to her testimony was: 1) A report from the Department of Revenue outlining the cost of the current deduction for tax year 2004; 2) An article provided by the College Savings Foundation - "The many benefits of State Tax Equity for 529 Plans;" 3) Letters of support from Kevin McMullen, Chair, Government Affairs Committee and Kim Chamberlain, Vice President and Counsel, State Government Affairs.

Discussion followed regarding: penalties; limitations; comparison to other state programs; and fees.

MINUTES OF THE House Taxation Committee at 9:00 A.M. on January 27, 2006 in Room 519-S of the Capitol.

There being no other proponents or opponents, the Chairman closed the public hearing on **HB 2573**.

Hearing no objections to work the bill, the Chairman asked the desire of the Committee.

Representative Goico made a motion to pass out **HB 2573**, favorable for passage. Representative George seconded the motion. The motion carried.

The Chairman explained that there would be public hearings on Monday, January 31 on **HB 2548** - Three year phase out of the franchise tax.

Chris Courtwright gave a briefing on the "Recent Franchise Tax History" to prepare the Committee in advance. A memo was distributed to the Committee (Attachment 2).

The franchise tax bill was enacted in Kansas in 1866, and since the 1970s there were no meaningful changes in the tax until 2002. He provided a review of activities from 2002 through 2005. A chart of the recent franchise tax collections from FY 2001 through FY 2005, included estimated revenue for 2006 and 2007.

The meeting was adjourned at 10:10 A.M. The next meeting in January 31,

HOUSE TAXATION COMMITTEE GUEST LIST

DATE: January 27, 2006

NAME	REPRESENTING
Derek Hein	Hein Law Firm
Joe Humerickhouse	
Donna Owens	constituent
Claudia Weaver	BWD Vanarum
John Peterson	Am Century
Lynn Jenkins	STO
Scott Gates	STO
PEGGY HANNA	STO
Stacey Belford	American Century
Jeff Wagaman	State Treasurer's Office
MARK BORANYAK	CAPITOL STRATEGIES
Richard Cram	KDOR

STATE OF KANSAS

Lynn Jenkins, CPA
TREASURER

900 SW JACKSON ST, SUITE 201
TOPEKA, KANSAS 66612-1235

PHONE: 785-296-3171
FAX: 785-296-7950

House Committee on Taxation, January 27, 2006
Testimony on H.B. 2573 by Lynn Jenkins, Kansas State Treasurer

Thank you for the opportunity to address the Committee in support of House Bill 2573. This has been a great year for Learning Quest, our state's 529 education savings program. This past summer, we surpassed $1 billion in assets, and we currently have over 84,000 accounts. Both Kansans and investors from across the country continue to choose our plan to save for their students' future. In April of 2005, we continued our trend of expanding investment options by adding four Vanguard indexed mutual funds after rolling out the Schwab 529 plan in 2003. April also brought the launch of our partnership with Babymint, a loyalty program enabling investors to save for a student when they make everyday purchases. In addition, we initiated our first scholarship program with Washburn University, to incent students to attend Kansas institutions. In 2006, we will have our investment management contract with American Century out for bid. This process will help our plan respond to the many changes that have occurred in the 529 industry since our original contract was signed in 1999.

H. B. 2573 is a very simple and straight-forward bill. I believe that Kansas is better off when its sons and daughters have access to a college education and our public universities benefit when our residents are prepared for its financial costs. I would like to see Kansans receive our state's tax deduction regardless of whether they choose our plan or another state's 529 plan. I believe we offer a competitive program, however, Kansans should not be penalized if they choose another option that better meets their investment objectives. This tax deduction should be about encouraging Kansans to save for their children's future. It should not be about controlling their investment choices by giving them a tax deduction only if they choose our plan.

The different tax treatment by each state can be confusing to investors and creates another layer of analysis when comparing each plan's fees and investment performance. Federal regulators assume that investors can't understand this issue, so they require us to warn consumers about investing in a 529 plan outside the state in which they reside, in every advertisement. If we eliminated the preferred tax treatment for our plan, we wouldn't need to explain this issue in every promotion.

I have attached a report from the Department of Revenue outlining the cost of the current deduction for tax year 2004. They were kind enough to capture this information at our request, so that we all might be better equipped to make decisions regarding this program.

I'd be glad to answer any questions that you may have.

House Taxation
1-27-06
Attachment 1

January 26, 2006

The Honorable Kenny Wilk, Chairperson
House Committee on Taxation
Statehouse, Room 426-S
Topeka, Kansas 66612

Dear Representative Wilk:

SUBJECT: Fiscal Note for HB 2573 by Legislative Educational Planning Committee

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2573 is respectfully submitted to your committee.

Current law allows Kansas taxpayers to receive an annual income tax deduction of up to \$3,000 (\$6,000 if married, filing jointly) per designated beneficiary for allowable contributions to an education savings account administered by the Kansas State Treasurer. HB 2573 would allow Kansas taxpayers who have education savings accounts to receive the income tax deductions no matter in what state the account is administered. The change would take effect with tax year 2007.

The Department of Revenue estimates that HB 2573 would reduce State General Fund revenues by \$1.2 million in FY 2008. No effect to State General Fund revenues would occur in FY 2007, because the bill would be in effect for only the second half of the year and the deduction is a modification to income, so withholdings or estimated payments would not likely be altered in that fiscal year.

To formulate these estimates, the Department of Revenue reviewed the number of deductions taken by taxpayers for Learning Quest accounts in tax year 2004. In that year, \$46.3 million worth of modifications to income were claimed by 10,853 Kansas taxpayers. Assuming 50.0 percent of the \$46.3 million contributed to the Kansas plan would be contributed to plans outside Kansas, and an average tax rate of 5.0 percent, the reduction in income tax receipts to the state would be \$1.2 million (\$46.3 million X 50.0 percent X 5.0 percent).

The Department states that passage of this bill would require 560 hours of in-house programming time to make modifications to the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. However, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, expenditures for outside contract programmer services beyond the Department's current budget may be required.

The Office of the State Treasurer administers the state's Learning Quest education savings plan. The agency attempted to determine the number of Kansans who have accounts in other states, but not all the other 49 states had responded at the time this fiscal note was prepared. Based on the information the agency did obtain, it is estimated that 5,000 Kansans have accounts in other states' savings plans. If contributions to those accounts average the same as in Kansas ($2,200), then $11.0 million would be available as deductions to Kansas income ($2,200 X 5,000). At the highest 6.5 percent tax rate, the reduction in state income tax receipts would be $715,000 ($11.0 million X 6.5 percent). As explained before, this reduction to State General Fund revenues would not likely occur until FY 2008. Any fiscal effect associated with enactment of HB 2573 is not accounted for in *The FY 2007 Governor's Budget Report.*

Sincerely,

Duane A. Goossen

Duane A. Goossen
Director of the Budget

cc: Steve Neske, Revenue
Peggy Hanna, Treasurer's Office

Kansas Department of Revenue
Learning Quest Modifications to FAGI
Tax Year 2004

KAGI Bracket		Returns	arning Quest Amoı	Percent of Total Amount	Average Modification
Up To	$25,000	439	$1,160,839	2.5%	$2,644
$25,000	$50,000	842	$2,305,044	5.0%	$2,738
$50,000	$75,000	1,786	$4,829,559	10.4%	$2,704
$75,000	$100,000	2,201	$6,398,219	13.8%	$2,907
$100,000	Over	5,585	$31,634,314	68.3%	$5,664
	Total	10,853	$46,327,975	100.0%	$4,269

COLLEGE SAVINGS FOUNDATION
THE MANY BENEFITS OF STATE TAX EQUITY FOR 529 PLANS

Many states steer their residents to in-state 529 college savings plans by rewarding, through special tax incentives, only those residents who choose to save for higher education through an in-state plan. For example, a state may provide tax deductions or credits for contributions only to the in-state plan, or impose penalties or recapture taxes when money is rolled over to another state's plan. Ironically, these policies ultimately disadvantage families saving for college education and significantly interfere with the important public policy goal of encouraging residents to save for education.

- **The Cost of College Education is Rising Rapidly.** For the 2005-2006 academic year, the College Board reports that the average annual total cost of attending a 4-year public and a 4-year private college or university increased 6.6% (to $12,127) and 5.7% (to $29,026), respectively.[1] Assuming such costs increase by 5% a year, the projected cost of college in 15 years will be more than $100,000 for a 4-year public college and more than $200,000 for a 4-year private college.

- **A 529 Plan is the Ideal Savings Vehicle to Finance These Costs.** Individuals can make after-tax contributions to 529 plans, have earnings grow tax-free, and take tax-favored withdrawals for qualified higher education expenses. While individual states create their own 529 plans, federal law does not require a state resident to invest in the in-state plan; instead, it provides a platform on which a nationwide network of state-sponsored 529 plans can compete, providing families with various options from which to choose to save for the cost of college education.

- **Lack of State Tax Equity for 529 Plans Creates Significant Disadvantages for Families.** The preferential tax treatment for the in-state plan frustrates this nationwide platform and harms state residents in a number of ways.

  - **Barriers to Competition Between 529 Plans** – State sponsorship combined with tax incentives for the in-state plan creates an inflexible and noncompetitive environment. Resident investors are essentially held "captive" and the 529 plan provider has insufficient incentive to innovate and improve quality and service.

  - **Limiting Investment Choice, Flexibility, and Portability** – By instituting preferential tax treatment for the in-state plan and selecting a single financial provider, state policymakers have in effect made investment decisions for their constituents. Yet the in-state plan's particular provider and investment selections may not be a good investment fit for all state residents. State recapture taxes or rollover penalties also constrain the investor's ability to move from a state's 529 plan to a more suitable plan offered by another state. This can result in significant public dissatisfaction when the in-state plan's investments perform poorly or when the in-state financial provider is the subject of adverse regulatory or law enforcement action. Additionally, the public may ask why it finds itself "locked" in an unsatisfactory investment. The public may well ask state

[1] The College Board, Trends in College Pricing, at 5 (2005).

policymakers why tax policies made it difficult for them to initially select an alternative or to subsequently move to a plan better suited to their needs in these circumstances.

- **Unnecessary and Counterproductive Confusion** – Complexities arising from differing state tax regimes may drive potential investors into less optimal education savings vehicles or cause individuals to forego college saving altogether. Moreover, family members who are dispersed in different states may find they have to manage multiple accounts, each subject to differing tax rules that conflict with the education savings goals of the extended family.

- **Equity Advances State's Interests.** State tax equity removes the disadvantages created by differing state tax regimes and also advances the state's interests in encouraging maximum college savings by its residents.

- **An Increased Pool of Investors**. Equitable state tax policies will engender goodwill among potential investors by demonstrating that the state supports a competitive marketplace, will not penalize families with inequitable tax policies, and is sensitive to the confusion caused by differential tax treatment. The resulting certainty and uniformity will attract more investors who previously shied away from 529 plans. The simplification that equity brings will also encourage more multi-state employers to offer 529 plans as an employee benefit, employing the ease of payroll deduction to expand the number of investors.

- **Equity Triggers More Effective Marketing**. Equity and the uniformity and clarity it brings will also lead to increased advertising of 529 plans by plan providers and a resulting heightened awareness of the need to save for college and indirectly the in-state plan itself. Equity also forecloses the need for disclosures relating to differing state tax policies, which have discouraged out-of-state individuals from investing in strong plans based in other states.

- **The State Will Benefit from Increased Overall Savings in 529 Plans**. The attractive federal tax characteristics of 529 plans combined with the marketing and simplicity unleashed by state tax equity will result in broader use of 529 plans and an overall increase in education savings. While equity allows residents to consider the full range of available 529 plans, many state residents may opt for the in-state plan due to familiarity and convenience. Home states will continue to see a significant share of the expanded number of 529 investors choosing the in-state plan.

- **23 States with Tax Equity for 529 Plans are Successful**. Twenty-three states provide equitable state tax treatment for 529 plan contributions and these states have a demonstrated record of success in attracting investors. This experience shows that equity is consistent with success for the in-state plan.

- **A Better Educated Constituency Will Generate Additional State Revenue**. Equity will increase the overall level of education savings by state residents. This increased savings will lead to more residents being able to afford college, which will in turn produce a more highly educated and skilled constituency. In its 2004 survey, the College Board reported that individuals with a bachelor's degree (or higher) will make over $1 million more than their counterparts with a high school diploma during the course of their careers.[2] With a better-educated and more affluent constituency, the state will realize higher income tax revenues and will attract more companies requiring skilled employees.

- **Higher Education Yields Significant Benefits for Individuals and Society.** A recent "Education Pays" report from the College Board documents that college graduates not only have significantly higher earnings but that they experience lower levels of unemployment and are less likely to depend on social safety-net programs.[3] According to the report, college graduates also are more likely than individuals who have not graduated from college to have lower smoking and incarceration rates and participate in civics, including voting, volunteer work and blood donation.[4]

States can achieve equity by equalizing state laws that favor the in-state 529 plan. They should extend current tax deductions or credits to contributions to out-of-state plans and should repeal the barriers to moving monies between different 529 plans.

More details of CSF's position on this issue are presented in a white paper, "*Promoting College Savings by and for American Families: How Inconsistent and Inequitable State Tax Treatment of Section 529 Savings Plans Will Limit College Savings*." For a copy of the paper, please contact Kathy Hamor, College Savings Foundation, 202-223-2631, khamor@mindspring.com.

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[2] The College Board, Education Pays: The Benefits of Higher Education for Individuals and Society, at 11 (2004).
[3] Id. at 7.
[4] Id.

CollegeSavings
FOUNDATION

January 26, 2006

Representative Kenny Wilk
Chairperson
Taxation Committee
Room 519-S
300 SW 10th Street
Topeka, KS 66612

Re: Support of House Bill 2573

Dear Representative Wilk:

On behalf of the College Savings Foundation ("CSF"), a not-for-profit organization with the mission of helping American families achieve their education savings goals by working with public policy makers, media representatives and financial services industry executives in support of education savings programs, I wish to extend CSF's support for HB 2573, which would provide a state income tax deduction for contributions from Kansas residents to any 529 college savings plan.

As you know, 529 plans are considered an attractive way for families to save for college. A major benefit of these plans to Kansas residents is that residents can make after-tax contributions to 529 plans, have earnings grow tax free, and take tax-favored withdrawals for qualified higher education expenses.

We applaud your interest in encouraging savings for college. The attractive federal tax characteristics of 529 plans combined with the state tax deduction provided by HB 2573 will result in broader use of 529 plans and an overall increase in education savings. This increased savings will lead to more Kansas residents being able to afford college, which will in turn produce a more highly educated and skilled constituency. The College Board in its 2004 report "Education Pays: The Benefits of Higher Education for Individuals and Society" and its supplement documented many of the individual and societal benefits generated by higher education.

According to the report, college graduates will earn an average of about $1 million more than their counterparts with a high school diploma over the course of their careers. With a better-educated and more affluent constituency, Kansas will realize higher income tax revenues and will attract more companies requiring skilled employees.

Please feel free to contact me through our national office in Washington, DC at (202) 223-2631, if you need additional information.

Sincerely,

Kevin McMullen

Kevin McMullen
Chair, Government Affairs Committee

cc: Legislative Educational Planning Committee

Securities Industry Association
120 Broadway - 35 Fl. • New York, NY 10271-0080 • (212) 608-1500, Fax (212) 968-0703 • www.sia.com, info@sia.com

January 26, 2006

The Honorable Kenny Wilk
Chairperson, Taxation Committee
Kansas State Capitol
Room 426-S
300 SW 10th Street
Topeka, KS 66612

Re: SIA Support of House Bill 2573

Dear Chairman Wilk:

On Friday, January 27th, your Committee is holding a hearing on HB 2573, legislation that extends favorable state tax treatment to all qualified 529 plans. The Securities Industry Association[1] (SIA) wanted to take this opportunity to express its strong support for the bill.

As you may know, Kiplinger, Savingforcollege.com, and a host of other entities view 529 plans to be one of the best places to invest college savings. A major reason why these plans are so attractive is that the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 makes earnings on 529 plans free from federal tax so long as they are used for qualified education expenses. Furthermore, most states – including Kansas – conformed their tax laws to ensure that 529 earnings were not taxed at the state level.

In addition, Kansas residents who contribute to the state-sponsored 529 plan receive an up front state tax deduction for contributions of up to $6,000 per married couple filing jointly. Recognizing that encouraging college savings is good public policy, HB 2573 extends this tax benefit to Kansas residents who contribute to any qualified 529 plan.

There are several reasons why it is important to extend the current up front tax incentive to all qualified 529 plans. First, limiting a state tax deduction to specific state sponsored plans effectively limits consumer choice. The problem with giving preferential state tax treatment to one plan is that the up-front deduction often plays too large a role in plan selection. By extending the tax benefit to Kansas residents who contribute to any qualified 529 program, HB 2573 levels the playing field among plans. Kansas residents are then able to make investment choices based on a wide range of criteria, such as: investment objective and risk level, fund options, manager reputation, return rates and/or expenses and sales loads.

[1] The Securities Industry Association brings together the shared interests of approximately 600 securities firms to accomplish common goals. SIA's primary mission is to build and maintain public trust and confidence in the securities markets. SIA members (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. According to the Bureau of Labor Statistics, the U.S. securities industry employs nearly 800,000 individuals, and its personnel manage the accounts of nearly 93-million investors directly and indirectly through corporate, thrift, and pension plans. In 2004, the industry generated $236.7 billion in domestic revenue and an estimated $340 billion in global revenues. (More information about SIA is available at: www.sia.com.)

Second, HB 2573 encourages competition among plans. Plans will compete for business based on factors such as plan performance, customer service, and fees. Increased competition among the plans should result in even better options for consumers.

Finally, many Kansas residents rely upon investment professionals to help meet their college savings needs. Because these investment professionals are familiar with the family's entire investment portfolio, they are in a unique position to help residents select the 529 plan that fits best with their needs and goals. Extending equal tax treatment to all 529 plans allows these residents to continue working with trusted advisers, and allows those advisers to explore a variety of options before making investment recommendations.

SIA applauds Treasurer Lynn Jenkins for supporting this legislation and urges the House Taxation Committee to view HB 2573 favorably.

Please feel free to contact me at 212-720-0611 should you have any questions.

Sincerely,

Kim Chamberlain

Kim Chamberlain
Vice President and Counsel
State Government Affairs

Recent Franchise Tax History

To: House Taxation Committee
From: Chris W. Courtwright, Principal Economist

Rate Increases—2002 SB 39

An omnibus tax bill was enacted late in 2002 that included a corporation franchise tax provision that sought to effectively double the amount of revenues received under the corporation franchise taxes. (The proposal was originally recommended by Governor Graves.) Prior law had imposed a tax of $1 per $1,000 of shareholder equity on corporations up to a maximum of $2,500. Under the new law, the tax was increased to $2 per $1,000 of shareholder equity up to a maximum of $5,000.

2003 Session -- Potential Rate Decreases and Other Issues

SB 38, which would have restored the rate to $1 per $1,000 of shareholder equity was approved by the Senate on February 12. After initially being referred to the House Judiciary Committee, the bill was withdrawn and subsequently referred to the House Taxation Committee. The subject of the potential rate decreases was discussed frequently by the taxation conference committee at the conclusion of the 2003 Session.

A conference committee report (HB 2287) which contained a number of taxation provisions, including a proposal to restore the corporation franchise rate to $1 in combination with increasing the maximum amount of liability to $8,000, was defeated on the House floor in the waning hours of the session.

Other issues discussed during 2003 deliberations in the House Taxation Committee included a proposal to eliminate both parent and subsidiaries corporations' having to pay the tax; a proposal to change the "zero-rate" part of the current law's computation; and a proposal to move administration and collection of the tax from the Secretary of State's office to the Department of Revenue (HB 2454).

The Legislative Coordinating Council during the summer of 2003 asked that the Special Committee on Assessment and Taxation conduct an interim study on these corporation franchise tax issues and make whatever recommendations deemed appropriate to the 2004 Legislature.

2003 Interim Study

The Special Committee concluded that the rate increases in the 2002 law were particularly burdensome for small Kansas businesses and recommended the introduction of legislation to return the rate of the tax (as well as the minimum and maximum liability amounts) to the pre-2002 provisions. The interim also recommended that administration and enforcement of a tax based on net worth more appropriately belonged with the Department of Revenue than it did with the Secretary of State and recommended legislation to move the net-worth portion of the tax to the Department of Revenue while simultaneously retaining a small annual filing fee with the Secretary of State.

House Taxation
1-27-06
Attachment 2

2004 Sub SB 147

An omnibus tax bill enacted late in the 2004 session incorporated some of the recommendations – a reduction in the rate of the tax and the transfer in administration of the tax. The overall franchise tax provisions in the bill, however, were designed to raise about $7 million per year so as to achieve revenue neutrality relative to other provisions in the legislation (especially sales tax exemptions).

The bill made numerous structural changes in the franchise tax, effective for tax year 2004 and thereafter. The rate of the tax is reduced from $2 per $1,000 of shareholder equity or net worth to $1.25. The maximum liability "cap" of $5,000 was increased to $20,000; and a new exemption was provided for entities with equity or net worth of $100,000 or less.

Administration of the franchise tax based on shareholder equity or net worth was relocated from the Secretary of State to the Department of Revenue. Corporations and associations, limited liability companies, limited partnerships, and business trusts are now required to file annual returns with the Director of Taxation and remit the franchise tax liability before April 15 of each year.

The Secretary of State's Office maintained a separate annual franchise fee of $40 for for-profit and not-for-profit entities. All franchise taxes and fees continue to be deposited in the State General Fund.

2004 Interim Study

Because of all the changes in the 2004 law, the LCC again recommended an interim study during the summer and fall of 2004. The Special Committee was charged with monitoring implementation of the new law, gathering information from the Department of Revenue and Secretary of State on the administration of the new system, and recommending the introduction of any trailer legislation deemed appropriate.

The Special Committee recommended three pieces of legislation designed to assure "a smooth transition to the new franchise tax and fee system; and to assure that revenues will be produced at the levels estimated."

One bill would have restored corporate charter forfeiture provisions previously associated with franchise tax delinquencies (HB 2060). A second bill would have restored the "zero rule" to the franchise tax formula so as to avoid less collection of revenues from holding companies than had been assumed by the 2004 Legislature (HB 2028). A third bill (SB 37) was designed to make a number of mostly technical changes in the law recommended by the Secretary of State and the Department of Revenue.

2005 SB 37

SB 37 was enacted by the 2005 Legislature and made a number of changes to provisions relating to the franchise fee collected by the Kansas Secretary of State, effective January 1, 2006. The bill renamed the annual $40 fee from "franchise fee" to "report fee"; eliminated extensions of time for entities subject to the fee to file their annual reports with the Secretary of State; and repealed a requirement that annual reports need to reflect the financial condition of the entities.

Additional provisions eliminated the reporting of residential addresses for officers and directors of corporations; eliminated reporting of par value of stock and number of shares of stock; and reconciled various provisions relative to different franchise tax and fee bills enacted in 2004.

Finally, additional language made a number of technical and clarifying amendments to statutes relating to the franchise tax collected by the Department of Revenue.

Franchise Tax Phase Out

One bill introduced during 2005 also would have phased the franchise tax over a period of years, HB 2259. A similar bill, HB 2548, has been introduced in 2006.

Recent Franchise Tax Collections

($ in millions)

FY 2001	$16.927
FY 2002	$18.520
FY 2003	$31.089
FY 2004	$36.806
FY 2005	$47.085
FY 2006 est	$45.000
FY 2007 est	$46.000

Note: Pursuant to legislation enacted in 2004, an estimated 3.9 million of receipts in FY 2006 will be attributable to the fee collected by the Secretary of State; and $41.1 million will be attributable to the tax collected by the Department of Revenue.