

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:45 A.M. on March 8, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Judy Swanson, Committee Assistant

Conferees appearing before the committee:

Others attending:

See attached list.

SB 375, creating the Johnson county education research triangle authority, was discussed.

Senator Schmidt moved to amend SB 375 with a technical amendment to clarify the new sales tax authority legislation applies only to Johnson County. Senator Jordan seconded the motion, and the motion carried.

Senator Donovan moved to further amend SB 375 with a technical amendment requested by KDOR to include the appropriate streamlined sales tax notice provision. Senator Pine seconded the motion, and the motion carried.

Senator Apple would like to explore making the sales tax authority option in **SB 375** available to other counties. Senator Lee would also like this issue considered in another bill. Senator Pine suggested junior colleges be included in the study.

SB 370, countywide retailers' sales tax authority for Johnson county, was discussed.

Senator Jordan moved to amend SB 370 on page 6, line 33, by deleting "and operational" and to further amend by adding "the initial tax expires after a period not exceeding 10 years". Senator Goodwin seconded the motion, and the motion carried.

Senator Apple moved to further amend SB 370 on page 2, by adding Franklin County, Miami County and Linn County, and giving them "up to one cent authority". Senator Goodwin seconded the motion, and the motion carried.

Senator Pine moved to further amend SB 370 by inserting the text from SB 278, sales tax exemption for precision farm equipment, into SB 370. Senator Donovan seconded the motion, and the motion carried.

Senator Apple moved to take the text from SB 370, as amended, and put it into SB 375, as amended. Senator Goodwin seconded the motion, and the motion carried.

Senator Jordan moved to report SB 375, as amended, favorably for passage and give the Revisor discretion to make it a substitute bill if necessary. Senator Pine seconded the motion, and the motion carried.

Sub HB 2171, requirements, procedures and penalties related to sales tax refund claims, was discussed. KDOR requested the text of **SB 334** be put into **Sub HB 2171**. Senator Lee said she was told by a reliable source the House Tax Committee is not going to act on any Senate tax bills.

Senator Lee moved to put the text from SB 334 into Sub HB 2171, and to give the Revisor discretion to make any technical amendments needed, and to make it a substitute bill, if necessary. Senator Donovan seconded the motion, and the motion carried.

Senator Goodwin moved to report Sub HB 2171, as amended, favorably for passage. Senator Donovan

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:45 A.M. on March 8, 2007 in Room 519-S of the Capitol.

seconded the motion, and the motion carried. Senator Lee agreed to carry the bill of the floor of the Senate.

SB 347, electronic filing of income tax withholding for employers with 100 or more employees, was discussed.

Joan Wagon, Secretary of KDOR, distributed the final count of employers complying with the electronic filing of W2s. (Attachment 1) In response to Senator Lee, Secretary Wagon assured the Committee KDOR will not hassle employers in the 51-100 employee bracket who are not able to file their W2s electronically, and KDOR will have software available within the year for employers who have software which needs to interface with the KDOR computer programs.

Senator Apple moved to amend **SB 347** by inserting the balloon amendment suggested by KDOR. Senator Goodwin seconded the motion, and the motion carried.

Senator Apple moved to report **SB 347**, as amended, favorably for passage. Senator Goodwin seconded the motion, and the motion carried.

Chairman Allen reviewed IMPACT language as suggested by KDOR. (Attachment 2) She also distributed an article concerning a Missouri bill which would reward cash incentives to businesses in Missouri that create positions with above-average pay. (Attachment 3)

Rae Ann Davis, Department of Commerce, said the suggested IMPACT language would take the 20% cap on MPI off permanently. Senator Lee expressed concern the state would be encouraging businesses to hold the state hostage. She requested information on what incentives were originally given to Sprint. Chairman Allen said this information will be provided.

Senator Lee is very interested in the ozone incentive program. Senator Jordan said the Senate Commerce Committee held hearings on the ozone issue, and assured Senator Lee the Commerce Committee would be working further on it.

Senator Jordan moved to insert the IMPACT language into **SB 334**, make it a substitute bill if needed, and report **SB 334**, as amended, favorably for passage. Senator Lee seconded the motion, and the motion carried.

SB 305, Establishing the Tax Modernization Commission, was discussed. April Holman presented a balloon amendment requested by the Committee. Chairman Allen expressed she would prefer the chairperson and vice-chairperson of the Commission be selected by the Commission, as opposed to appointed by the Governor.

Senator Lee moved to adopt the balloon amendment to **SB 305**. Senator Goodwin seconded the motion.

Senator Allen made a substitute motion to amend **SB 305** on page 2, lines 14 and 15, by changing "The Governor shall elect a chairperson and a secretary" to "the commission shall select the chairperson and vice-chairperson." Senator Donovan seconded the motion, and the motion failed.

A vote was taken on Senator Lee's original motion, and the motion failed.

No further action was taken on **SB 305**.

Senator Donovan moved to approve the minutes of the March 6 Committee meeting. Senator Pine seconded the motion, and the motion carried.

Being no further business, the meeting adjourned at 11:40 A.M. The next meeting will be March 13.

SENATE

TAXATION COMMITTEE

DATE: MARCH 8, 2007

NAME	REPRESENTING
Sue Petersen	KS STATE
April Holman	Kansas Action for Children
Jim Edwards	KASB
Missy Taylor	KFOPE
Matt Bryant	TCE
Shannon Bell	LGR
LARRY R BARR	LKM
Derck Kern	Kern Law Firm
Ted Warner	KS Govt Consulting
Melissa Miller	KSBOIL
Mike Merney	Embargo
Darci Meese	Water One
ROBYN HORTON	KS MOTOR CARRIERS ASSOC.
Mark Schreiber	Western Energy
Bob Keller	JCSG
Dolores Furbado	League of Women Voters
Laura Winn	League of Women Voters
Roussellon Mather	League of Women Voters
Al May	LBA

SENATE
ASSESSMENT & TAXATION COMMITTEE

GUEST LIST

DATE: 3-8-07

NAME	REPRESENTING
Joshua Lewis	Sen. Schmidt
LEONORE ROWE	KWV League of Women Voters KS
Nancy Sargent	League Women Voters
Betty Wickoff	League of Women Voters Jobs
Rae Anne Davis	Dept. of Commerce
ERIK SARTORIUS	City of Overland Park
Pat Martin	League of Women Voters
Michael White	Senate President's Office
David R. Corbin	KDOR
Lynn Cutliffe	KDOR
James Beattie	Asst. of Revenue
Bruce Forke	KDOR
Ann Stotts	KDOR

Jeannette Wagner

SB347

Totals include everything received through March 7, 2007

Employee Range (% compliant)	Electronically	Paper	Total Filers
51 – 100 73.1%	1,258	462	1,720
101 - 249 82.4%	1,122	240	1,362
250 and over 94.9%	827	44	871
Employers Required to File Electronically* 81.1%	3,207	746	3,953
Total W-2's Filed* 91.6%	1,091,062	100,198	1,191,260

*The information above does not include W-2 information provided by the major payroll services.

2007 Solutions

- Review current required withholding information to determine whether the number of required fields can be decreased .
- Develop 1099 online input forms for required file types.
- Create a simplified Microsoft Excel CSV spreadsheet to organize W-2 information.
- Develop a QuickBooks/Peachtree conversion utility – KDOR will develop a method to extract required W-2 information from standard print W-2 files printed to an electronic file. The process is similar to several commercial utilities but will capture data elements in the Kansas W-2 CSV format.
- BTCO has indicated they could provide their services to the general public for a reasonable fee.
- Enhance the FTP filing option for alternative filers (no PIN)

W.A. 10N

Section 1 K S A ~~[2005]~~ [2006] Supp 74-50,107 is hereby amended to read as follows
74-50,107

(a) The secretary shall determine and from time to time shall redetermine the rate at which moneys shall be credited to the IMPACT program repayment fund in order to satisfy all bond repayment obligations which have been incurred to finance program costs for IMPACT programs (which shall be referred to as the debt service rate) and the rate at which moneys shall be credited to the IMPACT program services fund in order to finance program costs that are not financed by bonds (which shall be referred to as the direct funding rate). The total of the debt service rate and the direct funding rate shall be the combined rate. Each rate so determined shall be certified to the secretary of revenue. The combined rate determined under this subsection shall not exceed 2%.

(b) Upon receipt of the rates determined and certified under subsection (a), the secretary of revenue shall apply daily the combined rate to that portion of the moneys withheld from the wages of individuals and collected under the Kansas withholding and declaration of estimated tax act K.S.A. 79-3294 et seq., and amendments thereto. The amount so determined shall be credited as follows: (1) The portion attributable to the debt service rate shall be credited to the IMPACT program repayment fund, and (2) the remaining portion shall be credited to the IMPACT program services fund.

~~[On and after July 1, 2006-2008, the]~~ [The] aggregate of all amounts credited to the IMPACT program repayment fund under this section during any fiscal year to pay bond repayment obligations on bonds to finance major project investments shall not exceed ~~[20%~~ ~~of]~~ the amount which results when the rate of 2% is applied to all money withheld from the wages of individuals and received under the Kansas withholding and declaration of estimated tax act.

Sec 2 K S A 46-1601 is hereby amended to read as follows 46-1601. (a) The purpose of the legislative committees shall be to:

~~(1)~~ (a) Facilitate the growth, diversification and expansion of existing enterprises and the creation by Kansans of new wealth-generating enterprises;

~~(2)~~ (b) promote economic diversification and innovation within the basic industries and sectors of the state;

~~(3)~~ (c) promote increased productivity and value added products, processes and services among wealth-generating enterprises, and the export of those goods and services created by small and large Kansas enterprises to the nation and world;

~~(4)~~ (d) maintain and revitalize economically depressed rural areas and urban neighborhoods by annually targeting scarce resources by size, sector and location to communities and enterprises of particular need and opportunity, and by working in close collaboration with local communities; ~~and~~

~~(5)~~ (e) protect and enhance the environmental quality of the state in ways consistent with dynamic economic growth; *and*

(f) promote and evaluate workforce development to meet the needs of the economy.

Sec 3 K S A 46-1601 and K S A 2005 Supp 74-50,107 are hereby repealed.

Sec 4 This act shall take effect and be in force from and after its publication in the statute book.

Posted on Thu, Feb. 22, 2007

Subsidy program for jobs advances

The Missouri bill would reward businesses that create positions with above-average pay.

By KIT WAGAR
The Star's Jefferson City correspondent

JEFFERSON CITY | Expanded subsidy programs for businesses that create jobs with health benefits and better-than-average pay won preliminary approval Wednesday from the Missouri House.

Lawmakers also added a provision that would give Kansas City's economic development officials a new tool designed to help lure Embarq's corporate headquarters from Kansas to Missouri.

Embarq, the local phone operator spun off from Sprint Corp., has more than 1,000 employees who would move to Missouri if the company relocated its headquarters, supporters said.

The bill's biggest controversy involved an amendment that would require companies to forfeit their subsidies if they knowingly hired illegal workers. Supporters said it would be unfair to existing businesses and to Missouri residents to give tax money to companies that were lowering wage rates for people who were here legally.

Opponents said such a provision would cause employers to discriminate against foreign-born workers who, because of their accents or color, appear to be illegal.

The amendment's sponsor, Democratic Rep. Tony George of St. Louis County, said the forfeiture provision would be good for all workers.

"It helps people who play by the rules, but it stops or slows down those employers willing to exploit people who shouldn't be here in the first place," George said.

George's amendment was approved, 145-8.

Rep. Bryan Pratt, a Blue Springs Republican, proposed the provision designed to help lure Embarq. The bill originally would have prohibited the tax credits or other tax benefits from going to utilities that offer electric, gas, water, sewer, cable or phone services. Pratt changed that section to allow electric, gas and phone companies to receive the credits.

The bill would eliminate the limits on the amount of subsidies available under the Quality Jobs program. The program has proved so popular that economic development officials have used up the \$12 million in tax credits set aside when the original program was approved in 2005.

The existing program allows companies to keep for up to five years the payroll taxes generated by the workers they hire. On top of that, they can receive tax credits of up to \$750,000 for each approved project. The jobs must pay at least the average wage available in the county, and the employer must pay at least half the cost of the worker's health insurance.

The Economic Development Department credits the program with creating 12,438 jobs in Missouri in less than two years.

The bill would also remove the \$4-million-a-year cap on tax credits issued by the state's enterprise zone program, which provides property tax exemptions for up to 25 years on companies that set up in blighted areas. It would also extend the tax exemption to industrial buildings or warehouses built on speculation of later leasing them out.

The bill, however, would exclude such tax exemptions for educational services and religious organizations. Administrative offices overseeing such companies could receive the exemption.

Jobs created with the use of such property tax exemptions would have to carry health insurance partly paid for by the employer. Rep. John Burnett, a Kansas City Democrat, tried to amend that section to require employers receiving the tax credit to pay at least half the health insurance premium. His amendment was rejected.