

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:05 a.m. on February 2, 2010, in Room 783 of the Docking State Office Building.

All members were present except:

Representative Arlen Siegfried- excused

Committee staff present:

Gordon Self, Office of the Revisor of Statutes

Scott Wells, Office of the Revisor of Statutes

Chris Courtwright, Kansas Legislative Research Department

Brandon Riffel, Kansas Legislative Research Department

Marla Morris, Committee Assistant

Conferees appearing before the Committee:

Joan Wagnon, Kansas Department of Revenue

Mary Tritsch, AARP Kansas

Others attending:

See attached list.

Chairman Carlson informed the Committee that committee leadership will establish a schedule for the hearings on **HB 2549 - Imposition of sales tax on certain goods and services, elimination of certain sales tax exemptions and fund-raising sales**. Two weeks of meetings occurring five days each week is the expected to allow the process to run in a systematic order.

Introduction of Bills:

Representative Milack Talia requested introduction of two committee bills.

Representative Menghini moved to introduce a bill that would expand the Tax Clearance program within the Kansas Department of Revenue to ensure certain individuals and businesses are paid up on their taxes. The motion was seconded by Representative Frownfelter, and the motion carried.

At the request of Representative Talia, Representative Menghini requested the introduction of a bill to allow the sale of tax lien receivables to outside financial institutions, whereby the state receives it's delinquent taxes from a taxpayer and then repays the financial institution the tax lien receivable and interest that was paid by the taxpayer. Representative Benlon seconded the motion. The motion carried.

Representative Lukert made a motion to introduce a bill concerning school consolidation with a minor change that would help rural districts consolidate easier. Representative Menghini seconded the motion. The motion carried.

Representative Menghini made a motion to introduce a bill that would replace **HB 2550 - Prohibiting transferability of income tax credits and repealing certain income tax credits**, but remain the same except for the removal of the historic tax credit piece which will be addresses in another bill later in the session. Chairman Carlson seconded the motion. The motion carried.

Chairman Carlson opened the hearing on:

**HB 2521 - Electronic filing of tax returns, reports and other documents**

Proponents:

Joan Wagnon, Kansas Department of Revenue, testified in favor of **HB 2521** and introduced possible revisions on the current bill as follows (Attachment 1):

- Eliminate \$25 fee on KDOR's K-40 return form.

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:00 a.m. on February 2, 2010, in Room 783 of the Docking State Office Building.

- Means-test—no fee below certain income threshold

In response to suggestions to use a refund instead of a fee for electronic filing, Secretary Wagnon identified the estimated cost for providing \$10 payments to those filing electronically. She stood for questions.

Opponents:

Mary Tritsch, AARP Kansas (Attachment 2), presented comments in opposition to **HB 2521**. She stood for questions.

The Chairman called attention to the written testimony of Craig Kaberline, Kansas Area Agencies on Aging Association (Attachment 3). His written testimony was in opposition to **HB 2521**.

The Chairman closed the hearing on **HB 2521**.

The next meeting is scheduled for February 3, 2010.

The meeting was adjourned at 10:16 a.m.

# HOUSE TAXATION COMMITTEE

DATE: Tuesday, Feb 2, 2010

NAME	REPRESENTING
<del>Michelle Brullis</del>	SKIL
Michelle Brullis	Cap. Strategies
Em Kelly	AARP
Mary Tuttle	AARP
Wigh Deck	Hein law firm
Duce Baum	Westar Energy
Maisha (see #19)	KMHA
Greg Hayes	Westar Energy
Jim Baskin	Westar Energy
Russie Furdie	Westar Energy
Carl St	WESTAR ENERGY
Randy Degehault	Westar
Mike Nolan	Westar Energy
Carol Sykes	Westar Energy
Jeanette Borciani	" "
Roger Swell	" "
John Donley	KS Lusk Assn
Rodney Robinson	Westar Energy

**2010 House Bill 2521b** Revised Fiscal Note  
Introduced as a House Bill

**MEMORANDUM**

**To:** Mr. Duane Goossen, Director  
Division of Budget

**From:** Kansas Department of Revenue

**Date:** 02/01/2010

**Subject:** House Bill 2521  
Introduced as a House Bill  
Revised Administrative Problems

**Brief of Bill**

House Bill 2521, as introduced, amends KSA 12-1,104 to require taxpayers with intangibles earnings to file with the county clerk on or before April 15 following the taxable year on forms prescribed by the director of taxation and provided by the county clerk.

Section 2 amends KSA 75-5151 to require electronic payments for sales and withholding taxes when a taxpayers liability exceeds \$25,000 in a calendar year.

Section 3 amends KSA 75-5151a to allow the secretary to require an person required to file a tax return to file some or all of those returns electronically on or after July 1, 2010.

Section 4 amends KSA 79-3220 to require an individual or corporation that is eligible to file an electronic return to file that return electronically. Any person or corporation required to file an electronic return that files a return by means other than electronic shall be assessed a service fee of \$25, which shall be deposited in the division of taxation processing fund.

Section 5 amends KSA 79-3298 to provide for a \$5 service fee for any withholding form filed by means other than electronic. Any refunds for an excess of a withholding remittance shall be made by direct deposit. Any person refusing to accept payment by direct deposit shall be assessed a \$5 service fee.

Section 6 amends KSA 79-32,105 to disallow tax credits for under \$5 and assess a service charge of \$10 for an electronic filed individual return requesting a refund by other than a direct deposit.

Section 7 amends KSA 79-3607 to provide for a \$5 fee for a sales and use tax return filed by means other than electronic.

House Taxation  
Date: 2-2-10  
Attachment: # 1

Section 8 amends KSA 79-3609 to assess a service fee of \$5 for an electronic filed sales tax return requesting a refund by other than a direct deposit.

New Section 9 creates the division of taxation processing fund. All expenditures from the fund shall be made in accordance with appropriation acts.

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

**Fiscal Impact**

Passage of this bill would have a minimal impact on the state general fund. The division of taxation processing fund is estimated to receive about \$2.9 million in fiscal year 2011.

To the extent taxpayers that are eligible to file returns electronically and receive a refund electronically still chose to file by paper and pay the service fee, the impact would be positive. If compliance is about 95% of eligible taxpayers filing their returns and receiving their refunds electronically, the fiscal impact would be about \$2.9 million to the division of taxation processing fund.

Disallowing credits of \$5 would be minimal, probably less than \$100,000. A service fee of \$5 on paper issued sales tax refunds would be minimal.

The table below shows the number of individual, corporate, sales, use, withholding and individual income refunds by calendar year:

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Date: \_\_\_\_\_  
Page: \_\_\_\_\_

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Current</u> <u>2010(est)</u>	<u>Proposed</u> <u>2011(est)</u>	<u>Percent</u> <u>Electronic</u>	<u>Service</u> <u>Fee</u>
<b>Individual</b>								
Total	1,428,539	1,466,132	1,538,366	1,528,532	1,544,000	1,565,000		
Paper	666,672	638,417	595,319	492,966	419,000	75,000		\$ 1,875,000
Electronic	761,867	827,715	943,047	1,035,566	1,125,000	1,490,000	95.2%	
<b>Individual Refunds</b>								
Total	863,195	860,820	920,724	960,587	980,000	980,000		
Paper	580,933	548,493	545,911	517,879	480,000	50,000		\$ 500,000
Electronic	282,262	312,327	374,813	442,708	500,000	930,000	94.9%	
<b>Corporate</b>								
Total	89,866	92,164	92,809	92,000	92,000	92,000		
Paper	89,866	92,164	77,809	62,846	52,000	4,500		\$ 112,500
Electronic			15,000	29,000	40,000	87,500	95.1%	
<b>Sales and Use</b>								
Total	581,379	580,648	593,648	568,731	570,000	575,000		
Paper	378,272	370,533	363,175	330,752	320,000	30,000		\$ 150,000
Electronic	203,107	210,115	230,473	237,979	250,000	550,000	95.7%	
<b>Withholding</b>								
<b>KW 5</b>								
Total	975,336	1,053,181	1,099,824	1,104,103	1,105,000	1,125,000		
Paper	640,958	664,549	601,096	448,579	405,000	55,000		\$ 275,000
Electronic	334,378	388,632	498,728	655,524	700,000	1,070,000	95.1%	
<b>KW 3 (annual return)</b>								
Total	99,023	101,915	102,285	104,399	105,000	110,000		
Paper	85,408	75,828	64,179	60,335	53,000	5,000		\$ 25,000
Electronic	13,615	26,087	38,106	44,064	52,000	105,000	95.5%	
Total Fee								\$ 2,937,500

### Administrative Impact

None.

### Administrative Problems and Comments

Passage of this legislation would result in estimated administrative cost savings to the department of \$860,706. During FY 09, the Department spent approximately \$800,000 for printing, postage & contractual fees for tax forms. This proposal would reduce those costs by \$700,000 via statutory changes mandating electronic filing of tax returns and payments through electronic channels currently maintained by the Department. The reduction in paper returns and payments would also allow the Department to reduce staffing in our mail-opening operations by 5.5 FTE for additional savings estimated at \$160,706. NOTE: This legislation is required to implement the Department of Revenue's "reduced resources" 5% budget reduction package as recommended by the Governor with estimated savings included in his proposed budget for FY 2011.

**Taxpayer/Customer Impact**

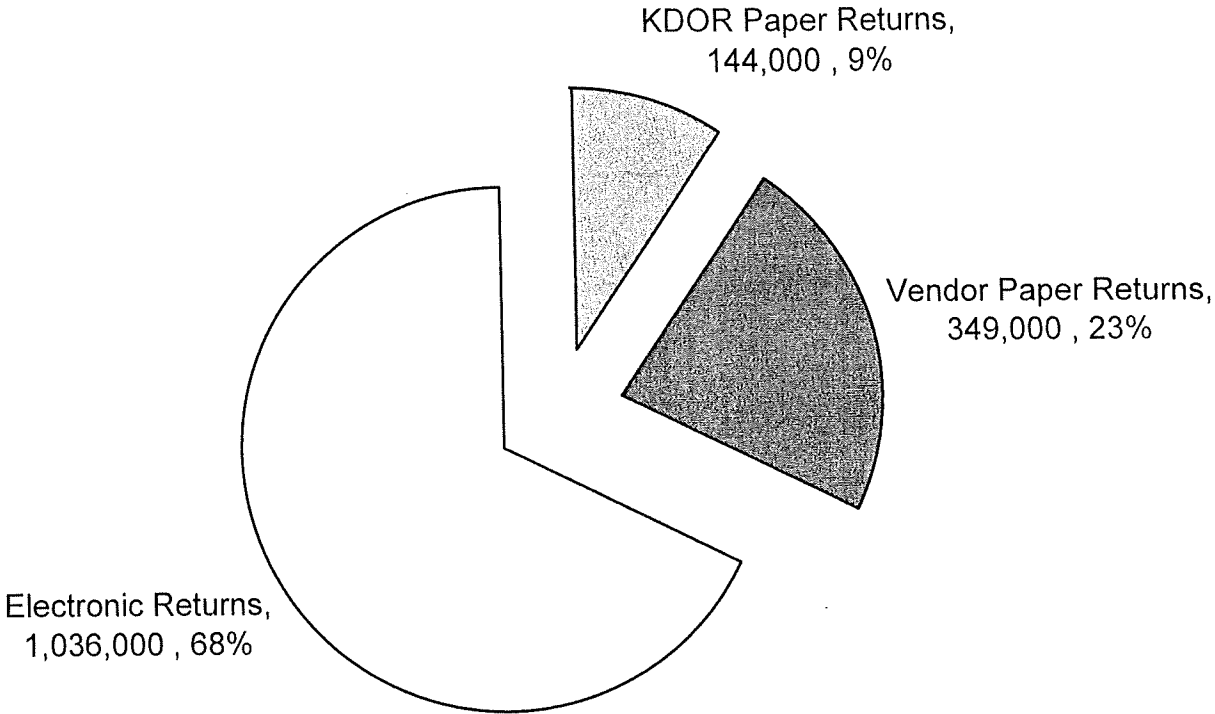
**Legal Impact**

Approved By:

A handwritten signature in black ink that reads "Joan Wagnon". The signature is written in a cursive style with a large, looping initial "J".

Joan Wagnon  
Secretary of Revenue

Kansas Department of Revenue  
Individual Returns filed in 2009





# House Bill 2521

- **File intangibles returns with the county clerk, not KDOR**
- **Lower e-payment threshold from \$45,000 to \$25,000**
- **\$25 for paper filing of income tax returns**
- **\$5 for filing paper withholding and sales tax returns**
- **\$5 for paper refund checks when e-filing sales tax return**
- **\$10 for paper income tax refund checks when e-filing return**
- **Disallow income tax credits less than \$5;**
- **Require e-filing for sales tax; \$5 fee for paper sales tax returns;**
- **Fees go to Division of Taxation Processing Fund, for technological improvements to tax processing systems**

# Department of Revenue FY 2010/2011 Budget Reductions

**FY 2009 Approved SGF - \$21,439,029**

**FY 2010 Budget Reductions**

Gov. Adjustments	-\$1,439,786	
HB 2354	-\$527,750	
HB 2373	-\$481,101	
First Allotment	-\$1,800,000	
Second Allotment	<u>-\$506,484</u>	
<b>Subtotal SGF Reductions</b>	<b>-\$4,755,121 (-22.8%)</b>	
Unfunded Longevity	-\$580,000	
Postage Increase	<u>-\$156,000</u>	
<b>Total Shortage</b>	<b>-\$5,491,121 (-25.6%)</b>	

<b>Expenditure Cuts</b>	<u>FY 2010</u>	<u>FY 2011</u>
Eliminate Bulk Income Tax Forms	\$150,000	\$150,000
Reduce Income Tax Booklet Content	\$260,000	\$260,000
Eliminate Mail Opening Temps	\$300,000	\$300,000
Limit OOS Travel	\$220,000	\$220,000
Eliminate PVD Temps	\$125,000	\$125,000
Increase Vacant Positions (approx. 25)	\$1,220,000	\$1,220,000
Issue Single Personalized Plate	\$80,000	\$153,000
Prepaid DL Postage	\$200,000	-
Eliminate County Hardware Maintenance	\$110,000	\$110,000
Reduce Software Licensing	-	\$290,000
Shift to Special Revenue Funds	\$750,000	-
Salary Shift to DMV Project	<u>\$1,793,509</u>	<u>\$2,560,055</u>
Total Savings	\$5,208,509	\$5,388,055
Net Shortage	-\$282,612	-\$103,066

**FY 2011 Reduced Resources Package:  
Mandate Business Tax E-Filing (HB2521)**

Reduce paper, printing and postage = \$700,000  
Reduce mail opening staff 5.5 FTE = \$160,706

(NOTE: Governor's budget for FY 2011, as submitted, already reduces KDOR SGF by this amount.)

**-\$860,706**

# Possible Revisions to HB 2521

- Eliminate \$25 fee on KDOR's K-40 return form
- Eliminate \$25 fee if only filing food sales tax refund
- Reduce the fee from \$25 to a lower amount;
- Means-test— no fee below certain income threshold
- Use a refund instead of a fee
  - Estimated cost for providing \$10 payments to those filing electronically:
    - 1,036,000 income tax e-filers in 2009 x \$10 = \$10,360,000
  - Estimated cost for providing \$10 payments only to first-time e-filers:
    - 518,000 paper income tax filers in 2009 x \$10 = \$5,180,000



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February 02, 2010

The Honorable Richard Carlson, Chairman  
House Taxation Committee

Reference - HB 2521

Good morning Chairman Carlson and members of the House Taxation Committee. My name is Mary Tritsch and I am the Communications Director for AARP Kansas. We represent the views of more than 365,000 members across the state of Kansas. Thank you for allowing us to present our comments in opposition to HB 2521.

HB 2521 mandates electronic filing, with a \$25 penalty for paper filing. AARP Kansas considers this penalty an excessive and regressive user fee. These types of fees fall disproportionately on the older population who are low-income, including minorities, women and older people who live alone. Many of these Kansans will not see an increase in their Society Security benefits this year as their cost of living continues to rise. Many do not have access to computers or the Internet, may not have bank accounts for direct deposit and/or cannot afford to have a paid professional prepare and file their taxes.

I am the staff liaison for the Tax-Aide program in Kansas. AARP Tax-Aide was established in 1968 to help older persons complete their tax returns – 1040, 1040A & 1049 EZ — a process that can be daunting and costly. AARP Tax-Aide is administered through the AARP Foundation in cooperation with the IRS and is an important part of AARP's commitment to community service, helping to improve communities by providing this valuable service and offering volunteers meaningful, satisfying community service roles. A national survey has found that roughly half of the nation's adult population lacks the most basic skills to prepare a tax return. The tax laws are complex, and often persons with limited means end up using a significant portion of a refund simply to have their taxes prepared.

Trained AARP Tax-Aide volunteers help persons with low- and middle-income maximize their legal deductions and credits, resulting in tangible economic benefits to them.

The AARP Tax-Aide Program in Kansas has over 300 volunteers staffing more than 100 sites across the state and provides assistance from February 1 through April 15 each year. For the tax year 2008 (2009 filing), AARP Kansas Tax-Aide volunteers completed 21,940 electronic returns, and in most cases a Kansas tax return was piggy-backed onto these returns. They also completed 4,422 paper returns. This represents 4,422 Kansas families that would have to pay a penalty if HB 2521 were passed.

We believe that it would be difficult for the AARP Tax-Aide sites to suddenly absorb the influx of additional taxpayers needing free services if HB 2521 is passed. The metropolitan sites might handle this influx easier than rural sites, where filers as well as preparers would have to travel a significant distance to obtain or offer assistance. This would take additional manpower, equipment and travel. There are also many across the state who are not eligible for or are unaware of Tax-Aide services but cannot afford to have their taxes prepared professionally and who have no access to computer or Internet in order to file electronically.

AARP believes that:

- Taxes should be equitable and should distribute the burden according to people's ability to pay.
- Taxation should be progressive and not regressive.
- Efforts should be made to make tax forms, including electronic forms, and publications more accessible in public places and to provide individual taxpayer forms and assistance free of charge.

One of the goals of Kansas AARP Tax-Aide is to eventually have all tax sites preparing electronic returns. However, we do not believe that this can be accomplished in the near future. We would be happy to work with Secretary Wagnon and her department on this goal.

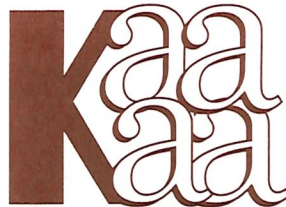
We understand that, during these trying financial times with declining revenues, every aspect of revenue sources should be considered. Efforts should be made to protect the low-income and elderly and to maintain safety net programs, schools, and Kansas communities. AARP supports income tax as a preferred method of raising revenue at the federal and state levels because it is the most progressive but also recognizes that other sources, such as consumption tax, may be needed to raise sufficient revenues. However, the penalty proposed under HB 2521 for paper filing of state income tax returns is not a source of revenue equitably assessed to all residents.

Therefore, we oppose HB 2521 and respectfully ask that you also oppose this bill to charge for filing of paper forms of state tax documents and receipt of refunds.

Thank you for your time.



KANSAS  
AREA AGENCIES  
ON AGING  
ASSOCIATION



*Meeting the Needs of Older Kansans*

2910 SW TOPEKA BOULEVARD • TOPEKA, KS 66611 • 785-267-1336 • FAX - 785-267-1337

To: House Taxation Committee  
From: Craig Kaberline, Executive Director - Kansas Area Agencies on Aging Association  
Date: February 2, 2010

### **Testimony in Opposition to House Bill 2521**

Chairman Carlson and members of the committee, I appreciate the opportunity to provide written testimony regarding House Bill 2521. The Kansas Area Agencies on Aging Association's mission is to work to improve services and supports for all older Kansans and their caregivers. K4A represents all eleven Area Agencies on Aging (AAA) who provide information and coordinate services for seniors in all 105 counties of Kansas.

I write this testimony of behalf of the Kansas Area Agencies on Aging Association in opposition to House Bill 2521, relating to fees charged for not filing tax returns electronically. This legislation punishes Kansas seniors and others who do not have access or the skills necessary to file their taxes electronically. HB 2521 punishes those individuals without bank accounts. It also punishes those individuals, often seniors, who do not trust allowing others, including the Kansas Department of Revenue, access to their bank account.

K4A appreciates the position that the Kansas Department of Revenue finds itself in relating to the current economic and state budget situation, but K4A believes HB 2521 is bad policy.

We have additional concern about more items from the state only being available online or by requesting them (i.e. tax forms). Many state agencies forget to take into account the fact that many of our aging population do not access the internet for information. Making it more difficult for individuals to pay their taxes is not of benefit to the State of Kansas.

We thank you for your commitment to older Kansans.

We ask for you to oppose HB 2521.

**AREA AGENCIES ON AGING:**

CENTRAL PLAINS • EAST CENTRAL KANSAS • JAYHAWK • JOHNSON COUNTY • NORTH CENTRAL - FLINT  
NORTHWEST KANSAS • SOUTH CENTRAL KANSAS • SOUTHEAST KANSAS • SOUTHWEST KANSAS • WYANDOTTE - LEAVENWORTH

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House Taxation

Date: FEB 2 2010  
Attachment: 3