

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Les Donovan at 10:36 a.m. on January 13, 2011, in Room 152-S of the Capitol.

All members were present.

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
Michel Wales, Kansas Legislative Research Department
Mary Jane Brueck, Committee Assistant

Conferees appearing before the Committee:

Acting Secretary Nick Jordan, Department of Revenue
Acting Secretary Pat George, Department of Commerce

Others attending:

See attached list.

Chairman Donovan opened the meeting with introductions of all members. He pointed out that each committee member had a list of names and telephone numbers of all members and their office assistants as well as a page of guidelines for conferees appearing before the committee. He then spoke briefly of what he anticipated for the committee work during this session. Due to time constraints, when bills are introduced in committee they will be introduced without objection. Discussion will take place when the bill is worked in committee.

Acting Secretary Jordan spoke to the committee about the responsibilities of the Department of Revenue and changes that may be made. He explained that all Department Secretaries will be working together. He has requested bills to be heard by this committee. (Attachment 1)

Acting Secretary George also told the committee what the Department of Commerce was responsible for overseeing. He too has requested bills to be heard by this committee. (Attachment 2)

Chairman Donovan

Seeing no further questions or comments, Chairman Donovan closed the discussion.

The next meeting is scheduled for Tuesday, January 18.

The meeting was adjourned at 10:58 a.m.

DATE: 1/13/11

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Kansas Department of Revenue

Testimony Kansas Department of Revenue Secretary Nick Jordan January 13, 2011

Kansas Department of Revenue collects taxes and fees, administers Kansas tax laws, issues a variety of licenses and provides assistance to Kansas citizens and units of government.

The Kansas Department of Revenue is committed to hard work every day for the people of Kansas; to treat our taxpayers, our employees, and each other with respect; to conduct business with integrity, fairness and civility; and to be held accountable for our efforts.

Secretariat- Administrative Services

The Chief Administrative Officer and Appointing Authority of the Department of Revenue is the Secretary of Revenue, who is appointed by and serves at the pleasure of the Governor. The Secretary is responsible for the management of the Department's four divisions: Tax Operations, Alcoholic Beverage Control, Property Valuation and Vehicles. There are five Secretariat Service Bureaus: Office of the Secretary, Resource Management, Legal, Policy & Research, Audit Services and Information Services. The Secretariat assists the Governor's and Legislature's staffs with policy development and economic forecasting. The Secretary provides revenue analysis through the development of simulation models; historical data analysis; analysis of economic trends, and the effect of legislative action. The Secretary of Revenue serves as the contact point for the department in its numerous interactions with local and county governments and their various entities.

Alcoholic Beverage Control

The Director of Alcoholic Beverage Control (ABC) has the responsibility of administering laws governing the manufacture, distribution, sale and consumption of alcoholic beverages in Kansas. The ABC director, staff and agents ensure that out-of-state suppliers, in-state distributors, and retail-level Kansas licensees comply with the state liquor laws. Additional Duties include enforcing laws against selling cigarettes to underage persons and collecting the tax on illegal drugs.

The division works to improve voluntary compliance of tax laws as well as the laws regulating liquor, and cigarettes and tobacco products by providing education and training to industry members and local law enforcement agencies.

Tax Operations

The Kansas Taxation Division is responsible for administration and compliance of a variety of Kansas taxes. The taxes are categorized by either personal or business.

The administration of personal taxes includes filing and payment of taxes, verification of the accuracy of tax filings, refund information, and providing customer services on the various tax types.

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Attachment # 1

Kansas Department of Revenue

The Director of Taxation oversees the operations of three subprograms: Channel Management, Customer Relations, & Compliance Enforcement. The Director's office works very closely with these four areas.

- Channel Management converts paper based data into electronic formats in order for associates to retrieve, query and display document images.
- Customer Relations is responsible for reviewing and adjusting tax returns to ensure accuracy, completeness and compliance with Kansas statutes and regulations. This area also provides answers to questions from Kansas taxpayers either by telephone, written correspondence, or to walk-in customers who visit the Taxpayer Assistance Center regarding adjustments, Kansas tax laws and completing returns.
- Compliance Enforcement is also responsible for identifying taxpayers that fail to report taxes, under-report taxes or underpay taxes. The mission of Compliance Enforcement is to ensure the equitable payment of taxes due by developing and applying methods and tools to monitor, assist, encourage and persuade customers to comply with the tax laws of the State of Kansas.
- Electronic Services goal is to reduce or eliminate all paper-based data by capturing data electronically at the source. Electronic Services defines, implements and supports a portfolio of electronic channels for moving information to and collecting information and payments from KDOR customers. This includes web-based software and interactive voice response systems and applications used for the purpose of filing tax returns and reports and for remitting the related payments and fees.

Property Valuation

The Kansas Property Valuation Division exercises general supervision over ad-valorem policies and procedures, conducts the valuation of state appraised properties and provides concise and timely property tax information. Property is assessed by county appraisers and collected at the county level. The Administration Bureau provides: (1) direction and policy guidelines for the division and all the Kansas counties; (2) specialized legal services to the division, counties and the public; (3) an annual education program for counties and the public; (4) administrative services for the entire division such as budgeting, purchasing, and legislative analysis.

- The State Assessed Bureau primarily performs two functions: (1) it appraises a variety of public utilities and certifies the appropriate valuations to the counties; and (2) it values, assesses and collect motor carriers property tax.
- The Technical Support Bureau is devoted to providing specialized technical support services to the counties in an effort to assure quality customer service and more accurate, uniform property taxation. The Director to promulgates guidelines for the counties to follow, to assure statutory statewide uniformity in valuations. This bureau's role includes generating and maintaining the commercial sales data base; providing support for CAMA (the computer-assisted mass appraisal program); generating agricultural use valuations; issuing an oil and gas guide and

Kansas Department of Revenue

a personal property guide, and determining valuations/class codes for passenger motor vehicles that are taxed.

- The County Assistance Bureau is devoted to providing county assistance in an effort to assure quality customer service and more accurate, uniform property taxation. This bureau prepares and issues the annual sales ratio report and the annual substantial compliance report required by law.

Motor Vehicles

The Division of Motor Vehicles is committed to serving the public with information and direction, for titling and registration of their personal and commercial vehicles, licensing new/used automobile dealers, licensing drivers, enforcing restrictive driving privileges. The Driver Privacy Protection Act, which protects Kansas citizens' personal information is adhered to in all operations.

- The Titles and Registration function in the Division of Vehicles issues license plates, certificates of title, registration renewals, and collects for all 2.6 million private and commercial motor vehicles. Numerous e-government enhancements will provide the citizens of Kansas with a wider variety of options to meet their customer service needs. Titles and Registrations partners with all 105 County Treasurers to provide motor vehicle services to the citizens of Kansas. The Bureau provides ongoing training and support for county treasurers' motor vehicle staff, and new, used and salvage vehicle dealers. The Titles and Registration Bureau is responsible for providing tags, tag envelopes, decals and forms to County Treasurers. Staff is responsible for maintaining over 50 years of motor vehicle documentation and respond to all requests for vehicle information. Additionally, the state's 9,000 new and used vehicle dealers and salespersons are licensed, renewed and monitored by the Dealer Licensing Bureau Staff and Field Investigators. Investigations are conducted to ensure compliance with statutory requirements and resolve complaints.
- The Motor Carrier Services Bureau issues registrations and cab cards for approximately 2,200 Kansas based carriers as well as registering nearly 20,000 trailers annually.
- The Driver's License Examining Bureau and Driver Control Bureau support the state-wide effort to have safe drivers on Kansas roadways through testing, issuing and renewing drivers' licenses, and maintaining driving records for use by law enforcement officials, courts, and others. The Driver's License Examining Bureau conducts driver's license examinations and issues identification documents. The Driver Control Bureau maintains driving records, processes changes to driving privileges such as restrictions, suspensions, revocations and reinstatements on drivers' licenses, and coordinates administrative hearings.



Fiscal Year 2011 YTD Update
Senate Assessment and Taxation Committee

By Pat George, Acting Secretary
January 13, 2011

Divisions

Business Development
Rural Development
Trade Development
Travel & Tourism
Workforce Services

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Target Industries

The Department works to grow all sectors of the economy, with a focus on the following:

- Advanced Manufacturing (aviation, etc.)
- Value-added Agriculture
- Bioscience (animal science, pharmaceuticals, etc.)
- Energy (traditional and renewable sources)
- Professional Services (banking, engineering, etc.)

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Business Development Division

Goal:

- To encourage job creation and capital investment in Kansas through the recruitment of out-of-state firms, the expansion of existing Kansas companies and the creation of new companies.

Products and services:

- Financial incentives such as tax credits and loans
- Site location consultation and cost-benefit analysis
- Assistance in working with State regulatory agencies and community organizations

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Business Development Division

FY2010 recruitment results:

	FY10	FY09
- Projects opened:	178	185
- Successes:	68	42
- Jobs created:	13,870	9,100
- Jobs retained:	1,218	3,546
- Average salary:	\$52,000	\$60,320
- Payroll:	\$721M	\$550M
- Capital Investment:	\$838M	\$900M

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Business Development Division

FY2010 recruitment highlights:

- **Cerner**, Kansas City (4,500 jobs, \$170M)
- **General Motors**, Kansas City (1,000 jobs, \$88M)
- **U.S. Bank**, Overland Park (1,100 jobs, \$21M)
- **J.P. Morgan**, Overland Park (650 jobs, \$30M)
- **Regent Asset Mgmt.**, Overland Park (1,250 jobs, \$2M)
- **Tindall**, Newton (400 jobs, \$66M)
- **Redbarn Pet Products**, Great Bend (200 jobs, \$2M)
- **Allen Foods**, Topeka (50 jobs, \$30M)
- **Jupiter Group**, Junction City (169 jobs, \$3.2M)

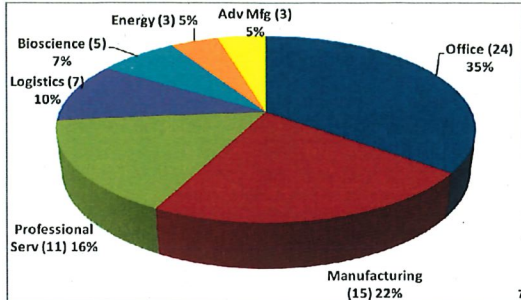
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Attachment # **2**

Business Development Division

FY2010 recruitment results by type:



Business Development Division

FY2010 retention/expansion results:

	FY10	FY09
– Projects opened:	150	155
– Successes:	42	84
– Jobs created:	5,584	3,548
– Jobs retained:	1,887	3,921
– Average salary:	\$39,880	\$30,742
– Payroll:	\$222.7M	\$117.6M
– Capital Investment:	\$471.3M	\$1B

Business Development Division

FY2010 media accolades and ranks:

- Kansas ranked **Top 10** in eight of 20 categories in *Business Facilities'* 2010 Rankings Report, our best-ever finish.

Business Facilities
THE LOCATION ADVISOR

- Kansas was ranked **No. 3** in *Southern Business & Development's* "Top Deals and Hot Markets" report, the state's best-ever finish and our second straight Top 5 ranking.

SOUTHERN
BUSINESS & DEVELOPMENT

Business Development Division

FY2010 media accolades and rankings:

- Kansas was ranked the **No. 7** most pro-business state in the Pollina "Top 10 Pro-Business States" report for the second straight year. It was our third straight Top 10 finish.

Pollina Corporate

- Kansas was ranked **No. 11** in CNBC's annual "America's Top States for Business" report for the second time in three years.

CNBC

Business Development Division

- *Area Development* magazine named Kansas the **Silver Shovel Award** winner for excellence in job creation and capital investment. This was our fourth Silver Shovel in five years.

AREA DEVELOPMENT
ONLINE

- *Site Selection* magazine named Kansas one of the nation's **Top 10** most competitive states for capital investment and facility development. This was our second straight Top 10 finish.

SITE
Selection

Business Development Division

FY2011 YTD recruitment results:

- 7,331 jobs
- \$153M in capital investment

FY2011 YTD recruitment highlights:

- Key Bank (600 jobs, \$10M)
- Draka (25 jobs, \$1M)
- Plastikon (126 jobs, \$7.3M)
- Bombardier Learjet (300 jobs, \$600M)

Business Development Division

FY2011 YTD retention/expansion results:

- 732 jobs
- \$227M in capital investment

FY2011 YTD retention/expansion highlights:

- Zeolyst International (33 jobs, \$83M)
- KOCH-Glitch, LP (40 jobs, \$8.1M)
- Snow Hill Rock Co. (27 jobs, \$15M)
- Philips Lighting Company (10 jobs, \$1.3M)
- WAFFLE-CRETE International (100 jobs, \$2M)

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Rural Development Division

Goal:

- To elevate the focus on rural development and encourage collaboration among rural groups.

Sub-Divisions:

- Agriculture Marketing
- Community Development
- Office of Rural Opportunity

Programs and services:

- Simply Kansas
- Value Added Loan
- CDBG
- Agritourism development
- Main Street
- Tax credits

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Rural Development Division

FY2011 YTD highlights:

- Continue to advance Connect Kansas, a Recovery Act-funded initiative to increase broadband Internet adoption statewide.
- Conducted two mission trips to Russia to promote the sale of Kansas animal genetics.
- Helped Royal Farms Dairy of Garden City present a virtual farm tour at the World Dairy Expo.
- Hosted agritourism workshops statewide.
- Attended the Kansas State Fair to promote Kansas ag producers.

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Rural Development Division

FY2011 YTD highlights:

- Continuing partnerships with the 25 communities in our Kansas Main Street Program, which saw a significant increase in projects between Fiscal Year 2009 and 2010.

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Trade Development Division

Goal:

- To help Kansas companies expand sales to foreign markets and recruit foreign companies to set up facilities in Kansas.

Programs and services:

- Organize trade delegations to foreign countries
- Provide export data and foreign market research
- Provide funds for firms to attend trade shows
- Connect Kansas companies with foreign buyers through our international trade offices
- Recruit international companies to locate in Kansas

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Trade Development Division

FY2011 YTD highlights:

- Arranged for Governor Parkinson to meet with key aviation executives at the Farnborough Air Show in England in July.
- Attended HUSUM WindEnergy 2010, Europe's largest wind energy trade show, next month. Staff will also visit key companies in Denmark and attend a global wind supply chain conference in Germany.

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Trade Development Division

FY2011 YTD highlights:

- Organized an October animal health mission to China, enabling eight Kansas companies to exhibit at the first national convention of the Chinese Veterinary Association in Beijing.
- Working with KSU in their bid to establish a China-U.S. Animal Health Center facility in Kansas.

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Travel & Tourism Division

Goal:

- To increase tourism expenditures in Kansas

Programs and services:

- Marketing
- Product development
- Research
- Industry outreach and education

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Travel & Tourism Division

FY2011 YTD highlights:

- Led fall hunting travel campaign with print ads, e-blasts, website revisions and partnership with Ks. Sport Hunting Association
- Expanded digital marketing to highly targeted leisure travel market deploying 10 e-blasts to 226,137 consumers
- Assisting Flint Hills Tourism Coalition in efforts to develop network of Equestrian Trails
- Launched Scenic Byway marketing campaign and secured grant funding to expand future digital marketing

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Travel & Tourism Division

FY2011 YTD highlights:

- Fulfilled 26,400 Visitor Inquiry packets FY '11 YTD – an increase of 3% over FY '10
- Generated 155,000 unique website visitors since July 1.
- Completed Tourism Satellite Account for 2009
 - Kansas attracted 30.2 million person stays
 - Tourism injected \$7.2 billion in economy
 - Tourism is 3rd largest private sector employer in Ks, with 125,000 direct FTE jobs
 - Every 203 visitors/travelers create a new job in Ks.
 - Tourism generated 27.4% of all state & local tax revenue
 - Out of state visitation grew from 50% to 56% of total

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Workforce Development Division

Goal:

- To link businesses, job seekers and educational institutions to ensure a pool of skilled Kansas labor

Programs and services:

- KIT, KIR and IMPACT programs
- Workforce Centers
- **KANSASWORKS.com**
- Registered Apprenticeship
- Trade Adjustment Assistance and Rapid Response

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Workforce Development Division

FY2011 YTD highlights:

- Collaborated with key industry and agency partners to secure an additional \$26 million in funding to support job growth and training, such as:
 - Green-related training
 - Health professionals training
 - Employment opportunities for hard to serve ex-offenders, veterans, and those with disabilities.
- Recognized nationally as a top 10 state for workforce services by business developers and site locators for the first time ever – ranked number 3.

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Workforce Development Division

FY2011 YTD highlights:

- Partnered with the Kansas Departments of Labor, Education, Corrections and the Board of Regents to integrate web services to better serve users.
- Fully implemented video conferencing throughout the workforce system to better serve customers and saved nearly \$270,000 in travel costs over the past year.
- Partnered with the Kansas Board of Regents to increase the awareness of business and industry-focused training, credentials and certifications.

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