

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:40 a.m. on February 12, 2001, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Representative Ralph Tanner
Mayor Richard Jackson, City of Ottawa
Commissioner Blaine Finch, City of Ottawa
Senator Robert Tyson
Randy Allen, Kansas Association of Counties
Don Moler, League of Kansas Municipalities
Richard Cram, Kansas Department of Revenue

Others attending: See attached list.

SB 216—Sales taxation; concerning rates authorized to be imposed by cities.

Representative Ralph Tanner, sponsor of **SB 216**, explained that the bill relates to a directive the Kansas Department of Health and Environment (KDHE) issued to the City of Ottawa to build a new wastewater treatment plant. The City of Ottawa would like to submit a proposal to the voters in an April 2001 election to increase the city's sales tax to be used for the construction of the new plant; therefore, it is important that the bill be acted upon quickly.

Richard Jackson, Mayor of the City of Ottawa, testified in support of **SB 216**, noting that it would be applicable to all cities in the state. He explained that KDHE required Ottawa to build a new wastewater treatment plant because the existing plant cannot meet current discharge standards due to its age and design. The bill would authorize the Ottawa governing body to submit a sales tax proposal in an increment of 1/10th of a percent in order to help finance the construction of the new plant at an estimated cost of \$7.5 million. In addition to the proposed sales tax increase to finance the project, the city also intends to increase wastewater rates for all users (Attachment 1)

Commissioner Blaine Finch, City of Ottawa, testified in support of **SB 216**. He pointed out that the City of Ottawa is not asking for any new sales tax authority as, by statute, all cities currently have a one cent authority, and Ottawa currently utilizes one-half of that one cent. He also noted that the bill would not give any other city in the state any new sales tax authority. He informed the Committee that the schedule of compliance states that the City of Ottawa must have a new operational plant by 2005. In order to accomplish this, funding mechanisms must be put in place immediately. The city needs to have the authority granted and published in the *Kansas Register* by February 23, or at the latest, February 28, in order for the sales tax increase to be voted upon in an April 2001 election. (Attachment 2)

Senator Robert Tyson stood in support of **SB 216**. He noted that the cap on the sales tax would not be changed, only the amount of sales tax which the city can use in the remaining amount authorized. He said there is no reason to use the maximum increase allowed as the city only needs an increase in the lowest amount possible, 1/10th of a percent.

There being no others wishing to testify, the hearing on **SB 216** was closed.

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Senator Prager moved to recommend **SB 216** as favorable for passage, seconded by Senator Clark. The motion carried.

SB 252–Sales taxation; concerning participation by the Department of Revenue in the streamlined sales tax project.

Randy Allen, Kansas Association of Counties, testified in support of **SB 252**, which authorizes the Department of Revenue to enter into an agreement with other states to provide a multi-state, voluntary streamlined system for sales and use tax collection and administration. The Association of Counties believes that taxation of sales should be equal whether a sale takes place over the counter, by mail order, or by the Internet. Mr. Allen stated that, without a new system to simplify the collection of sales and use taxes, there will be an inevitable shift of the tax burden to property taxpayers. For this reason, he feels it is important for the Department of Revenue to continue to be involved in the process of streamlining and simplifying the sales tax system nationwide. (Attachment 3)

Don Moler, League of Kansas Municipalities, testified in support of **SB 252**. Both he and the League have been involved in this initiative since the beginning, and he continues to be part of a working group which remains in place to this day. He explained that the working group, composed of legislators, members of local government, and members of the business community, have met with the Secretary of Revenue over the past couple of years in an effort to help move the streamlined sales tax project forward. He fully supports the continuation of the streamlined sales tax initiative in Kansas because he is convinced that it is an important first step in looking at taxation of Internet sales and a step towards equitable sales taxation for all Kansans. (Attachment 4) Mr. Moler said that, personally, he believes the debate is not if there will be a tax on Internet sales but who will get the money when it is taxed. The question in his mind is, “Are states and localities going to get the money back or, in fact, is it going to go to the federal government pie and be distributed as they see fit for whatever projects they believe are in order?”

Richard Cram, Kansas Department of Revenue, clarified that the streamlined sales tax project responds to state and local government concerns about loss of revenues from remote sales by striving to reduce the burdens on multi-state merchants to comply with various state sales and use tax laws and by seeking to provide incentives for multi-state merchants to voluntarily collect and remit use tax on sales to customers in states where they may not have any physical presence or legal obligation to collect or remit. He explained that the Uniform Sales and Use Tax Administration Act and Streamlined Sales Tax Agreement discussed during his testimony on January 16, were amended on January 24 and unanimously approved. He explained further that, in order to join the Agreement, a state must first adopt the Act and certify that its laws are in compliance with the uniformity requirements. He noted that **SB 252** does not make any change to Kansas statutes but only authorizes the state to sign the Agreement at such time as the Legislature makes the necessary statutory changes. He cautioned, if the bill is not passed, Kansas may lose its voting rights in the development and revision process of the streamlined sales tax project. (Attachment 5) Upon completion of Mr. Cram’s testimony, the hearing on **SB 252** was closed.

SB 253–Sales taxation; concerning the timing of collection of local sales taxes.

Mr. Cram noted that his written testimony in support of **SB 253** is combined with his testimony in support of **SB 252**. He went on to explain that **SB 253** contains one of the changes needed to bring Kansas sales and use tax law in compliance with the uniformity requirements of the Streamlined Sales Tax Agreement. He explained that **SB 253** establishes a minimum time period in which cities and counties must give notice to the Department of local sales tax rate or boundary changes. The bill provides that a rate or boundary change would not become effective unless and until a city has given the Department notice ninety days before the first day of the calendar quarter when the rate or boundary change is to take effect. He noted that the bill also provides that local sales tax revenue received by a city or county that exceeds the cost of a special project for which the revenue was pledged shall be credited to the city or county general fund.

Randy Allen, Kansas Association of Counties, testified in support of **SB 253**. He noted that, in order for the streamlined sales tax system to advance, counties and cities must adjust and accommodate where possible to make state laws more consistent and uniform. (Attachment 6) With this, the hearing on **SB 253** was closed.

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Senator Prager moved to recommend **SB 252** and **SB 253** favorable for passage, seconded by Senator Donovan. The motion carried.

Senator Corbin began a discussion on a previously heard bill, **SB 35**, concerning tax credit on the purchase of blended ethanol motor vehicle fuel. He reminded the Committee that it was determined that M-85 fuel is not available in Kansas, and for this reason, Senator Morris suggested that “or M-85 (85% methanol and 15% gasoline)” on page 2, line 35, be deleted.

Senator moved to amend **SB 35** by striking “or M-85 (85% methanol and 15% gasoline)” on page 2, line 35, seconded by Senator Donovan. The motion carried.

Don Hayward, Revisor of Statutes Office, reminded the Committee that another amendment was suggested concerning evidence of the purchase of 500 gallons of blended fuel. Following committee discussion, Senator Jenkins moved to amend **SB 35** on page 2, line 10, by inserting “during the appropriate taxable year” after “gallons.” seconded by Senator Praeger.

Senator Clark made a subsequent motion to amend **SB 35** on page 2, line 10, to allow credit on any purchase of blended fuel in the subsequent calendar after the date of purchase of the motor vehicle, seconded by Senator Donovan. The motion carried with Senator Lee voting “No.”

Senator Donovan moved to recommend **SB 35** as amended favorable for passage, seconded by Senator Clark. The motion carried.

The meeting was adjourned at 11:45 a.m.

The next meeting is scheduled for February 13, 2001.