

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson David Corbin at 10:45 a.m. on February 21, 2003, in Room 519-S of the Capitol.

All members were present except: Senators Allen and Buhler

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

Conferees appearing before the committee: Jim Weisberger, Kansas Department of Revenue
Stanley Kelley, CPA, Overland Park
Senator Nick Jordan
Terry Leatherman, Kansas Chamber of Commerce & Industry

Others attending: See attached list.

SB 170–Withholding on management and consulting fees paid to nonresidents

Jim Weisberger, Kansas Department of Revenue, testified in support of **SB 170**. He explained that the bill amends the Kansas withholding tax act to provide for withholding on management and consulting fees that are paid in the ordinary course of trade, business, or other for profit venture to a nonresident of Kansas. The amendment will ensure that income tax due from nonresidents is collected before payments are sent out of state. He pointed out that individuals making personal transactions would not be required to withhold tax. The Department believes that the terms “management fee” and “consulting fee” require additional defining either through the legislative process or through regulation. Mr. Weisberger also informed the Committee that a working group consisting of CPAs and representatives from the Department of Revenue has been working on a proposal to correct a problem with withholding tax on “distributions.” During the process, the working group also identified other aspects of the withholding tax law which can be improved. The Department supports an amendment to **SB 170** incorporating the group’s proposals. The final version of the draft will be ready soon. (Attachment 1)

Senator John Vratil introduced a constituent, Stanley Kelley, a CPA from Overland Park, who testified in support of **SB 170**. Mr. Kelley noted that, in the course of his practice, he has become aware of the existence of a potentially abusive strategy aimed at reducing state income taxes, and he gave an example of a basic two-step strategy. In this regard, he called attention to a copy of one page of state residency guidelines which were given to him by a financial advisor in the Kansas City area in conjunction with discussions about the strategy. He noted that, while this information is used for legitimate tax planning purposes, taxpayers in pursuit of any illegitimate strategies are well armed when dealing with state residency issues. (Attachment 2)

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:45 a.m. on February 21, 2003, in Room 519-S of the Capitol.

Following Mr. Kelly's testimony, the hearing on **SB 170** was closed.

SB177–Income tax credit for hiring certain teachers

Senator Nick Jordan, sponsor of the bill, outlined the background leading to the introduction of the bill and reminded the Committee that he requested a similar bill late in the 2002 legislative session. He emphasized that there is a serious shortage of degreed science and math teachers in Kansas. In this regard, he called attention to a letter in support of the bill from BEST, an organization formed by businesses and the Wichita Chamber of Commerce to accomplish the same goals as the bill. Also attached to his written testimony is information outlining the importance of science and math education to the success of students, to the business community, and to our national security. Senator Jordan explained that the bill encourages partnerships between school districts, teachers, and business by offering a 25 percent tax credit on the salary paid by a business to a teacher for work outside the school year. He noted that the bill requires that, in order to get the tax credit, there must be an agreement in place between the school district, the teacher, and the business. He believes the tax credit will encourage teachers in rural and underperforming urban districts. With regard to the fiscal note on the bill, Senator Jordan noted that it would be difficult to figure because it all depends on how many school districts and companies form agreements and how many degreed science and math teachers participate. He reiterated that the goal of the bill is to attract science and math teachers statewide to fill a critical need in Kansas' education process. (Attachment 3)

Terry Leatherman, Kansas Chamber of Commerce and Industry, testified in support of **SB 177**. He pointed out that businesses are in need of workers with skills in the science and math fields, and businesses also understand the need for those teaching in the classroom to have a better understanding of the requirements of business industry today. He noted that the Wichita Chamber of Commerce has successfully sponsored a very positive program similar to this concept for several years. As to the fear expressed by some that a program such as this will only lead to a mass exodus of teachers from the classroom, he reported that this has not been the experience of the Wichita program. In fact, two former Kansas Teacher of the Year recipients who have participated in the program stated that the program actually strengthened their desire to stay in the classroom. (Attachment 4)

There being no others wising to testify on **SB 177**, the hearing was closed.

Senator Corbin opened a discussion on a previously heard bill, **SB 115**, which would reduce the membership of the Board of Tax Appeals (BOTA) from five to three. With regard to issue of qualifications for members, Gordon Self, Revisor of Statutes Office, explained that the stricken lines 19 through 24 require that three of the current five members of BOTA must be attorneys who have practiced law for five years or they must be a certified public account who has maintained registration as an active attorney. He reminded the committee that, as a policy decision, a suggestion was made at the hearing to reinsert that language but require that two of the three members meet the requirements.

Senator Goodwin commented that, with the complexity of the cases that BOTA hears, a member would be lost without a law degree; therefore, her preference would be that all three members be attorneys. In response, Senator Donovan commented that there is a great deal of value in a member being a CPA as well as an

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:45 a.m. on February 21, 2003, in Room 519-S of the Capitol.

attorney when dealing with tax issues.

Senator Donovan moved to amend **SB 115** by reinserting lines 19 through 24 but requiring that two of the three members meet the requirements, seconded by Senator Oleen. The motion carried.

Senator Clark moved to recommend **SB 115** as favorable for passage as amended, seconded by Senator Donovan. The motion carried.

The meeting was adjourned at 11:20 a.m.

The next meeting is scheduled for February 24, 2003.