

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 8, 2006 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Representative Joe Humerickhouse, (written testimony only)
Randall Allen, Kansas Association of Counties, (written testimony only)
William Prescott, Osage County Commissioner
Brad Hamilton, Kansas County Commissioners Association
Wendy Harms, Kansas Aggregate Producers Association
Ramon Gonzalez - Hamm, Inc.
Warren Sick, assistant Secretary and State Transportation Engineer, KDOT
John H. Hutton, Attorney, MidStates Materials, LLC

Others attending:

See attached list.

HB 2987 - Authorizing counties to impose an excise tax on removal and severance of aggregate.

Chris Courtwright explained that the bill authorizes counties to impose a severance tax on rock and aggregate at a rate not to exceed 20 cents a ton. The Department of Revenue would administer the severance tax, on behalf of the counties. He defined "aggregate." This bill is a version of a bill from the 1990s. The fiscal note would only be modest administrative costs.

The Chairman opened the public hearing on **HB 2987**

PROPOSERS:

Representative Joe Humerickhouse submitted written testimony in support of **HB 2987**, that stated the option would be initiated at the county level by the governing body and implementation would be by resolution and subject to petition of not less than 5% (Attachment 1).

Randall Allen, Kansas Association of Counties, provided written testimony that stated that Osage County has brought forth an idea which allows the county to capture some revenues from the "severance" of its aggregate materials which can then be used to maintain its road and bridge infrastructure and provide basic services. It is an option - a permissive option which would be subject to protest petition and a vote of the public (Attachment 2).

William Prescott, Osage County Commissioner, said that Osage County produces over a million tons of quarried products annually and is also one of the largest purchasers of road rock, however, the added traffic pressure on their county roads has created an added financial burden to their taxpayers. HB 2987 is meant to assure good, usable roads for the quarrying business without it being an undue burden on the taxpaying public (Attachment 3).

Brad Hamilton, Kansas County Commissioners Association, said that HB 2987 is a way for counties to generate some revenue and reduce the reliance on property taxes used to provide basic services such as road and bridge maintenance. He urged the Committee to give this bill their full consideration (Attachment 4).

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OPPONENTS:

Wendy Harms, Kansas Aggregate Producers Association, said that in 1998 **SB 602** was enacted to make it clear that counties do not have the power to impose a severance tax. If enacted, **HB 2987** would repeal the reasonable legislative policy currently in place and would create bad public policy. She gave five reasons the bill should be defeated (Attachment 5).

Ramon Gonzalez - Hamm, Inc., said one reason they are opposed to the bill is its vagueness. He asked why the tax is aimed solely at rock producers and where the money collected will be used? He believes the aggregate industry currently pays their share to the counties through sales taxes, property taxes, and the services they provide to the surrounding areas (Attachment 6).

Warren Sick, Assistant Secretary and State Transportation Engineer, KDOT, said that passage of **HB 2987** would increase their aggregate costs by approximately \$600,000 annually or nearly \$1.8 million for the remaining years of the Comprehensive Transportation Program. The agency's cash forecast for the remainder of the period is very tight and in fact they expect to complete the program on fumes (Attachment 7).

John H. Hutton, Attorney, MidStates Materials, LLC, testified on behalf of an Osage County quarry. He said that a user fee or something of that nature, is part of every negotiation between the quarry and purchaser, and addressed the issues raised by the counties (No written testimony).

The Chairman closed the hearing on **HB 2987**.

Sub. SB 358 - Withholding requirements; filing certain statements by electronic means

The Chairman opened the public hearing on **Sub. SB 358**.

Richard Cram explained that the bill is part of the department's effort to move taxpayers from a paper to an electronic filing environment. The bill would amend statutes to require than an employer with 51 or more employees to file copies of W-2 statements with the department electronically.

The purpose of this bill, from the Department's perspective, is for DOR to gain access to the information that is contained on a W-2 electronically. This information can then be used in electronic data-matching operations to identify income tax non-filers. Attached is an information sheet, prepared by Jeff Scott, Executive Manager, Compliance Enforcement Department, DOR, which summarizes the benefits the department derives from having an electronic access to W-2 information (Attachment 8). There are currently 85,000 employers that file withholding annual reports; 73,000 of those have 50 or fewer employees. Passage of **Sub. SB 358** would encourage taxpayers to file electronically.

Seeing no other conferees, the Chairman closed the public hearing on **Sub. SB 358**.

Sub. SB 359 - Eliminate monetary limitations on tax refund funds

The Chairman opened the public hearing on **Sub. SB 359**.

Richard Cram said this proposal would eliminate the artificial caps that have been imposed on various tax refund funds (Attachment 9). He explained the chart, attached to his testimony, which lists the funds, statute, current caps imposed and the date the funds were created. The current system creates an administrative headache. They have to work with the Department of Administration to monitor the cash flow, and deposit funds day to day, in order to stay under the cap but have money available to pay the refunds. This process is labor intensive, therefore they suggest the elimination of the cap, in order to pay out refunds, as they become due.

Discussion followed regarding the philosophy behind maintaining 13 refund funds verses drawing money from one specific fund, designated solely for refunds. The Chairman requested that Richard Cram have someone from appropriations get that answer back to the Committee. The Chairman

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suggested that perhaps this was an opportunity to streamline an over-encumbered system.

Seeing no other conferees, the Chairman closed the public hearing on **Sub. SB 359.**

Substitute HB 2023 - Uniformity and the Excise Tax

The Chairman opened the discussion on the Excise Tax. Conversation continued on; rates of increases; Pros and cons of excise tax verses impact fees; and Problems pertaining to infrastructure needs between cities and developers. The Chairman stated there would no further public hearings on the bill and his intention was that they work the bill on Friday.

The meeting was adjourned at 10:30 A.M. The next meeting is March 8,