

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 3:36 p.m. on March 16, 2011, in Room 783 of the Docking State Office Building.

All members were present.

Representative Donohoe-excused
Representative Kleeb-excused
Representative Schwab-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
Michael Wales, Kansas Legislative Research Department
Marla Morris, Committee Assistant
Allen Jeffus, Office Assistant

Conferees appearing before the Committee:

Richard Cram, Kansas Department of Revenue
Whitney Damron, The City of Topeka
David Hutchings, Kansas Bureau of Investigation
Judi Stork, Office of the State Bank Commissioner
William Sneed, Western Union
Pat Hubbell, American Express
Representative Stan Frownfelter
John Smith, Administrator, Department of Credit Unions

Conferees providing written-only testimony:

Ed Klumpp, The Kansas Sheriffs Association, Kansas Association of Chiefs of Police, Kansas Peace Officers Association
Michael Murray, Kansas Food Dealers Association & Retail Grocer Association of Greater Kansas City

Others attending:

See attached list.

Bill Introductions: None

Committee Chairman Carlson opened discussion and action on:

SB 198 - Rural Opportunity Zones

Chris Courtwright, Kansas Legislative Research, briefed the Committee on **SB 198**. The bill, in its original form was similar to **HB 2331 - Creating rural opportunity zones**, but passed in the Senate with several amendments. He defined the amendments and stood for questions.

Representative Goico moved SB 198 favorable for passage, Representative Powell seconded the motion. In a show of hands vote, the motion failed.

Following discussion, Representative Schwartz moved to reconsider the vote, Representative Brunk seconded the motion. The motion carried in a show of hands vote.

Representative Goico moved to pass SB 198 favorable for passage, Representative Powell seconded the motion.

Discussion continued, Representative Dillmore stated a preference to maintain the original 40 counties offered in **HB 2331**.

Representative Dillmore moved a substitute motion to place contents of HB 2331, as it exists, into HS Substitute for SB 198. The motion was seconded by Representative Gatewood. Discussion was held on

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the substitute motion. The motion failed in a show of hands vote.

Representative Goico closed on the main motion to pass **SB 198** favorable for passage. The motion carried in a show of hands vote.

Chairman Carlson opened discussion and action on:

SB 10 - AN ACT concerning sales taxation.

Representative Powell moved to pass **SB 10** favorable. The motion was seconded by Representative Goico. Representative Powell recommended **SB 10** be passed as presented, as it is specific to Edwards County. The motion carried unanimously.

Chairman Carlson opened the hearing on:

HB 2392-Establishes a process for federal debt setoff of delinquent state debt

Chairman Carlson directed the Committee to the Kansas Division of Budget Fiscal Note (Attachment 1), and the Fiscal Note from Richard Cram, Kansas Department of Revenue (Attachment 2) for **HB 2392** placed in their daily packet.

Richard Cram, Kansas Department of Revenue briefed the Committee on **HB 2392**, which would allow the State of Kansas to enter into an agreement with the federal government in order to facilitate cooperation between two entities to increase the collection of delinquent debts. He introduced General Counsel, David Clauser; Staff Attorney Robert Challquist; and A.J. Kotich, Attorney from the Department of Administration, who were present to assist in responding to questions concerning the bill. Mr. Cram requested a balloon amendment striking Section 2 of the bill, beginning at Page 1, Line 28 and continuing through Page 3, Line 3 (Attachment 3).

There were no other conferees wishing to address the bill, and Chairman Carlson closed the hearing on **HB 2392**.

Due to the non-controversial nature of **HB 2392**, there was no objection to working the bill.

Discussion and action on:

HB 2392 - Establishes a process for federal debt setoff of delinquent state debt

Representative Frownfelter moved to pass **HB 2392** favorable. The motion was seconded by Representative Hayzlett.

Representative Frownfelter moved to amend **HB 2392**. Seconded by Representative Powell, the motion carried.

Representative Frownfelter moved passage of **HB 2392** as amended. The motion was seconded by Representative Powell, and the motion carried.

Chairman Carlson opened the hearing on:

SB 177 - Statute of limitations increased for taxpayers claiming certain refunds and credits

Chairman Carlson directed the Committee to the fiscal note on **SB 177** from Richard Cram, Kansas Department of Revenue (Attachment 4).

Chris Courtwright, Kansas Legislative Research Department, briefed the committee on **SB 177**. Passage of the bill would establish a three-year statute of limitations for taxpayers to claim sales tax exemptions. Refunds are limited to one year under current law. The bill would extend the limitation retroactively upon enactment, thus making eligible certain exemption claims that would currently be ineligible. He stood for

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questions.

There were no other conferees present to address **SB 177**.

Chairman Carlson closed the hearing on **SB 177**.

Chairman Carlson opened the hearing on:

SB 59 - Interest rate charged; delinquent or unpaid tax and overpayment of taxes

Scott Wells, Office of the Revisor of Statutes, briefed the committee on **SB 59**. **SB 59** would set a floor on the rate of interest charged on delinquent or underpaid property taxes beginning in FY 2012 at not less than ten percent for tax delinquencies. The original form of the bill provided a floor of 10 percent based on the federal rate which fluctuates up and down. In Senate amendments to the bill, the interest rate applies to only property tax and delinquencies or underpayments of \$10,000 or more. The bill provides for payment of the same interest rates by the county, to the taxpayer, when certain clerical errors occur relating to appraisals and assessments. He stood for questions.

Chairman Carlson directed the Committee to the fiscal note on **SB 59** from Richard Cram, Kansas Department of Revenue (Attachment 5).

Whitney Damron, The City of Topeka spoke in support of **SB 59**. The City of Topeka believes a rate of not less than ten percent would provide a relatively constant delinquency interest rate, and would provide an incentive to a taxpayer to find alternative financing than their local units of government (Attachment 6). He stated the interest rate has fluctuated from a high of twelve percent in 2001 to the current low of seven percent. He stood for questions.

There were no other conferees present to address **SB 59**.

Chairman Carlson closed the Hearing on **SB 59**.

Chairman Carlson opened the hearing on:

HB 2365 - Imposing a tax on wire transmission of moneys outside the state

Chairman Carlson directed the Committee to the fiscal note on **HB 2365** from Richard Cram, Kansas Department of Revenue (Attachment 7).

Scott Wells, Office of the Revisor of Statutes, briefed the committee on **HB 2365**. The bill provides a excise tax of \$15.00 for each transaction of \$500 or less, or an amount equal to three percent of any transaction in excess of \$500 for transmission of money by money transmitters. The bill provides for refundable credits for resident individuals when filing their Kansas income tax. The bill requires monthly reporting to the necessary State agencies. The bill creates a drug money laundering and public safety fee fund, to be administered by the Kansas Bureau of Investigation (KBI). He stood for questions.

David Hutchings , Special Agent, (KBI), expressed an enthusiastic support for **HB 2365** on behalf of the KBI. He stated, Oklahoma passed similar legislation, with a one percent fee, **HB 2365** seeks a three percent fee. Oklahoma collected 7.7 million dollars in the first year to support public safety programs (Attachment 8). Most legitimate funds move by bank transfers or by internet services such as PayPal, and a request for return of any fees assessed would be allowed through filing of a Kansas Income Tax Return. This bill provided for a fee on funds that move under the table. He stood for questions.

Judi Stork, Deputy Bank Commissioner, Office of the State Bank Commissioner presented neutral testimony on **HB 2365**. Her testimony outlined the three requirements for obtaining a money transmitters license in Kansas (Attachment 9). The Office of the State Bank Commissioner offered five amendments for consideration by the Committee. She stood for questions.

William Sneed, Western Union, testified in opposition to **HB 2365**. He stated the imposition of a \$15.00

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minimum excise fee in the State of Kansas would be detrimental to the small businesses in Kansas providing money transmittal services. This bill will only put an increased economic burden on the citizens of Kansas and small businesses. Mr. Sneed stated, the exemption of banks puts Western Union at a disadvantage ([Attachment 10](#)). He stood for questions.

Pat Hubbell, American Express, opposes **HB 2365** and submitted a copy of a proposed amendment for a change on Page 4, Line 39 by removing the word 'banks', and inserting the words 'financial institutions, their affiliates or subsidiaries;' ([Attachment 11](#)).

Representative Frownfelter, introduced the legislation and testified in support of **HB 2365**. The intent of the bill is capture a portion of the income leaving the State of Kansas through wire transfers, allowing Kansas residents to have the fee returned through filing of their Kansas Income Tax Form. After these returns are made to Kansans, the state would use the additional fee receipts to bond a new lab for the KBI, and shore up the prison system in the State of Kansas ([Attachment 12](#)).

John Smith, Administrator, Department of Credit Unions, addressed the committee to question inclusion of credit unions in **HB 2365**. The Chairman stated that such amendment is before the Committee to cover credit unions.

Chairman Carlson presented the written-only testimony from conferees on **SB 2365**: Proponent-Ed Klumpp, The Kansas Sheriffs Association, Kansas Association of Chiefs of Police, Kansas Peace Officers Association ([Attachment 13](#)); and Opponent-Michael Murray, Kansas Food Dealers Association & Retail Grocer Association of Greater Kansas City ([Attachment 14](#)).

Chairman Carlson closed the hearing on **HB 2365**.

The meeting was adjourned at 5:07 p.m.