

Approved: March 12, 2012
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Les Donovan at 10:34 a.m. on February 21, 2012, in room 152-S of the Capitol.

All members were present except:
Sen. Julia Lynn – excused

Committee staff present:

Chris Courtwright, Kansas Legislative Research Department
Christopher Sevedge, Kansas Legislative Research Department
Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Mary Jane Brueck, Committee Secretary

Conferees appearing before the committee:

Kent Eckles, Kansas Chamber of Commerce
Sarah Bagby, Owner, Watermark Books and Cafe
Tim Ehlert, Target Government Affairs Manager
Frank Beer, Manhattan Chamber of Commerce
Ryan Irsik, Sr. Manager, Walmart Public Affairs
Ken Danial, KSSmallBiz.com (Advocates for Kansas Small Business)
Don McMeely, Kansas Auto Dealer's Association
Kim Winn, League of Kansas Municipalities
Randall Allen, Kansas Association of Counties
Mark Tallman, Executive Director for Advocacy, Kansas Association of School Boards

Others attending:
See attached list.

Sen. Les Donovan opened the meeting with the hearing on **SB 371 – Concerning sales taxation; relating to nexus** and recognizing Kent Eckles, Kansas Chamber of Commerce. He explained Kansas retailers want a level playing field. Customers pay state taxes when they are in the store, but no tax when they buy on line, even though they are legally required to pay a “use tax” equivalent to the sales tax on purchases purchased on line when they file their tax returns. By not being able to collect these taxes, the state is losing income. This bill will level that playing field for out retailers. (Attachment 1) Sarah Bagby, Owner, Watermark Books and Cafe in Wichita pointed out many customers come into her store asking for information about a product, then buy it on line so they can “save” by not paying the sales tax. She pointed out the state's need for small businesses. (Attachment 2)

Written testimony was offered from Tim Ehlert, Target Government Affairs Manager (Attachment 3) and Ryan Irsik, Sr. Manager, Walmart Public Affairs (Attachment 4).

Sen. Donovan then recognized Frank Beer who spoke on behalf of the Manhattan Chamber of Commerce.

He pointed out the negative affects caused to the Kansas economy by not having a way to collect sales taxes from internet providers: decline in state revenue that could have been received from taxes due from internet sales; reduction of revenue to in-state businesses who lose sales to the internet; business owners will pay less in payroll taxes as they have to reduce their sales force; and as businesses close due to lack of local sales, property tax collection will go down. (Attachment 5) Sen. Donovan called on Joe Ringel, Vice President Governmental Affairs, RILA. He was not present, and had not submitted testimony for the committee.

Sen. Donovan opened a discussion with the conferees present. Sen. Bruce asked if this will have impact on internet businesses in Kansas. Kent Eckles replied that Amazon is in favor of this bill and no negative comments have come from any other internet businesses in the state. Sen. Holland questioned the constitutionality of this bill if it is passed. Kent Echels introduced Tim Ehlert, Target Government Affairs Manager for that answer. He said the state of New York has passed a similar bill, and it has been held constitutional after having been through the Appellate and Supreme Courts. Sen. Holland asked how this bill might effect PayPal and similar businesses. Mr. Ehlert said there is technology available for those businesses to use. He had one more question: will this bill work in Kansas, since it is a Streamline state. Mr Ehlert said he felt certain there will not be a problem. He is from Minnesota, also a Streamline state; they passed a similar bill, and had no problems.

Sen. King asked about the Nexus language in this bill and how those sales will be tracked. Richard Cram, Director of Policy and Research, Department of Revenue said most of the sales will be through a website, and there is an electronic process to track that.

Chairman Donovan recognized Ken Daniel, representing KSSmallBiz.com, (Advocates for Kansas Small Business) as an opponent to this bill. He told the committee he opposes this bill because it “would seek to expand the extremely unfair SSTP [Streamlined Sales Tax Project] nationwide.” He told the committee that if we are going to have small businesses in the state we need to stop legislating against small businesses. (Attachment 6) After discussion, The hearing was closed on this bill.

Sen. Donovan explained he is carrying the next bill, so he is turning over “the chair” to Vice-Chairman Pat Apple. Sen. Apple opened the hearing on **SB 421 – Concerning personal property taxation relating to motor vehicles; computation of amount of tax** and recognized Sen. Donovan to explain this bill. He told the committee this bill will correct a problem with the method currently being used to tax motor vehicles. Currently vehicles are taxed on 20% of their value when new. The value is reduced by 15% each year until the fee is \$24.00. He pointed out vehicles do not depreciate in the same way each year. Another point he made is vehicles no longer pay any school tax. That tax was removed when the legislature removed the mill levy in a reduction that occurred in the nineties. This bill would correct problems with the current system via a new depreciation schedule and at the same time, 20 mills would be phased in at 5 mills per year, thereby providing additional revenue for local schools. It is estimated that by the end of the fourth year, the schools would receive \$53.7 in new revenue. (Attachment 7)

Chairman Apple recognized Don L. McNeely, President, Kansas Automobile Dealers Association pointed out that this is an issue that has not been discussed since the 2009 legislative session, nor addressed since the gubernatorial election of 1994. The Kansas Automobile Dealers Association believes this bill deserves serious discussion and consideration for a variety of reasons: the current system of taxing vehicles continues to be regressive, and we continue to depreciate the value of vehicles very slowly on the front-end of the live of the vehicle and accelerate it on the back-end, when just the opposite occurs the the real world. (Attachment 8)

Sen. Donovan returned to the Chairman's position and recognized Kim Winn, League of Kansas Municipalities, who spoke in opposition to this bill, stating the property tax decrease is estimated to be a loss of \$25 million the first year, \$40 million in the next year and \$60 million in the third year. The League of Municipalities this bill should not be moved forward without a complete understanding of the fiscal impact. (Attachment 9) Randall Allen, Executive Director, Kansas Association of Counties was next to speak. He said he is concerned about the fiscal note this bill may have. He stated KAC respectfully requests that the Legislature do no harm to counties and other units of local government in the process of achieving other policy objectives. (Attachment 10) Mark Tallman, Associate Executive Director for Advocacy, Kansas Association of School Boards submitted neutral written testimony encouraging the committee to carefully study the overall impact of this bill. (Attachment 11)

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

The next meeting will be February 22, 2012.

The meeting was adjourned at 11:23 p.m.