

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Representative Kenny Wilk at 9:00 a.m. on January 24, 2002, in Room 514-S of the Capitol.

All members were present.

Committee staff present: Alan Conroy, Legislative Research
Amy Kramer, Legislative Research
Julian Efrid, Legislative Research
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Steve Richards, Secretary of Revenue
Connie Hubbell, Secretary of Aging
Glenn Deck, KPERS
Bobbi Mariani, Division of Personnel

Others attending: See Attached

Representative Melvin Neufeld moved for the introduction of proposed legislation amending the Senior Care Act. Motion was seconded by Representative Stone. Motion carried.

Steve Richards, Secretary of the Department of Revenue, presented testimony on the progress of their collection initiatives and on the conversion of the corporate income tax system (Attachment 1). He forecast a reduction in the collection of corporate income taxes for the remainder of the year due to a reduction in taxable income for corporations and refund issues. They have written off more than \$53 million as uncollectable corporate tax. Many of the returns were more than 15 years old, businesses were in or had taken bankruptcy, business no longer exists, or individuals involved are deceased. The state does not have a priority to collect taxes in a bankruptcy. They must work within the statutes of limitations and contact must be continually made within every three-year period in order to keep the case open. The recommendations for such writeoffs are sent to the Board of Tax Appeals for approval, and that information is forwarded to the Department of Administration where the names of individuals are recorded. If the delinquent individuals receive property through inheritance or some other manner that the state could be aware of, such goods can be seized by the state.

Members of the Committee complimented Secretary Richards and the Department of Revenue for meeting and exceeding their goals, their willingness to work with individuals in a very flexible manner, and the amicable attitude of the collection staff.

The following matters were raised by committee members as being tax issues with their constituents:

- Required prepayment of sales tax for companies or individuals who pay \$100,000 per annum in sales tax. This is causing some businesses who issue credit to customers to prepay the sales tax before they have received the payment for goods.
- Is the agency user-friendly in solving tax issues with the individuals who are involved in back or late payment issues? Why has it been reported repeatedly that the individual cannot solve problems with the agency but a single call from a legislator on the issue is oftentimes successful? In response to questions on why the agency is reluctant to discuss back tax issues with outside tax accountants, Secretary Richards said they were not allowed to give out confidential information to unauthorized persons.

- In response to questions regarding the difference between aggressiveness and harassment in the collection of owed taxes, Secretary Richards defended his approach and stated his department was attempting to meet the goals set by the Legislature. Some problems exist within the data system and there have been a few errors made in amounts owed, dates due and names of individuals involved in the attempt to collect back taxes. There is still \$500 million owed, \$200 million is considered uncollectable at this time and \$100 million is due from illegal drug tax cases which would be difficult at best to collect.

Connie Hubbell, Secretary of the Department on Aging, informed the Committee of the various programs being offered to assist seniors with the cost of prescription medications (Attachment 2). She said her department was interested in working with SRS in an attempt to drive down the cost of prescriptions. Seniors are made aware of these programs through SHICK, SRS registers, Department on Aging journals, and area agencies on aging. As an alternative to deal with the proposed \$2 million budget cut, the agency may have to stop senior care meals for four months to make up the deficit.

Action on HB 2621 – Benefits and eligibility of members of KPERS

Representative Stone moved for the passage of HB 2621. Motion was seconded by Representative Shriver. Motion carried.

Action on HB 2626–Rollover of certain retirement distributions for the purpose of the purchase of service credit in KPERS

Staff from Legislative Research and Glenn Deck, Executive Director of KPERS, explained that this bill would allow trustee to trustee transfers with no federal or state taxes applied. The money could not be taken from the retirement plan, KPERS, except in the case of extreme and defined emergency without penalty. If the money is removed prior to age 59 ½ years, taxes would apply as well as a 10% penalty. The Committee discussed the fiscal impact on KPERS as it appears the bill encourages early retirement.

Representative Stone moved to report the bill favorably for passage. The motion was seconded by Representative Campbell. Motion carried.

Action on HB 2622–Contribution rates for local police and fire pension plans

Representative Stone moved to report the bill favorably for passage. The motion was seconded by Representative Pottorff. Motion carried.

Discussion on HB 2619–Employer contributions for tax sheltered annuities for certain school district and community college employees

Bobbi Mariani, Division of Personnel, a proposed amendment to this legislation to permit a 403(a) plan as an adjunct plan to the state deferred compensation plan for state employees, subject to appropriations. Policy decisions would be made at a later date.

The meeting was adjourned at 10:35 a.m. The next meeting is scheduled for Tuesday, January 29, 2002.

CONTINUATION SHEET