

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:40 a.m. on February 19, 2002, in Room 519-S of the Capitol.

All members were present except: Senator Taddiken

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

Conferees appearing before the committee: Richard Cram, Kansas Department of Revenue
Marlee Carpenter, Kansas Chamber of Commerce & Industry
Randy Allen, Kansas Association of Counties
Don Moler, League of Kansas Municipalities
Allie Devine, Kansas Livestock Association
Leslie Kaufman, Kansas Farm Bureau

Others attending: See attached list.

The minutes of the February 13, 2002, meeting were approved.

SB 540—Participation by the Department of Revenue in the Streamlined Sales Tax Project

Richard Cram, Kansas Department of Revenue, noted that the goal of the Streamlined Sales Tax Project (SSTP) is to make administration of state sales and use tax laws more uniform, efficient, and less burdensome on multi-state merchants. He further noted that the legislatures of participating states are in the process of adopting the Streamlined Sales Tax Act and making the legislative changes necessary to conform to the uniformity requirements of the Streamlined Sales Tax Agreement. He explained that **SB 540** provides that the Department can become a signatory to the Agreement at such time as the legislature takes further action to bring Kansas' sales and use tax laws into compliance with the uniformity requirements of the Agreement. The bill also authorizes the Department to continue participation in the SSTP. To stimulate increased awareness of the SSTP, the bill includes a provision authorizing the president and minority leader of the Senate and the speaker and minority leader of the House to appoint a person to represent Kansas at implementing state meetings. Mr. Cram emphasized that, without the passage of **SB 540**, Kansas will not have voting rights in the further development and revision of the Agreement and cannot participate in implementing state meetings. (Attachment 1)

Marlee Carpenter, Kansas Chamber of Commerce and Industry (KCCI), testified in support of the SSTP and **SB 540**. She pointed out that the recommendations for sales tax simplification made by the SSTP are not automatic but must be passed by the Legislature. In addition, she noted that the SSTP will not impose new taxes on Kansans but will only enforce tax laws already in effect. As to concerns regarding uniform definitions, she noted that uniform definitions being drafted are not intended to lock states in a box as to what is exempt from sales tax but rather to clarify what is exempt if a state determines that a sales tax should be charged on a certain item such as food. She noted that, although KCCI supports the SSTP and **SB 540**, it may not support all proposals that come out of the project. (Attachment 2)

Randy Allen, Kansas Association of Counties, testified in support of **SB 540**, noting that local option sales taxes are an important source of revenue for county governments. As to taxation of sales transacted over the Internet, the Association has held that taxation of sales should be equal whether a sale takes place over the counter, by mail order, or by the Internet. Mr. Allen commented that, without a new system to simplify the collection of sales and use taxes, the tax burden will inevitably be shifted to property taxpayers. The Association supports the bill because it is important to Kansas and its local governments that the Department of Revenue be involved in the process of streamlining and simplification. (Attachment 3)

Don Moler, League of Kansas Municipalities, testified in support of **SB 540**. In his opinion, the streamlined

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sales tax initiative is an important first step in looking at taxation of Internet sales. He noted that the League remains steadfast in its belief that there must be a system in place which is equitable for merchants who operate from brick and mortar locations as well as those who operate via the Internet. He echoed Ms. Carpenter's observation that the streamlined sales tax initiative does not involve a new tax. (Attachment 4)

Senator Corbin called the Committee's attention to written testimony in support of **SB 540** submitted by Mike Taylor, City of Wichita. Mr. Taylor states. "The Kansas Legislature and the Department of Revenue should continue to take part in efforts which will lead to the fair and equal taxation of commerce, whether that transaction takes place on Main Street or over the Internet." (Attachment 5)

There being no others wishing to testify, the hearing on **SB 540** closed.

Senator Donovan moved to recommend SB 540 favorably for passage, seconded by Senator Praeger. The motion carried.

SB 553—Property taxation; submission of report concerning land devoted to agricultural use valuation procedures

Allie Devine, Kansas Livestock Association, testified in support of **SB 553**, which would provide an educational tool for the taxpayer. She noted that many changes to the use value methodology have been proposed and implemented in the past eight years, and some changes are well known to the agricultural taxpayer and others are not. In addition, she noted that the report will serve as a history of the program. For the purpose of clarification, she recommended that the bill be amended on line 19 by striking "during the next preceding eight years" and inserting after "implemented," "within the past ten years, when the change was made." (Attachment 6)

Leslie Kaufman, Kansas Farm Bureau, testified in support of **SB 553**. She quoted the two policy statements regarding use value appraisal adopted by Kansas Farm Bureau delegates at its annual meeting as follows:

- The Division of Property Valuation, Kansas Department of Revenue, must ensure that data, formulas and resulting calculations for determining the use value of agricultural land are valid; and
- The Department of Revenue is encouraged to properly utilize the system in order to assure equity and stability in valuation of agricultural land.

The Bureau believes the report required by **SB 553** will provide information that will be helpful in determining whether the Department is meeting the policy points. (Attachment 7)

There being no others wishing to testify, the hearing on **SB 553** was closed.

Senator Corbin opened a brief discussion of a previously heard bill, **SB 424**, which was requested by the Kansas Department of Revenue to allow the Secretary to abate or compromise uncollectible drug taxes.

Senator Donovan moved to report SB 424 favorably for passage, seconded by Senator Goodwin. The motion carried.

The meeting was adjourned at 11:05 a.m.

The next meeting is scheduled for February 20, 2002.