

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 13, 2008 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Ryan Hoffman, Legislative Research Department
Scott Wells, Office of Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Representative Sharon Schwartz
Representative Lee Tafanelli
Paul Welcome, Johnson County Appraiser
Rod Broberg, Saline County Appraiser
Secretary Wagnon, Department of Revenue
Tony A. Scott, KS Society of Certified Public Accountants
Patrick Hubbell, Public Accountants Association of Kansas
Jay Kretzmeier, Kretzmeier Accounting Firm, (written only)

Others attending:

See attached list.

Representative Holland requested a bill introduction, on behalf of an out-of-state constituent, requesting that Kansas not tax his pension. Representative Treaster seconded the motion. The motion carried.

SB 444 - Property tax exemption for certain tangible personal property with purchase price less than \$1,500.

Scott Wells, Office of Revisor of Statutes, stated **SB 444**, as amended, would provide a property tax exemption, effective in tax year 2009, for certain property classified as "all other tangible personal property," which has a purchase price of \$1,500 or less. An additional provision would clarify that taxpayers would not be required to file for the exemption at the State Board of Tax Appeals (SBOTA).

Paul Welcome, RMA County Appraiser, testified that the current process was established in 1992 for low valued property that produces less than a \$5.00 tax bill to be exempted after a tax bill is generated. He recommends that the committee consider a threshold cost of \$1,500 similar to the CIME bill that was recently passed to exempt those properties. Another option would be that personal property could be expanded by specific property type (Attachment 1).

Rod Broberg, Saline County Appraiser, stood in opposition to the bill. He said that the threshold value is set too high if the purpose is just to save administrative costs. The resulting procedures to implement this bill may turn out to be more costly than they otherwise save. He agreed that a lower threshold would be acceptable (Attachment 2).

The Chairman closed the hearing on **SB 444**.

SB 471- Electronic filing of tax returns and reports.

Chris Courtwright, Legislative Research Department, said that **SB 471**, as amended, would implement several new electronic filing (e-filing) and payment provisions relative to sales and withholding taxes and certain paid individual income tax preparers. One provision would reduce from \$100,000 to \$45,000 the minimum annual level of sales and withholding tax remittances beyond which electronic filing may be mandated. A second stipulation would require that paid individual income tax preparers submitting 50 or more

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returns per year to file at least 75 percent of such returns electronically.

The Chairman recessed the hearing on **SB 471**.

HCR 5015 - State constitutional amendment; taxation, watercraft

The Chairman re-opened the public hearing on **HCR 5015** to allow additional testimony.

Representative Sharon Schwartz testified in support of **HCR 5015**. She said Kansas is losing revenue under the current tax policy as owners choose to move their boats to surrounding states for storage where the tax policy is more equitable. This resolution will resolve the issue and actually bring revenue back to the State of Kansas (**Attachment 3**).

Representative Tafañelli, appeared to support the resolution. He said there is a steady stream of boaters that move their watercraft to neighboring state for the winter to avoid paying high Kansas taxes. He said boaters are willing to pay their fair share but not at the accelerated tax rate, that is current in Kansas (**no written testimony**).

The Chairman closed the hearing on **HCR 5015** and reopened the hearing on **SB 471**.

SB 471- Electronic filing of tax returns and reports.

Tony A. Scott, KS Society of Certified Public Accountants, said they support the bill, and have worked with the KDOR over the years to encourage increased use of electronic filing for individual income tax returns on both a federal and state level (**Attachment 4**). He said that although they are supportive of the concept of the bill they were also cautious because they can't support the imposition of penalties for failure to comply with the minimum threshold number (i.e. - 50 returns) and agreed-upon minimum compliance percentage (i.e. - 90% as the bill was originally proposed in the Senate). He said some returns can't be e-filed; because not all software programs support all Kansas income tax credit forms. He introduced Cheryl Hayward, CPA, of Berberich Trahan & Co., P.A. who said it was much easier for tax-preparers to file electronically.

Secretary Wagnon, KDOR, gave a power point presentation that provided information regarding: data on the number of people and percentages currently e-filing their returns, advertising costs, staffing trends and savings if **SB 471** would be fully implemented (**Attachment 5**). Discussion followed regarding; various procedures used by neighboring states; more or less audits due to e-filing; costs associated to building the e-file program.

There was a question regarding KDOR's requirement to e-file. To the extent that it is not complied to, what is the penalty or any ramification from their lack of compliance. In response Secretary Wagnon said that CPA's have a standard of practice, through the Board of Accountancy, that states if a state passes a law, and establishes a standard, CPA's are required by their professional conduct to comply with that standard. Therefore the Department does not feel there is any need for a penalty provision, since if it is determined they are out-of-compliance, KDOR could file a complaint with the Board of Accountancy, and they would take disciplinary action. The Chairman asked for a follow-up response from Tony Scott at a later date.

Patrick Hubbell, representing Public Accountants Association of Kansas, distributed testimony from Janet S. St. Clair - Hays, President, Public Accountants Association of Kansas, Inc. He testified that they are appreciative of KDOR efforts to streamline the tax return process and believe the bill has merit. However he suggested an amendment be added with the following language: *The requirements of this subsection may be waived by the Secretary of Revenue for a paid return preparer if the paid preparer demonstrates a hardship in complying with this subsection.* This is identical language that is currently included in **SB 461** concerning employment security law and electronic filing of quarterly reports. The Secretary said KDOR would not be opposed to the amendment (**Attachment 6**).

Jay Kretzmeier, Kretzmeier Accounting Firm, submitted written testimony, that stated **SB 471** would

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placing a duty upon a return preparer to control the legal and free will of his/her client. He offered an amendment that would eliminate his concern: “*Definition - Returns eligible for filing shall not include any income tax return whereby, the taxpayer has clearly indicated in writing they choose not to electronically file their return.*” (Attachment 7).

There was discussion on various kinds of rebate programs that might be an incentive for electronic filing. The Chairman requested that the Secretary put together language that would address some of the concerns raised today when the Committee works the bill.

The Chairman closed the hearing on **SB 471**.

The Chairman explained the process of how the corporate tax and the sales exemption bills will be handled on the floor tomorrow.

The meeting adjourned at 10:30 a.m. The next meeting is March 14, 2008.