

Approved April 4, 2002
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by Vice Chairman Huff at 9:02 a.m. on March 27, 2002 in Room 519-S of the Capitol.

All members were present except:

- Representative Cook, excused
- Representative Edmonds, excused
- Representative Flora, excused
- Representative Gatewood, excused
- Representative Hutchins, excused
- Representative Mays, excused
- Representative Palmer, excused
- Representative Powers, excused
- Representative Tafanelli, excused
- Representative Vickery, excused
- Representative Wilson, excused

Committee staff present:

- Chris Courtwright, Legislative Research Department
- April Holman, Legislative Research Department
- Don Hayward, Revisor
- Winnie Crapson, Secretary

Conferrees appearing before the Committee:

- Mark Beshears, Sprint
- Mike Reece, A T & T

Written Testimony: Howard Segermark, International Prepaid Communications Association

Others Attending: See attached list.

Hearing was opened on

SB 372 - Sourcing of mobile telecommunications services for sales tax purposes.

Mark Beshears presented testimony in support of **SB 372 (Attachment #1)** on behalf of Sprint and was also appearing on behalf of Cingular and Verizon. Mr. Beshears testified that the Federal Mobile Telecommunications Sourcing Act (MTSA) passed by Congress in July, 2000, was the by-product of nearly four years of efforts between industry and government representatives, including the National Governor's Association, National League of Cities, Federation of Tax Administrators and Multi-State Tax Commission. Its provisions become effective August 1, 2002. To ensure that state statutory language is in conformity with the provisions in the controlling federal law, the Kansas statutory tax provisions must be amended.

The federal legislation provides that tax revenues from sales of wireless telecommunications services will be sourced to the customer's place of primary use, the residential or business street address of the customer, regardless of the state where the calls originate, terminate or pass through. It does not alter in any way the tax base for existing state and local tax provisions but clarifies how tax will be sourced. Mr. Beshears provided a report on the status of state conformity bills with reference to MTSA which indicated states where laws had been enacted, introduced and pending, not introduced, and where a bill was vetoed.

In response to a question, Mr. Beshears said that without the bill the protocol in the federal legislation is self-enacting and becomes the law in Kansas.

CONTINUATION SHEET

Revisor Hayward explained that it would allow the state to provide mechanisms to enforce the federal mandate and establish rules. Lines 24-26 are important in establishing methodology and gives the Secretary of Revenue authorization to perform any act under federal law to implement the provisions of that federal law.

Hearing was closed on **SB 372**.

Hearing was opened on
SB 472 - Sales taxation of prepaid telephone calls.

Mike Reece presented testimony in support of **SB 472** on behalf of AT&T (Attachment #2). He said that in 1998 the legislature passed a law that provided that these cards are taxed where purchased. At that time the only cards available were measured in units of time and those prepaid minutes were specified in the law. Cards are now being marketed by dollar amount and technically there is a question whether dollar value cards are covered by our law. Changes in **SB 472** would strike any specific reference to cards measured in minutes and make it applicable to all cards.

Mr. Reece also presented written testimony in support of **SB 472** by Howard Segermark on behalf of the International Prepaid Communications Association (IPCA) (Attachment #3). IPCA represents the producers, distributors, and suppliers of the prepaid telecom industry.

Mark Beshears provided written testimony in support of **SB 472** on behalf of Sprint (Attachment #4).

Hearing on **SB 472** was closed.

Meeting adjourned at 9:25 a.m. Next meeting is March 28.