

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson John Edmonds at 9:00 a.m. on March 24, 2003 in Room 519-S of the Capitol.

All members were present except:

Representative Paul Davis  
Representative Tom Sawyer

Committee staff present:

Chris Courtwright, Legislative Research Dept.  
April Holman, Legislative Research Dept.  
Gordon Self, Office of the Revisor of Statutes  
Carol Doel, Committee Secretary

Conferees appearing before the committee:

Jim Weisgerber, Department of Revenue  
Richard Cram, Department of Revenue  
Marlee Carpenter, KCCI  
Allie Devine, Kansas Livestock  
Leslie Kaufman, Kansas Farm Bureau  
Ken Daniel, Midway Wholesale

Others attending:

See attached list

Chairman Edmonds opened the meeting asking for any bill introductions. Richard Cram, Department of Revenue presented two concepts, one dealing with dropped shipments. This is a situation where there is an out-of-state retailer and they have an in-state warehouse. The out-of-state retailer would have an internet order with an in-state Kansas customer and the warehouse, which is a separate entity, would ship the product to the Kansas customer. Right now with that situation, sales tax is not being collected and sales release tax is not being collected. This proposal would deem the warehouse a retailer so that the warehouse would have the obligation to collect sales tax on that transaction. The other part of the proposal deals with situations where we have an out-of-state .com retailer and there is an in-state brick and mortar retailer and they are both selling similar merchandise and there is some type of affiliate relationship with the two and if the in-state brick and mortar retailer is promotion the business of the out-of-state retailer, this statute would indicate that as far as Kansas is concerned the .com retailer is deemed to have nexus.

Without objection this was accepted for introduction.

Appearing before the committee with a presentation regarding estate taxes, was Jim Weisberger from the Department of Revenue. He explained the two basic types of taxes imposed on decedent's estates, inheritance tax and estate tax.

First, an inheritance tax system and an estate tax system are similar in that they include essentially the same assets in the gross estate and value these assets in essentially the same manner.

Second, the principal differences, between an inheritance tax system and an estate tax system are (1) the concept by which the tax is imposed and (2) the treatment accorded a situation in which the estate contains

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property with a tax situs in another jurisdiction. In other words, while the same assets are subject to tax, the manner in which the tax is computed is different. (Attachment 1)

After Mr. Weisberger's presentation, Richard Cram, Department of Revenue presented the revenues by tax type/fiscal note of bills. (Attachment 2)

Chairman Edmonds opened the floor on **HB 2065** and **HB 2097** combined. Each conferee was to present his testimony and questions would be allowed when all testimony was done.

Marlee Carpenter, KCCI (Kansas Chamber of Commerce and Industry) presented testimony in favor of both **HB 2065** and **HB 2097** relating that a family owned business stands to lose 55% of all its' assets when it passes from one generation to the next. (Attachment 3)

Presenting testimony for the Kansas Livestock Association was Allie Devine, Vice President and General Counsel as a proponent for both **HB 2065** and **HB 2097**. KLA supports **HB 2097** as a means of beginning the elimination of estate taxes. It seeks to conform state estate taxes to federal death taxes that will be phased out over the years to 2010. Regarding **HB 2065** they understand that the current succession tax was designed a year ago to capture revenue from Class C heirs. While these heirs may be distant, they may be the only parties interested in continuing the ranching or farming operation. KLA wishes to assure that no one is precluded from continuing the family, extended or otherwise, business operation. (Attachment 4)

Kansas Farm Bureau was represented by Leslie Kaufman, State Director KFB Governmental Relations. Ms. Kaufman submitted testimony in support of **HB 2065** and **HB 2097**. They are supportive of repealing the succession tax, from a policy perspective, but also know that, as a practical matter, repeal also serves to eliminate a now confusion area of tax law. One way to accomplish that would be the passage of **HB 2065**. They also support the concept of conforming the Kansas estate tax to the federal tax, such as proposed in **HB 2097**. (Attachment 5)

Kenneth Daniel, Founder, Chairman and C.E.O. of Midway Wholesale testified in support of **HB2097**. This bill recouples the Kansas estate tax with the federal estate tax. For small businesses and farms, this is an extremely important issue. (Attachment 6)

With no further conferees wishing to address the bill, Chairman Edmonds allowed the members of the committee to ask questions of the conferees of their choice.

The Chairman called attention to an article on estate tax which was presented to the committee by Chris Courtwright from the Legislative Research Department. (Attachment 7)

With there being no further business before the committee, Chairman Edmonds adjourned the meeting at 10:33 a.m.