

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator David Corbin at 10:45 a.m. on January 16, 2000, in Room 519-S of the Capitol.

All members were present except:

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

Others attending:            See attached list.

The minutes of the January 10 and January 11 meetings were approved.

Senator Donovan discussed a bill draft which would allow a credit for each remittance required by the Department of Revenue from retailers. He explained that the credit would be two percent of the amount of sales tax with a cap of \$1,000.00 per month. He noted that twenty-six states currently have a similar bill with different caps. Senator Donovan moved that the bill he described be recommended for introduction, seconded by Senator Clark. The motion carried.

For the Committee's information, Senator Corbin called upon Richard Cram, Kansas Department of Revenue, for an update on the current status of the Streamlined Sales Tax Project. (Attachment 1) As background information, Mr. Cram explained that sales tax is imposed on sales of personal property within the state, and use tax is imposed on the use, storage, or consumption of tangible personal property purchased outside the state. He explained that the use tax was developed to safeguard the state sales tax revenue from erosion by purchases of goods outside the state and to protect local merchants from loss of business to border states or other states which either have no sales tax or a lower sales tax. Mr. Cram further explained that an out-of-state merchant has no legal obligation to collect use tax on sales to customers located in another state if the sale is conducted by telephone, mail order, fax, or Internet and if the out-of-state merchant has no physical presence in that state. He noted that local merchants have long been concerned about the fact that mail order consumer retail sales by out-of-state merchants with no physical presence in the state essentially escape sales and use tax. State and local governments share this concern with the merchants. The Streamlined Sales Tax Project was intended to respond to these concerns. Mr. Cram said the intent of the project is to make it less burdensome for multi-state merchants to comply with various state sales and use tax laws and to provide incentives for multi-state merchants to voluntarily collect and remit sales and use tax on sales to customers in states where they do not have any physical presence. In this regard, he called attention to a portion of his written testimony entitled "Executive Summary" which explains the objectives of the Streamlined Sales Tax Project.

Mr. Cram went on to say that participating states drafted a document that sets out the uniformity requirements that each state is expected to eventually adopt in order to become a part of the streamline sales and use tax agreement. In December of 1999, twenty-seven of twenty-nine participating states voted in favor of the Uniform Sales and Use Tax Administration Act and the Streamline Sales and Use Tax Agreement. Mr. Cram called attention to copies of the Act and Agreement attached to his testimony along with summaries of the major provisions in the documents. He noted that the next step is for individual states to decide if they want to adopt changes to state laws to conform with the uniformity provisions in the Agreement. He commented that it is unlikely that many states will pass the required legislation this year.

Mr. Cram discussed the Streamlined Sales Tax Pilot Project which involves four states. He explained that the participating states are testing the technology of the system and that four certified service providers and two retailers have agreed to participate in the project. The participants anticipate that the system operations will begin in February, 2001. Kansas' participation in the project is scheduled to end this year.

Mr. Cram's briefly referred to the portion of his written testimony concerning a report on the activities of the committees involved with the Streamlined Sales Tax Project. He noted that his testimony includes a copy of the Uniform Sales and Use Tax Administration Act and the Streamlined Sales and Use Tax Agreement.

Following Mr. Cram's testimony, committee members raised questions regarding the portion of the Streamlined Sales and Use Tax Agreement which requires legislation to change transaction sourcing from the seller's location to the purchaser's location for merchandise shipped or delivered to the purchaser. Committee members expressed some concerns regarding possible complications in applying the specific tax rate in the area in which the purchaser lives. Mr. Cram agreed to research the concerns and report back to the Committee.

The meeting was adjourned at 11:50 a.m.

The next meeting is scheduled for January 17, 2001.

## CONTINUATION SHEET