

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:00 a.m. on February 10, 2009, in Room 535-N of the Capitol.

All members were present except Representative Sharon Schwartz who was excused.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Hank Avila, Kansas Legislative Research Department
Chris Courtwright, Kansas Legislative Research Department
Kathy Beavers, Committee Assistant

Conferees appearing before the committee:

Joan Wagon, Secretary, Kansas Department of Revenue
Jim Garner, Secretary, Kansas Department of Labor
Richard Cram, Kansas Department of Revenue
Jeff Scott, Chief Compliance Enforcement Officer for Kansas Department of Revenue
Representative Anthony Brown
Representative Peggy Mast
Lisa McKenzie
Wil Leiker, Executive Vice-President, Kansas AFL-CIO

Others attending:

See attached list.

Bill Introductions:

Representative Elaine Bowers requested a bill introduction that would change the sales tax exemption base, for certain retail businesses, from a US census population requirement to the Kansas Division of Budget revised population number certified to the Secretary of State's office. A motion was made by Representative Carlson to accept the introduction and was seconded by Representative Menghini. The motion carried.

The Chairman opened the hearing on **HB 2173**.

HB 2173 - Income tax credit for certain adoption expenses.

Chris Courtwright briefed the committee on **HB 2173**.

Representative Peggy Mast testified in favor of **HB 2173** (Attachment 1). **HB 2173** would enable those who choose to adopt a special needs child an adoption tax credit to help compensate for the additional costs to the family.

Lisa McKenzie testified in favor of **HB 2173** (Attachment 2). Mrs. McKenzie and her husband adopted a special needs child. Mrs. McKenzie stated that passage of this bill would allow families adopting special needs children to receive a tax credit from the federal and state government.

Richard Cram, Kansas Department of Revenue, testified in opposition to **HB 2173** (Attachment 3). The fiscal note, if the bill was passed, would be \$208,075. He stood for questions.

The Chairman closed the hearing on **HB 2173**.

The Chairman opened the hearing on **HB 2175**.

HB 2175 - Repealing statute which provides penalty for misclassification of employees.

Scott Wells, Office of the Revisor of Statutes, briefed the committee on **HB 2175**.

Representative Anthony Brown testified in support of **HB 2175** (Attachment 4). He shared his concern that competitors gain an unfair advantage through unethical practice of classifying employees as sub contractors.

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:00 a.m. on February 10, 2009, in Room 535-N of the Capitol.

Therefore, they avoid paying taxes and expenses for these employees. He stood for questions.

Rachelle Colombo, Kansas Chamber of Commerce, testified in support of **HB 2175** (Attachment 5). The Kansas Chamber supports the repeal because of its inefficiency, lack of necessity and failure to make determinations upon defined standards. She stood for questions.

Joan Wagon, Secretary, Kansas Department of Revenue, testified in opposition to **HB 2175** (Attachment 6). The vast majority of the investigations are in the building industry. Passage of this bill will stop the flow of information between the Department of Revenue and the Department of Labor. Secretary Wagon stated that the Department of Revenue had obtained the following results to date:

- 149 audit assessments were issued
- \$10,160,248 assessed
- \$705,480 collected payments

Jeff Scott, Chief Compliance Enforcement Officer for Kansas Department of Revenue, testified in opposition to **HB 2175**. The information shared between the Department of Labor and Revenue is limited in scope but is helpful in determining persons not in compliance of **K.S.A. 2008 Supp.44-776**.

Jim Garner, Secretary, Kansas Department of Labor, testified in opposition to **HB 2175** (Attachment 7). Secretary Garner stated that the repeal of **HB 2175** would hinder the ability to conduct misclassification investigations. Sharing information between the two departments, Revenue and Labor, creates efficiency and reduces repetitive work processes. This bill would negatively impact the success of investigating, enforcing the law, and collecting taxes due the state.

Wil Leiker, Executive Vice-President, Kansas AFL-CIO testified in opposition to **HB 2175** (Attachment 8). Mr. Leiker stated that there are companies that employ illegal workers and workers they misclassify as contract labor. Scrupulous employers make more money by not paying state, social security, unemployment and workers compensation taxes.

The Chairman closed the hearing on **HB 2175**.

The next meeting is scheduled for February 11, 2009.

The meeting was adjourned at 10:00 a.m.