

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman David Corbin at 10:45 a.m. on February 17, 2004, in Room 519-S of the Capitol.

All members were present except:

Senator Lana Oleen- excused

Committee staff present:

Chris Courtwright, Legislative Research Department

Martha Dorsey, Legislative Research Department

Gordon Self, Revisor of Statutes Office

Shirley Higgins, Committee Secretary

Conferees appearing before the committee:

Senator John Vratil

Joan Wagon, Secretary, Kansas Department of Revenue

Ken Grotewiel, Kansas Water Office

April Holman, Kansas Action for Children

Marlee Carpenter, Kansas Chamber of Commerce

Senator Janis Lee

Mark Beck, Director of Property Valuation

Others attending:

See Attached List.

**SB 390—Indexing threshold limits for homestead property tax refunds**

Senator John Vratil testified in support of **SB 390**. He noted that the threshold limit of \$25,000 has not been changed since it was originally adopted in 1997. The bill would increase the limit to \$26,300, which is the current equivalent of the purchasing power of \$25,000 in 1997. The bill also would index the threshold limit by making an annual cost of living adjustment provided by the Internal Revenue code. He commented that, with the enactment of the bill, the Legislature will not be required to adjust the threshold limit every four or five years to maintain the same purpose and affect as originally adopted. (Attachment 1)

In response to questions concerning the fiscal impact, staff informed the Committee that the fiscal note is \$96,000 for Fiscal Year 2005 for the initial indexation. After that, it would grow at two or three percent per year or whatever the percentage of increase in cost-of-living is determined under the federal Internal Revenue Code.

Senator Corbin called the Committee's attention to additional information on previously heard bill, **SB 370** concerning an income tax deduction for long-term care insurance premium costs. He reminded the Committee that the sponsor of the bill, Senator Barnett, requested that the Legislative Research Department prepare the information at the hearing on February 10. (Attachment 2)

**SB 477—Confidentiality and disclosure requirements of tax information**

Joan Wagon, Secretary, Kansas Department of Revenue, testified in support of **SB 477**. She explained that the intent of the bill is to apply the confidentiality provisions to all excise tax types while balancing the legitimate need for information by members of other branches of government which are building programs, sometimes without any information about what the consequences would be. She went on to discuss the specific proposed substantive changes which would expand access to tax and/or license related information. She noted that the Governor or legislators receiving information relevant to determining the fiscal impact of a legislative proposal would be subject to the same confidentiality restrictions and penalties as Department employees. She requested that the bill be amended to add "staff of the Legislative Research Department and the Revisor of Statutes" to the list of persons who could receive specific taxpayer information. In addition, she requested that the bill be amended to allow the release of licensing information to criminal justice agencies and law enforcement officers as provided under current law. (Attachment 3) In conclusion,

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Secretary Wagon emphasized that the bill was carefully drafted to ensure that the open records law would not allow the Department to inadvertently release information that should not be released.

Senator Allen began a discussion concerning the enforcement of the confidentiality requirement with regard to legislators. Secretary Wagon indicated that she would not object to legislators being removed from the list of persons allowed to receive confidential information from the Secretary. She noted that the Department's main concern has been that the Secretary of Revenue has been unable to share information with other state agencies that is necessary to develop or implement a policy.

Ken Grotewiel, Assistant Director of the Kansas Water Office, testified in support of the provision in **SB 477** which allows the Secretary of Revenue to provide "water protection fee" information from returns and applications for registration to the Secretary of the Department of Agriculture and to the Director of the Kansas Water Office for the purpose of verifying revenues deposited into the State Water Plan Fund. He explained that, without complete access to this information, the state cannot determine whether the fees have been paid as required by law. Mr. Grotewiel noted that the bill would have a negligible fiscal impact on the administrative costs of the Kansas Water Office. (Attachment 4)

April Holman, Kansas Action for Children, testified in support of **SB 477** as a step in the right direction to allow more people access to information regarding specific business incentives in order to evaluate their effectiveness. She noted that, in order to strengthen corporate accountability, Minnesota requires that local, regional, and state development agencies file annual disclosure reports until the subsidized company has received its job creation and wage goals. Ms. Holman suggested that the bill should go farther to make this information public. She proposed that the bill be amended on pages 6, 7, and 10 in the paragraph allowing the Secretary of Revenue to disclose specific taxpayer information to the Governor, Secretary of Commerce, or any state senator or representative if such information is relevant to determining the fiscal impact of a legislative proposal by adding "and the legislative proposal would decrease state revenues by more than \$20 million." She explained that the intent of the \$20 million threshold is to pick up only extraordinary tax subsidies. In addition, she proposed that the bill be amended on pages 6 and 9 to allow the Secretary to disclose specific information to the Secretary of Commerce relevant to enterprise zone sales tax exemptions. (Attachment 5)

Marlee Carpenter, Kansas Chamber of Commerce, testified in opposition to **SB 477**. The Chamber has concerns about the portion of the bill dealing with the release of information to the Legislature and the Secretary of Commerce. Ms. Carpenter acknowledged that accurate and consistent fiscal notes are very important in the legislative process. However, she contended that allowing confidential taxpayer information to be released is not the way to fix the issue. She cautioned that there is no guarantee that the information will stay confidential after it is released. She pointed out that there are no provisions in the bill regarding the possibility that the Department may accidentally release inaccurate information. She noted that, when there are major initiatives that affect specific taxpayers, those taxpayers will release this confidential information on a regular basis on their own. She contended it should be on their terms, not the Department of Revenue's terms. (Attachment 6)

There being no others wishing to testify, the hearing on **SB 477** was closed.

### **SB 415—Classification of property for property tax purposes**

Senator Janis Lee testified in support of **SB 415**, noting that it was introduced as a result of numerous conversations with several county appraisers and the Property Valuation Division. She explained that current law requires that, in order for property to be appraised at residential value, it must be located on property that is contiguous to a dwelling or home. However, many times residents of small rural towns purchase a garage or storage shed for use as a garage or storage that is not contiguous to their dwelling but across the alley or down the block. Since the building is not on contiguous property, it is not appraised at 11.5% but at the "other" rate of 30%. Senator Lee explained that this interpretation has caused problems for appraisers and inequities for taxpayers. In her opinion, the new language on page 2, lines 19 through 22, would more accurately reflect the actual intention of the law. (Attachment 7)

Mark Beck, Director of Property Valuation, testified in support of **SB 415**. He explained that K.S.A. 79-1459,

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which defines residential property to “include all land and improvements utilized or intended to be utilized as a dwelling or home,” was passed in 1982, prior to classification. It was originally intended for reporting purposes only. Because it appears to be the only definition statute available, it is now used for purposes of classifying property for tax purposes. The bill amends the statute by defining land and improvements used to store household goods and personal effects as residential as long as such property is not used for the production of income. Thus, such land and improvements will be assessed at 11.5% regardless of whether a dwelling or home is on the parcel. Mr. Beck noted that the Division of Property Valuation supports the bill because it assures that similarly used property is valued and assessed the same. He pointed out that zoning would not be involved. (Attachment 8)

There being no others wishing to testify, the hearing on **SB 415** was closed.

Senator Corbin called the Committee’s attention to the minutes of the February 13 meeting.

Senator Donovan moved to approve the minutes of the February 13, 2004, meeting, seconded by Senator Buhler. The motion carried.

The meeting was adjourned at 11:45 a.m.

The next meeting is scheduled for February 18, 2004.