

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 22, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Secretary Wagon, Department of Revenue
Richard Cram, Department of Revenue
Steve Stotts, KDOR
Mark Beshears, Sprint
Marlee Carpenter, KS Chamber of Commerce (written only)
John T. Frederick, The Boeing Company (written only)

Others attending:

See attached list.

The Chairman called on Representative Bowers, who introduced her daughter, Haley Bowers, a 9th grade student, who was on spring break.

HB 2548 - Social Security number or tax identification number required for licensure, certification or registration with state authorities.

The Chairman said that they were going to briefly return to **HB 2548**, for clarification of income tax compliance percentages. Steve Stotts, KDOR, distributed a chart on the Compliance Enforcement Discovery Project, that reflects cumulative data from its inception in 2004 (Attachment 1). The Department has processed 418,624 licensee's, and \$1,098,684 has been refunded. The total of \$9,784,531 was discovered, of which \$6,708,673 is in the bank, with the remainder amount being paid in installments. Steve Stotts said that the Board of Healing Arts has a 6.1% noncompliance rate currently.

Representative Crum said lengthy discussions had occurred yesterday while working on **HB 2548** based on some serious accusations that a high percentage of health care providers, especially physicians and optometrists, do not pay their taxes. He questioned if KDOR had a good explanation why 37% percent of physicians and 33% of optometrists don't pay their taxes. He pointed out that the new data, before them, reflected only **0.3%** of optometrists were in noncompliance.

Secretary Wagon said the original report, compiled in 2005, was based on membership data from licensing boards and compared to KDOR tax records. Shortly after, that report was refined with respect to out-of-state physicians. The Department found that there were many professionals that held Kansas' licenses, however, did not earn income in Kansas thus had no reporting requirements. When they pulled those numbers out, the percentages changed significantly. They have since continued to refine their reporting process and the licensing boards had to provide cleaner information. She stated that the current report is the mature process, rather than what happened in the beginning. She said that Representative Crum was right, that releasing that early information had cast an unnecessarily negative picture.

HB 2590 - An act concerning sales taxation; relating to definitions; exemptions; exemption certificates; errors in collection, relief of liability; jurisdiction and rate database.

Secretary Wagon, KDOR, made two points: 1) The streamlined sales tax (SST) has been in effect since 2003. It was developed by a group of states, with the assistance of the National Conference of State Legislators, National Governor's Association, The Multi-state Tax Commission and the Federated of Tax Administrators. The purpose was to put a voluntary system in place to collect the sales tax that was escaping taxation from internet sales. This is a tax that is due and owing, called a use tax in Kansas. Retailers do not

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have a duty to collect because they are out of state. 2) All of the changes and proposals in **HB 2590** are from the business community, as amendments to the original agreement, because the provisions were either incomplete or didn't work. The business community is supportive of this bill and she called attention to written testimony of Marlee Carpenter, KS Chamber of Commerce, and John T. Frederick, The Boeing Company (Attachment 2).

A memorandum was distributed (Attachment 3). Secretary Wagon and Richard Cram, KDOR, reviewed the changes in the bill explaining the current law and the new language. New provisions replaced language under the following groups: Exemption Administration; Liability Relief for CSP's, Sellers and Purchasers; Rates and Boundaries Database; Bundled Transactions; Durable Medical Equipment Definition; Multiple Points of Use; and Direct Mail Delivery Charges. She concluded by saying there were several problems with the original draft of SST, however this bill fixes those areas of concern.

Mark Beshears, Sprint, appeared in support of the amendments that were outlined by Secretary Wagon. He explained the changes regarding *uniform definitions* and *consistent database* in the Telecommunications Services portion of the bill. He recommended the following changes as outlined in the balloon for **HB 2590** (Attachment 4).

Discussion followed regarding: History of SST; Sovereignty issues; Future benefits of SST; and Voting process at SST Business meetings.

The Chairman closed the public hearing.

Representative Owens made the motion that the balloon amendments, presented by Mark Beshears, be amended into **HB 2590**. Representative Menghini seconded the motion. Two technical amendments were suggested by Gordon Self, Office of the Revisor. On page 56, in line 32, by striking "or" the first time it appears and inserting "one", and page 8, line 6, by striking "as". Those technical amendments were accepted as part of Representative Owens motion, and Representation Menghini agreed. The motion carried.

Representative Owens made the motion that the Committee pass out **HB 2590**, as amended, favorable for passage. Representative Holland seconded the motion. The motion carried.

The meeting adjourned at 10:20 a.m. The next meeting is March 23, in 313-S.