

## MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:40 A.M. on February 7, 2007 in Room 519-S of the Capitol.

All members were present except:

Derek Schmidt- excused

Committee staff present:

Chris Courtwright, Kansas Legislative Research Department

Martha Dorsey, Kansas Legislative Research Department

Gordon Self, Office of Revisor of Statutes

Judy Swanson, Committee Assistant

Conferees appearing before the committee:

Richard Cram, KDOR

Joan Wagon, Secretary of KDOR

Marlee Carpenter, Kansas Chamber

Others attending:

See attached list.

Chris Courtwright presented a summary of the Tax Subcommittee report on tax reductions. (Attachment 1) Based on the current status of the state's revenue and expenditure forecasts, \$15 million in tax relief is close to the maximum amount of tax relief the Legislature should consider. The subcommittee believes some form of Franchise tax relief should be one of the Legislature's highest priorities, and the tax "cliff" issue should be addressed. The subcommittee recommends the exemption threshold be raised from \$100,000 to \$500,000 and the tax cliff be eliminated. The subcommittee recommends an initial step in providing a tax exemption for Social Security benefits be taken by exempting from the income tax social security benefits received by both single and joint filers with federal adjusted gross income of \$50,000 and below. These recommendations would have a fiscal impact in FY 2008 of \$15.9 million. Tax credit and incentive restructuring issues will be addressed in both the Commerce and Tax Committees. Chris Courtwright and Richard Cram are working together to come up with a five-year profile of the fiscal note on these proposals, and will have this information available to the Tax Committee next week.

Alan Conroy, Director of Kansas Legislative Research Department, reviewed a summary of State General Fund receipts, expenditures and balances, as they would apply to the Governor's State of the State budget recommendations. (Attachment 2) During discussion, Mr. Conroy said last year's fiscal growth was close to 10%, which is above average. Projections for the overall economy this year seem to be lower than 10%. The Governor's budget numbers have not yet been amended to reflect the Governor's recent recommendation for university deferred maintenance. Senator Apple requested information for a budget profile reflecting a five-year phase-out of the Franchise tax and three-year phase-out of the Social Security tax. Senator Lee further requested a budget profile reflecting a five-year phase-out of the Social Security tax.

**SB 115--Revocation of retailer's sales tax registration certificate in certain circumstances and prescribing certain unlawful acts related thereto**

**SB 126--Criminal classification and penalty for sales of tangible personal property or services without a tax registration certificate**

Hearing was opened with Richard Cram, KDOR, testifying in support of both bills. (Attachment 3) He said these proposals will help KDOR in collecting outstanding sales tax liabilities, and will provide an additional tool to enhance KDOR's sales tax collection efforts. During discussion, Secretary of KDOR Joan Wagon said the Federal government has precedence over the state on a tax lien. She said KDOR communicates with local governments to make sure businesses are registered with KDOR for a sales tax license. KDOR has 58 field agents who assist businesses with tax payment plans. These bills were requested by the interim Budget Committee. Senator Bruce said the maximum penalty for a Class A misdemeanor is a fine up to \$2500 and up to one-year in jail. Senator Bruce said sentencing is very difficult to apply to a corporation, but there are ways to apply the punishment to the person in charge of the company. KDOR has no objection to combining **SB 115** and **SB 126**. Mr. Cram will work with Gordon Self on amendatory language in these bills, and bring

## CONTINUATION SHEET

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an amendment back to the Tax Committee for approval. If this bill is enacted, all businesses would be treated more like the car dealers, with regard to delinquent outstanding sales tax liabilities. Marlee Carpenter, Kansas Chamber, has concerns with some of the timelines in **SB 115**, and will submit written testimony to the Committee at a later date. The hearing was closed.

An overview of the IMPACT program, which is used for training and capital requirements of major business expansions, was distributed. (Attachment 4)

Senator Donovan moved to approve the Minutes of the January 30, January 31 and February 1 Committee meetings. Senator Jordan seconded the motion, and the motion carried.

Being no further business, the meeting adjourned at 11:48 a.m. The next meeting will be February 8.