

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:45 a.m. on January 23, 2002, in Room 519-S of the Capitol.

All members were present except: Senator Pugh

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 22, 2002, meeting were approved.

Senator Corbin called the Committee's attention to a chart with data regarding a proposed committee bill dealing with an increase in taxation on cigarettes, tobacco products, and liquor. (Attachment 1) He explained that the introduction of the proposed bill would simply be a starting point for debate. He noted that it does not include the Governor's taxation proposal. He said, if the Committee recommended the introduction of the bill, the hearing would be scheduled for January 28.

Senator Donovan moved to introduce the proposed Committee bill, seconded by Senator Taddiken. The motion carried.

Senator Donovan suggested that information regarding what approach other states and regions have taken would be helpful when the Committee considers the bill. Senator Corbin assured the Committee that the information would be made available to the Committee.

Richard Cram, Kansas Department of Revenue, requested the introduction of four bills. The first bill would give the Secretary of Revenue the authority to require taxpayers who have a sales tax or withholding tax liability exceeding \$100,000.00 a year to remit payment by electronic transfer. After the Secretary has given written notice that payment by electronic transfer of funds is required, timely payment by any other method would be considered as delinquent and subject to a penalty and interest as if made one day following the due date.

Senator Lee moved to introduce the proposed bill requiring payment of taxes by electronic transfer, seconded by Senator Goodwin. The motion carried.

The second bill requested by Mr. Cram would give the Department statutory authorization to setoff taxpayer refunds against another tax liability. He explained that the Department currently follows this procedure under common law. The proposed bill would codify the common law setoff principle.

Senator Donovan moved to introduce the proposed bill to codify the common law setoff principle, seconded by Senator Goodwin. The motion carried.

The third bill requested by Mr. Cram would amend K.S.A.70a-102, which deals with sand and gravel royalties, to add a penalty provision for those who fail to file returns or pay sand and gravel royalty fees. He explained that the proposed bill pertains to businesses which dredge sand out of river beds for which the state holds sand rights. He noted that the penalty provision would make the statute consistent with other tax laws.

Senator Lee moved to introduce the proposed bill adding a penalty provision for failure to pay sand and gravel royalty fees, seconded by Senator Praeger. The motion carried.

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:45 a.m. on January 18, 2002, in Room 519-S of the Capitol.

Mr. Cram's fourth proposed bill would give the Secretary of Revenue authority to abate drug tax assessments. He explained that currently uncollectible drug tax assessments account for a large portion of the Department's outstanding accounts receivable, and the Department has no way to write them off. The bill would give the Department the same write off authority it has for other types of taxes.

Senator Clark moved to introduce the proposed bill giving the Secretary of Revenue the authority to write off uncollectible drug tax assessments, seconded by Senator Jenkins. The motion carried.

Mr. Cram followed with an update on the status of the Streamlined Sales Tax Project, **SB 252**, and the Internet Tax Freedom Act. (Attachment 2) In conclusion, he emphasized that the Kansas Legislature needs to pass **SB 252** so that Kansas can become an implementing state in the Streamlined Sales Tax Project and participate in shaping the Streamlined Sales Tax Agreement to Kansas' benefit. Committee discussion followed regarding the problems involved in implementing taxation of Internet sales.

The meeting was adjourned at 11:25 a.m.

The next meeting is scheduled for January 28, 2002.

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:45 a.m. on January 18, 2002, in Room 519-S of the Capitol.