

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:15 A.M. on March 23, 2007 in Room 313-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
Richard Cram, Department of Revenue
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Secretary Wagnon
Senator Susan Wagle
Senator Barbara Allen
Sheriff Frank Denning, Johnson County
Gary Howell, Johnson County Criminalistics Laboratory
Bob Regnier, Johnson County Research Triangle
Mary Birch, Johnson County Research Triangle
*Michael A. Boehm, City of Lenexa
*Eric Sartorius, City of Overland Park
*Derrick Sontag, National Federation Independent Business - Kansas
*Allie Devine, Kansas Livestock Association
*Marlee Carpenter, Kansas Chamber of Commerce
* Written Testimony Only

Others attending:

See attached list.

SB 347 - Electronic filing of income tax withholding for employers with 100 or more employees

The Chairman opened the public hearing on **SB 347** and invited Senator Wagle to brief the Committee on the bill.

Senator Susan Wagle stated that **SB 347**, as amended, would relax an electronic-filing requirement for employers reporting income tax withholding information (W-2 forms) for fifty-one (51) or more employees such that it would only apply to employers reporting the information for two hundred fifty (250) or more employees. She reviewed the history of the bill in the Senate.

She also reviewed the process she had experienced while filing her 2006 business payroll taxes, which resulted in a letter from the Department of Revenue, advising her that employers, with fifty-one (51) or more employees were affected by the mandated electronic filing requirement effective January 1, 2007.

She said that the Department of Revenue is not electronically compatible with common bookkeeping systems. The new mandate would require businesses to have their accounting computer connected to the internet and would have to purchase software to convert their data to send it to KDOR. She presented issues and concerns for small businesses caused by this requirement. She urged the Committee to pass **SB 347**, which would make Kansas mirror Federal law by amending this bill to the threshold of Federal requirements and only require electronic submissions when a business has over two hundred fifty (250) employees (Attachment 1).

It was noted that written testimony was received and distributed, in favor of **SB 347**, from Allie Devine, Kansas Livestock Association, and Marlee Carpenter, Kansas Chamber of Commerce (Attachment 2).

Secretary Wagnon, explained that electronic access to W-2 information was a vital component to their tax discovery program. However, in order to address concerns of small businesses, and difficulty with implementation of the mandate, she provided new language for the bill. That new language would keep the

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number at 51, and grant authority to the Secretary to make exceptions, when it would be a hardship for any such employer, payer, person or organization to file electronically, and permit such statements to be filed other than by electronic means.

She called attention to charts on W-2 / Withholding Report Status, which reflected more than an 80 percent compliance rate to the mandate for businesses with 50 or less employees. She said that a supplemental program was being developed to provide, free of charge, a software program that could be used to send the necessary data to KDOR (Attachment 3).

The Chairman closed the public hearing on **SB 347**.

Representative Wilk made a motion to amend the bill, leaving the number at 250, but adding the suggested language from KDOR for flexibility. Representative Crum seconded the motion. The motion carried.

Representative Owens recommended that **SB 347**, as amended, favorable for passage. Representative Carlson seconded the motion. The motion carried.

Sub for SB 375 - Taxing authority and creation of Johnson county education research triangle authority, additional sales tax authority for Johnson, Franklin, Linn and Miami counties and sales tax exemption for precision farming equipment.

The Chairman opened the informational hearing on the subject matter in **Sub. for SB 375**.

Chris Courtwright, Legislative Research Department, briefed the Committee and said that **Sub. for SB 375** would expand local sales tax authority for a number of counties; would authorize Johnson County to establish the Johnson County Education Research Triangle Authority (JCERTA) and to levy special sales and property taxes associated therewith; and would clarify the state and local sales tax exemption for farm machinery and equipment.

Senator Barbara Allen said that the bill would grant Johnson County additional local sales tax authority of .25% to finance public safety projects, and authorize Johnson County to establish JCERTA, through a sales tax not to exceed .2% or a property tax not to exceed the lesser of the .2% sales tax or the two mills of property tax. She said the bill received strong support in the Senate, and six of the 7 members of the Johnson County delegation voted for it. Both sales tax proposals would allow the voters in Johnson County to decide for themselves whether they want to tax themselves through additional sales tax. She requested the two proposals be kept together and she asked for their support (Attachment 4).

Sheriff Frank Denning, Johnson County, testified in support of **Sub. for SB 375**. He said the public safety infrastructure needs in Johnson County have exceeded the ability of the existing funding sources. He explained the difficulties in overcrowding at the current jail and said studies and outside consultants show that when the new 416 bed addition, opens in late 2009, they will still be 200 beds short. He urged passage of the bill that would allow voters to decide whether to pay for jails through additional sales tax (Attachment 5).

Gary Howell, Johnson County Criminalistics Laboratory, explained how the Johnson County Sheriff's Office Crime Laboratory is grossly inadequate to accommodate the forensic science services the community needs. The Johnson County community is at a crossroads with respect to the number one quality-of-life issue; public safety. This bill would provide funds for a new Crime Laboratory that would accommodate their existing operation as well as growth in personnel and technology and will help reduce the amount of crime in their community (Attachment 6).

Bob Regnier, Johnson County Research Triangle, appeared in support of **Sub. For SB 375**. After a brief description of the Triangle project, he said that Johnson County's citizens would receive many benefits from the economic impact of the project. There will be better training, jobs, quality of life issues, as well as humanitarian and economic gains. He urged the Committee to allow Johnson County voters the

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opportunity to improve their community through funding the project from additional taxes (Attachment 7).

Mary Birch, Government Relations Coordinator, Johnson County Research Triangle, provided the details of the Johnson County Education and Research Triangle (Attachment 8). She explained: the purpose and location of the 3 facilities; oversight and governance; and the executive summary that provided data on industry output, employment numbers, and household earnings. Attached to her testimony were six testimonial letters expressing their support: 1) Joerg Ohle, Bayer HealthCare; 2) Ron Wimmer, Ed. D.; 3) Barbara Unell, Uncle Dan's Report Card; 4) Drue Jennings; 5) Samuel Turner, Sr., Shawnee Mission Medical Center; and 6) William Hall, Hallmark Cards.

It was noted that the following written testimony had been received and distributed in support of the legislation: Michael A. Boehm, City of Lenexa, Eric Sartorius, City of Overland Park and Derrick Sontag, National Federation Independent Business (Attachment 9).

A period of questions and answers followed. There was a request made of Sheriff Frank Denning for additional information on the projected dollar amounts necessary for the additional Johnson County jail, Juvenile Intake and Assessment Center and the Department of Community Corrections. He agreed to provide that information.

The Chairman closed the information hearing.

The meeting was adjourned at 10:30 a.m. The next meeting is March 27, 2007