

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:40 a.m. on January 24, 2001, in Room 519-S of the Capitol.

All members were present except: Senator Taddiken

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: Mike Beam, Kansas Livestock Association
Stephen S. Richards, Secretary, Department of Revenue
Richard Cram, Department of Revenue

Others attending: See attached list.

The minutes of the January 23, 2001, meeting were approved.

Mike Beam, Kansas Livestock Association, requested the introduction of a bill which would specifically provide that grain bins are exempt from property taxation regardless of whether or not they are leased. He explained that a current statute provides for an exemption of farm storage and drying equipment from property taxation; however, the Board of Tax Appeals ruled last summer that, if that equipment is owned and leased by the Farm Credit System to a producer, it would not be exempt. In those cases, the leases must reflect a property tax back to the producer who is leasing the equipment.

Senator Donovan moved to recommend the introduction of the bill requested by Mr. Beam, seconded by Senator Clark. The motion carried.

Chairman Corbin opened the confirmation hearing on Stephen S. Richards, Secretary, Kansas Department of Revenue. Secretary Richards gave a brief outline of his educational and employment history. He also discussed the four areas on which he plans to focus for the Department. In conclusion, he stated that he was confident in his ability to serve the taxpayers of Kansas. (Attachment 1)

Copies of the Senate Confirmation Information Summary for Mr. Richards had been distributed for the Committee's information. (Attachment 2)

Senator Lee moved to recommend the confirmation of Secretary Richards favorably, seconded by Senator Jenkins. The motion carried.

Chairman Corbin opened the continued hearing on **SB 40**, concerning subpoena power for the Department of Revenue in sales tax cases. Richard Cram, Kansas Department of Revenue, clarified that, if a sales tax case goes to the Board of Tax Appeals (BOTA), the Department has the right to take discovery. BOTA could issue subpoenas, and the Department could serve interrogatories. Mr. Cram noted that the problem with that process is the length of time that goes by before the case gets to that stage. From the tax administration standpoint, it would be better to be able to get the information sooner rather than waiting until it goes to BOTA.

Mr. Cram also noted that there is a criminal penalty under K.S.A. 7936-15(g) available for one who makes a false or fraudulent return, willfully fails to make a return, fails to keep records, willfully violates regulations for the enforcement of the act, or who violates any other provision of the act. Upon conviction, one can be fined \$500, not more than \$10,000, and be imprisoned for one to six months. He noted that this is an extreme measure which the

Department would not want to use unless it was an absolute last resort. He said the goal of the Department is to try to get the required information sooner rather than later and with a minimal amount

CONTINUATION SHEET

of disruption on both the taxpayer's and the Department's part. He explained that, under current law, the first step the Department would take would be an estimated assessment. The second step would be a jeopardy assessment. The third step would be an injunction action. The fourth would be the criminal penalty. He said subpoena power for the Secretary of Revenue would expedite handling of cases by providing an intermediate step at the audit stage before taking other steps. With this, the hearing on **SB 40** was closed.

Chairman Corbin opened discussion on the following bills previously heard at the January 23 meeting:

SB 41, concerning the Kanss Estate Tax Act; expiration of inheritance tax liability

SB 42, concerning the liquor drink tax; statute of limitations

SB 43, relating to appeals concerning food sales tax refunds

SB 44, amending the Homestead Property Tax Refund Act; administration

SB 45, relating to income taxation; periods of limitations.

Senator Clark moved to recommend **SB 41** favorably for passage, seconded by Senator Praeger. The motion carried.

Senator Donovan moved to recommend **SB 42** favorably for passage, seconded by Senator Jenkins. The motion carried.

Senator Praeger moved to recommend **SB 43** favorably for passage, seconded by Senator Lee. The motion carried.

Don Hayward, Revisor of Statutes Office, informed the Committee that **SB 44** needed to be technically amended to add a new section to clarify that the income tax refund fund could pay homestead tax refunds.

Senator Lee moved to amend **SB 44** technically as suggested by Mr. Hayward, seconded by Senator Praeger. The motion carried.

Senator Goodwin moved to recommend **SB 44** favorably for passage as amended, seconded by Senator Jenkins. The motion carried.

Senator Donovan moved to recommend **SB 45** favorably for passage, seconded by Senator Clark. The motion carried.

The meeting was adjourned at 11:15 a.m.

The next meeting is scheduled for January 25, 2001.

CONTINUATION SHEET