

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:30 A.M. on January 31, 2008 in Room 519-S of the Capitol.

All members were present except:

Tony Hensley- excused

Committee staff present:

Gordon Self, Office of Revisor of Statutes

Chris Courtwright, Kansas Legislative Research Department

Scott Wells, Office of Revisor of Statutes

Ryan Hoffman, Kansas Legislative Research Department

Judy Swanson, Committee Assistant

Conferees appearing before the committee:

Senator John Vratil

John Donley, Kansas Livestock Association

Whitney Damron, Kansas Sporting Hunting Association and Flint Oak, LLC

Ken Corbet, Ravenwood Hunting Preserve

Brad Harrelson, Kansas Farm Bureau (Written only)

David Corbin, Kansas Department of Revenue (KDOR)

April Holman, Kansas Action for Children (Written only)

Joan Wagon, Secretary, Kansas Department of Revenue

Tony Scott, Kansas Society of Certified Public Accountants

Others attending:

See attached list.

Hearing on **SB 487**, Sales tax exemption for fees for guided and non-guided hunting and sale of game birds for hunting, was opened.

Senator John Vratil testified the language in **SB 487** would prevent the imposition of sales tax on certain hunting and hunting-related activities. (Attachment 1) The Legislature has devoted a considerable amount of effort to ensuring that agricultural-based tourism and related activities are encouraged in Kansas. Imposing a sales tax on these activities penalizes those who participate, and has the potential to discourage participation. Senator Vratil said sales tax on the rental or lease of ground is not included in the bill, but said the leasing of land for hunting would be appropriate to be added to this bill. There is not currently a sales tax on a farm for wind towers.

John Donley, Kansas Livestock Association (KLA), testified in support of **SB 487**. (Attachment 2) Hunts have become a significant portion of many KLA members' operations in recent years. The income generated from these activities is subject to income tax; therefore, it is KLA's belief these types of activities should not be subject to sales tax. It would only stifle the growth of this industry. Senator Allen requested Mr. Donley provide language to Staff clarifying the leasing of land for hunting exemption.

Whitney Damron, Kansas Sport Hunting Association and Flint Oak, LLC, testified in support of **SB 487**. (Attachment 3) The confusion of the leasing of land needs to be clarified. He said the State of Kansas should do all it can to encourage the growth of these kinds of operations, which increase revenues. Kansas should do more to encourage hunting and shooting sports in the state, not less. He provided an amendment with his testimony to include "clay shooting sports". He reviewed the economic impact of the hunting industry in Kansas from 1996 to 2006.

Discussion was held on Flint Oak, LLC. Senator Donovan pointed out that Flint Oak dues are taxed, and this bill would not change that taxation. Senator Schmidt said the game bird exemption is important to Flint Oak, and he questioned the taxation of fish caught there. Mr. Damron said the fish are caught on a catch & release basis. Deer on the Red Rock Preserve in Elk County were discussed, and Richard Cram, KDOR, said it would not be possible to distinguish between wild deer and domestic deer for taxation purposes.

Ken Corbet, Ravenwood Lodge, testified on behalf of Ravenwood and the Kansas Sport Hunting

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Association, in support of **SB 487**. (Attachment 4) He said out of state hunting licenses grow between 5% and 6% annually.

Brad Harrelson, Kansas Farm Bureau (KFB), testified KFB disagrees with KDOR's recent interpretation that sales tax should be remitted by business and individuals providing hunting services and property owners who charge access fees for hunting. (Attachment 5) He said he doesn't believe this dog will hunt!

David Corbin, KDOR, said fees and charges from participating in hunting is a growing business in Kansas, and this exemption will cause further shrinkage of the sales tax base. (Attachment 6) He distributed a copy of KDOR Notice 07-08 with his testimony. **SB 487** would reverse this Notice. The bill would apply to "fees", not land that is rented or leased. Joan Wagon, Secretary of KDOR, concurred. Chairman Allen requested Secretary Wagon give written confirmation of that statement to the Committee.

During Committee discussion, Mr. Corbin said Flint Oak's land is treated as agriculture land, but the facility itself is treated as commercial property. Senator Bruce asked for clarification of how skeet is treated. Blue Rock purchased for skeet shooting is tax exempt because it is a product for resale. The sales tax is collected on facilities and includes the blue rock. Green fees and golf cart fees are subject to sales tax. Mr. Cram said he felt little league baseball, soccer, etc. would fall within the imposition of the sales tax law. Mr. Corbin said this bill broadens the sales tax exemption base. Referring to the fiscal note, Mr. Cram said of the \$650,000 estimated to be collected in 2009, he could not estimate how much of this would be directly attributed to the sales tax collected on fees. Last year, the actual collections from hunting businesses were \$700,000. But that total was not broken down by fees, lodging, etc. Mr. Corbin said it was not the intent of KDOR to go retroactive to 2005 on collections. Senator Donovan said he did not think the fiscal note was accurate.

April Holman, Kansas Action for Children, submitted written testimony to the Committee in opposition to any erosion of the tax base. (Attachment 7)

The hearing was closed.

The hearing on **SB 471**, Electronic filing of tax returns and reports, was opened.

Secretary of KDOR Joan Wagon said **SB 471** is a huge priority with KDOR because KDOR needs to be as efficient and cost effective as possible. (Attachment 8) She gave a Power Point presentation. Staffing would be cut dramatically if **SB 471** was enacted. Errors are easily identifiable and processing delays are virtually non-existent with electronic filing.

Secretary Wagon said every dollar KDOR does not spend collecting taxes is a dollar that goes toward state priorities. She introduced Terry Hunt, Assistant Manager of the E-Filing Unit, who gave an overview of how electronic taxes are collected. In response to Senator Lee, Secretary Wagon stated that computer program concerns from last year have been alleviated for the e-filing of tax returns. The KDOR website is now user-friendly to all software used for the filing of W2 and 1099 forms. Senator Donovan noted it would be a savings for taxpayers to transfer their funds electronically for payment of taxes. Last year 26% of filers remitted their taxes electronically, and 74% sent paper checks. Chairman Allen questioned the security of remitting electronically. Secretary Wagon said there is no signature required, but a filer must put in a PIN number. The file system is encrypted, so the safety factor is good.

Secretary Wagon said the language in the bill may need to be changed a bit to make sure the e-filing requirement does not apply to individual filers, and she will work on that issue.

In response to a constituent concern expressed to Senator Apple, Mr. Cram said KDOR will not process a sales tax refund of under \$50 if the application is sent directly to KDOR pursuant to HB 2171 from 2007 Session. The normal process is for consumers to seek their refund from the retailer from whom they purchased the item, and there is no minimum dollar limit on those claims.

Chairman Allen requested copies of Secretary Wagon's Power Point presentation for the Committee

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and also a balloon amendment if KDOR requests any changes be made to the bill.

Tony Scott, Kansas Society of Certified Public Accountants (CPA's), testified as a cautious proponent of **SB 471**. (Attachment 9) Mr. Scott expressed several concerns. The CPA's want tax preparers who operate as small businesses to remain in business so they can perform professional client services. Mr. Scott could not support the imposition of penalties for failure to comply with the minimum threshold number in the bill. He recognizes some Kansas taxpayers worry about the security of electronic technology, and whether these concerns are based on fact or fiction, these taxpayers should have the right to direct their preparer to file their return the old-fashioned way – on paper.

The hearing was closed.

Senator Donovan moved to approve the Minutes of the January 29 Committee meeting. Senator Bruce seconded the motion, and the motion passed.

Being no further business, the meeting adjourned at 11:50 a.m. The next meeting will be February 1.