

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson David Corbin at 10:40 a.m. on February 17, 2003, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department  
Gordon Self, Revisor of Statutes Office  
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Joan Wagon, Acting Secretary, Department of Revenue  
Richard Cram, Department of Revenue  
Gary Anderson, Attorney at Law  
Lew Ebert, Kansas Chamber of Commerce and Industry  
Bob Watson, Overland Park City Attorney

Others attending: See attached list.

Senator Corbin called the Committee's attention to the minutes of the February 13 and 14 meetings. Senator Taddiken moved to approve the minutes of the February 13 and 14, 2003, meetings, seconded by Senator Buhler. The motion carried.

**SB 192—Enacting the streamlined sales and use tax agreement conformity act**

Acting Secretary of the Kansas Department of Revenue, Joan Wagon, and Richard Cram, Kansas Department of Revenue, presented joint testimony in support of **SB 192**. Secretary Wagon began by noting that the bill contains changes in the Kansas sales tax law which are necessary to meet the uniformity and simplification requirements set forth in the Streamlined Sales and Use Tax Agreement adopted by the implementing states on November 12, 2002. She pointed out that the effective date of the bill is July 1, 2004, to allow the Kansas Legislature the opportunity to observe whether Congress acts this fall to authorize states to require remote retailers to collect use tax on Internet and catalog sales. Mr. Cram began a joint explanation of the provisions of the bill by subject areas as follows:

- Uniform Definitions – Section 4
- State Administration of All Local Sales Taxes – Sections 29 through 40
- Uniform State and Local Sales Tax Bases – Sections 5 and 6
- Local Use Tax – Section 2
- Use Tax on Services – Sections 2 and 11
- Seller Registration – Section 8
- Notices to Retailers of Tax Rate, Effective Date, and Taxing Jurisdiction Boundary Changes – Sections 1, 12, and 24
- Database for Rate and Boundary Changes – Sections 13 and 14

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- Sourcing Rules – Sections 1, 15-19
- Administration of Exemptions – Section 10
- Uniform Returns – Section 7
- Electronic Remittances – Section 3
- Uniform Bad Debt Recovery Rules – Section 20
- Confidentiality and Privacy Protections – Section 21
- Uniform Rounding Rules – Section 22
- Customer Refund Procedures – Section 9
- Taxability Matrix – Section 23
- Seller Participation – Section 25
- Amnesty for Registration – Section 26
- Method of Remittance – Section 27
- Registration by an Agent – Section 8

In conclusion, Secretary Wagnon noted that the Agreement requires that member states provide monetary compensation to certified service providers. However, the compensation terms are the subject of contractual negotiations and will be determined at some point in the future. Therefore, **SB 192** does not contain compensation provisions. (Attachment 1)

As they discussed each section, both Mr. Cram and Secretary Wagnon responded to questions raised by Committee members. Mr. Cram explained that the Department will have technical amendments to the bill.

Senator Corbin commented that the best explanation he was given for the need for the streamlined sales and use tax was that our commerce has changed since the sales tax laws were adopted in the 1930s. We have moved into the computer age which is similar to the era of industrialization in the early 1900s. Consequently, there is a need for a new, more uniform way to collect the same tax under a different situation.

Gary Anderson, an attorney with the law firm of Gilmore & Bell, testified in support of **SB192** on behalf of the Unified Government of Wyandotte County and the City of Olathe. He clarified that he supports the bill with certain modifications to the Transportation Development District (TDD) provisions, a new section regarding reporting of sales tax information for Transportation Development Districts, Tax Increment Financing (TIF) projects, and certain effective dates of portions of the bill. He explained that his office has been working with the Attorney General's office on technical amendments to the TDD Act adopted in the 2002 Legislative Session. Because the TDD Act is current law in Kansas and is not a policy decision with respect to the streamlined sales tax, he suggested the TDD portion be removed from the bill and placed in a separate bill. If the TDD Act provisions remain within the streamlined sales tax, he suggested that the provisions relating to transportation districts and the reporting of sales, use, and transient guest taxes be effective July 1, 2003, instead of July 1, 2004, for the remainder of **SB 192**. (Attachment 2)

Lew Ebert, Kansas Chamber of Commerce and Industry, testified in strong support of **SB 192**. He noted that simplification in the area of collecting and remitting sales tax will benefit both large and small retailers, and the streamlined system will increase compliance with existing sales tax laws, bringing in increased revenue to the state. Furthermore, Kansas retailers will be on a level playing field with vendors that do not have nexus in the state and are not required to collect sales tax. Mr. Ebert also supports the enactment of vendor

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allowance for remote retailers but recommended, as a matter of fairness, that Kansas retailers also be compensated. (Attachment 3)

Bob Watson, Overland Park City Attorney, testified in support of two particular sections of **SB 192**, Section 2 pertaining to application of the local compensating use tax to purchases in other participating states of all tangible personal property and certain services and New Section 34 pertaining to collection by the State Director of Taxation of transportation development district excise taxes in return for 2 percent of the tax revenues collected from the district. (Attachment 4)

There being insufficient time to hear remaining conferees, Senator Corbin continued the hearing on **SB 192** to February 18.

The meeting was adjourned at 11:55 a.m.

The next meeting is scheduled for February 18, 2003.