

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Vice-Chair Carlson, at 9:00 A.M. on March 8, 2007 in Room 519-S of the Capitol.

All members were present except:

Representative Kenny Wilk- E

Committee staff present:

Chris Courtwright, Legislative Research Department

Martha Dorsey, Legislative Research Department

Gordon Self, Office of Revisor of Statutes

Kathy Beavers, Office Assistant

Conferees appearing before the Committee:

Richard Cram, Department of Revenue

Representative Arlen Siegfried

Ron Gaches, Kansas Association of Financial Services

Raye Elliott, Akerman Senterfitt

Marlee Carpenter, Kansas Chamber of Commerce (written only)

Greg Harris, Group Director, Business Analysis for HSBC Retail Services

Others attending:

See attached list.

**HB 2511 - Concerning sales taxation; relating to bad debts; deductions or refunds; requirements and procedures therefor; amending K.S.A. 2006 Supp. 79-3674 and repealing the existing section.**

Ron Gaches, Kansas Association of Financial Services, stated that the intent of **HB 2511** is consistent with K.S.A. 2006, Supp. 79-3674. "A seller is allowed a deduction from taxable sales for bad debts attributable to taxable sales of such seller that have become uncollectible." Private label credit cards are used by consumers at only the retail store named on the card itself. The company issuing the card is at risk for the bad debts - not the retail store. The issuing company wants to be able to collect a refund on a portion of the sales tax paid on bad debt (Attachment 1).

Raye Elliott, Akerman Senterfitt, was introduced by Ron Gaches. Ms. Elliott submitted testimony in support of **HB 2511**. She stated that twenty-two other states allow this credit to financial institutions. As it stands now, the Kansas Department of Revenue (KDOR), under current law, grants claims by retailers that finance their own sales. This bill would clarify the retailers' entitlement to the refund and would be limited to private label credit card lenders to benefit Kansas based retailers (Attachment 2).

Written testimony was submitted by Marlee Carpenter, Kansas Chamber of Commerce, in support of **HB 2511** (Attachment 3). She states in her testimony that this bill would provide financial relief to retailers who are required to pay sales tax on purchases not compensated for by bad debt.

Greg Harris, Group Director, Business Analysis for HSBC Retail Services, Raye Elliott and Ron Gaches answered questions by the committee members concerning the credit card application process and statistics noted in the testimony submitted by HSBC Retail Services.

Richard Cram, KDOR, spoke briefly in opposition to **HB 2511** (Attachment 4). After much discussion and clarification by Ron Gaches, Raye Elliott, and Greg Harris regarding the specifics of private label credit cards versus credit cards such as, VISA and MasterCard, Mr. Cram stated he would submit another fiscal note to clarify the requirements specific to private label credit cards.

Vice-Chair Carlson, closed the hearing on **HB 2511**.

**HB 2495 - Decrease in the income tax surtax on corporations.**

The committee returned to **HB 2495**, previously heard by the committee. There is concern that language in the amendment would destroy jobs in the state.

## CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 8, 2007 in Room 519-S of the Capitol.

Representative Siegfried submitted “Corporate Income and Financial Institution Tax Liabilities by Bracket” information to clarify percentages per taxable income (Attachment 5).

Due to time constraints, Vice-Chair Carlson, closed the hearing on **HB 2495** at 10:25 a.m.

The next meeting is March 9, 2007.