

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 8, 2005 in Room 519-S of the Capitol.

All members were present except:

Representative Nancy Kirk- excused

Committee staff present:

Chris Courtwright, Legislative Research Department

Martha Dorsey, Legislative Research Department

Gordon Self, Revisor of Statutes

Richard Cram, Department of Revenue

Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Secretary Wagon, Department of Revenue

Marlee Carpenter, Kansas Chamber of Commerce

Larry Baer, League of Kansas Municipalities

Others attending:

See attached list.

Representative Huff made a motion to introduce a bill regarding a high performance incentive program and redemption of those tax credits for qualifying companies in Kansas. Representative Owens seconded the motion. The motion carried.

SB 13 - Confidentiality and disclosure requirements of tax information

SB 13 generally would relax certain tax confidentiality provisions and allow the Department of Revenue to share additional taxpayer information with other state agencies and various local officials, and under certain limited circumstances, with retailers. One exception to the relaxation provisions would be language limiting the potential release of private financial information of liquor licensee, suppliers, distributors, farm wineries, and microbreweries.

Chairman Wilk opened the public hearing on **SB 13**.

Secretary Wagon, Department of Revenue stated that **SB 13** was recommended by the Special Committee on Assessment and Taxation and reflects the result of negotiation and compromise between the department and the business community (Attachment 1). KDOR supports the bill.

The proposed substantive changes would expand access to tax and/or license related information as follows:

- KDOR may disclose to the Secretary of Commerce copies of applications for enterprise zone project exemption certificate applications, and may further provide specific income, excise, or privilege taxpayer information related to financial information previously submitted by the taxpayer to the Secretary of Commerce concerning tax credit programs, for purposes of verifying such information or evaluating the effectiveness of tax credit programs administered by the Secretary of Commerce.
- KDOR may share information with the following state agencies for the purpose of administering a specific tax and/or fee: Secretaries of (1) Health and Environment (2) State Board of Agriculture, (3) Kansas Water Office, (4) Commerce and the Executive Director of KPERS.
- KDOR may provide city/county clerks/treasurers or finance officers with reports of the distributions made to their respective city or county from any excise tax type, not just retailer's sales and transient guest.
- KDOR may publish limited information from liquor license applications, liquor brand

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registrations, and cigarette tobacco license applications.

- KDOR can verify to retailers the sales tax exemption numbers issued by the department to sales tax-exempt entities and used when such entities make exemption claims on their purchases.

There are also minor language changes for technical clean-up and protection for the confidential financial information.

Discussion followed regarding the following topics: rationale behind sharing confidential information with county/cities, penalties and prosecution for abuse of confidentiality, and potential scenarios for possible disclosure of confidential information.

Marlee Carpenter, Kansas Chamber of Commerce, testified in support of **SB 13**. She stated that the Kansas Chamber had worked with Revenue and Commerce, and after many meetings had reached the compromise language in **SB 13** (Attachment 2). The business community is supportive of **SB 13** at the time.

Larry Baer, League of Kansas Municipalities appeared in support of **SB 13** (Attachment 3). He stated that the receipt of additional, detailed tax payment information will be beneficial to cities and counties. It allows better information to verify tax distributions and to help with the preparation of revenue projections during the budget process. By receiving information identified to a specific retailer, a city or county can better track its sources of sales and use tax revenues and what effect, if any, destination sourcing and local use tax is having on its revenue stream. The more information that is available the easier it is to plan.

There being no other conferees the Chairman closed the hearing on **SB 13**.

HB 2448 - Angel Investor Credit Act

The purpose of the Kansas Angel Investor Tax Credit act is to facilitate the availability of equity investment in businesses in the early stages of commercial development and to assist in the creation and expansion of KS businesses.

The Chairman moved that they adopt a technical amendment to **HB 2448**, on page 7, line 8, that would add the word *commerce* behind Secretary and change the letter on line 22, subsection (b) to c. Representative Owens seconded the motion. The motion carried.

Representative Owens moved that the House Taxation Committee move **HB 2448**, favorably for passage. Representative Goico seconded the motion. The motion carried.

HB 2505 - Emerging Industry Investment Act

An act concerning the Emerging Industry Investment Act that was included in the Kansas Economic Growth Act legislative package from a year ago regarding the collection of tax revenue for Bioscience industry.

The Chairman called attention to a suggested balloon, submitted by Troy Findley, on behalf of the Governor (Attachment 4). On page 2, line 3, the words ~~and are identified~~ are struck, and the following added *but shall not include entities engaged in the distribution or retail sale of pharmaceuticals or other bioscience products*. On page 3, lines 13 through 17 and on page 4, line 26 through 39 were deleted.

Chairman Wilk moved that the balloon amendments to **HB 2505** be adopted. Representative Menghini seconded the motion. The motion carried.

Representative Goico made the motion that **HB 2505**, as amended, be moved favorably for passage. Representative Thull seconded the motion. The motion carried.

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SB 105 - Countywide retailers' sales tax in Miami county.

Mr. Courtwright stated that **SB 105** would amend a local sales tax statute to ratify the results of a November 2004, election in Miami County relative to extending an existing quarter percent sales tax earmarked for road construction and improvement for an additional five-year period. The law also would be amended to clarify that Miami County has authority to seek voter approval of additional five-year extensions.

Representative Owens made the motion that **SB 105** be moved out favorably for passage. Representative Brunk seconded the motion. The motion carried.

HB 2131 - Delay of destination sourcing rules for sales tax purposes until action of Congress.

The Chairman stated that they would resume the free-flow discussions on SSTP, while Secretary Wagnon was available to answer questions. Discussions centered on the following topics: exception in the way florists submit their sales taxes, nexus laws - connection to multi-channeling, description of the Ohio amendment expected in Atlanta, and probable future date of sales tax implementation for internet sales.

In response to the Chairman's request the Secretary agreed to provide a diagram/explanation chart of how SSTP works in and out of state and provide updates on Congressional activities and the Atlanta Conference on March 9th.

The meeting was adjourned at 10:15 a.m. The next meeting is March 9, 2005.