

Approved: 2/25/93
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Keith Roe at 9:00 a.m. on February 23, 1993 in Room 519-S of the Capitol.

All members were present except:

Representative Larkin, excused
Representative Rock, excused

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Don Hayward, Revisor of Statutes
Bill Edds, Revisor of Statutes
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Representative Elaine Wells
Bob Corkins, Kansas Chamber of Commerce and Industry

Others attending: See attached list

The minutes of February 19, 1993, were approved as printed.

Chairperson Roe opened the hearing on HB 2327.

HB 2327 Sales and compensating tax; delinquent interest computation.

Representative Elaine Wells testified in support of HB 2327, stating that the request for this bill came from several business owners in her district who, due to various problems, weren't able to pay the tax by the deadline. Representative Wells said that the state would benefit by receiving their revenues sooner and businesses would benefit by prorating the penalty if this bill is passed (Attachment 1).

Bob Corkins, Kansas Chamber of Commerce and Industry, testified in support of HB 2327. He said that the Chamber believes this bill would be fair enforcement of Kansas' tax code by making the imposition of interest on delinquent sales tax remittances much more equitable (Attachment 2).

Chairperson Roe closed the hearing on HB 2327.

A motion was made by Representative Mays, seconded by Representative Wagle, to introduce a bill concerning the people entitled to purchase at tax foreclosure sales. The motion carried.

The Chair requested the Committee to turn to HB 2005.

HB 2005 Kansas inheritance tax amendments.

Representative Adkins reviewed a large chart showing four proposed major changes to the Kansas inheritance tax: (1) the generating skipping transfer tax; (2) treatment of annuities, pensions, profit sharing, etc.; (3) qualified real property exclusion; and (4) the qualified terminable interest property (QTIP) election loophole. He also said that there were several minor changes proposed.

A motion was made by Representative Wagle, seconded by Representative Wiard, to amend HB 2005 so that Kansas taxpayers with estates under \$600,000 may be allowed to make a QTIP election. The motion failed.

A motion was made by Representative Wagon, seconded by Representative Adkins, to amend HB 2005 by adding several minor technical changes, and that the bill be effective for deaths occurring after December 31, 1993.

A motion was made by Representative Adkins, seconded by Representative Empson, to report HB 2005 favorably as amended. The motion carried.

The meeting adjourned at 10:00 a.m. The next meeting is scheduled for February 24, 1993.

Date: 2/23/99

GUEST REGISTER

HOUSE COMMITTEE ON
ASSESSMENT AND TAXATION

[illegible]

ELAINE L. WELLS
REPRESENTATIVE, FIFTY-NINTH DISTRICT
OSAGE AND NORTH LYON COUNTIES
R.R. 1, BOX 166
CARBONDALE, KANSAS 66414
(913) 665-7740

STATE CAPITOL
RM. 182-W
TOPEKA, KS 66612-1504
(913) 296-7637



TOPEKA
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HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
VICE-CHAIR: GOVERNMENT ORGANIZATION
AND ELECTIONS
MEMBER: PUBLIC HEALTH AND WELFARE
JUDICIARY

TESTIMONY ON H.B. 2327
TO THE
HOUSE TAXATION COMMITTEE

Thank you, Mr. Chairman, for the hearing on this bill and for my opportunity to testify on it.

Yesterday afternoon I heard that this bill was scheduled for a hearing, so I apologize for not having more conferees lined up to testify. Considering the lengthy hearings we have all had to endure in committees lately maybe it's more favorable for a bill to not have so many people to testify. (Hope you keep that in mind if and when you take action on this bill.)

If time permitted, I could have had many businesses here to testify as a proponent on this bill, as it is a "pro-business" piece of legislation. I do appreciate the KCCI's presence here to testify.

This request came from several businesses in my district who due to a holiday at the end of the month, or a bookkeeper being ill, or even a minor cash flow problem, did not pay the state sales tax by the deadline. Current law is that the penalty is the same for being one or two days late as it is for an entire 60 days. This penalty is not prorated. In other words, when they pay, they have to submit the same amount for the penalty whether it is 1 day late, or 59 days late. They've told me that rather than pay it immediately, they wait to pay it.

When I talked to the Revisor's office about this request, I evidently did not convey correctly my concerns about prorating the penalty. The bill addresses only the interest on taxes that are past due. (1 1/2 %) My intention was to prorate the 10% penalty addressed in line 23 of the bill. I do not believe that businesses have a problem with the interest, but rather the penalty incurred.

In visiting with the Department of Revenue to see if there could be a solution that would benefit both the taxpayer and the state in this effort, we discussed the outcome of prorating the penalty. Businesses would be motivated to pay the tax earlier after the deadline rather than waiting 30 to 60 days because it would be less

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Attachment 1

of a penalty. The state would benefit by receiving their revenues sooner. Businesses would benefit by prorating the penalty.

Prorating the penalty could be accomplished by setting the penalty on a weekly basis. Adding two and one half per cent each calendar week the tax is late would prorate the tax to equal the ten percent if they waited 30 days. Prorating the penalty to one and a quarter percent each week would equal the ten percent in 60 days. Obviously the language needs to be changed to delete the "prorated on a daily basis" on line 18, to "prorated on a weekly basis" on line 23.

Businesses could be notified in the same manner they are now when they are late, with the information on the penalty percentage enclosed in the letter.

As they say, "There are two things certain in life, Death and Taxes". If we can help endure at least one of them a little more easily for our businesses in Kansas, we will all benefit. After all, did we not all campaign this last election on less government and less taxes?! In essence, this legislation if amended with the proposed suggestions, would not only lower taxes, but would encourage the payment of them a lot sooner, increasing the flow of tax revenues to the state.

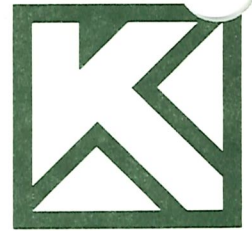
I respectfully ask that you consider this bill favorably for passage.

Again, thank you Mr. Chairman, and I will be happy to try and respond to questions.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

February 23, 1993

HB 2327

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Taxation Committee

by

Bob Corkins
Director of Taxation

Mr. Chairman and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry, and I appreciate the chance to express our members' support for HB 2327. An overriding philosophy which governs all of KCCI's efforts on the subject of taxation is that we seek effective *and fair* enforcement of Kansas' tax code. We believe this bill would do so by making the imposition of interest on delinquent sales tax remittances much more equitable.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

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Attachment 2

Interest on these delinquencies is now calculated on a monthly basis. Vendors now pay a full month's interest even if they remit in the first few days after payment becomes due. We do not condone late compliance, but please understand that innocent neglect, cash flow difficulties, or confusion as to legal obligations may occur.

Also consider that sales taxes are not technically "owed" by the remitting vendors. They are simply collecting taxes which are owed by other purchasers. We believe these points warrant a more lenient imposition of interest in favor of retailers since they are now performing a *totally uncompensated* collection service on behalf of the state.

The Department of Revenue would also benefit from passage of HB 2327. By prorating interest on a daily basis, vendors would be encouraged to remit payment as soon as possible rather than wait until the end of the month. That would give the department earlier possession of these funds while also earning more interest of their own on funds received.

KCCI urges your favorable consideration of this legislation. Again, thank you for your time.