

Approved: 3/30/93
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

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

All members were present except:

Representative Glasscock, excused
Representative Lowther, 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:

Ron Cousino, Director, Office of Financial Management, Johnson County
Mike Reeht, AT&T
Jerry McCoy, Sedgwick County Treasurer
Anne Smith, Kansas Association of Counties
Gerry Ray, Johnson County Commission
Jim McBride, Topeka
Bill O'Brien, Johnson County Treasurer and Legislative Committee of the County
Treasurers Association

Others attending: See attached list

Chairperson Roe announced that the provisions in SB 191 were sent to the Governor in a house bill on final action on March 22, 1993; therefore, no public hearing will be held on SB 191.

Chairperson Roe opened the hearing on SB 250.

SB 250 Electronic fund transfers of property tax.

Ron Cousino, Director, Office of Financial Management, Johnson County, testified in support of SB 250. He said that this legislation identifies that the governing body of any county may, not shall, require these type of sound, modern cash payment policies to occur in their particular jurisdiction. Mr. Cousino also said that the County supports amending in line 15 to read "whose total property tax liability in that county exceeds \$100,000 ...". (Attachment 1)

Gerry Ray, Johnson County Commission, testified that there is no prohibition against their negotiating this electronic transfer by home rule, but they felt they needed some state statutes behind them to require the taxpayer over \$100,000 to pay by this method.

Mike Reeht, AT&T, testified in support of SB 250 and requested in line 15 the addition of the words "in that county" following the word "liability" (Attachment 2).

Gerald McCoy, Sedgwick County Treasurer, testified in opposition to SB 250 and said that it would further diminish the abilities of elected County Treasurers to properly administer their statutory duties in an efficient manner for all taxpayers (Attachment 3). Mr. McCoy also distributed a copy of an automated clearing house wire transfer and a copy of a regular wire transfer to illustrate the difficulty in finding usable information on wire transfer forms (Attachment 4). Mr. McCoy responded to questions and said that the Wyandotte County Treasurer supports him in opposing this bill and the Kansas County Treasurers Association opposes the bill in its present form.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on March 23, 1993.

Anne Smith, Kansas Association of Counties, testified in support of SB 250 and requested electronic transfers to be used for property tax remittance as well (Attachment 5). Ms. Smith stated that Gerald McCoy was not speaking on behalf of the County Treasurers Association and that she had just spoken with Nancy Hempen, President of the County Treasurers Association who said that they do not oppose this bill but have some concerns of a cleanup nature.

Jim McBride, Topeka, testified in support of SB 250 and said that he had fifty years of experience in the financial business and twenty years ago he put this type of wire transfer system into his own business, the largest bank in the four-state area.

Gerald McCoy, Sedgwick County Treasurer, spoke again and said that he had talked to Nancy Hempen about a week ago and was told she was not familiar with SB 250, that it had been assigned to Mr. O'Brien, Johnson County Treasurer and a member of the Legislative Committee of the County Treasurers Association. Mr. O'Brien was assigned to follow this bill and he gave Mr. McCoy permission to represent that the word "shall" on line 16 was the problem area for the County Treasurers Association. Mr. McCoy said that he represented what he believed to be fair and truthful testimony at the time.

Bill O'Brien said he had a little conflict of interest, since the Johnson County Commissioners is supporting SB 250 but he, as Johnson County Treasurer and as a member of the Legislative Committee of the County Treasurers Association, has some concerns. Mr. O'Brien said that it is true that the Treasurers Association would not oppose this bill if the word "shall" is changed to "may" in line 16.

Chairperson Roe closed the hearing on SB 250.

The minutes of March 18, 19, and 22, 1993, were approved as printed.

The meeting adjourned at 9:53 a.m.

The next meeting is scheduled for March 24, 1993.

Date:

GUEST REGISTER

HOUSE COMMITTEE ON
ASSESSMENT AND TAXATION

[illegible]

Ron Cousins

**HOUSE BILL 250 HEARINGS
HOUSE COMMITTEE: TAXATION
MARCH 23, 1993**

Points of Discussion:

The passage of House Bill No. 250 will allow Kansas Counties to collect property tax payments in a more timely and efficient manner. Specifically, the Bill will allow Counties to increase interest income and decrease manual reconciliation without affecting the average tax payer.

Increased Interest Income

Utilizing electronic funds transfer will significantly increase the availability of funds for Kansas Counties. Currently, companies with large tax payments often deliver payment to the County on the afternoon of the actual due date. This delays collection of funds by at least one day and by as much as three days if the due date falls on a Friday. Thus, the collection of funds using an electronic method could increase the availability of funds. In 1991, Johnson County did not receive available funds on approximately \$80,000,000 in tax receipts until a date after the actual tax due date of December 20, 1991. This resulted in over \$50,000 in lost interest income to the County, based on an average short term interest rate of 4%.

Automated Reconciliation

Utilizing electronic funds transfer for the collection of property tax payments will require large payers to remit a reconciled tax bill to the county treasurer on or before the date of payment. Many large payers currently remit the tax bill information electronically. However, other large payers remit unreconciled tax bills to the treasurer. Thus, a significant amount of staff time is needed to reconcile tax bills to large aggregate tax payments. The passage of House Bill 250 will allow Counties to further increase electronic reconciliation.

Payment Requirements

Approximately 70% of the tax dollars collected by Johnson County are received from Mortgage Corporations. Therefore, the typical individual tax payer would not be affected by this change and could continue to pay their taxes via cash or check. Additionally, all of the large mortgage corporations already utilize electronic payment/collection mechanisms.

Illustration

The attached exhibit illustrates the number of companies that will remit a property tax payment to Johnson County for the 1992 tax year in excess of \$100,000.

Synergy with the Goals of the Federal Government:

Today's modern government must look at ways to develop a more efficient and productive government from the local levels through the State and Federal levels. Federal and State governments have for many years used electronic collection of government revenues. The passage of House Bill No. 250 will allow the counties of Kansas to work hand in hand with businesses to become a more efficient and productive government. Additionally, the enactment of this Bill will affirm the State of Kansas as a proactive participant in the area of governmental cash management.

Respectively submitted by: Ron Cousins Director of Office of Financial Management, Johnson County, Kansas

cah c:\wpfiles\memos\bill250

*3/23/93
House Taxation Cmte
Attachment 1*

POTENTIAL EARNINGS THROUGH ELECTRONIC COLLECTION OF PROPERTY TAXES

	# of Companies	Total Dollars	Additional Interest Income if Payments are Accelerated through Electronic Collection							
			1 Day	2 Days	3 Days	4 Days	5 Days	6 Days	7 Days	8 Days
Companies with Individual Payments Greater than \$100,000	239	\$46,665,381	\$5,114	\$10,228	\$15,342	\$20,456	\$25,570	\$30,684	\$35,798	\$40,912
Companies with Aggregate Payments Greater than \$100,000	138	126,004,644	13,809	27,617	41,426	55,235	69,044	82,852	96,661	110,470
Total		\$172,670,025	\$18,923	\$37,845	\$56,768	\$75,691	\$94,614	\$113,536	\$132,459	\$151,382

Data

- (1) Savings valued at an interest rate of 4%.
- (2) In 1991, Johnson County did not deposit over \$80 million in tax receipts until after the deadline of December 20, 1991.
- (3) Paper collection delays funds availability by a minimum of one day (three days over the weekend).
- (4) Paper collection delayed funds availability by as many as 11 days in December of 1991 because of balancing problems.

12



Mike Reecht
State Director
Government Affairs
Kansas

Capitol Tower
400 SW 8th Street, Suite 301
Topeka, KS 66603
Phone (913) 232-2128

TESTIMONY ON BEHALF OF AT&T
BEFORE THE HOUSE TAXATION COMMITTEE
MIKE REECHT
SENATE BILL 250
MARCH 22, 1993

Mr. Chairman and members of the Committee:

My name is Mike Reecht. I am Director-State Government Affairs for AT&T in Kansas. I appreciate the opportunity to appear before you and your committee today.

AT&T supports SB 250 in its current form with one minor modification. In Line 15 of the bill, AT&T suggests the addition of "in that county" following the word "liability".

AT&T believes the intent of the bill is to provide a county the option of requiring Electronic Funds Transfer (EFT) in order to satisfy property tax bills of \$100,000 or over, that are owed in that county by a single taxpayer.

Conversely, it does not seem to be the intent of the legislation that a taxpayer total his property tax liability statewide in order to determine if EFT payment methodology is applicable.

With this minor change, AT&T has no objections to the bill.

3/23/93

House Taxation Committee
Attachment 2

SENATE BILL No. 250

By Committee on Assessment and Taxation

2-9

9 AN ACT authorizing counties to require certain property tax pay-
10 ments to be paid by electronic funds transfer.

11
12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. The governing body of any county may require, con-
14 sistent with sound cash management policies, that any taxpayer
15 whose total property tax liability exceeds \$100,000 in any calendar in that county
16 year, shall remit their tax liability by electronic funds transfer no
17 later than the date required for such remittance. Electronic funds
18 transfers may be made by wire transfers of funds through the federal
19 reserve system or by any other means established *jointly* by the
20 governing body *and the taxpayer* which insures the availability of
21 such funds to the county on the date of payment. ~~Evidence of~~
22 ~~such payment shall be furnished to the county treasury on or~~
23 ~~before the due date of the tax as established by law.~~ Failure to
24 timely make such payment in immediately available funds ~~or failure~~
25 ~~to provide such evidence of payment in a timely manner shall~~
26 subject the taxpayer to penalty and interest as provided by law for
27 delinquent or deficient property tax payments, *except that, the gov-*
28 *erning body of a county may waive interest and penalty if it is found*
29 *that the taxpayer acted in good faith to make such timely payment.*

30 Sec. 2. This act shall take effect and be in force from and after
31 its publication in the statute book.



SEDGWICK COUNTY, KANSAS

TREASURER

Jerry McCoy
SUITE 107

COUNTY COURTHOUSE, WICHITA, KANSAS

MAILING ADDRESS: P.O. BOX 2909, WICHITA, KANSAS 67201-2909

PERSONAL PROPERTY TAXES/VEHICLE REFUNDS
REAL ESTATE TAXES

383-7651
383-7414

FAX
DISTRIBUTION AND BONDS
CASHIER

316-383-7113
383-7561
383-7345

TESTIMONY OF JERRY MCCOY REGARDING S.B. 250 ON MARCH 23, 1993

I am opposed to Senate Bill 250.

Senate Bill 250 is a good example of ill-informed, redundant and unnecessary legislation that further diminishes the abilities of elected County Treasurers to properly administer their statutory duties in an efficient manner for all taxpayers. Why should the Board of County Commissioners be charged with determining the method of tax payment remitted to the County Treasurer?

This legislation apparently originated from an appointed cash manager in Johnson County whose only interest is to maximize interest income without any regard to the additional workload and increased costs shifted onto the Treasurer's Office as a result. Although certainly interested in maximizing idle fund interest income also, the primary responsibility of a County Treasurer is to ensure that all tax payments are properly credited in a timely manner and that collected funds are available for timely distribution to our taxing districts. And discouraging efforts of yet another bureaucrat to create additional and more complex methods of processing tax payments for County Treasurers on the busiest collection day of the year.

County Treasurers currently have the flexibility to utilize electronic funds transfer when this is consistent with sound fiscal policies. In Sedgwick County we are currently accommodating wire transfers. A mandate from the Board of County Commissioners is unnecessary.

Senate Bill 250 would require any taxpayer with a tax liability of \$50,000 for a first-half payment to wire their payment. If a taxpayer walked into the Treasurer's Office on December 20 with a \$50,000 check, would you seriously expect the County Treasurer to send them away to a bank so their remittance complies with the electronic fund transfer requirements of this statute?

3/23/93

Please allow County Treasurers to continue to do their job in the most effective manner possible. Put S.B. 250 out of its misery and kill it.

House Taxation Committee Attachment 3

1011-0004-5 BANK IV WICHITA,N.A.

D I M E N S I O N 4 0 0 0
AUTOMATED CLEARING HOUSE
CORPORATE PAYMENT NOTIFICATION

TODAYS DATE 02/22/93 PAGE 1
AS OF DATE 02/22/93 ACD0220 03.05.00
RUN DATE 02/22/93 TIME 18.13.42

CORPORATE TRADE EXCHANGE ENTRIES

CUSTOMER: 0005486000798 00

ACCOUNT NUMBER: 010001782630

AMOUNT	ENTRY DESC	EFFECTIVE DATE	SENDING CO. NAME	SENDING CO. ID
3,950.44	VEND PAYMT	02/23/93	ST OF KS. STARS	3486029925
PAYMENT INFO: ISA*00* *00* *17*101100045 *17*101100045 *930220*012				
PAYMENT INFO: O*U*00302*486029925*O*P* \GS*RA*KANSAS VEND PMT*486000798 00*930220*0120*0200285				
PAYMENT INFO: 76*X*003020\ST*820*0001\BPR*C*3950.44*C*ACH*CTX*****1486029925*****930223\NTE*Z				
PAYMENT INFO: ZZ*PAYMENT FROM KANSAS DEPT. OF SOCIAL AND REHABILITATION\RMR*IV* *				
PAYMENT INFO: *3950.44\REF*VV*V0974096* \SE*06*0001\GE*1*020028576\IEA*1*486029925\				

House Traction Cmt

3/23/93

Attachment 4

DATE: 03/19/93

BANK IV KANSAS, N.A.

(316) 261-4435

INTERNAL FUNDS TRANSFER

USD= *****2,500,000.00

TRANID=8140008 UTC=INT

DBT=010001782630

SEDGWICK COUNTY TREASURER

ORG=SEDGWICK COUNTY TREASURER
BNF=KANSAS STATE TREASURER

DELIVER TO PAYING & RECEIVING

OBI=F-C SEDGWICK COUNTY MIP AC-005200101 SUB ACCT #1

242-0002-6 (REV. 9/90)

DATE: 03/19/93

BANK IV KANSAS, N.A.

(316) 261-4435

INCOMING FUNDS TRANSFER

USD= *****799.95

TRANID=1110104 UTC=CTR

CDT=010001782630

SEDGWICK COUNTY TREASURER

ORG=GARDEN PLAIN SB 0013153
BNF=SEDGWICK COUNTY TREASURER

DELIVER TO PAYING & RECEIVING

FED SQN=000104

242-0002-6 (REV. 9/90)



"Service to County Government"

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Executive Director
John T. Torbert, CAE

TO: House Taxation Committee
Chairman Keith Roe

FROM: Anne Smith
Director of Legislation

DATE: March 23, 1993

RE: SB 250

The Kansas Association of Counties is in support of SB 250. SB 250 would allow the governing body of any county to require a property taxpayer whose liability exceeds \$100,000 to remit by electronic fund transfer.

Electronic transfers are utilized extensively with other types of taxes, particularly sales and income tax payments. The KAC would urge the committee to allow electronic transfers to be used for property tax remittance as well.

Thank you for your careful consideration of this bill.

3/23/93

House Taxation Cmte
Attachment 5