

Approved: Feb 22, 1993  
Date

## MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:08 a.m. on February 11, 1993 in Room 519-S of the Capitol.

Members present: Senator Langworthy, Senator Tiahrt, Senator Martin, Senator Bond, Senator Corbin, Senator Feleciano Jr., Senator Hardenburger, Senator Lee, Senator Reynolds, Senator Sallee, Senator Wisdom

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

Conferees appearing before the committee: Gerry Ray, Johnson County Board of Commissioners  
Michael Hale, Department of Revenue  
Mark Burghart, Department of Revenue

Others attending: See attached list

### **SB 254--Cancellation of real property taxes**

Gerry Ray, Johnson County Board of Commissioners, appeared in support of **SB 254**. This bill allows counties to cancel taxes when the aggregate amount is \$5.00 or less. (Attachment 1) It would be cost effective for the county. She said it costs the county about \$10.00 to collect the taxes. There was discussion on the amount of \$5.00 and why not a larger amount. Mrs. Ray said the treasurer of the county picked this amount. She was asked to find out how many of these \$5.00 or less taxes were held in Johnson County and she said the estimate was about 1,000.

Senator Bond moved the bill be passed out favorably and sent to the consent calendar. The motion was seconded by Senator Reynolds.

David Cunningham, Department of Revenue, said this is a form of abatement and no taxes are being collected on the property although it is still on the tax role. He said \$4 to \$7 thousand dollars of taxes would be lost. He also said budgets are formed from this property which is still on the tax roles.

Senator Bond withdrew his motion and Senator Reynolds withdrew her second.

### **SB 109--Bonding requirements of certain taxpayers**

Michael Hale, Department of Revenue, appeared to explain the reason for **SB 109**. (Attachment 2) He said the bill would allow for the statutes to read alike from statute to statute and would provide for similar language. There was a discussion of bonds and the necessity of being bonded.

### **SB 110--Income withholding tax lien on property subject of sales of business**

Mark Burghart, Department of Revenue, appeared to explain **SB 110**. (Attachment 3) He said this bill had passed the Senate during the 1992 legislative session. It would be another tool for the Department to collect more delinquent taxes. He said there are about \$200 million in delinquent taxes. This bill would apprise the Department when a tax payer is selling a business and the business has delinquent taxes. It would require the

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S  
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purchaser to withhold the amount of the delinquent taxes and remit it to the state. The committee after discussion decided there were major problems with this bill because of the requirement on the purchaser instead of the seller. They asked the department to come back with an amendment or substitute bill to solve the problem.

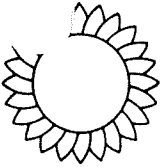
The meeting adjourned at 11:50 a.m.

The next meeting is scheduled for February 12, 1993.

**GUEST LIST**  
**SENATE ASSESSMENT AND TAXATION COMMITTEE**

**DATE:** February 11, 1993

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Darrel J. McMillan	Rt 2 Oskaloosa, Ks. 66066	Baker U.
Shaylene Beverlein	206 W 4th Waverly, Ks 66871	Student Nurse
Mary Camacho	Topeka	Senator Fraker
John Robinson	4210 W. 13th St. Lawrence Ks.	Kansas St. Nurses Assn.
BEV BRADLEY	TOPEKA	KS Assoc of Counties
Harry Herington	TOPEKA	League of KS Municipalities
Michael Hale	TOPEKA	Ks. Dept. of Revenue
Bob Crutsinger	KC	City of Kansas City, Kansas
Bill Waters	KDOR PVD	Topeka, KS
Robert Fawcett	Topeka	Ks Gov. Consultancy
MARK A. BURGHART	TOPEKA	REVENUE
GERRY RAY	Overland Park	Johnson Co City Overland PK
BEV NEILL	" "	Ks Co. App. Assn
Ann Somerville	TOPEKA	Ks Motor Car Dealers
Alan Holmes	Topeka	Dir of Budget
Alan Steppat	Topeka	Pete McGill & Assoc.
Dave Amundson	-	PVD



February 11, 1993

SENATE ASSESSMENT AND TAXATION COMMITTEE

HEARING ON SENATE BILL NO. 254

TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL COORDINATOR  
JOHNSON COUNTY BOARD OF COMMISSIONERS

Madam Chairman, members of the Committee, my name is Gerry Ray, representing the Johnson County Board of Commissioners. I am appearing today in support of Senate Bill No. 254.

This is a very simple bill, that allows counties to cancel taxes when the aggregate amount owed on real property is less than \$5.00. The bill was requested because it is not cost effective to issue a tax statement and process the payment for such small amounts. It is estimated that it costs about \$10.00 to handle the billing and collection. An additional problem is created when the recipients of the bills ignore them and statements must be sent out several times.

Bill O'Brien, the Johnson County Treasurer requested the bill and the Board of County Commissioners are in support of it as a more efficient method that will save money. Although we realize this is not one of the major issues of the session, the Johnson County officials would ask that the Committee recommend SB 254 favorable for passage.

*Senate Assessment & Taxation  
February 11, 1993  
Attachment 1-1*



# KANSAS DEPARTMENT OF REVENUE

*Division of Collections - Legal Bureau*

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## TESTIMONY OF KANSAS DEPARTMENT OF REVENUE IN SUPPORT OF SENATE BILL 109

TO: Senate Committee on Assessment and Taxation  
FROM: John Michael Hale, Kansas Department of Revenue  
DATE: February 11, 1993  
RE: Senate Bill 109

### BRIEF OF BILL:

Senate Bill 109 amends several Kansas tax statutes vesting the secretary of revenue or the secretary's designee with the discretion to require certain taxpayers to post an assurance bond after said taxpayers have demonstrated an inability to timely file and pay over taxes to the Kansas Department of Revenue. Moreover, the bill establishes a maximum bond for those taxpayers which historically have a small annual tax liability. Finally, each of the bonding statutes are amended to read alike.

### CURRENT STATUTES:

Currently each of the tax statutes which are the subject of Senate Bill 109 have existing bonding requirements. Each of these statutes authorize only the director of taxation to impose a bond to assure future payment of Kansas taxes (e.g. K.S.A. § 79-3616, sales tax and K.S.A. § 79-3294b, withholding tax). The current bonding levels are generally based on a six to twelve month average tax liability for those taxpayers which do not file and pay Kansas taxes when due. Moreover, only the sales tax statutes have a maximum bonding for those taxpayers which have a small annual tax liability. Each taxpayer has a different reporting status based on their annual tax collections (e.g. K.S.A. § 79-3607, sales tax and K.S.A. § 79-3298, withholding tax). For example, those employers who are required to withhold not more than \$200.00 per year in Kansas withholding taxes are only required to file one return per year. This statutory reporting status is the basis for the bond cap so that small dollar taxpayers are not required to post bonds which exceed their annual obligations.

### AMENDMENTS CONTAINED IN SENATE BILL 109:

Senate Bill 109 changes each of the bonding statutes in one key area: the sole bonding authority of the director of taxation is eliminated and vested with the "secretary or secretary's

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*attachment 2-1*

designee". This would allow the secretary to designate the director of taxation, director of collections, chief counsel, etc. to exercise the necessary discretion in requiring taxpayers who have demonstrated a history of inability to timely file and pay Kansas taxes to post a bond. These bonds assure that a taxpayer will comply with the statutes in collecting and remitting Kansas taxes when due, and if the taxpayer does not, then the department may make demand upon the bond to help satisfy any outstanding tax debt(s).

The amendments also change the wording in each existing bond statute to read precisely as the other bond statutes. Currently the statutes are worded differently.

Finally, a maximum bond amount is established only for taxpayers with small annual tax liabilities. These maximum bond amounts are set at the statutory reporting level in each of the tax statutes.

#### WHAT SENATE BILL 109 DOES NOT DO:

Senate Bill 109 does not apply to corporate income tax or individual income tax. Senate Bill 109 does not eliminate any bonding statutes in existence today. Each of the tax statutes have bonding provisions. Senate Bill 109 only changes who may exercise discretion in requiring bonds from the director of taxation to the secretary or secretary's designee. The statutes set a cap only on small balance due taxpayers. Several of the current bonding statutes have no maximum limit for small balance taxpayers.

#### REASONS IN SUPPORT OF SENATE BILL 109:

In 1989 the various enforcement statutes contained in the tax statutes were changed to read "secretary or secretary's designee". The bonding statutes, which are enforcement in nature, were omitted from these series of changes and remain "director of taxation". Senate Bill 109 brings the bonding statutes into harmony with the other enforcement statutes.

By using the same language from statute to statute the department can eliminate several existing forms and go to one document. This change will save the department money. In addition, taxpayers which are subject to a bonding requirement would need only one type of bond as opposed to perhaps having to file two-three different types of bonds. This will save the taxpayer time and money.

Finally, Senate Bill 109 establishes maximum bond caps for all tax types on low dollar taxpayers. For example, the secretary or secretary's designee could not mandate a \$2,000.00 bond on an employer who has an annual tax liability of \$200.00 or less. The maximum bond that could be imposed under Senate Bill 109 is \$200.00. Again, this cap amount is based on the amount of tax which allows taxpayers to file only one return per year.

Should any committee member need additional information or clarification please contact Michael Hale at 296-6124.

STATE OF KANSAS

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Department of Revenue  
*Legal Services Bureau*

**MEMORANDUM**

To: The Honorable Audrey Langworthy, Chairperson  
Senate Committee on Assessment and Taxation

From: Mark A. Burghart, General Counsel  
Kansas Department of Revenue

Date: February 11, 1993

RE: 1993 S.B. 110

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Thank you for the opportunity to appear in support of S.B. 110. The bill is another enforcement tool intended to assist in the collection of delinquent taxes due and owing the State of Kansas. S.B. 110 requires the purchaser of a business to withhold a sufficient amount of the purchase price to cover any tax which may be due and owing from the seller under the Kansas withholding and declaration of estimated tax act. The purchaser would be personally liable for the unpaid tax to the extent of the value of the property of the seller. If the seller does not show proof of payment of the taxes to the purchaser within 20 days from the date of sale of the business, the purchaser shall remit the amount of the unpaid taxes to the Director of Taxation. This provision is identical to one which has existed for sales tax purposes since 1937 ( K.S.A. 79-3612 ). There currently is no statutory authority to transfer the liability for unpaid withholding taxes to the purchaser of a business.

On behalf of the Department, I urge your favorable consideration of S.B. 110. I would be happy to respond to any questions you might have.

*Senate Assessment & Taxation*

*February 11, 1993*

*attachment 3-1*