

Approved: Jan 24, 1994
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:07 a.m. on January 20, 1994 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

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: Mark A. Burghart, Department of Revenue
Jerry McCoy, Sedgwick County Treasurer
Nancy Hempen, Douglas County Treasurer
Mike Billinger, Ellis County Treasurer
Gerry Ray, Johnson County Board of Commissioners

Others attending: See attached list

APPROVAL OF MINUTES, JANUARY 18, 1994

Senator Tiahrt moved to approve the minutes of January 18, 1994. The motion was seconded by Senator Hardenburger. The motion carried.

SB 481--INCOME TAX CITATION UPDATE AMENDMENTS

Mark A. Burghart, General Counsel, Department of Revenue, appeared in support of **SB 481**. (Attachment 1) This bill was requested by the Department of Revenue to make technical corrections and amend certain statutory provisions which refer to federal statutes. Neither amendment makes any change in established tax policy but only corrects references to federal statutes.

SB 479--PAYMENT OF STATE TAXES BY CREDIT CARD

Mark A. Burghart, General Counsel, Department of Revenue, appeared in support of **SB 479**. (Attachment 2) This bill was also requested by the Department of Revenue. It allows taxpayers to use credit cards to pay any of the taxes or fees administered by the Director of Taxation. This bill is not mandatory. It simply provides the taxpayers the option to pay their taxes with a credit card. The Department feels the use of credit cards will reduce the number of bad checks, and the credit cards could be accepted for both timely filed returns and to pay delinquent taxes. Mr. Burghart also said with credit cards, it will be much faster to receive the money than paying by check.

There were questions from the committee regarding lag time and Mr. Burghart said lag time will be reduced; also he was asked about fees for using the credit cards and he said the fees will be passed on to the taxpayer.

Jerry McCoy, Treasurer, Sedgwick County, appeared in support of **SB 479**. (Attachment 3) He asked for an amendment to provide the same payment options for local ad valorem and motor vehicle taxes through the county treasurers. He was unaware that the provision for using credit cards to pay county taxes is in a separate bill, **SB 514**, on which a hearing will be held later during this meeting.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:07 a.m. on January 20, 1994.

SB 514--PAYMENT OF COUNTY TAXES BY CREDIT CARD

Nancy Hempen, President, Kansas County Treasurer's Association, appeared in support of **SB 514**. She said this bill is supported by the Association and urged the committee's support also.

Mike Billinger, Ellis County Treasurer, Kansas County Treasurer's Association Legislative Committee representative, appeared to express the support of the Association. (Attachment 4) He told of a bill in the U.S. Congress which would exempt government agencies from paying credit card user fees and providing surcharges to the user of these cards. He listed benefits which would result from the use of credit cards. He requested the committee's recommendation for passage of this bill.

Gerry Ray, Johnson County Board of Commissioners, said the Board is especially supportive of **SB 514** because it does not have a cost factor since the county treasurer could set a fee to cover the cost of the transaction. (Attachment 5) The use of a credit card is optional but would be beneficial to both the county and the taxpayer.

In committee discussion, it was noted Visa and Master-Charge are negotiating with governments to pass on the fee to the user. It was also mentioned that it does allow for other conveniences such as paying taxes by phone. A statement was made that motor vehicle taxes could not be paid by phone because there are forms to be signed.

Senator Bond moved to merge SB 479 and SB 514 and pass them out favorably. The motion was seconded by Senator Lee. The motion carried with Senator Corbin voting No on SB 479.

Senator Reynolds moved to pass out SB 481 favorably and place it on the consent calendar. The motion was seconded by Senator Martin. The motion carried.

Questions were asked if Section 9, **SB 447-Repeal of certain fund levy limits**, was deleted what it would do to the bill and what would the impact be? Also does the present law allow the transfer of money from the certain funds to the general fund and does the new proposal do that too? Staff was asked to research some of the questions that have arisen concerning **SB 447** and report back tomorrow.

The meeting adjourned at 11:50 a.m.

The next meeting is scheduled for January 21, 1994.

DATE: Jan 20, 1994

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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: January 20, 1994

RE: S.B. 481 --Updating Federal Statutory References

Thank you for the opportunity to appear in support of S.B. 481. The bill is a technical corrections measure and amends certain statutory provisions which refer to federal statutes. The bill merely insures that the correct federal statute is referenced in the Kansas statutes. The existing provisions are nonsensical in that they refer to the wrong federal statutes. The specific amendments are as follows:

1. K.S.A. 79-32,110a is amended to refer to 26 U.S.C. §402(d) rather than §402(e). The state tax provision imposes a tax on lump sum distributions from certain pension plans. The tax is 13% of the liability imposed under 26 U.S.C. §402(d). The Kansas provision has not been amended previously.
2. K.S.A. 79-32,117 is amended to refer to 45 U.S.C. §231a (a) and §231b (a) rather than 45 U.S.C. §228b and 228c. The state tax provision provides a deduction from federal adjusted gross income for amounts received by retired railroad employees as a supplemental annuity.

Neither of these amendments make any change in established tax policy. They are intended only to correct references to federal statutes. Accordingly, the bill would appear to be a candidate for the consent calendar.

I would be happy to respond to any questions you might have.

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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: January 20, 1994

Subject: S.B. 479 -- Credit Cards to Pay State Taxes

Thank you for the opportunity to appear in support of S.B. 479. The bill would allow taxpayers to use credit cards to pay any of the taxes or fees administered by the Director of Taxation. The Director would be authorized to establish a fee to be added to each credit card transaction to cover the cost of using the card. In no event may the Director discount or otherwise reduce a tax liability for the privilege of using a credit card.

S.B. 479 is not mandatory. It merely provides the opportunity for taxpayers to pay their tax liability by means of a credit card. The ability to charge a tax liability and spread payment over a number of months would entice some taxpayers, who would otherwise be delinquent, to file and pay timely. Such taxpayers would avoid penalty and interest at 18% which is assessed for late payment under the current law. It is believed that the use of credit cards will reduce the number of bad checks received by the Department. Credit cards could be accepted for both timely filed returns and to pay delinquent taxes.

For timely filed returns, taxpayers would merely place their credit card number in a space designated on the tax return. Once the return is received by the Department, the account would be verified on terminals provided by the credit card company which would be located within the Department's fiscal section. The credit card company would then immediately transfer the amount of the tax liability to the appropriate state account. Preliminary discussions with representatives of a local bank card company which processes bank card transactions for many area banks, indicate that the dollar volumes would be such that the authorization/validation equipment could be provided to the Department free of charge.

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The fee for using a credit card to pay a state tax liability varies from state to state. The terms are negotiated as part of the contract between the particular state and the credit card company. In Virginia, for example, Discover Card collects a \$1 fee for debts up to \$200 and a \$2 fee for debts over \$200. A 1-2% fee is typical among the states.

The Federation of Tax Administrators advises that at least seventeen states now authorize in varying degrees the use of credit cards to pay state taxes or fees. These include: Maryland, California, Wisconsin, Montana, Vermont, Ohio, Texas, Alaska, North Carolina, Missouri, Indiana, Alabama, Minnesota, Arkansas, Texas, Oklahoma, Utah, Virginia and Oregon.

I would be happy to respond to any questions you might have.



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

383-7661
383-7414

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CASHIER

316-383-7113
383-7561
383-7345

TESTIMONY OF JERRY MCCOY, SEDGWICK COUNTY TREASURER
REGARDING SENATE BILL NO. 479
AUTHORIZING TAX PAYMENT BY CREDIT CARD
JANUARY 20. 1994

I support the provisions of S.B. 479 to authorize tax payments by credit card and providing that any credit card fee be absorbed by the user.

It is incumbent upon public officials to make available generally accepted methods of payment available to taxpayers, where those methods may increase the collection rates of taxes at no additional risk to the tax collector.

Increasingly, as most people have access to credit cards and the increasing encouragement by financial institutions to utilize cash debit cards, the ability to pay by credit or debit card is now the norm. Government, while it cannot afford to always be on the leading edge of technology, cannot also, be too far behind.

Payment by credit card will allow taxpayers the option of stretching out their tax obligation with payments over a period they can comfortably repay. This allows government to be fully paid when taxes are due, eliminates pressures on government to provide payment options which disrupts the timely collection and distribution of tax revenues and will reduce the costly processing of returned checks.

I strongly recommend however, that S.B. 479 be amended to provided the same payment options for local ad valorem and motor vehicle taxes through the county treasurers. I sincerely believe this will assist us in reducing delinquencies and provide options for those who may be cash poor but credit rich. This affects many of us since there are at certain times of the year when an unusually large amount of bills come due in a short period of time.

I urge your support of S. B. 479 and the proposed amendment.

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ELLIS COUNTY TREASURY

Mike "Mickey" Billinger
Treasurer

Jerry Schmidtberger
Administrative Assistant

1204 Fort • Box 520 • Hays, Kansas 67601-0520

Phone 913-628-9465
FAX 913-628-9467

DATE: January 20, 1994

TO: Senate Assessment and Taxation Committee

FROM: Mike Billinger, Ellis County Treasurer and
Representative of the Kansas County Treasurer's
Association Legislative Committee

Good morning Madam Chairperson Langworthy and members of the Senate Assessment and Taxation Committee. My name is Mike Billinger, treasurer of Ellis County, and I respectfully submit the following testimony on behalf of the Kansas County Treasurer's Association.

I appreciate this opportunity to express K.C.T.A.'s support of legislation that would allow counties to provide credit card services to taxpayers. However in order for this Association to utilize credit cards it will be necessary for the United States Congress to pass legislation exempting governments from paying credit card user fees and providing surcharges to the users of these cards. Legislation (H.B. 2175) has been introduced in the Congressional Committee on Banking and Finance and Urban Affairs to exempt governments from paying credit card fees.

The legislation before this Committee will allow County Treasurer's to offer immediate credit card services provided federal law is enacted exempting governments from paying credit card user fees.

Following a polling of its members, K.C.T.A. has concluded a sufficient demand exists for the use of credit cards. Many taxpayers request the use of credit cards when paying registration fees and taxes and are disappointed when denied the opportunity to do so.

The following are benefits resulting from the use of credit cards:

- 1) Timelier payments result in reduced peak period processing and lower collection costs.
- 2) Credit card use promotes innovative payment programs such as pay-by-phone or customer operated terminals. These programs lower costs and provide

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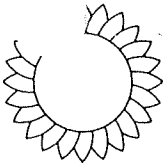
the public with convenient payment methods.

- 3) Credit card transactions reduce the cost of processing checks and cash as well as reducing the potential for cash shrinkage.
- 4) Credit card transactions are guaranteed if simple procedures are implemented at the point of initiation, thereby reducing the risk of bad checks and their associated costs.
- 5) Credit cards allow taxpayers to pay their tax liabilities and do so on installments without the use of a bank loan.

In conclusion, counties can benefit by adapting to technological services already accepted and used by taxpayers. The private sector demonstrates that the use of credit cards would enable counties to conveniently and efficiently deliver services, improve income and reduce costs effecting cash management operations. By including credit cards as an alternative payment method of taxes and other services offered by the county, we will have positioned ourselves for the advent of the "debit card". The debit card allows the card holder to access a checking account at the time of use and eliminates the need for writing checks. Thus the debit card does to check writing what check writing did to payment by cash. It is essential to efficient treasury management, that we make these technologies work to the benefit of county government.

In summation, I would like to express my appreciation to this committee for studying the feasibility of credit cards. On behalf of the Kansas County Treasurer's Association, I respectfully request your recommendation for the passage of a bill sanctioning the use of credit cards for the payment of taxes and motor vehicle registrations.

Thank you.



Johnson County
Kansas

January 20, 1994

SENATE ASSESSMENT AND TAXATION COMMITTEE

HEARING ON SENATE BILL 514

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

Madam Chairman, members of the Committee, my name is Gerry Ray speaking on behalf of the Johnson County Board of Commissioners in support of Senate Bill 514.

The bill would allow counties to accept credit cards for the collection of taxes and fees. The Treasurer could set a fee to cover the cost of the transaction.

Johnson County supports this bill because it is an option that provides an efficient process of collection for the county and a convenient method of payment to the taxpayer. It is believed that this will expedite the collection procedure that will benefit both the taxpayers and the County.

The Committee is urged to recommend Senate Bill 514 favorable for passage.

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