

MINUTES OF THE SENATE ASSESSMENT & TAXATION COMMITTEE

The meeting was called to order by Vice Chairman Pat Apple at 10:30 a.m. on February 8, 2011, in Room 152-S of the Capitol.

All members were present except:

Chairman Les Donovan – excused

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Chris Courtwright, Kansas Legislative Research Department
Michael Wales, Kansas Legislative Research Department
Mary Jane Brueck, Committee Assistant

Conferees appearing before the Committee:

Lorna Moore, IDA Program Director of Interfaith Housing Services
Sen. Terry Bruce
Earl Long, President, Fair Tax KC
Lloyd Hanahan
Sen. David Haley
Tom Palace, Executive Director of Petroleum Marketers and Convenience Store Association of Kansas

Others attending:

See attached list.

Vice-Chairman Pat Apple opened the meeting. He gave the committee an overview of what they would be hearing this week. He explained Wednesday the committee will hear a bill requested by Whitney Damron, representing the City of Topeka, dealing with interest rates on delinquent property taxes. Thursday will be a bill requested by county treasurers regarding property tax on sub-divisions. Next week the committee will have hearings on the bills for Rural Opportunity Zones, and for Expensing and Impact, and squeeze in the bill regarding electric charging stations.

Vice-Chairman Apple opened the hearing on **SB 61 – Increasing income tax credit for contributions made by program contributors under the individual development account program**. Scott Wells, Office of the Revisor of Statutes, explained the bill. Sen. Terry Bruce explained these tax credits give incentive to contributors to make large contributions to charities. Selling 50% tax credits is more difficult when the tax credit in Missouri is 75%. There is discrepancy between the Fiscal Note due to a difficulty in getting the figures needed. (Attachment 1) Next to speak was Lorna Moore, IDA Program Director of Interfaith Housing Services. She explained how the organization uses the IDA Program to bring more opportunities to the State. This involves selling the IDA Program through a 50% tax credit on the amount given, and having a program in Missouri, offering 25% more tax credit makes it difficult. By passing this bill, it will increase efficiency and collaboration through effective economic tool. (Attachment 2) Chris Harrison from the Department of Revenue spoke to the committee regarding the impact of this bill. He said Secretary George, Department of Revenue, was in favor of this bill. Richard Cram, also from the Department of Revenue explained that when someone makes this type of contribution, it decreases the amount of the charitable donation that can be declared on Federal and State income tax forms.

The committee heard opposition to this bill. Earl Long, President, Fair Tax KC, told the committee that this bill is too costly, and not attracting enough contributors. He pointed out those costs as being the cost of the House and Senate hearing the bill, the cost for Researchers and Revisors, and the cost to the State to deal with the paperwork. (Attachment 3) Lloyd Hanahan, a former CPA from Kansas City, also spoke to the committee, giving his reasons for objection to this bill. (Attachment 4) Seeing no one else who wished to speak about this bill, Vice-Chairman Apple closed the hearing on it.

The Vice-Chairman then opened the hearing on **SB 1 – Concerning consumer transactions; relating to the Kansas retailers' sales tax act; requiring the cumulative rate to be printed on electronically printed sales receipts**. Sen. David Haley explained the need to have identification of each tax that is

CONTINUATION SHEET

The minutes of the Senate Assessment & Taxation Committee at 10:30 a.m. on February 8, 2011, in Room 152-S of the Capitol.

being applied to the consumers' purchase not only to inform the consumer but also in order to prevent fraud. (Attachment 5) Tom Palace, Executive Director of the Petroleum Marketers & Convenience Store Association of Kansas, gave a neutral stance on this bill. (Attachment 6) He said smaller retailers may not have cash registers with the technology to be able to program this information onto customer receipts. Sen. Bruce brought up a question regarding Streamline taxing. This tax would be the amount of tax charged at the point of delivery, and unknown to the seller. Seeing no other people wishing to speak to the bill, Vice-Chairman Apple closed the hearing on this bill.

The next meeting is Wednesday, February 9 at 10:30 a.m.

The meeting was adjourned at 11:37 p.m.

DATE: 2/8/11

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[illegible]

STATE OF KANSAS

TERRY BRUCE
STATE SENATOR
34TH DISTRICT
RENO COUNTY



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS
CHAIR: LEGISLATIVE POST AUDIT
MEMBER: JOINT COMMITTEE ON SPECIAL
CLAIMS AGAINST THE STATE
AGRICULTURE
JUDICIARY
NATURAL RESOURCES
UTILITIES

Mr. Chairman and Committee Members:

I want to take a moment to say a few words about Senate Bill 61 (SB 61). This bill concerns Individual Development Accounts (IDAs). The benefits of IDAs, and a description of how they operate, will be mentioned by the next conferee, Emily Hurst. I will give a brief history of the legislation.

It's all Missouri's fault. The original enacting legislation passed in 2005. It was based on Missouri's IDA program, which provided a 50% tax credit. By doing so, it created a disparity between Kansas' IDA tax credit and other tax credits. SB 61 places Kansas' IDA program on parity with other tax credits.

Last year, a Legislative Post Audit study recommended the IDA program be eliminated. This recommendation was based on information Post Audit received from the Kansas Department of Revenue (KDOR) claiming the program was never utilized. Once this error was discovered, the report's conclusion was accordingly nullified. Today, there is still a question as to the accuracy, or at least the timeliness, of KDOR's information concerning the IDA program.

Thank you for your time.

Terry Bruce,
Reno County State Senator

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HUTCHINSON, KS 67504
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PO BOX 1868 HUTCHINSON, KS 67504-1868
PHONE: 620-663-7131 FAX: 620-669-0714

STATE OFFICE (SESSION ONLY)
STATE CAI Sn. Assmnt & Tax
TOPEKA
785
1-8C
E-MAIL: TERRY.
Attachment # 1

SENATE BILL No. 61

~~Emily Hurst~~ **LORNA MOORE**
emilyh@ihs-housing.org
Interfaith Housing Services, **IDA PROGRAM DIRECTOR**
Hutchinson, KS 67501
620.662.8370

Interfaith Housing Services is a nonprofit organization based in Hutchinson, KS. Interfaith Housing has served communities for over 20 years and currently serves 31 Kansas counties.

The bill proposed today increases the Individual Development Account tax credit percentage from its current 50 percent to 75 percent. Individual Development Accounts are an economic development tool designed for transitioning low and moderate income families off of government and social service assistance and into self-sufficiency and financial stability. This is accomplished through financial education and asset building.

This program has over fifteen years of documented success. The Corporation for Economic Development's extensive research reveals that every government dollar invested in the IDA program yields a return of approximately \$5 to the local economy in the form of new businesses, additional earnings, new and rehabilitated homes, reduced welfare expenditures, and human capital associated with greater educational attainment.

Our organization applied for the tax credits in late 2007 and began enrolling clients in mid 2008. Our program was recognized by the Department of Commerce as the highest functioning most effective IDA program in Kansas. Due to our comprehensive financial education and our clients' success we were asked by Commerce and other agencies to expand this program across the state in order to bring economic development opportunities to all Kansas communities.

Since the program's inception in 2008 112 families completed financial education and 31 families graduated from the program. We recently made this opportunity available in nine additional counties. In expanding this resource we collaborate with existing non-profits in local communities, sharing our financial education curriculum and experience in budget counseling. These comprehensive tools in combination with the IDA Program and matched funding provide these local agencies with valuable assets for helping the families they serve become self-sufficient.

We are constantly looking for ways to increase the effectiveness and efficiency of our programs. The IDA program in particular is extremely motivating for us because of the results we see with our clients. We know that the more families we graduate from this program, the faster we can eliminate generational poverty and the faster we are can rebuild our local economies. By increasing the tax credit percentage to 75percent we reduce our administrative costs for the program. The amount of funding allocated for this program stays the same. Nothing regarding the budget or what is allocated will change; this is simply a technical amendment. The current percentage of 50 percent is difficult to exchange for contributions because of the other competing 75percent credits available throughout the state. Selling the 50percent credit across the state requires a tremendous amount of staff time, materials and travel expenses. Increasing the percentage makes it possible for our organization to effectively compete with other state tax credits and reduces our costs by two-thirds allowing us to spend more of our time and existing dollars on building assets in our communities.

Please consider adopting this technical amendment for increasing efficiency and collaboration through this effective economic development tool.

Sn. Assmnt & Tax
2-8-11

Attachment # 2

Chairman and members of the committee. Thank you for the opportunity to testify on the Senate Bill 61.

This bill is apparently designed to make a simple change allowing a person to contribute to a program with tax restrictions and allow a tax credit to be increased from 50% to 75%. Seems simple enough and is designed to encourage more contributions to the subject program. This group of people, the "contributors" will be exempt from paying their fair share of taxes so that the reference program receives more money, which must be paid by the balance of the population that does not qualify for this exemption or tax credit. The state is therefore in the business of picking winners and losers.

This so called simple change is embedded in the guts of the most complex, unfair and expensive tax system in the world. In order to grant a relatively small tax credit for the benefit of a favored program and a favored tax payer, you must require a chain of undesirable costs and complexity.

1. What is the cost of this Senate tax committee, the next House Committee and then the Governor?
2. What are the costs incurred by the Reviser's office, to be published in the appropriate state notices and documents?
3. The tax preparers, CPAs, computer software designers must all change their systems.
4. The original contributor is required to begin his chain of events with the state income tax system which is tied to the Federal Income Tax system, which is unpredictable for 2011. It's going to expire in 2012, then what?

The entire income tax system has grown too complex, too unfair, too expensive, and too intrusive in our personal lives. If you approve this change you will be forced to think always inside this box, picking winners and losers in a **radical** tax system that was never intended by our founding fathers.

Governor Brownback has stated many times that he does not want the State to be in the business of picking winners and losers. Last Friday, Feb 4th, he signed an Executive Order abolishing Kansas Inc. In his own words he said "Kansas has too many economic development agencies and programs, many of which focus on picking winners and losers instead of creating an environment for growth." This is a perfect example. Have the "Pay Go" rules been applied to this bill?

This committee should start thinking outside this box. The state needs to uncouple and become totally independent of the Federal Income Tax system. Tinkering with these changes fixes nothing. It only makes the tax system worse. Instead of wasting the resources of this committee, the House Committee, the Full House and Senate, the Governor's office, the tax avoidance infrastructure, and the tax payer, **stop this foolishness.**

Get out of the business of picking winners and losers. You will be lobbied forever. Deny this change and all like it. Let spend our time and energy finding a simple, transparent, and affordable tax system then just go home and enjoy life.

Earl Long
President
FairTaxKC
913.956.4850

Hearing remarks on SB61, at 10:30 a.m. on Tuesday, 2/8/11, Room 152-S,
Kansas State Capitol Building.

TO: **Chairman and Senate Assessment & Taxation Committee members.**

Thank you for the opportunity to testify on the Senate Bill No 61.

This Independent Development Account (IDA) program has a nice sounding purpose - **"Achieve a matched savings account to enable low-income American families to save, build assets and enter the financial mainstream"**. Will somebody and society benefit? It is possible, but at what cost to the rest of society? Is there a more cost effective method to achieve the stated goals of retraining those low-income Americans to excel in our economic system? How about retraining for all Americans, **especially K-12?**

I invite you to visit the web site <http://blog.heritage.org/2010/12/27/top-ten-charts-of-2010/>. Viewing these useful charts from the Heritage Foundation is shocking.

Federally, our nation has a **colossal spending problem**, which is out-stripping any capacity to pay our way out of it. Simply stated, government spending has to come back within our means (**Federally** and in **Kansas**), just like it has to in our own personal budgets.

Note in the above referenced web site charts:

- Federal Income **Taxes** of \$16,543 **per household** for 2009!
- Federal **spending per household** is \$31,088 for 2010!
- Our Federal debt level is not sustainable, nor is Federal spending!
- The top 10 percent of Earners paid 71% of the Federal Income tax revenue in 2007 (latest complete data for this chart)! Is it more now? Taxes and regulations are "killing the goose laying the golden eggs" ("goose" = **private sector** jobs!).

How does this relate to **Kansas** and **SB 61?**

- Kansas has a **spending problem, too** and **cannot borrow** its way out of it.
- In Kansas, government job growth exceeds the private sector's.
- SB61 would authorize an increased percentage of **tax credits** to those who donate to the IDA program. Then, other Kansas taxpayers are left to pay for the revenue replacement. (Note "tax credits" are a dollar for dollar offset from taxes due, a big difference from just being "tax deductible"!)
- **SB61 is a tax increase! Spending cuts are needed!**

I respectfully request this committee deny this spending of state resources and refer the State's relevant curriculum needs to the **State Board of Education!**

Our economic system's "retraining" need is systemic!

Lloyd Hanahan
913-897-2770

Sn. Assmnt & Tax

2-8-11

Attachment #

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SENATE CHAMBER
DAVID B. HALEY
SENATOR
FOURTH DISTRICT
WYANDOTTE COUNTY

February 8, 2011

TESTIMONY IN SUPPORT OF SB 1

TO THE MEMBERS OF THE SENATE ASSESSMENT & TAXATION COMMITTEE:

Thank you for scheduling this relatively simple matter for a hearing.

Senate Bill 1 will require any sale that produces a printed receipt to include the cumulative percentage of ALL sales taxes charged to be on the same receipt.

Many retailers in Kansas and in other States already provide this information. However, as an investigation in 2010 confirmed, many retailers bill erroneous sales tax amounts.

Senate Bill 1 will allow the consumer to know which aggregate charges comprise the sales taxes at a particular place of purchase and provide greater opportunities for accountability and transparency.

Please recommend this matter favorably. I am happy to stand for any questions.

A handwritten signature in black ink, appearing to read "David B. Haley".

(Examples Attached)

McDonald's Corporation
Thank you for eating at McDonald's

812 MINNESOTA AVE
KANSAS CITY, KS 66101

THANK YOU

4CDONALD'S MACKING I TEL# (913)321-0542
36 KS#12 **S#1** Feb.05'11(Sat)15:33
STORE# 11235

1 GRL CKN CAESAR SALAD	4.99
1 MCDOUBLE	1.00
1 SML FRENCH FRIES	1.00
1 RANCH DRESSING	0.00
SUB TOTAL	6.99
TAKE OUT TAX	0.62
	7.61
CASH TENDERED	10.11
CHANGE	2.50

THANK YOU
FOR EATING AT
TACO BELL
(816) 741-9299

REG 3 ORDER STORE 022921
311
DATE: 12/06/10 TIME: 10:41PM

CASHIER:	45	KENDRA
1 STEAK QUESADILLA		.39
1 CHICKEN BURRITO		1.39
1 SIDE		.00
PLUS		
NACHO CHEESE		.50
SUBTOTAL		4.78
TAX		.52
DRIVE-THRU TOTAL		5.30

DID WE DO WELL?
ENTER FOR YOUR CHANCE TO WIN \$1000
DETAILS ON BACK OF RECEIPT
HAVE A GREAT DAY!

1 \$1,000 GIVEAWAY ON BACK!
1 \$1,000 GIVEAWAY ON BACK!
1 \$1,000 GIVEAWAY ON BACK!

Walgreens

The Pharmacy America Trusts • Since 1901™
430 10 7128 03069 004

RFN# 0306-9047-1288-1102-0420

IDT P/CRD\$10	1A	10.00
ACCT#0000003049009661		
IDT P/CRD\$10	1A	10.00
ACCT#0000003049009659		
IDT P/CRD\$10	1A	10.00-VOID
ACCT#0000003049009659		
SUBTOTAL		10.00
A=8.95% SALES TAX		.90
TOTAL		10.90

CASH 20.00
CHANGE 9.10



1001 Sw Topeka Blvd, Topeka, KS
STORE (785)354-1470

OPEN 24 HOURS
THANK YOU

SAVE ON YOUR PRESCRIPTIONS BY JOINING
WALGREENS PRESCRIPTION SAVINGS CLUB
SEE PHARMACY FOR DETAILS

FEBRUARY 4, 2011 11:33 AM

CVS/pharmacy

5440 NW 64TH ST, KANSAS CITY, MO
(816) 741-5576

REG#02 TRN#3503 CSHR#0752140 STR#8556

1 BLFNT 2% MILK1G	3.59B
SUBTOTAL	3.59
MO 5.475% TAX	.20
TOTAL	3.79
CASH	5.00
CHANGE	1.21



2508 5560 3393 5030 21
RETURNS WITH RECEIPT THRU 02/03/2011

DECEMBER 5, 2010 5:50 PM

GET YOUR CVS EXTRACARE CARD

THANK YOU. SHOP 24 HOURS AT CVS.COM

5-2



February 8, 2011

Memorandum:

To: Senate Assessment and Taxation Committee
From: Thomas M. Palace
Re: Written Comments Opposing Senate Bill 1

Mr. Vice Chairman and Members of the Senate Assessment and Taxation Committee:

My name is Tom Palace. I am the Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas (PMCA of Kansas), a statewide trade association representing over 300 independent Kansas petroleum distribution companies and convenience store owners throughout Kansas.

PMCA is neutral on SB 1

Senate Bill 1 will require the sales tax rate to be printed on electronically printed sales receipts. The reason for this legislation stems from a situation that occurred in Kansas City where a consumer was charged a higher rate of sales tax than what the city and state required. Whether it was accidental or intentionally done is not known.

Although this may seem to be an easy fix by simply requiring retailers to include the tax rate percentage on a receipt, it is not. Software updates require a technician to be hired causing down time to the system to make the required updates. Obviously depending on the software and type of cash register that is being used may cause problems for some retailers to comply with SB 1. I don't know if all cash registers have the ability to show the description on the receipt. The age of the machine may not allow this.

Retailer liability is our biggest concern. As I understand SB 1, the retailer is only required to put the cumulative sales tax rate on the receipt. It appears there is no penalty for the retailer if the sales tax computation is incorrect. Bottom line, SB 1 requires the retailer to alert the consumer of the state and local tax rate and it is up to the consumer to verify whether or not the tax computation is correct. As I said in the above paragraph, depending on the type of software that is being used or type of cash register a retailer uses will determine if printing the tax rate on the receipt is feasible.

Thank You,

Petroleum Marketers and Convenience Store Association of Kansas
115 SE 7th • Topeka, KS 66603
PO Box 678 • Topeka, KS 66601-0678
785-233-9655 • Fax: 785-354-4374

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2-8-11
Attachment # 6