

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:30 A.M. on March 1, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research Department  
Martha Dorsey, Kansas Legislative Research Department  
Gordon Self, Office of Revisor of Statutes  
Jason Thompson, Office of Revisor of Statutes  
Judy Swanson, Committee Assistant

Conferees appearing before the committee:

Senator Susan Wagle  
Ali Devine, Kansas Livestock Association  
Derek Sontag, NFIB  
Marlee Carpenter, Kansas Chamber  
Joan Wagnon, KDOR  
Gary Centlivre, KDOR

Others attending:

See attached list.

**Hearing on SB 347—Electronic filing of income tax withholding for employers with 100 or more employees**

Senator Susan Wagle testified legislation passed by the Legislature last year to require businesses with more than 50 employees file their withholding reports electronically has created problems for employers. (Attachment 1) KDOR software is not electronically compatible with common bookkeeping systems like Quick Books or Peachtree. Although the bill increases the number of employees to 100 before electronic W-2 filing is required, Senator Wagle said she prefers the Kansas threshold be the same as the requirement in the Federal guidelines, which is 250 employees.

Ali Devine, Kansas Livestock Association, said KLA members employ many high turnover employees, which means many of their operations meet the current 50-employee threshold. (Attachment 2) KLA supports electronic filing, but thinks it is best to raise the threshold to assure that midsize operations are not required to go to these systems.

Natalie Bright, Wichita Independent Business Association, testified in favor of **SB 347**. (Attachment 3) There is a population of businesses who are struggling to find the necessary resources to comply with the legislation which was enacted last session.

Written testimony supporting **SB 347** was received from:

Derrick Sontag, NFIB (Attachment 4)  
Marlee Carpenter, Kansas Chamber (Attachment 5)

Joan Wagnon, Secretary of Kansas Department of Revenue, testified KDOR does not feel **SB 347** is necessary. (Attachment 6) Since this is the first year for requiring electronic filing of W-2's, KDOR is working with most employers who have indicated they will not be able to comply until next year. Secretary Wagnon suggested an amendment to **SB 347** to grant authority to the Secretary of KDOR, to waive the W-2 electronic filing requirement when it would otherwise be a hardship for the employer to comply. Steve Stotts, KDOR, said the actual W-2's are thrown away after a three-year period. Gary Centlivre, KDOR, said he intends to make available downloadable software for those employers who do not have the means to file their W-2's electronically. Several Senators expressed concern certain software packages, such as Quick Books and Peachtree, would not allow KDOR software to interact with such licensed software. Secretary Wagnon said about 8% of people who are getting paid in Kansas are not filing tax returns. She opposes a higher W-2 electronic filing threshold, because it would narrow KDOR's scope for matching social security numbers for non-filers. Senator Wagle questioned why the state could not buy a scanner, rather than creating new

## CONTINUATION SHEET

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software. The hearing closed.

Chris Courtwright reviewed the Subcommittee Report on Tax Reductions. (Attachment 7) Chairman Allen requested the Committee limit discussion to the franchise tax and the social security tax recommendation portions of the report. During discussion, KDOR said State revenue in February was \$84 million above projected estimates. Senator Jordan said the Senate Commerce Committee is considering additional tax credits and tax incentives. Senator Schmidt said the Committee must consider there are many other tax cuts being considered in the Legislature. Senator Apple expressed concern about the consequences of too many tax reductions being passed. The House Tax Committee passed out a bill completely repealing social security benefits from income tax.

Senator Goodwin moved the Subcommittee recommendations on franchise tax and social security tax be amended into **HB 2031**, and be reported favorably as **Senate Substitute for HB 2031**. Senator Schmidt seconded the motion, and the motion carried.

Being no further business, the meeting adjourned at 11:50 a.m. The next meeting will be March 6.