

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:08 a.m. on March 27, 2000, in Room 519-S of the Capitol.

All members were present except: Senators Lee and Steineger—Excused

Committee staff present: Chris Courtwright, Legislative Research Department
 Don Hayward, Revisor of Statutes Office
 Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Ron Hein, Kansas Restaurant and Hospitality Association
 Don Siefert, City of Olathe
 Don Moler, League of Kansas Municipalities
 Shirley Sicilian, Kansas Department of Revenue

Others attending: See attached list.

The minutes of the March 22 and 23, 2000, meetings were approved.

HB 2678—Sales taxation; exempting certain sales therefrom

Senator Langworthy informed the Committee that a hearing on **HB 2678** was scheduled as a courtesy to the interim committee which recommended the underlying bill, which regarded a sales tax exemption for the rental of hotel rooms by federal and state employees in the performance of official duties. As amended in the House Committee on Taxation, the bill would also provide sales tax exemptions for the Kansas Academy of Science and for animal-cruelty prevention organizations. She stated that, although she had no plan to work the bill at this time, she felt that the Committee should be educated on the issue.

Ron Hein, representing the Kansas Restaurant and Hospitality Association, testified in support of the provision in **HB 2678** which deals with the sales tax exemption for state and federal government employees. The Association has no position on the amendments made by the House committee. Mr. Hein explained that originally, the bill was requested to eliminate confusion in the hotel industry in determining who is exempt under current law. He further explained that current law provides that a direct payment from the government agency to the hotel must be made in order to qualify for the exemption. If employees use their own credit card and then get reimbursed by the governmental entity, the transaction is not exempt. With the passage of the bill, the law would be easier to understand and enforce. In addition, a competitive disadvantage regarding securing conventions of government employees in Kansas would be eliminated. He noted that **HB 2678** still leaves some confusion regarding how hotel personnel are to deal with city, county, and school district employees, and it will put Kansas at a competitive disadvantage in this regard, especially along the Missouri border. However, Mr. Hein supports its passage as a step in the right direction to solving the problems faced by hotel employees. He noted that this portion of the bill has a fiscal note of \$280,000. (Attachment 1)

Senator Langworthy clarified that any bill which has a fiscal note is a problem in light of several other bills in Committee with just as large or larger fiscal notes. There being no others wishing to testify, the hearing on **HB 2678** was closed.

HB 3007—Reporting requirements of the Department of Revenue concerning local excise taxes

Don Seifert, representing the City of Olathe, testified in support of **HB 3007**, noting that the bill was unanimously approved by the House. He explained that **HB 3007** was requested by the City of Olathe to help improve monitoring of local sales tax revenues. The bill amends current law dealing with sales and guest tax reports provided by the Kansas Department of Revenue to make the reports a more productive financial analysis tool at the local level. He noted that, currently, the value of local sales tax reports is limited because they lack sufficient information for the city to adequately verify sales tax revenues. In addition, confidentiality requirements make it difficult for the Department of Revenue to communicate effectively with local units of

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE Room 519-S, Statehouse, at 11:08 a.m. on March 27, 2000.

government to resolve potential sales tax discrepancies. To address these limitations, the Department of Revenue cooperated with the City of Olathe in drafting **HB 3007**. Mr. Siefert believes the bill will help the Department provide better service to its local government customers. (Attachment 2) Mr. Siefert also noted that **HB 3007** has no fiscal impact.

Don Moler, League of Kansas Municipalities, echoed Mr. Siefert's testimony in support of **HB 3007** as a mutual benefit for the Department of Revenue and local governments. In addition, he noted that, over the past few years, cities and counties have periodically noticed inexplicable spikes in their sales tax receipts. Therefore, he requested that **HB 3007** be amended to direct the Legislative Division of Post Audit to examine how local sales taxes are computed and distributed to cities and counties. Mr. Moler believes the audit could help improve the accuracy of distributions and increase the confidence that municipalities have in the Department of Revenue. (Attachment 3)

Shirley Sicilian, Kansas Department of Revenue, informed the Committee that, in working with the City of Olathe, the Department determined what additional information can be provided in reports under the new sales tax system. The Department recommends the statutory change in **HB 3007** to allow the Department to provide that information. She explained that, currently, the Department can only provide the amount of sales tax remitted by an entity. The bill expands confidentiality provisions to allow the Department to discuss the report in more detail. With regard to Mr. Moler's suggestion that the Department be examined by the Legislative Division of Post Audit, she informed the Committee that an audit was conducted two years ago. With this, the hearing on **HB 3007** was closed.

The meeting was adjourned at 11:35 a.m.

The date of the next meeting is to be announced.