

## MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairperson Steven Johnson at 3:30 pm on Thursday, May 14, 2020, Distant meeting on Zoom.

All members were present except:

Representative John Barker – Excused

Committee staff present:

Adam Siebers, Office of Revisor of Statutes

Amelia Kovar-Donohue, Office of Revisor of Statutes

Chris Courtwright, Legislative Research Department

Lea Gerard, Committee Assistant

Conferees appearing before the Committee:

Amy Kramer, Kansas Department of Revenue

Kathleen Smith, Kansas Department of Revenue

Others in attendance:

No list available

### **Welcome/Video Conference**

The meeting was conducted using Zoom for distance meeting. Chairperson Johnson welcomed members who logged in at 3:30. House members, staff and conferees making presentations before the Committee are participating in the Zoom meeting. Chairperson Johnson recognized Adam Siebers, Assistant Revisor who provided an overview of the Kansas Open Meetings Act (KOMA) ([Attachment 1](#)).

### **Final action on bills previously heard**

Adam Siebers provided an overview for **SB262** concerning the State Board of Tax Appeals (BOTA) The aggrieved party may request a full and complete opinion from the Board of Tax Appeal from 14 days to 21 days after receiving the Board's decision.

*Representative Mason moved, seconded by Representative Croft, **SB262** be passed. Motion passed.*

Adam Siebers provided an overview for **SB265** that gives an option for a party or their attorney to receive notices or orders from the Board of Tax Appeals electronically.

*Representative Mason moved, seconded by Representative Wasinger, **SB265** be passed. Motion passed.*

### **Possible Action on HB 2657 and SB 294**

Chairperson Johnson proposed the Committee take the house bill balloon on **HB2657** and insert the contents into **SB266** which would become **House Substitute for SB266** ([Attachment 2](#)). He asked the

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Committee for discussion or amendments for Substitute **SB266**.

*Representative Mason moved, seconded by Representative Gartner to amend **House Substitute SB266** (Attachment 3).*

Representative Mason stated the first balloon amendment concerns prepaid 911 fees imposed under K.S.A. 12-5371. Currently brick and mortar stores collect the prepaid wireless 911 fees and marketplace facilitators are not obligated to collect the fees. He noted the second balloon amendment clarifies the date for marketplace facilitators to collect and remit fees which applies to the wireless 911 fees.

*Representative Mason renewed his motion. Motion passed.*

*Representative Gartner moved, seconded by Representative Helgeson to amend **House Substitute SB266** (Attachment 4).*

Representative Gartner noted the transient tax presents a level playing field for the transient guest tax to be collected and remitted back to the city of origin. Downtown Topeka and various other tourist venues receive this tax. He noted the fairness issue is if someone books a hotel room online in Topeka, Kansas, the person might not pay the transient tax. He commented on removal of Section 7 of the bill.

*Representative Gartner renewed his motion. Motion passed with Representatives Corbert and Toplikar voting no.*

*Representative Croft moved, seconded by Representative Eplee to amend **House Substitute SB266** (Attachment 5).*

Representative Croft stated the amendment is elimination of the sales tax prepayment requirement. Businesses who collect more than \$40,000. will have an option to pay monthly like businesses who prepay the sales tax above \$4,000.

In response to a question, Amy Kramer, Department of Revenue, stated the numbers from last summer show the state impact was \$88 million with the total state and local impact just under \$120 million. For clarification, the impact in state receipts would not hit until next summer of FY2021. She remarked this is a shift of revenue from FY2021 to FY2022. The money still comes in the current fiscal year and by losing the ongoing loan and timing, there is a shortfall of \$88 million to the state budget and approximately \$30 million to local budgets.

*Representative Croft renewed his motion. The motion failed with 12 Nays and 7 Yeas.*

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In response to a question, Kathleen Smith stated the Governor's Task Force had introduced **HB2657** which was the marketplace facilitators bill and did not have the \$100,000 *de minimis* threshold. The estimated fiscal impact was a positive \$30 million. When **HB2657** was worked, the *di minimis* of \$100,000 was put in for the marketplace facilitators and remote sellers. She noted the Department of Revenue has legal authority to collect from remote sellers gross receipts from retail sales and the state is currently receiving between \$25 million to \$30 million. Ms. Smith stated for the marketplace facilitators, the department estimated \$30 million for the the remote sellers and estimated \$25 million to \$30 million for marketplace facilitators; the two together would be approximately \$50 million to \$60 million.

Discussion followed by Committee members regarding a food sales tax reduction of 1.0%. It was noted that due to the COVID-19 pandemic the state is struggling financially and now is not the appropriate time for a reduction in the food sales tax. It was suggested to have an interim committee devoted specifically to reduce the food sales tax and introduce a bill next year.

*Representative Croft moved, seconded by Representative Toplikar to amend **House Substitute SB266** (Attachment 6).*

Representative Croft stated the amendment is a four-day tax exemption for back-to-school supplies in August starting on Thursday and extending through Sunday night. There are strict guidelines of what can and cannot be purchased. The fiscal note for the amendment for FY2020 will be \$5.8 million and for FY2021, \$6.3 million. Discussion followed by Committee members regarding the amendment. In response to a question, Representative Croft stated a bill was presented earlier and pieces of the bill were placed in this amendment along with the fiscal note.

In response to a question, Amy Kramer, Department of Revenue stated the fiscal note came from a bill introduced in 2019 that should be updated for the amendment. She remarked the language will be checked also in the amendment compared to the previous bill.

*Representative Croft renewed his motion. The motion failed with 14 Nays and 7 Yeas.*

*Representative Gartner moved, seconded by Representative Stogsdill, the Committee recommend **House Substitute SB266** be passed as amended. The motion passed with 14 Yeas and 7 Nays. Representative Phillips voted yes.*

### **HB2607 Property Tax Payment Plan**

Representative Kelly provided a proposed amendment for **HB2607** allowing the county treasurer of every county to waive interest and/or penalty for taxpayers not delinquent on prior tax payments. Language on the second page adjusted some of the dates for the notices and newspaper publications.

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Representative Kelly moved, seconded by Representative Eplee, to insert the contents of **HB2607** and the balloon amendment into House Substitute for **SB125** ([Attachment 7](#)).

Discussion followed by Committee members on the amendment.

Representative Gartner moved, seconded by Representative Helgeson, to amend **House Substitute for SB125**. ([Attachment 8](#)).

Discussion followed by Committee members on the amendment.

Mr Siebers stated the original bill extended the abatement process for agricultural improvements. House Taxation amended the bill by including both public grain warehouses and commercial real property with additional provisions that allow for cities and certain taxing units located within cities, school districts, and community junior college districts with 25% or more of total parcels damaged would have the ability to object to an abatement in regard to their share of property taxes imposed.

Representative Gartner renewed his motion. Motion passed.

Representative Kelly moved, seconded by Representative Warfield, the Committee recommend **House Substitute for SB125** be passed as amended. Motion passed.

### **House Substitute for SB235**

Representative Kelly stated the substitute bill for **SB235** was created at the request of the League of Kansas Municipalities and others in expanding the authority to issue no-fund warrants due to finances related to the COVID-19 pandemic or a specific disaster. It allows cities, counties, and school districts to issue no-fund warrants concerning expenses related to a specific disaster. The term of the no-fund warrants can be up to five years and are purchased by a bank or other financial institution. He commented the bank is the purchaser and the individual taxing unit is the guarantor of the no-fund warrant. The maximum rate of interest could not exceed the daily yield for a 10-year Treasury bond plus 6% for interest excluded from federal income tax or 7% added on to the treasury rate ([Attachment 9](#)).

In response to a question, Representative Kelly stated the no-fund warrant does not require approval from BOTA. This bill does not affect the existing no-fund warrant statute that does require approval from BOTA. The no-fund warrant for a declared emergency on Federal or State levels does not require BOTA approval.

Representative Kelly moved, seconded by Representative Eplee, the Committee recommend **House Substitute for SB235** be passed. Motion passed.

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**Final Action on SB294 - establishing notice and public hearing requirements prior to approval by a governing body to exceed its revenue neutral rates for property tax purposes.**

Mr. Siebers provided an overview for **SB294** stating this bill will replace the tax lid with a new process for notice by a taxing subdivision whereby if they exceed the tax revenue neutral rate. The taxing subdivision will establish notice and public hearing requirements prior to approval to exceed the revenue neutral rate.

*Representative Mason moved, seconded by Representative Croft, the Committee recommend **SB294** be passed.*

Representative Kelly presented an amendment moving the effective date of **SB294** to the year 2022 and retain the tax lid in place until the year 2022 ([Attachment 10](#)).

*Representative Kelly moved, seconded by Representative Gartner to amend **SB294**.*

Discussion followed by Committee members on the amendment.

*Representative Kelly renewed his motion. Motion passed. Representatives Corbert, Thimesch, Croft, Rahjes, and Mason voted no.*

*Representative Gartner moved, seconded by Representative Stogsdill, the Committee recommend **SB294** be passed as amended. Motion passed.*

Chairperson Johnson thanked Adam Siebers for all his hard work on bills and amendments for the Committee to complete.

Meeting Adjourned at 6:00 pm.