

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson David Corbin at 10:40 a.m. on January 22, 2003, in Room 519-S of the Capitol.

All members were present except: Senators Lee and Pugh

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Gordon Self, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Joan Wagon, Acting Secretary, Kansas Dept. of Revenue
Richard Cram, Kansas Department of Revenue

Others attending: See attached list.

Senator Corbin reminded the Committee that the 2002 interim taxation committee recommended the formation of a working group composed of House and Senate members to study the issue of the property tax exemption for independent living units owned by not-for-profit nursing homes and to develop appropriate legislation by February 1, 2003. He announced that the Senate members of the working group will include himself, Senator Clark, and Senator Goodwin. The group will meet during the week of January 27.

Update on the Streamlined Sales Tax Project

Senator Corbin pointed out that the Streamlined Sales Tax Project involves a voluntary system and that implementing states cannot mandate the collection of sales tax on remote sales by retailers who have no physical presence in the state until Congress gives them the authority to do so. He observed that, if enough states support the Streamline Sales Tax Project this year, Congress will seriously reconsider the moratorium on state and local government taxation of electronic commerce. He went on to inform the Committee that he has been actively involved in meetings for implementing states during the past six months. In addition, Rick Clelland, Kansas Department of Revenue, attended the meetings. They were able to vote on the adoption of the final version of the Streamlined Sales Tax Agreement at a meeting held in Chicago in November 2002. He noted that the entire Streamlined Sales Tax Agreement can be downloaded from the following website: www.stremlinedsalestax.org.

Joan Wagon, Acting Secretary, Kansas Department of Revenue, expressed her support for the streamlined sales tax, noting that it responds to concerns about the loss of tax revenue on remote sales she has heard in the past both as a state legislator and as Mayor of the City of Topeka. She informed the Committee that Mr. Clelland just left for Florida to participate in a study of issues involving proposals for future additions to the Streamlined Sales Tax Agreement, although the Agreement will not be amended further until participating state legislatures have had the opportunity to adopt conforming legislation this year.

CONTINUATION SHEET

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Ms. Wagon followed with a summary of her written testimony regarding the current status of the Streamlined Sales Tax Project and the legislation needed to conform to the Agreement. (Attachment 1) She pointed out that the Project is currently in Phase 2, which involves the adoption of the Streamlined Sales Tax Act by participating state legislatures. She explained that Phase 3 involves implementation of the Agreement, which will take effect once at least ten states with at least 20 percent of the total population of states imposing sales tax have adopted the Act and have made the necessary legislative changes to meet the uniformity requirements. The goal is to have the Agreement implemented by fall of this year. With regard to her summary of legislation recommended by the Department, she noted that the major changes in Kansas law will involve the following issues: (1) Equalizing the state and local tax bases for water utility sales for residential or agricultural use, (2) Uniform sourcing to determine the correct local sales tax applying to the transaction, and (3) Compensating use tax at the local level. She noted that the Department's proposed bill is in the process of being drafted and will not take effect until July 1, 2004. In conclusion, she held up a copy of a booklet explaining the streamlined sales tax which the Department has recently made available to the public.

Richard Cram, Director of Policy and Research for the Kansas Department of Revenue, joined Ms. Wagon in answering Committee questions regarding the compensating use tax. Noting that the unfair advantage remote retailers have over local retailers is a real problem, Ms. Wagon assured the Committee that the Department is willing to work on a sensible solution.

Senator Corbin informed the Committee that a more in depth explanation of the Streamlined Sales Tax Agreement will be presented at a future meeting. In addition, Mr. Clelland will report on the Florida meeting. He commented that the driving force behind the streamlined sales tax is the fact that all states are having revenue problems. In addition, the telecommunication industry and large retailers such as Wal-Mart and Sears support the streamlined sales tax because it will clarify and simplify the collection of sales taxes.

Senator Clark moved to approve the minutes of the January 14 and January 15 meetings, seconded by Senator Donovan. The motion carried.

The meeting was adjourned at 11:25 a.m.

The next meeting is scheduled for January 28, 2003.