

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson David Corbin at 10:50 a.m. on March 24, 2003, in Room 519-S of the Capitol.

All members were present except: Senator Allen

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: Jim Weisgerber, Kansas Department of Revenue

Others attending: See attached list.

Senator Corbin called attention to amendments to an inheritance tax bill suggested by the Kansas Department of Revenue. (Attachment 1) Jim Weisgerber, Kansas Department of Revenue, noted that the Department proposes to include the language in a substitute bill for **SB 94**. He explained that the proposal includes a complete inheritance tax and also includes the current state “pick up” tax law tied to federal law. He noted that the proposal addresses the following: (1) what assets are included in the gross estate and the valuation (definition section), (2) the taxing mechanism used (“pick up” or inheritance tax), and (3) administrative and enforcement provisions common to both tax mechanisms. He went on to say that the proposal provides that, if an estate is below the federal filing threshold, which at this time is \$700,000, one would defer to this legislation for information about the value of the gross estate and what assets are included in the gross estate. The valuation question would defer to federal law when the federal filing threshold of \$700,000 is reached and the requirement of a phantom federal report kicks in or when the point is reached where there is an actual federal filing.

Mr. Weisgerber noted that, if it is the Committee’s preference is to retain the current federal law “pick up” tax and fix the succession tax so that it will generate the revenue as projected, the proposed legislation will accomplish both. It fixes the succession tax in that it flushes it out to make it a complete inheritance tax, and it fixes the current “pick up” tax in that it gives administrative provisions for enforcement.

Following committee discussion, Senator Corbin noted that action on the proposed language would be delayed until March 25 to allow members time to fully study it.

Senator Corbin opened a discussion of proposed amendments to a previously heard bill, **SB 170** concerning withholding and consulting fees paid to nonresidents. Gordon Self, Revisor of Statutes Office, distributed copies of the proposed amendments. (Attachment 2) For the Committee’s information, Mr. Weisgerber

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explained that legislation imposing withholding requirements on distributions paid from subchapter S corporations, partnerships, and limited liability companies to non-Kansas residents was passed last year. Subsequently, the Department received several calls from accountants pointing out problems with the legislation. When the Department began to develop necessary forms and instructions, staff also discovered problems. To address the problems with withholding on distributions, the Department worked with the Kansas Society of Public Accounts this year and developed the proposed language, using South Carolina law as a model. Mr. Weisgerber went on to explain the intent of each section of the bill. He noted that the proposal ensures that payment will be made to the State of Kansas because the tax will be withheld by a business rather than giving nonresident individuals the opportunity to choose whether to report or not report. Following his explanation, several concerns and questions regarding application of the provisions were raised by the Committee. Senator Corbin commented that perhaps the bill should be assigned to an interim committee for further study.

Senator Corbin opened a discussion on another previously heard bill, **HB 2205** concerning real estate transaction disclosures relating to special assessments and fees. Senator Goodwin discussed a proposed amendment to address an issue concerning property tax issues relating to the bill which unexpectedly came up in Cowley County. (Attachment 3) She explained that Strother Field Airport, located between Winfield and Arkansas City, was given to the county by General Strother's family with the condition that it is never to be sold. Because the land cannot be purchased, seventy-eight industries which have built on Strother Field property lease the land. Approximately three weeks ago, General Electric filed a lawsuit alleging that the companies should not have been paying taxes on the buildings because the buildings are part of the airport land, which is tax exempt. Last week, General Electric also filed for a tax exemption on their property. Senator Goodwin explained that the county has always separated the lease land that is tax exempt to the airport and the property that has been built upon it. However, none of the leases were filed with the Register of Deeds as they should have been according to statute. Therefore, the county does not have any legal documentation on any of the leases. Her amendment provides that the value of the land and improvements may be entered on assessment rolls in separate entries and descriptions for all taxable years after December 31, 1992.

Senator Goodwin moved to amend **HB 2205** as she proposed, seconded by Senator Clark. The motion carried.

Senator Clark moved to report **HB 2205** favorably for passage as amended, seconded by Senator Lee. The motion carried.

The meeting was adjourned at 11:45 a.m.

The next meeting is scheduled for March 25, 2003.