

CONFERENCE COMMITTEE REPORT

MADAM PRESIDENT and MR. SPEAKER: Your committee on conference on House amendments to **SB 449** submits the following report:

The Senate accedes to all House amendments to the bill, and your committee on conference further agrees to amend the bill as printed with House Committee of the Whole amendments, as follows:

On page 1, by striking all in lines 10 through 34;

By striking all on pages 2 through 12;

On page 13, by striking all in lines 1 through 40; following line 40, by inserting:

"New Section 1. (a) As used in this section:

(1) "Administering agency" means the state agency or department charged with administering a particular income tax credit program, as set forth by the program's enacting statute or, where no department or agency is set forth, the department of revenue.

(2) "Economic development incentive program" means:

(A) Any economic development incentive program administered wholly or in part by the secretary of commerce;

(B) any tax credit program, except for social and domestic tax credits, regardless of the administering agency;

(C) property that has been exempted from ad valorem taxation under the provisions of section 13 of article 11 of the constitution of the state of Kansas; and

(D) property that has been purchased, acquired, constructed, reconstructed, improved, equipped, furnished, repaired, enlarged or remodeled with all or any part of the proceeds of

revenue bonds issued under the authority of K.S.A. 12-1740 through 12-1749a, and amendments thereto, that is exempt from ad valorem taxation under K.S.A. 79-201a *Second*, and amendments thereto.

(3) "Enterprise" means a corporation, limited liability company, S corporation, partnership, registered limited liability partnership, foundation, association, nonprofit entity, sole proprietorship, business trust or other entity engaged in business.

(4) "Recipient" means the enterprise that is the original applicant for and that receives proceeds from an economic development incentive program directly from the administering agency.

(5) "Social and domestic tax credits" means the adoption credit created pursuant to K.S.A. 79-202a, and amendments thereto, the earned income tax credit created pursuant to K.S.A. 2017 Supp. 79-32,205, and amendments thereto, the food sales tax credit created pursuant to K.S.A. 2017 Supp. 79-32,271, and amendments thereto, the child and dependent care tax credit created pursuant to K.S.A. 2017 Supp. 79-32,111c, and amendments thereto, and the homestead property tax refund created pursuant to K.S.A. 79-4501 et seq., and amendments thereto.

(6) "Tax credit program" means any credit allowed against the tax imposed by the Kansas income tax act, the premium or privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, or the privilege tax as measured by net income of financial institutions imposed pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto.

(b) The department of commerce shall collect incentive data from economic development incentive programs that provide more than \$50,000 of annual incentives from administering agencies as required by this section. Such data shall be collected from administering agencies and be stored in a database that is available to the public in a digital format. The database shall contain information from multiple years and must be searchable, printable and available to access over the internet either on the department of commerce's website or via a conspicuous link on the front page of the department's website. Information included in the database shall be updated by the department of commerce on an annual basis and such update shall be completed prior to the end of the following fiscal year in which such incentive was earned or distributed.

(c) The database required to be created by subsection (b) shall contain the following information or shall contain a link by which the user can access such information:

- (1) User information for each economic development incentive program, including the:
 - (A) Names and addresses, including county, of recipients receiving benefits from the program and, for sales tax and revenue bonds issued under the STAR bond financing act, K.S.A. 2017 Supp. 12-17,162 et seq., and amendments thereto, the names of principals and officers for each project developer;
 - (B) annual amount of incentives claimed and distributed to each recipient;
 - (C) qualification criteria for the economic development incentive program, including, if available, qualification criteria specific to the recipient;
 - (D) required benchmarks for continued participation in the economic development

incentive program; and

(E) years for which the recipient has received benefits under the economic development incentive program;

(2) descriptive information for each economic development program, which shall include:

(A) A description and history of the program, including its inception date;

(B) the purpose or goals of the program and the criteria for qualification;

(C) applications for the program, if any, and relevant resources or contacts;

(D) the program cost and return on investment, including assumptions used to calculate the return on investment;

(E) the program compliance rate;

(F) annual reports, if required by statute; and

(G) evaluations of the program, if any; and

(3) annual data, which shall be organized by recipient, county and program and shall include the:

(A) Total amount of annual incentives from a program claimed by a recipient;

(B) total amount of incentives received by recipients in each county; and

(C) total amount of incentives distributed by each program.

(d) Data collected pursuant to this section must be aggregated and provided by program, recipient and county.

(e) Information required to be included in the database under subsection (c) shall not be

disclosed if such disclosure would violate any federal law or confidentiality provisions of any agreement executed before July 1, 2018, or if, in the discretion of the secretary of commerce, such disclosure would be detrimental to the development of a STAR bond project.

Sec. 2. K.S.A. 2017 Supp. 75-5133 is hereby amended to read as follows: 75-5133. (a) Except as otherwise more specifically provided by law, all information received by the secretary of revenue, the director of taxation or the director of alcoholic beverage control from returns, reports, license applications or registration documents made or filed under the provisions of any law imposing any sales, use or other excise tax administered by the secretary of revenue, the director of taxation, or the director of alcoholic beverage control, or from any investigation conducted under such provisions, shall be confidential, and it shall be unlawful for any officer or employee of the department of revenue to divulge any such information except in accordance with other provisions of law respecting the enforcement and collection of such tax, in accordance with proper judicial order or as provided in K.S.A. 74-2424, and amendments thereto.

- (b) The secretary of revenue or the secretary's designee may:
 - (1) Publish statistics, so classified as to prevent identification of particular reports or returns and the items thereof;
 - (2) allow the inspection of returns by the attorney general or the attorney general's designee;
 - (3) provide the post auditor access to all such excise tax reports or returns in accordance with and subject to the provisions of K.S.A. 46-1106(g), and amendments thereto;
 - (4) disclose taxpayer information from excise tax returns to persons or entities

contracting with the secretary of revenue where the secretary has determined disclosure of such information is essential for completion of the contract and has taken appropriate steps to preserve confidentiality;

(5) provide information from returns and reports filed under article 42 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, to county appraisers as is necessary to ensure proper valuations of property. Information from such returns and reports may also be exchanged with any other state agency administering and collecting conservation or other taxes and fees imposed on or measured by mineral production;

(6) provide, upon request by a city or county clerk or treasurer or finance officer of any city or county receiving distributions from a local excise tax, monthly reports identifying each retailer doing business in such city or county or making taxable sales sourced to such city or county, setting forth the tax liability and the amount of such tax remitted by each retailer during the preceding month, and identifying each business location maintained by the retailer and such retailer's sales or use tax registration or account number;

(7) provide information from returns and applications for registration filed pursuant to K.S.A. 12-187, and amendments thereto, and K.S.A. 79-3601, and amendments thereto, to a city or county treasurer or clerk or finance officer to explain the basis of statistics contained in reports provided by subsection (b)(6);

(8) disclose the following oil and gas production statistics received by the department of revenue in accordance with K.S.A. 79-4216 et seq., and amendments thereto: Volumes of production by well name, well number, operator's name and identification number assigned by

the state corporation commission, lease name, leasehold property description, county of production or zone of production, name of purchaser and purchaser's tax identification number assigned by the department of revenue, name of transporter, field code number or lease code, tax period, exempt production volumes by well name or lease, or any combination of this information;

(9) release or publish liquor brand registration information provided by suppliers, farm wineries, microdistilleries and microbreweries in accordance with the liquor control act. The information to be released is limited to: Item number, universal numeric code, type status, product description, alcohol percentage, selling units, unit size, unit of measurement, supplier number, supplier name, distributor number and distributor name;

(10) release or publish liquor license information provided by liquor licensees, distributors, suppliers, farm wineries, microdistilleries and microbreweries in accordance with the liquor control act. The information to be released is limited to: County name, owner, business name, address, license type, license number, license expiration date and the process agent contact information;

(11) release or publish cigarette and tobacco license information obtained from cigarette and tobacco licensees in accordance with the Kansas cigarette and tobacco products act. The information to be released is limited to: County name, owner, business name, address, license type and license number;

(12) provide environmental surcharge or solvent fee, or both, information from returns and applications for registration filed pursuant to K.S.A. 65-34,150 and 65-34,151, and

amendments thereto, to the secretary of health and environment or the secretary's designee for the sole purpose of ensuring that retailers collect the environmental surcharge tax or solvent fee, or both;

(13) provide water protection fee information from returns and applications for registration filed pursuant to K.S.A. 82a-954, and amendments thereto, to the secretary of the state board of agriculture or the secretary's designee and the secretary of the Kansas water office or the secretary's designee for the sole purpose of verifying revenues deposited to the state water plan fund;

(14) provide to the secretary of commerce copies of applications for project exemption certificates sought by any taxpayer under the enterprise zone sales tax exemption pursuant to K.S.A. 79-3606(cc), and amendments thereto;

(15) disclose information received pursuant to the Kansas cigarette and tobacco act and subject to the confidentiality provisions of this act to any criminal justice agency, as defined in K.S.A. 22-4701(c), and amendments thereto, or to any law enforcement officer, as defined in K.S.A. 2017 Supp. 21-5111, and amendments thereto, on behalf of a criminal justice agency, when requested in writing in conjunction with a pending investigation;

(16) provide to retailers tax exemption information for the sole purpose of verifying the authenticity of tax exemption numbers issued by the department;

(17) provide information concerning remittance by sellers, as defined in K.S.A. 2017 Supp. 12-5363, and amendments thereto, of prepaid wireless 911 fees from returns to the local collection point administrator, as defined in K.S.A. 2017 Supp. 12-5363, and amendments

thereto, for purposes of verifying seller compliance with collection and remittance of such fees;

(18) release or publish charitable gaming information obtained in charitable gaming licensee and registration applications and renewals in accordance with the Kansas charitable gaming act, K.S.A. 2017 Supp. 75-5171 et seq., and amendments thereto. The information to be released is limited to: The name, address, phone number, license registration number and email address of the organization, distributor or of premises; and

(19) provide to the attorney general confidential information for purposes of determining compliance with or enforcing K.S.A. 50-6a01 et seq., and amendments thereto, the master settlement agreement referred to therein and all agreements regarding disputes under the master settlement agreement. The secretary and the attorney general may share the information specified under this subsection with any of the following:

(A) Federal, state or local agencies for the purposes of enforcement of corresponding laws of other states; and

(B) a court, arbitrator, data clearinghouse or similar entity for the purpose of assessing compliance with or making calculations required by the master settlement agreement or agreements regarding disputes under the master settlement agreement, and with counsel for the parties or expert witnesses in any such proceeding, if the information otherwise remains confidential; and

(20) disclose taxpayer information that is received from income tax returns to the department of commerce for the purpose of including such information in the database required by section 1, and amendments thereto.

(c) Any person receiving any information under the provisions of subsection (b) shall be subject to the confidentiality provisions of subsection (a) and to the penalty provisions of subsection (d).

(d) Any violation of this section shall be a class A, nonperson misdemeanor, and if the offender is an officer or employee of this state, such officer or employee shall be dismissed from office. Reports of violations of this paragraph shall be investigated by the attorney general. The district attorney or county attorney and the attorney general shall have authority to prosecute any violation of this section if the offender is a city or county clerk or treasurer or finance officer of a city or county.

Sec. 3. K.S.A. 2017 Supp. 79-3234 is hereby amended to read as follows: 79-3234. (a) All reports and returns required by this act shall be preserved for three years and thereafter until the director orders them to be destroyed.

(b) Except in accordance with proper judicial order, or as provided in subsection (c) or in K.S.A. 17-7511, ~~subsection (g) of K.S.A. 46-1106(g), K.S.A. 46-1114, or K.S.A. 79-32,153a,~~ and amendments thereto, it shall be unlawful for the secretary, the director, any deputy, agent, clerk or other officer, employee or former employee of the department of revenue or any other state officer or employee or former state officer or employee to divulge, or to make known in any way, the amount of income or any particulars set forth or disclosed in any report, return, federal return or federal return information required under this act; and it shall be unlawful for the secretary, the director, any deputy, agent, clerk or other officer or employee engaged in the administration of this act to engage in the business or profession of tax accounting or to accept

employment, with or without consideration, from any person, firm or corporation for the purpose, directly or indirectly, of preparing tax returns or reports required by the laws of the state of Kansas, by any other state or by the United States government, or to accept any employment for the purpose of advising, preparing material or data, or the auditing of books or records to be used in an effort to defeat or cancel any tax or part thereof that has been assessed by the state of Kansas, any other state or by the United States government.

- (c) The secretary or the secretary's designee may:
 - (1) Publish statistics, so classified as to prevent the identification of particular reports or returns and the items thereof;
 - (2) allow the inspection of returns by the attorney general or other legal representatives of the state;
 - (3) provide the post auditor access to all income tax reports or returns in accordance with and subject to the provisions of ~~subseetion (g)~~ of K.S.A. 46-1106(g) or ~~K.S.A.~~ 46-1114, and amendments thereto;
 - (4) disclose taxpayer information from income tax returns to persons or entities contracting with the secretary of revenue where the secretary has determined disclosure of such information is essential for completion of the contract and has taken appropriate steps to preserve confidentiality;
 - (5) disclose to the secretary of commerce the following: (A) Specific taxpayer information related to financial information previously submitted by the taxpayer to the secretary of commerce concerning or relevant to any income tax credits, for purposes of verification of such information or evaluating the effectiveness of any tax credit or economic incentive program

administered by the secretary of commerce; (B) the amount of payroll withholding taxes an employer is retaining pursuant to K.S.A. 2017 Supp. 74-50,212, and amendments thereto; (C) information received from businesses completing the form required by K.S.A. 2017 Supp. 74-50,217, and amendments thereto; and (D) findings related to a compliance audit conducted by the department of revenue upon the request of the secretary of commerce pursuant to K.S.A. 2017 Supp. 74-50,215, and amendments thereto;

(6) disclose income tax returns to the state gaming agency to be used solely for the purpose of determining qualifications of licensees of and applicants for licensure in tribal gaming. Any information received by the state gaming agency shall be confidential and shall not be disclosed except to the executive director, employees of the state gaming agency and members and employees of the tribal gaming commission;

(7) disclose the taxpayer's name, last known address and residency status to the Kansas department of wildlife, parks and tourism to be used solely in its license fraud investigations;

(8) disclose the name, residence address, employer or Kansas adjusted gross income of a taxpayer who may have a duty of support in a title IV-D case to the secretary of the Kansas department for children and families for use solely in administrative or judicial proceedings to establish, modify or enforce such support obligation in a title IV-D case. In addition to any other limits on use, such use shall be allowed only where subject to a protective order which prohibits disclosure outside of the title IV-D proceeding. As used in this section, "title IV-D case" means a case being administered pursuant to part D of title IV of the federal social security act, 42 U.S.C. § 651 et seq., and amendments thereto. Any person receiving any information under the

provisions of this subsection shall be subject to the confidentiality provisions of subsection (b) and to the penalty provisions of subsection (e);

(9) permit the commissioner of internal revenue of the United States, or the proper official of any state imposing an income tax, or the authorized representative of either, to inspect the income tax returns made under this act and the secretary of revenue may make available or furnish to the taxing officials of any other state or the commissioner of internal revenue of the United States or other taxing officials of the federal government, or their authorized representatives, information contained in income tax reports or returns or any audit thereof or the report of any investigation made with respect thereto, filed pursuant to the income tax laws, as the secretary may consider proper, but such information shall not be used for any other purpose than that of the administration of tax laws of such state, the state of Kansas or of the United States;

(10) communicate to the executive director of the Kansas lottery information as to whether a person, partnership or corporation is current in the filing of all applicable tax returns and in the payment of all taxes, interest and penalties to the state of Kansas, excluding items under formal appeal, for the purpose of determining whether such person, partnership or corporation is eligible to be selected as a lottery retailer;

(11) communicate to the executive director of the Kansas racing commission as to whether a person, partnership or corporation has failed to meet any tax obligation to the state of Kansas for the purpose of determining whether such person, partnership or corporation is eligible for a facility owner license or facility manager license pursuant to the Kansas parimutuel racing

act;

(12) provide such information to the executive director of the Kansas public employees retirement system for the purpose of determining that certain individuals' reported compensation is in compliance with the Kansas public employees retirement act, K.S.A. 74-4901 et seq., and amendments thereto;

(13)~~(i)(A)~~ provide taxpayer information of persons suspected of violating K.S.A. 2017 Supp. 44-766, and amendments thereto, to the secretary of labor or such secretary's designee for the purpose of determining compliance by any person with the provisions of ~~subsection (i)(3)(D)~~ of K.S.A. 44-703~~(i)(3)(D)~~ and K.S.A. 2017 Supp. 44-766, and amendments thereto. The information to be provided shall include all relevant information in the possession of the department of revenue necessary for the secretary of labor to make a proper determination of compliance with the provisions of ~~subsection (i)(3)(D)~~ of K.S.A. 44-703~~(i)(3)(D)~~ and K.S.A. 2017 Supp. 44-766, and amendments thereto, and to calculate any unemployment contribution taxes due. Such information to be provided by the department of revenue shall include, but not be limited to, withholding tax and payroll information, the identity of any person that has been or is currently being audited or investigated in connection with the administration and enforcement of the withholding and declaration of estimated tax act, K.S.A. 79-3294 et seq., and amendments thereto, and the results or status of such audit or investigation;

~~(ii)(B)~~ any person receiving tax information under the provisions of this paragraph shall be subject to the same duty of confidentiality imposed by law upon the personnel of the department of revenue and shall be subject to any civil or criminal penalties imposed by law for

violations of such duty of confidentiality; and

(iii)(C) each of the secretary of labor and the secretary of revenue may adopt rules and regulations necessary to effect the provisions of this paragraph;

(14) provide such information to the state treasurer for the sole purpose of carrying out the provisions of K.S.A. 58-3934, and amendments thereto. Such information shall be limited to current and prior addresses of taxpayers or associated persons who may have knowledge as to the location of an owner of unclaimed property. For the purposes of this paragraph, "associated persons" includes spouses or dependents listed on income tax returns; ~~and~~

(15) after receipt of information pursuant to subsection (f), forward such information and provide the following reported Kansas individual income tax information for each listed defendant, if available, to the state board of indigents' defense services in an electronic format and in the manner determined by the secretary: (A) The defendant's name; (B) social security number; (C) Kansas adjusted gross income; (D) number of exemptions claimed; and (E) the relevant tax year of such records. Any social security number provided to the secretary and the state board of indigents' defense services pursuant to this section shall remain confidential; and

(16) disclose taxpayer information that is received from income tax returns to the department of commerce for the purpose of including such information in the database required by section 1, and amendments thereto.

(d) Any person receiving information under the provisions of subsection (c) shall be subject to the confidentiality provisions of subsection (b) and to the penalty provisions of subsection (e).

(e) Any violation of subsection (b) or (c) is a class A nonperson misdemeanor and, if the offender is an officer or employee of the state, such officer or employee shall be dismissed from office.

(f) For the purpose of determining whether a defendant is financially able to employ legal counsel under the provisions of K.S.A. 22-4504, and amendments thereto, in all felony cases with appointed counsel where the defendant's social security number is accessible from the records of the district court, the court shall electronically provide the defendant's name, social security number, district court case number and county to the secretary of revenue in the manner and format agreed to by the office of judicial administration and the secretary.

(g) Nothing in this section shall be construed to allow disclosure of the amount of income or any particulars set forth or disclosed in any report, return, federal return or federal return information, where such disclosure is prohibited by the federal internal revenue code as in effect on September 1, 1996, and amendments thereto, related federal internal revenue rules or regulations, or other federal law.";

Also on page 13, in line 41, by striking "75-655 and 79-32,117" and inserting "75-5133 and 79-3234";

On page 1, in the title, in line 1, by striking all after "concerning"; by striking all in lines 2 through 5 and inserting "the department of commerce; relating to the disclosure of economic development incentive program data, tax credit programs and certain property tax exemptions; required database;"; in line 6, by striking "75-655 and 79-32,117" and inserting "75-5133 and 79-3234";

And your committee on conference recommends the adoption of this report.

Conferees on part of House

Conferees on part of Senate