

Senate Concurrent Resolution No. 1603

By Legislative Post Audit Committee

1-29

A CONCURRENT RESOLUTION urging the United States Congress to enact legislation that would allow the Internal Revenue Service to share tax information of corporations with Kansas and the other states.

WHEREAS, In fiscal year 2002, net corporate income tax receipts in Kansas were about \$100 million less than estimated; and

WHEREAS, Net corporate income tax receipts in Kansas dropped nearly \$120 million between fiscal years 2001 and 2002; and

WHEREAS, This 56% drop in corporate income tax receipts exacerbates an already difficult financial situation for the State of Kansas and this significant downward trend is prevalent throughout the United States; and

WHEREAS, As the magnitude of these revenue shortfalls becomes evident, legislative and state officials need to know why corporate income tax receipts are so much lower than expected in order to make appropriate decisions regarding their fiscal responsibilities; and

WHEREAS, Although there are a myriad of reasons for such decreased revenues, it is apparent that between 1998 and 2000, large corporations filing returns in Kansas apportioned 27% less of their income to Kansas resulting in \$470 million less income reported in Kansas during that time period; and

WHEREAS, Without auditing each corporation it is not possible to know whether this decrease is resultant of changing business decisions or under-reporting or sheltering of income to Kansas; and

WHEREAS, The Multi-State Tax Commission, an agency of state governments established by interstate compact law in 1967, has reported examples of corporations that apportion only small parts of their income to all of the states in which they do business resulting in large amounts of corporate income not being reported to any state; and

WHEREAS, Federal regulations prohibit the Internal Revenue Service from sharing information between the states about how much of a corporation's total corporate income is apportioned to each state; and

WHEREAS, Consequently such incomplete reporting and lack of accountability creates an environment wherein no one knows whether all corporate income is being accounted for tax purposes: Now, therefore,

1 *Be it resolved by the Senate of the State of Kansas, the House of Rep-*
2 *resentatives concurring therein:* That we urge the United States Con-
3 gress to enact legislation that would allow the Internal Revenue Service
4 to share tax information with Kansas and the other states regarding how
5 much of a corporation's total corporate income is apportioned to each
6 state; and

7 *Be it further resolved:* That the Secretary of State be directed to send
8 enrolled copies of this resolution to the President of the United States,
9 the Majority Leader of the United States Senate, the Speaker of the
10 United States House of Representatives, the director of the Internal Rev-
11 enue Service and each member of the Kansas Congressional Delegation.

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