

SESSION OF 2005

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 13**

As Amended by House Committee of the Whole

**Brief\***

SB 13 generally would relax certain tax confidentiality provisions and allow the Department of Revenue to share additional taxpayer information with other state agencies and various local officials, and, under certain limited circumstances, with retailers. One exception to the relaxation provisions would be language limiting the potential release of private financial information of liquor licensees, suppliers, distributors, farm wineries, and microbreweries.

Included among the bill's major provisions is language authorizing the Department to:

- ! Provide city and county clerks, treasurers, and finance officers with distribution reports of all taxes, not simply sales and transient guest taxes as provided under current law;
- ! Disclose tobacco information to criminal justice agencies or law enforcement officers in conjunction with pending investigations;
- ! Share information with a number of other state agencies relating to the administration of specific taxes and fees, including environmental surcharge and solvent fees, water protection fees, and enterprise zone sales tax exemption and project exemption certificates;
- ! Release to retailers tax exemption information for the purpose of verifying the authenticity of tax exemption numbers issued by the state;

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

- ! Disclose to the Secretary of Commerce certain taxpayer information relating to information previously submitted by taxpayers relative to certain tax credits for the purpose of verifying and evaluating the effectiveness of tax credit programs; and
- ! Provide certain information to the Executive Director of the Kansas Public Employees Retirement System (KPERs) regarding W-2 payroll information filed by KPERs employees.

The bill also would repeal an existing statutory requirement that Kansas, Inc. prepare an annual report on the cost effectiveness of various economic development tax incentives.

The Attorney General would be required to investigate reported violations of confidentiality by local officials who receive tax distribution reports; and would be required to investigate reported confidentiality violations by state officials who receive certain taxpayer-specific information. Additional language would clarify that district attorneys, county attorneys, and the Attorney General would have authority to prosecute confidentiality violations. The penalty for violating various confidentiality provisions would be increased from a class B to a class A misdemeanor.

## **Background**

SB 13 was introduced at the conclusion of an interim study by the Special Committee on Assessment and Taxation. Proponents included the Department of Revenue, League of Kansas Municipalities, Kansas Association of Counties, and KPERs.

A fiscal note indicated that the Department of Revenue would handle within existing resources the additional computer programming costs associated with enactment of the bill.

The bill was originally recommended to be passed favorably by the Senate Assessment and Taxation Committee. After discussion in Senate Committee of the Whole regarding certain liquor information disclosure provisions, the bill was returned to the Assessment and Taxation Committee. That Committee on February 17 amended the bill to prohibit currently confidential liquor information from being disclosed

to criminal justice agencies absent a subpoena. The Committee also received testimony from Secretary Wagnon and liquor industry representatives regarding their collective belief that the language in Section 2(b) actually limits the potential release of certain private financial information that could theoretically be considered a public record under current law.

The House Tax Committee amended the bill to add the provisions mandating the Attorney General to investigate certain reported confidentiality violations; and to clarify that prosecutorial authority regarding any such violations rests with district and county attorneys as well as the Attorney General.

The House Committee of the Whole amended the bill to eliminate language that would have authorized city and county clerks, treasurers, and finance officers to share certain sales and excise tax information with staff members to help verify tax distributions and prepare revenue projections. A second House Committee of the Whole amendment increased the severity of violating various confidentiality restrictions from a class B to a class A misdemeanor.