



Wichita Independent Business Association

THE VOICE OF INDEPENDENT BUSINESS

Kansas Legislative Update

January 15, 2010

Unemployment Compensation

The Secretary of Labor Jim Garner addressed Senate Business and Labor Committee as well as the Senate Ways and Means Committee today. We will appear before the house Commerce Committee next Wednesday and Thursday.

In the Senate Ways and Means Committee the Secretary presented information about the state of the Trust Fund. Kansas will become one of the 25 other states that will need to borrow funds from the federal government to cover unemployment claims. The federal government has waived interest for 2010 but interest will be assessed in 2011 for the outstanding balance. The average tax rate for employers in 2009 was 2.02% of taxable wages and the average 2010 estimated tax rate on taxable wages is 4.37%. Rates for negatively experienced employers are capped at 7.4% while positively experienced employers are capped at 5.4%. Chair Wagle plans to have the Secretary back in her committee on Tuesday to further look at the methodology of how the 2010 rates were set and explore options for assisting employers with the significant assessments.

There was committee discussion about looking at the timeline when the fund is reviewed and is in a more reactionary position instead of such a delayed reaction. The Secretary stated that the Work Share program was enacted in the 1990's to keep people attached to the labor market even if they are not employed on a full time basis. The training portion that was enacted last year went into effect on January 1, 2010 to extend benefits for an additional 26 weeks for training programs. No employer has yet applied to become part of this program. Senator Emler asked about the effect of increasing the taxable wage and lowering the cap.

The Secretary made a broader presentation to the Senate Business and Labor Committee today. He will be back on Tuesday of next week to discuss options from the committee as well as ideas coming from the Employment Security Advisory Committee, which met today.

Workers Compensation

In Senate Business and Labor, the Secretary indicated there would be a reduction in work comp. rates overall in Kansas to the tune of 6.1% in 2010. Sect. Garner also reported injury

rates in Kansas were down significantly (by 10.1%) for 2009. Senator Vratil announced in Ways and Means he intends to introduce a bill in the workers compensation arena to require employees to make a good faith effort to find other employment. He is looking at this in response to the Bergstrom case. At the Chamber meeting yesterday, it was discussed that the preference of the business community was to not initiate work comp reform this session and wait for a more favorable governor to be elected.

Taxation

The House Tax Committee met today and introduced several bills. The Governor's sales tax increase bill was introduced, which increases the sales tax rate from 5.3% to 6.3% for 36 months then rolls it back to 5.5% to provide revenue to the state transportation program. The committee also introduced the tobacco tax bill that increases the tobacco tax to \$1.34 per pack. The Senate did not introduce the bills because of lack of a motion.

The House Tax Committee also introduced three bills from the Kansas Advisory Council on Intergovernmental Relations. The first bill was a joint concurrent resolution stating that no additional sales, income or property tax exemptions be enacted for three years. The second bill was a sales tax exemption repeal bill that would repeal all exemptions granted by name to a specific organization, all admission to recreation activities, all non-profit and religious organizations, all miscellaneous consumer exemptions such as lottery tickets, bingo, and coin-operated laundries, removal of repair from the exemption and separately tax the repair of personal property and repeal the sales tax exemption on residential utilities. The third bill would prohibit the transfer of tax credits and repeal five tax credits not currently used.

The Senate introduced two bills on behalf of the Wyandotte Unified Government. The first bill would allow local units of government to work with private investment banks to securitize debt owed to them while the second bill would allow the local units to add the cost of debt securitization and collection to delinquent taxpayers. The Senate also introduced two of KDOR bills requested in the House, but not the sales tax exemption bill due to lack of number of votes.

The Kansas Department of Revenue also discussed the budget situation and the \$5 million in cuts made by the Governor. They have been looking at ways to reduce their budget and are looking at electronic filing. KDOR requested introduction of 8 bills, one of which would require that all sales tax be filed electronically or by tele-file. The Department is requesting a \$25 service fee if someone files on paper and \$10 fee assessment on taxpayers requesting to set up payment plans. She also asked for language that would require the KDOR to provide retailers 30 days notice when a sales tax increase would take place, which would keep Kansas in compliance with the Streamline Sales Tax Project.

On Wednesday, Representative Siegfroid requested introduction of two bills, the first would create a legislative committee to study making an adjustments to the Kansas Tax Code. The second bill would require the KDOR to pay the same rate of interest on late refunds paid at the same rate as they assess taxpayers for late payments for taxes owed.