

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson Les Donovan at 9:30 am on Thursday, March 12, 2015, 548-S of the Capitol.

All members were present

Committee staff present:

Chris Courtwright, Legislative Research Department
Edward Penner, Legislative Research Department
Adam Siebers, Office of Revisor of Statutes
Gordon Self, Office of Revisor of Statutes
Judy Seitz, Kansas Legislative Committee Assistant
Scott Wells, Office of Revisor

Conferees appearing before the Committee:

Gary Allerhelligen, CPA, Kansas Society of Certified Public Accountants (KSCPA)
Randy Stookey, Kansas Agribusiness Retailers Association (KARA)
Eric Stafford, Vice President of Government Affairs, Kansas Chamber of Commerce
Daniel Murray, Kansas State Director, National Federal of Independent Business (NFIB)

Others in attendance:

[See Attached List](#)

Possible bill introductions

Senator Tyson requested the introduction of a bill concerning income tax. *There being no objection from any member present, the Chair declared a motion to introduce the bill adopted by consensus.*

Hearing on: SB260 — Modifications to Kansas adjusted gross income relative to passive income for Kansas income tax purposes.

Chairperson Donovan opened the hearing on **SB260**.

Richard Cram, Director, Policy and Research, Kansas Department of Revenue, (KDOR) gave an overview of **SB260**. He said the focus of this bill would exclude passive income and passive losses as modifications to federal adjusted gross income for Kansas tax purposes, as included on lines 12, 17, and 18 of a taxpayers federal form 1040. It is estimated that passage of this bill would increase state general fund revenue in fiscal year 2016 by \$65 million and in fiscal year 2017 by \$50 million. Mr. Cram took questions from the Committee.

Chairperson Donovan spoke in support of **SB260**.

Eric Stafford spoke in opposition to **SB260** requesting the legislature fully consider a balanced budget based on existing resources before resorting to increasing the burden on Kansas taxpayers. ([Attachment 1](#)) Mr. Stafford took questions from the Committee.

CONTINUATION SHEET

MINUTES of the Committee on Assessment and Taxation at 9:30 am on Thursday, March 12, 2015, 548-S of the Capitol.

Daniel Murray testified in opposition to **SB260** stating that this bill reverses course on the state's promise to reduce and eliminate income taxes on individuals and small businesses. ([Attachment 2](#)) Mr. Murray said that small businesses need simplicity and predictability. He urged the legislature to first find efficiencies and cut government spending. Mr. Murray took questions from the Committee.

Steven Anderson, Senior Research Fellow, Kansas Policy Institute, submitted written testimony in opposition to **SB 260**. ([Attachment 3](#))

Randy Stookey presented neutral testimony with concerns on **SB260** jointly with Ron Seeber, Kansas Grain and Feed Association (KFGA) and Leslie Kaufman, Kansas Cooperative Council (KCC). ([Attachment 4](#)) Their concern is that this bill would treat patronage as passive income.

Gary Allerheiligen gave neutral testimony on **SB260** stating that the Kansas Society of Certified Public Accountants (KSCPA) service all segments of the Kansas economy. He said this bill will result in a tax increase for some people and a tax decrease for others depending upon their sources of income. ([Attachment 5](#)) Mr. Allerheiligen said that under federal tax statute, as adopted by the state of Kansas, passive income is defined as "any activity which involves the conduct of any trade or business in which the taxpayer does not materially participate." He said that his testimony is more educational and the issue of passive income is very complex. In answer to a question, Mr. Allerheiligen said that under the federal law royalties are not passive income but portfolio income and not subject to **SB260**.

Mr. Cram took further questions from the Committee.

Chairperson Donovan mentioned that the Senate will be looking at numerous other exemptions and whether to remove or decrease them.

Chairperson Donovan closed the hearing on **SB260**.

Adjournment

The meeting adjourned at 10:45 am. The next scheduled meeting is 9:30 a.m on Monday, March 16 to hear **SB257-Ten-year limit on property tax exemption for renewable resources or technologies.**