

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson Les Donovan at 10:30am - Room 546-S on Tuesday, May 05, 2015, 546-S of the Capitol.

All members were present except:

Senator Terry Bruce – Excused

Senator Anthony Hensley – Excused

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 of Statutes

Conferees appearing before the Committee:

No conferees present

Others in attendance:

[See Attached List](#)

Discussion & possible action on bills previously heard

Chairperson Donovan said the Committee needs to work on a tax package bill and will use **HB2109- Transfer-on-death deeds; lapsing or vesting of ownership in grantee beneficiary** as a vehicle.

Discussion began on **SB233 - Increasing rates of taxation on cigarettes, tobacco products and alcoholic beverages**. Chairperson Donovan said this bill is the Governor's proposal to raise the tax \$1.50 per pack on cigarettes and 10 percent to 25 percent on other tobacco products. The tax on a pack of cigarettes is currently 79 cents per pack. He also noted that Missouri's tax on cigarettes is 17 cents per pack. *Senator Pilcher-Cook made a motion to table the bill; seconded by Senator Melcher. Motion carried.*

Discussion began on **SB234 - State finances; relating to state general fund tax receipts; providing a tax amnesty, creating a budget stabilization fund, tax reduction fund, ending balances; income tax rates, itemized deductions; reports to the legislature**. The tax amnesty part of this bill would provide approximately \$30 million in revenue immediately. Staff said the fiscal note on the entire bill is \$103.2 million for FY 2016 Senator Donovan said the tax amnesty portion of this bill would raise \$30 million. No action was taken on **SB234**.

Chairperson Donovan has requested a bill regarding a change in a pass-through exemption on business income which would be eliminated next year and replaced with a 1 percent payroll tax credit. In the second year, the credit would rise to 2 percent. In the third year, the current pass-through exemption would return.

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Senator Donovan discussed a bill which would raise the state sales tax from 6.15 percent to 6.3 percent which would raise about \$60 million in revenue.

Chairperson Donovan also mentioned an increase in state fuel tax by 5 cents per gallon and level the tax for diesel and gas which would produce \$80-\$81 million in revenue. He also said a proposal to tax died diesel would add another \$16 million.

Senator Donovan said he is also looking at imposing a tax on e-cigarettes but keep the tax lower than on a pack of cigarettes.

Chairperson Donovan is also considering a proposal which would eliminate all itemized deductions except mortgage interest, property taxes and charitable contributions beginning this year and would raise \$60.5 million.

Chairperson Donovan noted the Committee heard **SB260 - Modifications to Kansas adjusted gross income relative to passive income for Kansas income tax purposes.** This would eliminate the tax exemption on passive income and would raise \$ 65 million the first year and then drop to \$50 million the second year.

Discussion began on **SB259 - Computation of amount of personal property tax on motor vehicles.** Senator Donovan said this bill would change the depreciation rates to determine the amount of property tax levied on motor vehicles. This would raise approximately \$7 million the first year.

Senator Tyson made a motion to insert SB259 into HB2109. Senator Abrams seconded the motion. Motion carried.

SB258 - Eliminating property tax exemption from statewide school levy for property used for residential purposes to the extent of \$20,000 of its appraised valuation would increase property tax revenues by removing a current property tax exemption. This would bring in around \$45 million in revenue.

Senator Melcher made a motion to insert the contents of SB258 into HB2109. Senator Powell seconded the motion. It was a tie vote and Chairperson Donovan voted for the motion. Motion carried.

Chairperson Donovan said the Committee heard a bill regarding EITC and will not do anything with it at this time.

Chairperson Donovan said the Committee heard **SB261 - Imposing sales tax on sales of gas, electricity, heat and other fuel sources for production of heat and lighting for residential premises and agricultural use** and the fiscal impact would be approximately \$183 million.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

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SB260 - Modifications to Kansas adjusted gross income relative to passive income for Kansas income tax purposes was heard by the Committee.

SB264 - Eliminating sales tax exemption for farm machinery and equipment was not heard by the Committee but could result in \$73.3 million in revenue.

Senator Tyson requested staff to prepare a list of all sales tax exemptions and the dollar amount.

Senator Melcher said that he would like to consider **SB302 - Statewide excise levy of \$3 per acre on the ownership of real property for the purpose of school finance** before considering the sales tax exemption on farm machinery and equipment because that would single out farmers where the excise tax on property would be a more fair tax to consider and would produce a larger amount of money.

The meeting adjourned at 11:45am.