

## MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson Les Donovan at 1:00pm on Thursday, May 07, 2015, 546-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 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 they are not trying to pass anything today but just need to get a bill together.

Senator Donovan asked a Committee member to make a motion to take **SB233 - Increasing rates of taxation on cigarettes, tobacco products and alcoholic beverages** off the table

*Senator Bruce made a motion to pull **SB233** off the table. Seconded by Senator Lynn. Motion carried.*

Chairperson Donovan said there are two amendments being prepared for **SB233** which would increase the cigarette tax .50 cents or \$1.00.

Senator Donovan said that the large cut to revenue in Kansas is not due to the pass-through income cuts or passive income cuts; the vast majority came from the reduction of tax rates for every single taxpayer in the state. That is where the bulk of reductions came from. He also stated that there is a bill which would remove the exemption for the pass-through income and replace it with a 1 percent tax credit based on the amount of payroll for that entity. Senator Donovan said this would result in increased revenue of \$103 million. He also said that if the tax exemption is removed from passive income it would produce \$65 million the first year and \$50 million in revenue the next year.

Chairperson Donovan said it would be good to wait and see how the federal government regulates the fast growing e-cigarette industry before dealing with it on the state level.

Senator Donovan reviewed **SB234 - State finances; relating to state general fund tax receipts;**

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**providing a tax amnesty, creating a budget stabilization fund, tax reduction fund, ending balances; income tax rate; itemized deductions; reports to the legislature.**

Chairperson Donovan said that **SB272 - Income tax deduction for net gain on the sale of Christmas trees** could also be added to the tax package.

Senator Donovan noted that **SB286 - Requiring social security numbers for tax credit eligibility** could also be included in the tax package. The federal government has granted amnesty and would allow some people to go back three years to claim tax deductions from the state.

Chairperson Donovan mentioned that **SB287 - Making refundable income tax credits nonrefundable** - could be used in the tax package.

Chairperson Donovan said there are three issues which are important in the tax package:

1. removing the exemption from pass-through income
2. removing the exemption on passive income
3. **SB234** - the governor's multiple item tax plan

There was discussion on whether the Committee would use another bill for a vehicle or if the Committee would write an entirely new bill.

Chairperson Donovan said that **SB50 - Property tax; valuation classification bed and breakfast homes** - could also be used for a vehicle because the presenter of the bill later said that he did not want a hearing on the bill.

Chairperson Donovan said that there will be bills proposing an increase in the state sales tax from 6.3 percent, 6.5 percent and everything up to 7.15 percent.

*Senator Bruce made a motion to move **SB234** out without recommendation. Senator Lynn seconded the motion.*

*Senator Melcher made a substitute motion to amend **SB234** by removing the contents of **SB302 - Statewide excise tax levy of \$3 per acre on the ownership of real property for the purpose of school finance.** and inserting into **SB234**. Senator Lynn seconded the motion.*

There was a question as to whether the substitute motion was germane. It was determined that the motion was germane.

Staff said that **SB302** would assess a \$3 excise tax per acre or portion thereof annually.

There was a question as to whether this bill conflicts with the property tax laws which are set by the

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Constitution. Staff determined that it is not designed as a property tax and the application of the uniform and equal that applies to property tax would not apply.

There was discussion on the definition of an excise tax. Staff said that one definition is that an excise tax is any tax other than a property tax. Staff further stated that it is a very broad category and hard to describe easily.

Chairperson Donovan said he had just received a fiscal note on the elimination of the exemption on the pass-through income and it would be a positive \$81.9 million the first year.

There was further discussion on **SB302**.

Senator Melcher's substitute motion failed.

Senator Melcher made a motion to remove the contents of everything in **SB234** except the amnesty component; seconded by Senator Pilcher-Cook. Motion carried.

Chairperson Donovan said **SB234** is now a tax amnesty bill.

Senator Melcher made a motion to pass **SB234** out favorably as amended. Motion seconded by Senator Pilcher-Cook.

Senator Hensley made a motion to adopt a proposed technical amendment on page 1 to **SB234** which was omitted and add amnesty for liquor taxes in arrears; seconded by Senator Petersen. Motion carried. ([Attachment 1](#))

Senator Bruce made a motion to pass **SB234** as amended out favorably; Seconded by Senator Petersen. Motion carried.

The meeting adjourned at 2:05pm