

## MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson Les Donovan at 1:00pm on Thursday, May 14, 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

Reed Holwegner, Office of Revisor of Statutes

Conferees appearing before the Committee:

No conferees present

Others in attendance:

[See Attached List](#)

### **Continued discussion and possible action on**

Chairperson Donovan opened the discussion on a proposed **S Sub HB2109** to deal with the tax treatment needed to build a fund to get a balanced budget and an ending balance.

Chris Courtwright reviewed the spreadsheet of the revenue enhancement proposal that was distributed. ([Attachment 1](#)) He noted that the spreadsheet showed the revenue increase for FY2016, FY2017 and FY2018 and indicated when a provision appeared in a bill either in part or to a degree.

The first item is the non-wage business income exemption repeal; and replace with a payroll credit of 1 percent. The FY2016 revenue increase would be \$81,900,000.

The next item in the proposal is the increase in sales tax from 6.15 percent to 6.50 percent on most purchases on July 1; but the tax on food would be lowered to 6.00 percent. This would bring a revenue increase of \$134,000,000 in FY2016.

Mr. Courtwright said the next proposal would be a repeal of the residential exemption from the 20 mill school levy and would be result in \$43,600,000 in revenue.

Another proposal is to expand the traditional Homestead program by increasing the maximum refund \$100 and cost the state \$3,000,000 to expand this program.

The car tax plan in **SB259 - Computation of amount of personal property tax on motor vehicles** is included in the proposal and would change with respect to the motor vehicle tax system and would bring in \$8,000,000.

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A proposal to raise the cigarette tax .50 cent would result in \$40,390,000 of new money the first year.

The governor's recommendation from January to accelerate the itemized deduction haircuts would produce \$50,300,000 the first year.

Another proposal in the plan is a .05 cent increase in the motor fuel tax and would bring in \$81,955,000 in the first year and jumps to \$89,700,000 the second year.

An increase in the liquor enforcement tax to 10 percent from the current 8 percent would bring in \$14,130,000.

A proposed increase in the liquor gallonage tax at various levels would result in \$15,586,000 the first year.

The tax on tobacco products would be raised from 10 percent of wholesale to 15 percent and would result in \$2,847,000 FY2016.

The tax amnesty provision in the governor's tax plan would raise \$30,000,000 for the SGF during the six week period it would implemented.

Mr. Courtwright also noted that **SB296 - Making the 2015 income tax rates permanent and having the tax rate reduction become effective** - is included in the proposal and in order for these numbers to be accurate the Committee would need to amend **SB296**. Two amendments needed to **SB296** would be to remove the portion that freezes the haircuts and to repeal the formula altogether.

The total additional revenue generated by the proposals would be \$519,608,000 for FY2016.

Senator Lynn expressed concerns with the portion of the proposal dealing with an increase in liquor enforcement tax and the increase in the liquor gallonage tax.

*Senator Lynn made a motion to remove the portion of the proposal that deals with the gallonage tax increase. Seconded by Senator Pilcher-Cook. There was discussion on the motion. Motion carried.*

*Senator Lynn made a motion to remove the portion of the proposal dealing with the liquor enforcement tax increase. Senator Pilcher-Cook seconded the motion. Motion carried.*

*Senator Melcher made a motion to insert the contents of SB302 - Statewide excise tax levy of \$3 per acre on the ownership of real property for the purpose of school finance into the proposed S Sub HB2109. Motion was seconded by Senator Pilcher-Cook. Senator Melcher said the fiscal note for this bill is \$150,000,000.*

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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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There was discussion on the motion.

Staff said the definition of an excise tax is a very, very broad category and there is some debate over what constitutes an excise tax. Often property tax is not included in that category; but almost every other tax would fall under the broad umbrella of an excise tax. A sales tax is an excise tax.

Senator Abrams distributed a handout of total tax amounts collected by county. He stated that he doesn't think more property taxes should be added to agriculture because Johnson county thinks it is inequitable. ([Attachment 2](#))

The motion failed.

Senator Bruce made a motion to amend the portion of **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 - to adopt the House position regarding the acceleration of itemized deductions which would result in \$97,000,000 revenue for FY2016.** Senator Lynn seconded the motion. Motion carried.

Senator Melcher made a motion to amend **S Sub HB2109** by removing the sales tax exemption on farm machinery and equipment which was introduced in **SB264** - Motion seconded by Senator Lynn.

Vice Chairperson Tyson listed some other tax exemptions: aircraft equipment, broadcasting equipment, drill and bits, drugs, food, integrated machinery, and materials. She questioned why none of these other sales tax exemptions were not included in the motion.

Senator Abrams distributed a list of sales tax exemptions for manufacturing and agriculture. ([Attachment 3](#))

Motion failed.

Senator Holland made a motion to strike the proposed sales tax increase of 6.50 percent and keep it at 6.15 percent and reduce sales tax on food to 6.00 percent. Senator Hensley seconded the motion. Motion failed.

Senator Pilcher-Cook made a motion to remove the repeal of the 20 residential exemptions from the 20 mill USD levy and remove the expansion of the Homestead program. Senator Lynn seconded the motion Motion carried.

The meeting adjourned at 2:00pm.