

M I N U T E S

SPECIAL COMMITTEE ON ASSESSMENT AND TAXATION

July 28 and 29, 1977
Room 510 - State House

Thursday, July 28

The meeting was called to order by Chairperson Simpson at 9:30 a.m., with all members except Representative Eddy present. Staff present: Bill Edds, Roy Johnson, and Robert Taylor.

The Chairperson suggested the following amendments to the minutes of the June 29-30 meeting to more clearly reflect the Committee's intent:

1. on page 8, in the third full paragraph, beginning in the fourth line, amend item number (2) to read:

"(2) a deduction for spouses of 50 percent of the Kansas taxable estate or \$250,000, whichever is greater;"

2. on page 8, in the eighth full paragraph, beginning in the fourth line, amend item number (3) to read:

"(3) research the matter of the tax status of powers of appointment to see if any action should be considered by the Committee."

It was moved by Senator Janssen and seconded by Representative Wilkin that the amendments be adopted and that the minutes be approved as so amended. Motion carried.

Proposal No. 8 - Income Tax Conformity
(Background Material)

Staff reviewed: (1) an analysis, prepared by the Department of Revenue during the last session, of alternatives that might be considered by the legislature in light of pending changes in the federal law that would affect Kansas revenues as a result of its conformity law; and (2) the alternative enacted by 1977 S.B. 494 for a one-year period. (Copies filed in notebooks.)

Staff also called attention to a letter from the executive director of the Federation of Tax Administrators commenting on problems now faced by the 33 states that, during a period when Congress was making few major changes in the federal Code, responded to pressure to simplify federal-state taxpayer compliance by enacting conformity legislation; and enclosing a draft transcript of remarks made by Dr. Laurence Woodworth, Assistant Secretary of the Treasury for Tax Policy, at the annual meeting of NATA in June, indicating the probability that further substantial changes in the federal Code will be proposed. (Copies filed in notebooks.)

Director of Taxation Newbery reviewed an outline of advantages and disadvantages of conformity. (Copies filed in notebooks.) Mr. Newbery also commented on three approaches to conformity -- "piggyback" (percentage of federal tax), federal taxable income, and federal adjusted gross income -- and recommended continuation of the AGI approach and on a prospective basis. He noted that if the main concern is possible loss of revenue, prospective conformity does not appear to be a problem in light of current federal trends toward reductions in federal tax liability and thus an increase in the state tax base because of the smaller deduction for the federal tax. He mentioned itemized deductions as a possible exception to a policy of ongoing conformity.

In response to a question, Mr. Newbery stated that adoption of the zero base bracket would be a step toward conformity and thus a contribution to simplicity and ease of administration but that the problem would be its effect on the tax base. One possibility suggested, if Kansas chose to adopt the zero bracket rate, would be to specify its own zero bracket rate.

Bob Olsen, Revenue Department Attorney, stated that another problem related to the zero rate bracket is that it more easily can be worked into a federal tax table than into a state tax table where the federal tax deduction must be built in.

As to possible credits (child care, for instance), Mr. Newbery suggested that a credit tied to the federal credit would be the simplest to administer.

Other Conferees (Proposal No. 8)

Dr. Jarvin Emerson, K.S.U. Professor of Economics, who was involved in the revenue estimating aspect of the Kansas conformity law when it was under consideration, noted that some trade-offs have shifted since that time. He suggested that: (1) the simplicity argument may not be as strong as it once was because the federal law changes so frequently; (2) the policy impacts of state action are more important now in view of the growth in the volume of state revenues; (3) revenue stability or the ability to anticipate changes that may occur is less favorable to conformity than it was a decade ago, since the federal tax structure is in a state of flux that apparently will continue for a few years at least. He suggested that the state not give up its flexibility of choice, that there are some advantages to the use of credits, and that it might be desirable temporarily to go to some form of standard deduction in lieu of a zero rate base, waiting to see how the latter works before jumping in. He expressed some concern as to how long the 1976 and 1977 federal laws will continue.

In reply to a question, Dr. Emerson suggested conforming as to AGI and then adding adjustments, perhaps through credits. As an illustration, not necessarily endorsed, he commented that the job investment tax credit might have more merit now than a few years ago in light of some recent studies of the economic development effects of interstate tax variations.

Mr. George Leibowitz, Wichita attorney, presented a written analysis described as being essentially technical. (Copies filed in notebooks.) He also offered the services of the Tax Section of the Kansas Bar Association in the review of any bill drafts that may be developed.

After reviewing in detail background materials prepared for the Committee's consideration, Mr. Leibowitz described the freezing of the Kansas standard deduction, even in retrospect, as a sensible act. As to a more permanent arrangement, he noted that while the "zero bracket amount" would not have been a good temporary step because of its revenue loss, it could be justified as a permanent step if Kansas wishes a revenue reduction for policy reasons or if it can make offsetting adjustments to avoid the revenue loss, or some combination of these. He further commented that any revenue loss resulting from the zero bracket concept would be alleviated by an increase in Kansas collections caused by reduced federal taxes (suggesting as a rule of thumb that one-third to half of the loss would be made up by a gain from the lower federal deduction), and that the full revenue loss could be avoided by adjustment in Kansas tax bracket size or in tax rates.

Mr. Leibowitz further commented that the growing use of federal tax credits should offer no difficulty particularly if Kansas approved of allowing the same credit itself, since a mere non-reduction of the federal deduction by the approved federal credit would achieve the desired result. On the other hand, if the decision were not to allow a particular credit as a Kansas tax benefit, then the federal tax deduction could be reduced by that particular federal credit. He recommended this is a third way (other than H.B. 2564 or H.B. 2392) for Kansas to provide a child care tax benefit which would be even simpler administratively. "If the federal tax deduction were equal to the federal tax before its reduction for the federal child care credit, the Kansas tax would be reduced thereby. That reduction would be equivalent either to allowing a Kansas tax credit equal to the Kansas marginal tax rate times the federal credit, or to allowing a Kansas child care deduction equal to the federal credit.

Mr. Leibowitz also offered suggestions as to how the federal tax deduction might be handled in the formulation of an optional tax table, and how Kansas might achieve simplification by adoption of the zero tax bracket concept and its incorporation in the tax table.

In reply to a question about the advantage of a standard deduction over the zero rate bracket, Mr. Leibowitz said that in his opinion there is none if the concept of a flat standard deduction (rather than the percentage of AGI with maximum and minimum standard deduction) were adopted. He stated that 90 percent of the benefit is in the standard deduction and the other 10 percent in the zero rate which can be used by both the itemizer and non-itemizer.

Mr. John Walker, CPA, Topeka, distributed an outline (copies filed in notebooks) and discussed the items in it. In brief, he described a complete departure from conformity as an administrative nightmare and an action that would increase the return preparation burden of the individual taxpayer or the cost of having his return prepared. Complete conformity was described as being easy for the taxpayer and easy to administer. As to the form of conformity, Mr. Walker described as easiest computation of the state tax as a percent of the federal tax, and as second best computation of Kansas taxable income based on federal AGI. He also suggested state tax tables based on taxable income rather than AGI.

Mr. Ellis Bever, Wichita attorney, also discussed the seven alternatives mentioned in the May 19th memorandum. He urged continued reliance on federal returns for enforcement, and expressed his preference for No. 4, a "piggyback tax" equal to a percentage of the federal income tax. He described its most serious defect as being loss of the federal income tax deduction and suggested an inverse rate schedule adjustment to compensate. He also noted that we now have people who are excused from filing federal returns who are paying a state tax and that the piggyback approach would mean a revenue loss in this situation. Mr. Bever also pointed out the need, with a piggyback tax, to have a mechanism for setting the rate in the fall of each year after it is known what the federal base will be.

Mr. Murray Hardesty, Topeka attorney, urged that by all means conformity be continued. He expressed a preference for total conformity with some adjustments, particularly for bond interest (constitutional basis). As to the "piggyback" approach and the need to know the proper line on the federal return to start with, he suggested extending to June 15 the filing date deadline for state returns.

As an alternative to the piggyback approach, Mr. Hardesty suggested conformity going below AGI to tax table income before credits, making any subsequent adjustments as desired. He also proposed return to a tax table. In reply to a question, he said that the next best conformity approach, after "piggyback" would be to go with a zero rate bracket, tax table income, picking and choosing credits and optional tables with a later adjustment for the federal income tax.

Mr. Tom Hampton, Salina attorney, noted that the original Income Tax Conformity Technical Advisory Committee, of which he was a member, had considered but rejected the piggyback approach. He pointed out that it becomes more complicated than it sounds, and that Nebraska actually uses an adjusted federal income tax liability which requires further computations. He also noted that the federal law contains one rate of progression and Kansas another, and the piggyback approach adopts the federal. He stated that no problems have resulted from the use of federal AGI and Kansas deductions and exemptions, other than those resulting from midstream federal changes. The Nebraska answer to midstream changes is use of a state board that adjusts the state income tax rate under criteria established by the legislature. He did note problems resulting from increased use of the credit concept, and suggested a deduction equivalent in lieu of a credit. In reply to a question, he replied that computing a credit as a percentage of the federal credit could be done.

Both Mr. Hampton and Representative Braden commented on the new federal basis for inherited assets but concluded that it would be difficult for Kansas to have a different rule that would be meaningful and practical.

Letters from Invited Conferees

(Proposal No. 8)

Mr. Don Cordes, Wichita attorney and Chairman of the original Technical Advisory Committee, was unable to appear in person because of a business conflict. However, in a six-page letter (copies filed in notebooks) he expressed his opinion that the original need for conformity still exists and that conformity has been successful; that there is little room in the Kansas income tax for "social reform" legislation which adds to the complexity of the law out of all proportion to any possible effect; and that as to the alternatives under consideration he would be inclined to vote in favor of Number 4, the "piggyback" rate (subject to the one objection of its possible adverse effect on revenues); that his second preference would be Number 3, which would tie the Kansas deduction to the new zero rate bracket

(coupled with elimination of many if not all of the modifications to itemized deductions); and his third preference would be Number 2, which pegs the standard deduction to December 31, 1976. (He described the other choices as not palatable in light of the overriding goal of simplicity and ease of administration.)

Professor Sherwood Newton, K.U. School of Business, expressed observations that: (1) Kansas modified prospective conformity should be retained; (2) separate Kansas standard deductions should be set at any level deemed appropriate; (3) taxpayers should be permitted to itemize deductions on their state returns even if the standard deduction is used on the federal return; (4) items such as child care can be allowed as itemized deductions on the state return; and (5) adoption of "zero rate base" taxation should be avoided until federal experience with it can be assessed.

Dr. Fred Soper, Chairman, Accounting Department, W.S.U., expressed the basic personal view that more rather than less conformity is desirable; that taxpayers tend to judge the Kansas law in comparison to the federal law in terms of perceived equity in such areas as the personal exemption; and that a system of Kansas tax credits proportional to selected federal credits would add to taxpayer acceptance and compliance with the law.

Income Tax Withholding

Staff reviewed a memorandum relating to revised state income tax withholding regulations, effective September 1, 1977, which include a table for use by employers not using computers for their payrolls and a formula for use by employers using computers, and represent a major change from the previous method of withholding for state purposes a single specified percentage of federal income tax withholding. Because of changes in both the federal and state laws, 1977 state legislation gave the Secretary of Revenue authority to vary the rate of withholding to insure proper withholding consistent with the taxpayer's expected tax liability.

The department explained that no way had been found to achieve proper withholding at all income levels using a single percentage and that if different percentages had been specified by income levels it would have been necessary to specify higher percentages for lower incomes, and vice versa, which it was felt would have been hard to explain to the taxpayers. Hence, the formula and table approach was adopted.

Proposal No. 6 - Inheritance Tax

Staff reviewed memoranda providing additional information in several areas, and estimating the fiscal impact of various changes in the inheritance tax on which the Committee has taken or is considering action. (Copies filed in notebooks.)

It was noted that the federal law recognizes distinctions between types of powers of appointment in determining tax liability while the Kansas law does not. Testimony at the June meeting recommended conforming to the federal law in determining the tax status of powers of appointment. In response to a question as to whether this would open a loophole in the Kansas law, the response was that the federal law is the controlling consideration in estate planning. It was moved by Representative Braden and seconded by Senator Sowers that the state law be amended to conform to the federal rule. Motion carried.

The estimates, based on assumptions and subject to limitations described in the memorandum, were as follows:

<u>Action or Proposal</u>	<u>Estimated Effect</u>
1. Gross up to include all gifts	\$ 1,300,000
2. Increase marital deduction to \$250,000	(730,000)
3. Assume 50 percent spouse's contribution	(827,000)
4. Tax nieces and nephews at a rate half way between current class B and C rates	(1,500,000)
5. Use value appraisal	(unknown)
6. Installment payments	(unknown)
7. Conformity on filing requirements	(6,300,000)
8. Powers of appointment	(unknown)
TOTAL	\$ (8,057,000)

Representative Crowell raised a question as to whether the previous action re conforming to the federal statute of limitations was intended to be retroactive. After considerable discussion, it was moved by Senator Janssen and seconded by Representative Braden that the change be made effective as of a specified date, with no retroactive application. Motion carried, with Representative Crowell voting "No."

After discussion of the previous decision to "gross up" the estate to include all lifetime gifts and of possible collection problems in conforming in this area, it was moved by Senator Janssen and seconded by Senator Sowers that the previous action be reconsidered. Motion carried. Following further discussion, decision was delayed until the following day.

Friday, July 29

The meeting was called to order by Chairperson Simpson at 9:00 a.m., with all members except Representatives Eddy and Slattery present. Staff present: Bill Edds, Roy Johnson, and Bob Taylor.

Tax Treatment of Retirement

Income (Proposal No. 8)

Lump Sum Distributions. Director of Taxation Newbery reviewed a memorandum relating to taxation of lump sum distributions from an employee benefit plan, the subject of S.B. 329 which was passed by the Senate in the last session but carried over in the House committee. Under the federal law as amended in 1973, a taxpayer may elect to compute a special tax rate on the ordinary income portion based on an income averaging concept with payment in full with the return for the year in which received. Mr. Newbery pointed out another complicating election, which had not been noted at the time S.B. 329 was drafted, under which a taxpayer may elect to treat pre-1974 participation as post-1973 participation. Under S.B. 329, there would be no 50 percent capital gains deduction if the taxpayer took the second election. Options suggested were to: (1) amend S.B. 329 to provide that where a taxpayer exercised the second election, a deduction would be allowed equal to 50 percent of what would have been the capital gain portion had the second election not been made; (2) create a special Kansas add-on tax equal to a percentage of the federal add-on tax for lump sum distributions; or (3) amend S.B. 329 to allow a deduction or credit or special tax computation for the purpose of recognizing the federal concept that the taxable portion of a lump sum distribution should not be taxed at ordinary income rates.

No action was taken but the department was asked to check for other areas in which Kansas might be missing potentially taxable income. Mentioned in this connection were accumulation distributions from a trust, excess contributions tax, and minimum tax on preference items.

Military Retirement Pay. In support of H.B. 2149, which would reduce from 65 to 50 the age at which \$2,000 of military retirement pay would be exempt from the state income tax, Representative Geneva Anderson stated that the average life expectancy of military retirees is age 57. She also distributed an explanation of the computation of military pay as including an imputed contribution to retirement pay. (Copies filed in notebooks.)

Sergeant Lynn Samms, Retired Enlisted Association, presented information on the significance of military payrolls in the Kansas economy; exemptions of retirement benefits of other groups in Kansas; exemptions granted in other states, with particular reference to Arkansas and Colorado; and a comparison of federal civil service and military service retirees as pertains to Kansas.

Colonel Clete Pottebaum, Retired Officers Association, joined Sergeant Samms in answering questions.

Answers to questions included: (1) no income tax is paid on the 7 percent imputed retirement contribution; (2) average retirement ages are 35-40 for retirement after 20 years of service, and 44-48 for retirement after 30 years; (3) the average retirement pay for a full colonel is \$15,168; and (4) average enlisted retirement pay is \$5,295.

Other Exemption Lids Proposed. Representative Neal Whitaker explained that H.B. 2484 was introduced because he questioned the practice that had led to exempting as much as \$30,000 of retirement benefits from a city plan. This bill proposed, "as a move toward equity" to limit to \$8,150 the amount of benefits from state or local retirement plans in Kansas that would be exempt from the state income tax.

Representative Jarchow explained that H.B. 2497 was intended to establish for recipients of benefits from all bona fide retirement plans (public or private), a uniform \$3,000 limitation on exemption of "non-contributory dollars" at age 65. (However, the age provision is not in the bill as printed.) His written statement (copies filed in notebooks) included illustrations of how the proposed exemption would work in conjunction with the standard deduction, personal exemptions, and exemption of benefits paid for by employee's contributions. After discussion, it was suggested that Representative Jarchow get the bill amended to do what he intended and then attempt to secure a fiscal impact estimate as a basis for further Committee consideration.

General. Mr. Bryan Whitehead, Brotherhood of Railway and Airline Clerks, presented a statement (copies filed in notebooks) expressing support for H.B. 2143, which if enacted would permit itemizing on the state return and benefitting from the retirement tax deduction regardless of whether the taxpayer itemized on the federal return. He suggested that low and fixed retirement incomes should be at the bottom of any list of new sources of income taxation. In reply to questions, he stated that under the railroad retirement system a full pension is payable at age 60 with 30 years of service, and that supplemental railroad retirement benefits are subject to the federal income tax but not to the state tax. Regular benefits are exempt from both.

Kansas Public Plans. Mr. Marshall Crowther, KPERS Attorney, stated that the bills under discussion would have no impact on the system and that the only cost to the system would be in compiling data relative to plans administered by KPERS. He reported an understanding that as to other states the general rule is that public pensions are exempt by the body paying the pensions.

He reviewed history in Kansas as including the following:

1. The state school retirement system was established in 1941, and in 1953 benefits were exempted from the state income tax.
2. KPERS was established in 1962, with benefits exempted from the beginning.
3. KPAF was established in 1967, and 1970 legislation clearly exempted benefits.
4. Highway Patrol, K.B.I., and Court Reporters retirement benefits are exempted.
5. Judges retirement benefits are not exempt.

With regard to numbers of annuitants and benefit levels, Mr. Crowther presented a comparison of monthly benefit payments by systems as of December 31, 1976 (copies filed in notebooks) divided into KSRS (old school), KPER Nonschool, KPER School, Judges and Court Reporters, and KPAF, and showing by benefit levels the number and percentage of annuitants of each system. He noted that for KSRS and KPER Nonschool and School, very few annuitants now receive \$300 or more per month. For KSRS, 99.96 percent receive \$299.99 or less; for KPER Nonschool, 99.70 percent; and for KPER School, 89.52 percent.

Benefit levels for the Judge and Court Reporter systems and for KPAF are higher, although Mr. Crowther noted that the court reporters have an offset for social security and that therefore the end result is roughly comparable to KPERS.

Mr. Crowther called attention to language in K.S.A. Supp. 74-4923 which should be considered in connection with any legislation which might adversely affect benefits, suggested that in connection with the Governor's statement in allowing 1976 S.B. 636 to become law without his signature perhaps some distinction should be made between where the taxing body also regulates benefits and where it does not, and suggested that in H.B. 2497 "qualified" plan might be preferable to "bona fide" and that then a separate definition might be needed for KPERS (which is not qualified under the federal law).

In answer to a question, Mr. Crowther stated that all of the public plans in Kansas are contributory and that the employee contributions are after income tax.

Retirement ages were reported as follows:

1. Mandatory at age 60 for Highway Patrol and age 65 for KBI.
2. KPAF - age 55 with 20 years service; 50 and 20 years, with reduced benefits.
3. KPERS - normal 65; 60 and 10 years service, with reduced benefits.

Highway Patrol. Colonel Rush presented a statement (copies filed in notebooks) opposing H.B. 2484 and 2497, and reported that a handful of troopers remain under the older plan with retirement at age 55. For most, retirement is mandatory at age 60. He noted that they are not under social security (unless they can find qualifying service after retirement) and that at 2 percent per year it takes 25 years service to retire at 50 percent of pay. He reported that exemption of retirement benefits from the state income tax is useful in recruitment of personnel.

Other Items

Representative Jarchow presented a statement in support of H.B. 2143 (copies in notebooks) which would allow taxpayers the option of itemizing deductions on their Kansas returns regardless of how they prepared their federal returns. After discussion, Representative Jarchow agreed that an exception for social security and medical deductions would meet the objective of his bill.

Mr. Mike Renovich submitted a statement on behalf of Jim Turner, Kansas Savings and Loan League, in support of H.B. 2562 which proposes to provide a tax incentive for savers by exempting up to \$100 per tax return of income received by an individual as interest or earnings on a savings account in a financial institution located in Kansas and subject to the financial institutions privilege tax. A magazine article regarding similar legislation recently enacted in Arkansas was enclosed.

Proposal No. 81 - Solar Energy Tax Incentives

Mr. Bob Olsen, Department of Revenue Attorney, submitted a letter apprising the Committee of the Department's present status with regard to solar energy tax incentives legislation, with an emphasis on problem areas, and the Department's present position. (Copies filed in notebooks.)

An interpretation problem with regard to S.B. 14, solar energy income tax credits, was reported where a transferee of business property is permitted to claim the remaining portion of the seller's amortization and to depreciate that amount paid for the system in excess of the seller's remaining basis. The Department's position was reported to be that two distinct theories of depreciation are involved and that, given an appropriate fact situation, a taxpayer could claim both rapid amortization and normal depreciation in the same year.

Three basic interpretation problems relating to the solar property tax reimbursement portion of H.B. 2618 were reported:

1. What constitutes 70 percent less energy use? The Department was reported as being inclined to use the simplest of three approaches suggested, i.e., a requirement that the system provide the heating or cooling 70 percent of the time that heating or cooling is necessary.
2. Do heat pumps and fireplace systems which themselves would not qualify constitute a part of the solar energy system for the purpose of computing the base for property tax reimbursements? The Department's position is that to qualify such systems must be an integral part of the solar system itself, and not a backup or alternative system.
3. What is the first year in which claims can be allowed? The Department's position is that under the language of the act no claims for property tax year 1977 will be allowed and therefore there is nothing for the Secretary to certify in 1978.

Problems relating to income tax deductions for installation of insulation under H.B. 2618 also were reported:

1. Is labor performed by a taxpayer who installs his own insulation deductible? The Department has held that only actual out of pocket expense is deductible.

2. The Department is inclined to accept an industry R rating for insulation materials in place of the more complex U value of the Federal Housing Authority.
3. The Department is leaning toward holding that the language "materials which meet the minimum criteria" refers to overall materials found in the taxpayer's attic, walls, or ceiling, i.e., that adding insulation will comply if the result is in excess of federal requirements.
4. What constitutes insulation? The Department is inclined to construe the term strictly and limit the deduction to materials sold as "insulation" in the general market place. (This definition would exclude storm windows and doors, siding, heavy drapes, shutters, and similar devices, but would not eliminate styrofoams, various types of foam, fiberglass, and other materials commonly sold in the market place provided such materials are placed in the walls, ceiling, or attic.)
5. Can new housing qualify for the deduction? The Department has taken the position that new homes (or remodeled homes) not actually in use as a dwelling at the time of installation do not qualify.

The Committee discussed the last item above but took no action to indicate disagreement with the Department's position.

The only Committee action taken was a motion by Representative Braden, seconded by Representative Crowell, that an amendment to H.B. 2618 (property tax reimbursement) be recommended to change the first certifying date from 1968 to 1969. Motion carried.

In reply to a question about a possible target date for issuing regulations under H.B. 2618, Mr. Olsen stated that forms and instructions would be available soon in advance of any formal regulations. He also reported that opinion letters now are being written, but that they generally are treated as private unless there is enough interest in a particular area to warrant a public letter for distribution to reporting services such as Commerce Clearing House.

Proposal No. 6 - Inheritance Tax

After further discussion of grossing up of estates to include gifts, it was moved by Representative Wilkin and seconded by Representative Braden that the bill draft include a provision for grossing up on a basis conforming to the federal law, but with personal liability rather than a lien. Motion carried.

Discussion of the 5 percent county share of the inheritance tax included a question of the reason for continuing the allowance for a service being eliminated and an answer that it is not necessary to be logical -- that local units need any help they can get. Other comments were that counties would not save any administrative costs in this area and that there is justification for leaving some of the revenue where the wealth is created and protected. It was moved by Representative Crowell and seconded by Senator Janssen that the Committee draft provide for sending 5 percent or more back to the counties. Motion carried.

Also discussed was a problem re the spouse's joint tenancy provision and adding back as a gift under the federal law. The staff was requested to check further on this.

As to taxation of annuities and retirement benefits, it was moved by Senator Sowers and seconded by Representative Wilkin that the bill be drafted to conform to the federal law. Motion carried.

Representative Crowell suggested consideration of eliminating the \$1,000 limit on accounts as to which reporting of death of a joint tenant is required by K.S.A. Supp. 79-153. Mr. Olsen commented that it might help the Department know what is going on but also would create more paper work for financial institutions and the Department. After further discussion, the Department was asked to give some more thought to this proposition.

Further discussion of the fiscal impact estimates led to a suggested review of the spouse's contribution estimate and to a comment that "we may not be able to afford conformity as to filing requirements." It was agreed that this was another area for more thought before the next meeting.

Other Business

Staff reviewed a memorandum on state general fund receipts in FY 1977, which were about \$15.8 million, or 2.1 percent, over the revised "consensus" estimate.

Next Meeting (August 25-26)

Following the meeting, the Chairperson and Vice-Chairperson met with the staff and decided on an agenda to include further discussion of Proposal No. 8, Income Tax Conformity, on August 25, and hearings and discussion of Proposal No. 5, Personal Property Tax, on August 26.

Prepared by Roy Johnson

Approved by Committee on:

8/25/77
Date