

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Senator Paul "Bud" Burke at  
Chairperson

11:00 a.m./p.m. on January 12, 1983 in room 526-S of the Capitol.

All members were present except: Senator Thiessen (Excused)

Committee staff present: Wayne Morris, Research Dept.  
Don Hayward, Revisor's Office

Conferees appearing before the committee:

The chairman called on Wayne Morris, Research Dept., to review the interim work on the inheritance tax.

Wayne reported the interim committee considered the changes in the 1981 federal law liberalizing use valuation appraisal qualifications and the increase in the gift tax exclusion, policy changes enacted last year, and looked further to what other changes needed to be made. (See Attachment #1)

He stated the interim committee recommended:

- 1) further conformity to federal estate tax law in the area of use valuation of farms and closely held business property;
- 2) not to conform to federal law regarding the recapture of gifts made in contemplation of death (SB 15);
- 3) to not recommend conforming to the federal law in the area of payment of inheritance tax in installments;
- 4) the Judiciary Committee give further attention to disclaimers.

The chairman noted Senator Kerr had suggested legislation dealing with property taxes on farm machinery, business aircraft and other business equipment.

Senator Kerr moved and Senator Johnston seconded a motion to introduce a Resolution to provide for a special election to be held the first Tuesday in April 1983, April 5, (the same time as city elections) which would permit the classification of farm machinery, commercial machinery and aircraft. The motion passed. Senator Kerr noted the Legislature would still be in session and still have time for a depreciation type bill such as passed in 1982 to be installed and carried out in the calendar year 1983.

Senator Kerr moved and Senator Johnston seconded a motion that a bill be introduced providing for the valuation for taxation purposes of farm machinery and equipment and aircraft with the use of depreciation tables. The motion passed.

Senator Chaney moved and Senator Allen seconded the motion to cancel the Assessment and Taxation Committee meeting scheduled for Thursday, January 13. The motion passed.

The meeting was adjourned at 11:45 a.m. by the chairman. The next meeting of the committee will be held at 11:00 a.m. on January 18.

ASSESSMENT AND TAXATION

OBSERVERS  
(PLEASE PRINT)

DATE                                  NAME                                  ADDRESS                                  REPRESENTING

JAN. 12

DATE	NAME	ADDRESS	REPRESENTING
JAN. 12	Mike Dirksen	9541 S.W. <sup>Topoka</sup> 45TH	Page
	Jim Weisgerber	Dept of Rev.	
	Lahn Blythe	Manhattan	Ks Farm Bureau

Kansas Legislative Research Department

January 10, 1983

## MEMORANDUM

Inheritance Tax

Enacted: 1909; repealed 1913; reenacted 1915.

Statutory Citation: K.S.A. Ch. 79, Art. 15.

Administration: Department of Revenue, Division of Taxation.

Tax Base. The tax is imposed on the interests received by beneficiaries from a decedent's estate and is based primarily on the relationship of the beneficiary to the decedent. In this, it differs from the federal estate tax which is based on the total value of the estate regardless of the relationship of beneficiaries to the decedent. Kansas also imposes a "pick-up" tax designed to absorb the maximum state death tax credit allowed on the federal estate tax return.

1978 Recodification. Following interim study in 1977, the inheritance tax law was extensively revised by the 1978 Legislature. The recodification made substantive changes in procedures for computing the tax and for determining responsibility for filing a return and paying the tax, and conformed the Kansas tax to many of the federal definitions concerning what is to be included in the estate for tax purposes.

Major policy changes included increasing the spouse's exemption from \$75,000 to \$250,000 and the exemption for other class A heirs from \$15,000 to \$30,000; conforming to the new federal provision for use value appraisal of farmlands and closely held business property for inheritance tax purposes, but without any recapture provision and with more liberal criteria for qualifying for such treatment; providing for payment of the tax in installments under certain circumstances; and imposing a Kansas pick-up estate tax equal to the federal credit on the new federal generation skipping estate tax.

1982 Amendments. The 1982 Legislature enacted three bills making the following major changes in the tax: H.B. 2732 (Chapter 398, 1982 Session Laws) exempted all property left to a surviving spouse. H.B. 2798 (Chapter 400, 1982 Session Laws) provided that for spousal joint property, the estate of the first spouse to die will include one-half of the value of the property regardless of which spouse furnished the consideration for the property. H.B. 2799 (Chapter 399, 1982 Session Laws) clarified that the "pick-up" tax will apply only in cases where a federal estate tax return (as that tax was amended by the Economic Recovery Tax Act of 1981) is due and payable, and will apply even if there is an exemption from the Kansas inheritance tax.

The tax was further reviewed by the 1982 Special Committee on Assessment and Taxation under Proposal No. 3. That Committee recommended further conformity to federal estate tax law in the area of use valuation of farms and closely held businesses (1983 S.B. 16).

Tax Rates and Exemptions. The rates and exemptions for the three classes of distributees, as amended by the 1982 legislation, are summarized in the following table:

*Att. h. 1*

TAX RATES, EXEMPTIONS AND EXCLUSION FOR INHERITANCE  
TAX DISTRIBUTEES

Value of Share Above Exemption*		Class A-Children, Lineal Relations		Class B-Brothers and Sisters		Class C- All Others	
		Tax on Col. 1	Rate on Excess	Tax on Col. 1	Rate on Excess	Tax on Col. 1	Rate on Excess
(1)	(2)						
\$ 0	\$ 25,000	\$ 0	1%	\$ 0	3%	\$ 0	10%
25,000	50,000	250	2	750	5	2,500	10
50,000	100,000	750	3	2,000	7.5	5,000	10
100,000	200,000	2,250	4	5,750	10	10,000	12
200,000	500,000	6,250	4	15,750	10	22,000	15
500,000	--	18,250	5	45,750	12.5	67,000	15

\*Exemptions

Class A - lineal ancestors and descendants, adopted children, etc., \$30,000 exemption.

Class B - brothers and sisters, \$5,000 exemption.

Class C - all others, no exemption.

Property left to a surviving spouse or to a charity is exempt from the inheritance tax.

Note: Exemptions are prorated when there are assets located outside Kansas. No tax is due on any class if the share is less than \$200, after deduction of the exemptions.

Exclusion

The act was amended in 1980 (K.S.A. 1981 Supp. 79-1545, 1545b, and 1545c) to allow a graduated exclusion from the tax for qualified farm and closely-held business property, if the person filing the return elects the exclusion. Qualified real property valued at less than \$250,000 is completely excluded and that with a value of between \$250,000 and \$835,000 is partially excluded according to a schedule. Qualifications to obtain the exclusion are the same as those for use valuation, but the exclusion, if taken, is in lieu of use valuation. The exclusion is available to the estates of all decedents dying after December 31, 1980, and before January 1, 1986.

Disposition of Revenue: 100 percent to State General Fund with 5 percent earmarked for transfer to the County Inheritance Tax Fund.

Net Collections (state and county shares) in the last four fiscal years have been as follows:

1982	\$31,607,000	1980	\$26,979,000
1981	29,131,000	1979	19,276,000