

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 February 17, 1983 in room 526-S of the Capitol.

All members were present ~~XXXXX~~

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

Conferees appearing before the committee: Bryan Whitehead, Brotherhood of Railway and Airline
Clerks
Ron Calbert, United Transportation Union
Leroy Jones, Brotherhood of Locomotive Engineers
Gilbert Green, Association of Retired Federal
Employees

The chairman recognized Senator Chaney, sponsor of SB 137, which provides that, in determining Kansas taxable income, an individual may deduct either the Kansas standard deduction or the Kansas itemized deductions regardless of the manner in which such individual's federal taxable income is determined.

Senator Chaney said he believes individuals should be able to use the form best for them; this bill would decouple from the federal form, and people in the lower income tax bracket would be able to keep more of their money.

Appearing in support of SB 137:

Bryan Whitehead, BRAC, and also representing the AFL-CIO on this bill, said both organizations strongly support this bill. He said that under present law, individuals using the short form lose deductions for medical and dental expenses, and particularly the railroad retirement and social security contributions. (Attachment #1)

Ron Calbert, UTU, said this bill would help the payday to payday wage earners who can't afford the down payment on a home or any luxuries. The savings from their tax liability would be put back into the economy, which in turn would create rehiring in the job market. (Attachment #2)

In response to questions from committee members as to how he would make up the loss of revenue from passage of this bill, Mr. Whitehead said he would support a ½ to 1% sales tax increase, providing food is exempt. Ron Calbert said he would also support the ½¢ or ½% sales tax if food were repealed from the tax.

Leroy Jones, representing the BLE, and Gilbert Green, Association of Retired Federal Employees, also spoke in support of this legislation. Mr. Green said many other states have taken the tax off food and he believes it could be done as has already been done with prescription drugs. He also believes the revenue could be made up by sales tax.

The chairman told the committee the staff will review the options proposed in the five severance tax bills at the meeting on Friday.

The chairman adjourned the meeting at 11:45 a.m. The committee will meet at 11:00 a.m. on Friday, February 18.



**BROTHERHOOD OF RAILWAY, AIRLINE AND STEAMSHIP CLERKS,
FREIGHT HANDLERS, EXPRESS AND STATION EMPLOYEES**

AFL-CIO — CLC

KENNETH O. RICHARDSON
Regional Legislative Director
1010 Lavaca Street, Suite 308
Austin, TX 78701
Office Phone: (512) 472-6719
Home Phone: (512) 441-7404

BRYAN K. WHITEHEAD
Assistant Regional Legislative Director
4917 Haskell
Kansas City, KS 66104
Phone: (913) 287-9062

Kansas City, Kansas, February 13, 1983

STATEMENT OF

BRYAN K. WHITEHEAD

KANSAS LEGISLATIVE DIRECTOR

FOR THE

BROTHERHOOD OF RAILWAY AND AIRLINE CLERKS

IN RE:

SENATE BILL NO. 137

PRESENTED AT HEARING

BEFORE THE

SENATE ASSESSMENT AND TAXATION COMMITTEE

Topeka, Kansas

February 17, 1983

SENATE BILL NO. 137 - AN ACT relating to the taxation of income;

Mr. Chairman, and Senators, my name is Bryan Whitehead and I am the Kansas Legislative Director and a Regional Representative for the Bro. of Railway & Airline Clerks union representing over eight thousand active and retired employes of the transportation industry in Kansas.

This morning, Mr. Chairman, I will also represent the Kansas State Federation of Labor, AFL-CIO, whose affiliate members total over 70,000 wage earner taxpayers in our state.

Moreover, in a recent conference to form a coalition of union labor with the Kansas Farmers Union, the National Farmers Organization, and the American Agriculture Movement, the proposition of Senate Bill No. 137 was discussed. We unanimously agreed to support SB-137 and I will, therefore, also represent the concensus of our coalition.

We rise in support of SB-137 which, in "railroader" parlance, would "uncouple" the individual Kansas income tax return from the federal income tax return.

Changes in the federal code such as in the Medical and Dental Expense deduction schedule and loss of the gasoline tax as a deduction in the Taxes schedule of Itemized Deductions have forced the average middle income taxpayer to use federal short form 1040 A or 1040 EZ instead of long form 1040.

Consequently, because of the provision of K. S. A. 79-32,118 and 79-32,120, the taxpayer is also forced to use Kansas short form K 40A. SB-137 proposes to amend these statutes to allow a Kansas individual taxpayer the option of using long form K 40 or short form K 40A notwithstanding the form of his federal return.

Our major concern in being forced to use short form K 40A is loss of the federal income tax, medical and dental expense, and particularly the railroad retirement and social security contributions as deductions from federal adjusted gross income.

Effective last month, social security tax became 6.70% of \$35,700.00 maximum annual salary or a total contribution of \$2391.90.

The railroad retirement tax is 2% higher than social security tax on the first \$2225.00 monthly, or \$26,700.00 annual salary, plus the 6.70% on \$35,700.00 maximum equals an annual contribution of \$2925.95.

Moreover, legislation is pending in the U.S. Congress to increase the railroad employe tax another 2.5% or \$668.00 which will increase the annual contribution to \$3593.95. The impact will place the railroad employe contribution \$1202.05 above the maximum social security contribution.

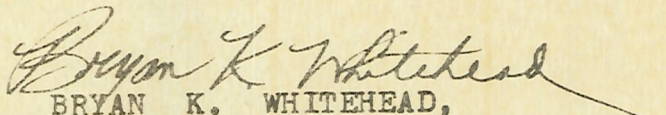
As you know, Mr. Chairman, hundreds of railway employes in Kansas City reside in Kansas but work in Missouri. They have the additional tax return complication of having to pay both the Kansas City "earnings tax" and Missouri income tax. The only way they can get full credit is to submit K 40. If they use K 40A they lose all their adjustments and credits.

In my view, one of the most glaring inequities of the federal code is to allow an adjustment of gross income of \$4000.00 for contributions to an Individual Retirement Account and \$15,000.00 for contributions to a Keogh Retirement Plan but to disallow adjustment for amounts contributed to social security or to railroad retirement.

We would prefer the amendments proposed by SB-137 but we would also support an amendment to allow contributions to social security and railroad retirement to be taken as an adjustment of gross income on Kansas short form K 40A. In either event, Mr. Chairman and Senators, we urge a favorable report on SB-137.

The opportunity ^{to} express our views on this most important subject is appreciated. If I have raised any questions or failed to make our position clear, Mr. Chairman, I will certainly try to respond to questions.

Thank you.


BRYAN K. WHITEHEAD,
Kansas Legislative Director,
Bro. of Railway & Airline Clerks

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I AM RON E. CALBERT, ASSISTANT DIRECTOR, KANSAS STATE LEGISLATIVE BOARD - UNITED TRANSPORTATION UNION, I AM AUTHORIZED TO SPEAK FOR OUR SOME SEVEN THOUSAND (7000) ACTIVE AND RETIRED MEMBERS AND THEIR FAMILIES WHO RESIDE IN KANSAS. IT IS A PRIVILEGE TO APPEAR BEFORE YOUR COMMITTEE RELATIVE TO THIS PROPOSED LEGISLATION, I APPEAR IN SUPPORT OF SENATE BILL 137, WHICH WOULD PERMIT A KANSAS TAXPAYER TO COMPUTE KANSAS TAXABLE INCOME BY DEDUCTING EITHER THE KANSAS STANDARD DEDUCTION OR KANSAS ITEMIZED DEDUCTION, REGARDLESS OF WHETHER THE TAXPAYER ITEMIZES ON THE FERERAL RETURN.

IN 1982 THE LEGISLATURE TOOK ACTION BY REPEALING THE TAX ON FARM MACHINERY, BUSINESS AIRCRAFT AND THE INTANGIBLES TAX, SENATE BILL 137 WOULD BENEFIT THE YOUNG MARRIED COUPLES JUST GETTING STARTED. THIS GROUP OF TAXPAYERS CAN'T AFFORD TO BUY A HOME TO PARTICIPATE IN THE BIG INTEREST THAT WOULD ENCOMPASS A DEDUCTION IN THEIR TAX LIABILITY. THEY ARE THE PAYDAY TO PAYDAY WAGE EARNERS RENTING AN APARTMENT OR HOUSE. THIS GROUP CAN'T AFFORD TO SAVE THE DOWNPAYMENT FOR A HOME OR FOR THAT MATTER ANY LUXURIES. THE STATE TAX DEDUCTIONS ON THESE TAXPAYERS EARNINGS USUALLY END UP BEING THEIR TAX LIABILITY.

IN ORDER TO BENEFIT FROM ITEMIZING, THE TAXPAYER MUST HAVE KANSAS ITEMIZED DEDUCTIONS GREATER THAN THEIR STANDARD DEDUCTIONS, WITH SENATE BILL 137, THE TAXPAYER WOULD HAVE A CHOICE. THE SAVINGS FROM THEIR TAX LIABILITY WOULD BE PUT BACK INTO THE ECONOMY, WHICH INTURN WOULD CREATE REHIRING IN THE JOB MARKET,

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SENATE BILL 137 IS NOT A NEW CONCEPT. THIS IDEA HAS BEEN PRESENTED IN THE SENATE ASSESSMENT AND TAXATION COMMITTEE BEFORE AND DESERVES TO BE DEBATED ON THE FLOOR OF THE SENATE DURING THIS SESSION.

THANK YOU MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. I WOULD ATTEMPT TO RESPOND TO ANY QUESTIONS.