

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANSThe meeting was called to order by Senator Paul Hess at  
Chairperson8:30 a.m./p.m. on April 22, 1983, 19\_\_ in room 123-S of the Capitol.

All members were present except:

## Committee staff present:

Research Department: Richard Ryan, Sherry Brown, Mary Galligan  
Revisor's Office: Norman Furse  
Committee Office: Doris Fager

## Conferees appearing before the committee:

Introduction of Bill

Motion was made by Senator Talkington and seconded by Senator Doyen to introduce a bill providing for a four percent increase in salaries for state employees, classified and unclassified, effective January 1, 1984; and that the bill be referred to Committee of the Whole. The motion carried by roll call vote.

Senate Bill 437 - Repealing sales tax exemption on used farm machinery

Senator Talkington stated his concern about the farmers being in trouble--particularly those who buy used farm machinery. He added that he has clients who are in deep financial trouble with outstanding loans from various sources, including operating loans. Consequently, he was of the opinion that this is not an area where additional financial burdens should be added.

Motion was made by Senator Talkington and seconded by Senator Warren to report SB 437 adversely.

Senator Steineger stressed that there have been the greatest number of small business bankruptcies since the depression, and he saw little justification for treating agriculture differently than other small businesses. He reminded the committee that agricultural machinery has been exempted from the payment of all personal property tax; and just one year ago they were further exempt from payment of sales tax on used farm machinery. They are getting this double break, and Senator Steineger expressed the opinion that the sales tax exemption should be repealed.

The motion carried by roll call vote.

Senate Bill 454 - Corporate Tax Surcharge

Senator Steineger stated that one of the significant reasons for the Kansas financial crisis is Federal Government legislation to create tax breaks to individuals and corporations; and because of Kansas' conformity statutes those tax breaks have greatly reduced Kansas tax collections. He cited examples of accelerated cost of depreciation and investment tax credits.

Senator Steineger said that, as of September of this year, 24 other states will have repealed or partially repealed conformity statutes, or taken other action to mitigate the raid on state treasuries occasioned by Federal Government action. He then explained SB 454, stating that it provides for a one percent surcharge and has a two-year sunset. This is on taxable income of more than \$25,000. He said it is estimated that this bill would produce approximately \$16 million.

Senate Bill 454 - Continued

There followed a discussion concerning the total tax program being recommended by the Governor. Senator Hein stated that he had heard this is not a program providing a general tax increase; but, in his opinion, everyone is being affected by one of the taxes being proposed. He suggested that a tax on a corporation affects everyone, because prices are increased; and, in the case of large corporations like Goodyear and Boeing, it particularly affects people who are waiting to be re-hired.

Motion was made by Senator Doyen and seconded by Senator Hein to report SB 454 adversely. Senator McCray stressed that one group of people who need to share the burden of making the total system work are the shareholders.

The motion carried by roll call vote.

Senate Bill 455 - Privilege tax on Banks

Motion was made by Senator Werts and seconded by Senator Talkington to amend SB 455 to include a two-year sunset provision. The motion carried by voice vote.

Motion was made by Senator Werts and seconded by Senator Harder to apply the same surcharge to savings and loan companies and to trust companies as is provided for banks by amending SB 455 to include all such institutions.

Senator Steineger distributed Attachments A and B, and noted that profits and earnings between banks and savings and loans are in disparity. He called attention to figures on the attachments, and explained that is the reason only banks were included in SB 455.

The motion carried by voice vote.

Motion was made by Senator Doyen and seconded by Senator Gaines to report SB 455 favorably as amended. The motion carried by roll call vote.

House Bill 2566 - Increase in Motor Fuels Tax

Motion was made by Senator Talkington and seconded by Senator Doyen to amend HB 2566 by changing the three cents to four cents; and to conceptually amend the bill by providing that for the first four years, 50% of the 1 cent added by this motion would be distributed to cities and counties; and after four years the formula would be 65%-35%. This would also change application of the indexing to 12¢ instead of 11¢.

In answer to a question from Senator Steineger, Senator Talkington said this would make the retail sales price in Kansas higher than Oklahoma and Missouri, and below Colorado and Nebraska. Senator Warren said it is his understanding a lot of truckers are evading the tax laws. Senator Talkington stated that his motion would probably have no effect on that problem, because honest truckers will pay their tax.

The above motion carried by voice vote, with Senator Steineger voting "No."

Motion was made by Senator Steineger and seconded by Senator McCray to report HB 2566 adversely. The motion lost on a roll call vote.

Motion was made by Senator Talkington and seconded by Senator Doyen to report HB 2566 favorably as amended. The motion carried by roll call vote.

HB 2566 - Continued

Senator Gaines asked if the indexing of motor fuel taxes would be complicated. Senator Talkington explained that it will be changed only once a year and the jobbers will be notified 60 days before the change. Senator Gaines then asked about the average increase in annual tax for an owner of an automobile. Senator Talkington said that figures he had seen indicated there will be an increase of \$23.20 per year in taxes for the average passenger car.

The motion to report HB 2566 favorably as amended carried by roll call vote.

Senate Bill 460 - School District Equalization Act, Taxable income of District Residents

Motion was made by Senator Steineger and seconded by Senator Bogina to report SB 460 favorably for passage. Following a brief discussion, the motion failed on roll call vote.

The meeting was adjourned by the Chairman.

KANSAS BANKS INCOME AND TAXES                      1977-1981

Year	1977	1978	1979	1980	1981
Number of Banks	615	616	616	619	617
Income Before Tax	142,932	162,411	214,479	267,313	285,051
Fed. & State Taxes	30,006	35,396	51,336	69,234	68,983
Tax Pct.	21.0%	21.8%	23.9%	25.9%	24.2%
State Tax*	8,080	8,650	8,890	12,110	13,410
St. Tax Pct.	5.65%	5.33%	4.14%	4.53%	4.70%
Net Income After Taxes and Adjust.	116,077	125,090	158,452	190,316	200,896

Source: F.D.I.C. Bank Operating Statistics

\* State Tax Collections from Kansas Department of Revenue

A 4-22-83  
8:30



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS

WAYS AND MEANS  
JUDICIARY  
LEGISLATIVE AND CONGRESSIONAL  
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POST AUDIT

JACK STEINEGER  
MINORITY LEADER  
SENATOR, SIXTH DISTRICT  
STATE CAPITOL BLDG.  
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KANSAS BANK PRIVILEGE TAX FACT SHEET

April 19, 1983

1. Between 1977 and 1981, Kansas bank income before state and federal taxes increased 99.4%.
2. During the same years, state privilege tax collections on banks increased only 66%.
3. The effective tax rate on Kansas banks fell from 5.65% in 1977 to 4.70% in 1981, a drop of nearly 17%.
4. This reduced tax rate results in a shortfall of \$2.7 million.
5. Increasing the bank surcharge from 2.125% to 3.500% (a 1.375% increase) would produce \$2.750 million for the State General Fund, leaving banks with the same tax rate they paid in 1977.
6. The surcharge applies only to bank net income above \$25,000.

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