

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Representative Jim Braden at
Chairperson

9:10 a.m./~~p.m.~~ on January 12, 1984 in room 519S of the Capitol.

All members were present except:

Representatives Rex Crowell and Robert Frey who were excused.

Committee staff present: Richard Ryan, Legislative Research
Tom Severn, Legislative Research
Wayne Morris, Legislative Research
Don Hayward, Revisor of Statutes Office
Nancy Wolff, Secretary to the Committee

Conferees appearing before the committee:

Richard Ryan, of staff, appeared to review the fiscal condition of the State. Mr. Ryan presented three tables (Exhibit I) which outlined the State General Fund receipts and expenditures, the State General Fund unencumbered cash balances, and some examples of large estimated expenditures from the State General Fund with no changes in State aid distributions as proposed by the Governor.

Wayne Morris, of staff, then reviewed the report of the Special Committee on Assessment and Taxation with regard to Proposal No. 1 which charged the committee to:

Review the rates, deductions, credits and exclusions in the Kansas individual and corporation income tax law, concepts employed in the law, and possible changes including "piggybacking" on the federal tax, a flat-rate tax or a minimum tax based on adjusted gross income, further "decoupling" or nonconforming to federal law, and local option taxes; also, study the impact of 1983 S.B. 436 on state aid to school districts.

The recommendations of the Special Committee are contained in the Report on Kansas Legislative Interim Studies to the 1984 Legislature which was filed with the Legislative Coordinating Council in December, 1983.

Mr. Morris also presented a State Tax Review which outlines a working group on the states' use of worldwide unitary taxation that the President has appointed. This "working group" has instructed its task force to drop consideration of the option of preemptive federal legislation and to develop, instead, "conciliatory options" that could be voluntarily adopted by the states. (Exhibit II)

The meeting was adjourned at 10:55 a.m.

TABLE I
STATE GENERAL FUND RECEIPTS AND EXPENDITURES

In Millions

Fiscal Year	Receipts			Expenditures		
	Total	Annual Amount	Increase Percent	Total	Annual Amount	Increase Percent
1981	\$1,226.5	\$128.7	11.7%	\$1,258.2	\$ 147.4	13.3%
1982	1,273.0	46.5	3.8	1,332.5	74.3	5.9
1983	1,363.6	90.6	7.1	1,405.9	73.4	5.5
A 1984 Est.	1,535.7	172.1	12.6	1,515.1 ^a	109.2	7.8
1985 Est.	1,672.8	137.1	8.9	1,671.4 ^a	156.3	10.3
B 1984 Est.	1,558.5	194.9	14.3	1,515.1 ^a	109.2	7.8
1985 Est.	1,677.5	119.0	7.6	1,671.4 ^a	156.3	10.3

A Estimates of Consensus Estimating Group as of November 1983.

B Estimates of Consensus Estimating Group plus Governor's proposals which affect receipts. Includes estimated additional revenue (not shown in the budget) from changes in state aid distribution dates and acceleration of insurance premium taxes. 22 M.

a) Based on Governor's Budget Report to the 1984 Legislature.

Note 1. Receipts in FY 1983 include an estimated \$110.9 million (net) as a result of legislation enacted in 1981, 1982, and 1983, largely from acceleration of receipts enacted in 1983. Without such legislation, receipts in FY 1983 would have been \$20.4 million, or 1.6 percent, less than actual receipts in FY 1982.

Note 2. Receipts in FY 1984 include an estimated \$167.3 million (net) from legislation enacted in 1981, 1982, and 1983, most of which (\$165.1 million) is attributable to 1983 legislation. Ignoring the legislation which affected receipts in both FYs 1983 and 1984, estimated receipts in FY 1984 under A would be 9.2 percent over FY 1983.

Note 3. When the Consensus Estimating Group met last November, it reduced the estimate of General Fund receipts in FY 1984 by \$17.1 million (net) from the estimate at the time the 1983 Legislature adjourned. Through October, receipts were \$7.0 million below the estimate.

TABLE II
STATE GENERAL FUND UNENCUMBERED CASH BALANCES

In Millions

<u>End of Fiscal Year</u>	<u>Amount</u>	<u>End of Month</u>	<u>FY 1982</u>	<u>FY 1983</u>	<u>FY 1984</u>
1979	\$195.9	July	\$ 180.5	\$ 133.3	\$ 61.7
1980	183.3	Aug.	185.1	130.2	22.5
1981	152.1	Sept.	151.1	69.8	61.3 ^b
1982	92.4	Oct.	138.7	55.3	21.1 ^b
1983	51.1	Nov.	137.6	54.1	52.8 ^b
		Dec.	118.9	97.4 ^a	82.5 ^b
A 1984 Est.	71.7				
1985 Est.	73.1				
B 1984 Est.	94.5				
1985 Est.	100.6				

A Based on Governor's Budget Report to the 1984 Legislature, excluding his proposals which affect receipts.

B Based on Governor's Budget Report to the 1984 Legislature, including his proposals which affect receipts. Includes estimated additional revenue (not shown in the budget) from changes in state aid distribution dates and acceleration of insurance premium taxes.

a) Includes \$65 million certificate of indebtedness.

b) Includes \$30 million certificate of indebtedness.

Note 1. FY 1984 began with a balance of only \$51.1 million, the lowest since \$41.2 million in 1973. However, expenditures in FY 1973 were \$386.4 million in contrast to the estimate of \$1.515 billion in FY 1984.

TABLE III

SOME EXAMPLES OF LARGE ESTIMATED EXPENDITURES FROM THE STATE GENERAL FUND WITH NO CHANGES IN STATE AID DISTRIBUTIONS AS PROPOSED BY THE GOVERNOR

FY 1985

	<u>Time of Month</u>	<u>Amount (Millions)</u>	
<u>Sept. 1984</u>			
Rebate	1st	\$ 68.9	}
CITF	1st	.5	
KCK Ret.	1st	.4	
Payroll	1st week or so	40.7	
Gen. Aid	20th	37.6	}
AVS	20th	.5	
Trans. Aid	25th	19.3	
Ft. Leavenworth	25th	.9	
<u>October</u>			
CMH-R	1st	2.7	}
Comm. Coll.	1st	9.5	
KPERS-School	1st week or so	10.2	
Payroll	1st week or so	48.9	
<u>Feb. 1985</u>			
Gen. Aid	20th	41.6	}
AVS	20th	.8	
Trans. Aid	25th	22.1	
<u>March</u>			
Spec. Ed.	1st	19.5	}
Post-Sec. Aid	1st	3.3	
Payroll	1st week or so	43.4	
<u>May 1985</u>			
Rebate	1st	33.0	}
CITF	1st	.4	
Post-Sec. Aid	1st	2.6	
Payroll	1st week or so	43.6	
Gen. Aid	20th	103.2	
<u>June</u>			
Payroll		52.6	

Note: There are other demands on the General Fund during the periods shown above.

Source: Detailed work papers of the Division of the Budget.

Kansas Legislative Research Department
January 11, 1984



REG. U. S. PAT. OFF.

A CCH Editorial Staff Publication

December 13, 1983

Issued Weekly

Vol. 44, No. 50

UNITARY TAX WORKING GROUP DISCOURAGES FEDERAL OPTION

The President's working group on the states' use of worldwide unitary taxation has instructed its task force to drop consideration of the option of preemptive federal legislation and to develop, instead, "conciliatory options" that could voluntarily be adopted by the states. Only if the task force fails to draft other options, or if the task force's proposed options are rejected by the working group, will the alternative of federal legislation be reviewed, according to Treasury Secretary Donald T. Regan, chairman of the President's working group.

Task Force to Begin Drafting Options

On December 1, 1983, the task force concluded its second set of meetings aimed at gathering information for drafting various options for consideration by the working group concerning the states' use of the worldwide unitary method of taxing business income. The task force will meet for seven days in January in an attempt to compose these options before the next meeting of the working group on February 24, 1984. Chairman Regan also agreed to an additional meeting of the working group if the group is close to the adoption of a solution, but unable to reach one, at the February 24 meeting.

The compromise working format was advanced by state representatives on the working group who suggested that removing the option of federal legislation would destroy the divisiveness within the task force. Corporate representatives on the working group unexpectedly agreed to the proposal, reasoning that if other options should fail, the group could always reconsider the option of federal legislation.

States Oppose Federal Legislation

Treasury officials on the working group suggested that the task force still be allowed to discuss federal legislation that might prove to be "helpful" in implementing any compromise, such as increased funding for the Internal Revenue Service. However, state representatives objected to any resolution involving congressional action, urging that a consensus of the group could never be reached on preemptive federal legislation.

Only Multinational Corporations to Be Considered

The President's working group also agreed to eliminate from task force consideration the effect of unitary taxation on domestic corporations located in several states. John A. Svahn, Assistant to the President for Policy Development, said that the study of options for strictly domestic corporations would exceed the scope of the working group, adding that the President had intended the group to study only the effect of the unitary method of taxation on domestic and foreign-based multinational corporations.