

Approved On: _____

Minutes of the House Committee on Assessment and Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on March 1, 1985 in room 519 South at the Capitol of the State of Kansas.

All members of the Committee were present.

Committee staff present:

Tom Severn, Legislative Research
Melinda Hanson, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

Representative Leach testified as a sponsor of HB-2402, an act relating to income taxation; concerning the rate imposed against corporations. (Attachment 1)

Mr. David Litwin, representing Kansas Chamber of Commerce and Industry, spoke as an opponent of HB-2402. (Attachment 2)
This concluded the public hearing on HB-2402.

Representative Solbach discussed HB-2412, an act relating to income taxation, concerning the rate of tax imposed upon individuals; increasing the personal exemption of an individual, and HB-2413, an act relating to the taxation of income; concerning the federal income tax liability deduction of an individual.

Representative Solbach reported that if either of these is enacted, most taxpayers would pay less in 1985 than in 1984. However, if both bills are passed, the state would receive an increase of approximately 55 million dollars.

Ron Gaches, appearing as a private citizen, testified as an opponent of these two bills as he believes they would discourage corporations from moving to Kansas. He does advocate tax simplification and believes that many firms would prefer a higher tax rate rather than decoupling.

The chairman then recessed the meeting until the House adjourned.

The Chairman reconvened the meeting at 12:30 p.m.

HB-2333, an act relating to property taxation, relating to the taxation of motor vehicle inventories. Representative Fox submitted a proposed amendment to this bill which would increase the stamp taxes. (Attachment 3) Representative Fox moved, second by Representative Aylward, that the amendment be adopted. The motion carried. Representative Lowther moved, second by Representative Jarchow, that a further amendment be added to HB-2333 which would index the tax to the CPI-U. (Attachment 3) The motion carried. Representative Wunsch moved, second by Representative Roe, that the bill be conceptually amended to make the index cumulative against a base year. The motion carried. Representative Jarchow moved, second by Representative Spaniol, that HB-2333 be passed as amended. The motion carried.

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HB-2198, an act concerning state and local retailers' sales and use taxes; increasing the state sales and use tax rate; exempting sales of food for human consumption from state and certain local sales and use taxes. was then considered. Representative Jarchow moved, second by Representative Spaniol, that action on HB-2198 be postponed until the 1986 session. The motion carried.

HB-2210, an act relating to the situs of taxation of motor vehicles was then brought before the committee. Representative Roe moved, second by Representative Lowther, that HB-2210 be passed favorably. The motion carried.

HB-2265, an act relating to certificates of value issued upon transfers of real estate; exception, was considered. Representative Leach moved, second by Representative Aylward that HB-2265 be reported adversely. The motion carried.

HB-2269, an act relating to the abatement of property taxes was then considered. Representative Vancrum proposed an amendment to HB-2269 expanding the coverage of the bill. Representative Vancrum moved, second by Representative Fox, that the amendment be adopted. The motion carried. Representative Leach moved, second by Representative Schmidt that the bill be tabled. The motion lost. Representative Spaniol moved, second by Representative Fox, that HB-2269 be passed favorably. Representative Roe moved, second by Representative Wunsch, that HB-2269 be tabled. The substitute motion carried.

HB-2281, an act exempting personal property from taxation and imposing a two cent increase in the sales tax was presented to the committee. Representative Patterson moved, second by Representative Fox, that HB-2281 be recommended for interim study. The motion carried.

HB-2288, an act relating to the intangibles tax was presented to the committee. Representative Wunsch moved, second by Representative Fry, that HB-2288 be amended conceptually to allow executors and administrators of estates to close intangible tax returns with the county treasurer. The motion carried. Representative Ott moved, second by Representative Aylward, that the bill be reported favorably as amended. The motion carried.

HB-2343, an act relating to the distribution of valuation of value of public utility property was considered. Representative Ott proposed an amendment to HB-2343. (Attachment 5) Representative Ott moved, second by Representative Crowell, that the proposed amendment to HB-2343 be adopted. The motion carried. Representative Ott moved, second by Representative Spaniol, that HB-2343 be passed favorably. The motion lost.

Representative Smith moved, second by Representative Erne, that HB-2347 be reported favorably. Representative Leach made a substitute motion to include counties and other municipalities covered under the bill. The motion was seconded by Representative Fry. The substitute motion carried. Representative Smith moved, second by Crowell, that the bill be reported favorably as amended. The motion carried. Representatives Erne and Spaniol were recorded as voting no.

HB-2375, an act imposing a state-wide intangibles tax was then brought before the committee. Representative Spaniol moved, second by Representative Fox, that the bill be reported adversely. Representative Lowther moved, second by Representative Leach, that the bill be tabled. The substitute motion carried.

HB-2402, an act increasing corporate income taxes was then considered. Representative Leach moved, second by Representative Schmidt, that the bill be reported favorably. Representative Spaniol moved, second by Representative Ott, that the bill be tabled. The substitute motion lost. The original motion lost. Representative Aylward moved, second by Representative Fox, that the bill be reported adversely. The motion carried.

HB-2412, an act increasing rates of taxation on individual income taxpayers was then considered. Representative Spaniol moved, second by Representative Vancrum, that the bill be reported adversely. The motion carried 12-6.

HB-2413, an act imposing a modified booster tax was then considered. Representative Spaniol moved, second by Representative Fox, that the bill be reported adversely. Representative Leach moved, second by Representative Wagnon, that the bill be tabled. The substitute motion lost. The original motion carried. Representatives Leach, Reardon, and Schmidt were recorded as voting no.

The minutes of February 28 were reviewed. Representative Erne requested that note be made that Representative Nancy Brown testified in her capacity as President of Kansas Township Association. With this correction, the minutes were approved.

There being no further business, the meeting was adjourned.



Ed C. Rolfs, Chairman

ROBIN D. LEACH
REPRESENTATIVE, DISTRICT 47
LEAVENWORTH AND JEFFERSON COUNTIES
R.R. NO. 1, BOX 117
LINWOOD, KANSAS 66052



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
RANKING MINORITY MEMBER: ASSESSMENT AND
TAXATION
MEMBER: EDUCATION

March 1, 1985

Representative Ed Rolfs
Chairman
Assessment and Taxation Committee

Mr. Chairman,

HB 2402

This bill was introduced solely to present this committee with an option in case the mood of this legislature should happen to change. As a sponsor, I strongly believe the burden of funding state government should be shared. It was also my intention to have this bill in place in the possibility of a school finance bill which would raise the property tax to a large increase which seems well on the way to becoming a reality.

This committee also has heard several times from business stating the problem with inventory tax, it would also seem HB 2402 could be used for this purpose.

Several members of this committee traveled to Washington last week and were told by Mr. Block that it was the duty of the states to help alleviate the problem of agriculture the administration has caused. Perhaps the funds in HB 2402 could well be used to bolster the general fund after the Governor's proposal of using interest monies is adopted.

Also, Mr. Chairman, you will notice this bill is an extreme compromise on my part, as this corporate tax increase is considerably less than some have advocated in the past.

Sincerely,

Robin D. Leach

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

HB 2402

February 27, 1985

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

HOUSE ASSESSMENT AND TAXATION COMMITTEE

Mr. Chairman, members of the committee. My name is David Litwin. I am representing the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to comment on HB 2402.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

We are opposed to enactment of this bill. HB 2402 would increase the surtax on corporate incomes over \$50,000 by a full percent, from the current 2½% to 3½%. The result would be an aggregate rate of taxation of 7 ¾% on corporate income over \$50,000. This rate would be significantly higher than those of our neighboring

states. Indeed, the current aggregate rate of taxation on corporate incomes over \$25,000 is the highest in our region. Only Nebraska is close.*

Obviously, many corporate businesses would not be affected by this change. However, many would, and since the increase would affect only higher incomes, it would impact larger employers hardest.

These are the very employers and taxpayers we need most to both retain and attract to Kansas. At a time when there is widespread concern about our business climate and whether we remain competitive with other states, indeed at a time when the Governor, the Kansas Cavalry, and other individuals and groups are working particularly hard to win new enterprises and new markets for Kansas, I suggest that this would send the wrong signal to the national and international business communities. It could in fact hardly come at a worse time.

Thank you again for the opportunity to testify. If there are questions, I will be pleased to answer them.

* The rates in contiguous states are: Oklahoma, flat 4%; Missouri, flat 5%; Colorado, flat 5%; Nebraska, 4.75%, 6.65% over \$50,000. Nebraska recently reduced its tax and surtax rates from 5% and 7% respectively.

Proposed Amendment to HB 2333

By striking all in lines 20 and 21; after line 21, by inserting two new sections to read as follows:

"Section 1. K.S.A. 79-1019 is hereby amended to read as follows: 79-1019. (a) The tax herein imposed shall be evidenced by a tax stamp, specifying the year in which the motor vehicle is sold, affixed by said the dealer to the manufacturer's certificate or statement of origin covering each new motor vehicle or the assigned title of each used motor vehicle before the dealer executes the assignment on such certificate of origin or assigned title transferring the ownership of such motor vehicle to the purchaser.

The amount of each tax stamp shall be as follows: (1) For new and-used motorcycles and motorized bicycles, ~~\$1~~ \$2; (2) for used motorcycles and motorized bicycles, \$1.00; (3) for all other used motor vehicles having a gross weight of 3,000 pounds or less, ~~\$5~~ \$7.50; ~~(3)~~ (4) for all other new motor vehicles having a gross weight of 3,000 pounds or less, ~~\$6~~ \$9; ~~(4)~~ (5) for used motor vehicles having a gross weight of more than 3,000 pounds but not more than 4,000 pounds, ~~\$6~~ \$9; ~~(5)~~ (6) for new motor vehicles having a gross weight of more than 3,000 pounds but not more than 4,000 pounds, ~~\$8~~ \$12; ~~(6)~~ (7) for used motor vehicles having a gross weight of more than 4,000 pounds but not more than 4,500 pounds, ~~\$8~~ \$12; ~~(7)~~ (8) for new motor vehicles having a gross weight of more than 4,000 pounds but not more than 4,500 pounds, ~~\$10~~ \$15; ~~(8)~~ (9) for used motor vehicles having a gross weight of more than 4,500 pounds but not more than 8,000 pounds, ~~\$10~~ \$15; ~~(9)~~ (10) for new motor vehicles having a gross weight of more than 4,500 pounds but not more than 8,000 pounds, ~~\$12~~ \$18; ~~(10)~~ (11) for used motor vehicles having a gross weight of more than 8,000 pounds, ~~\$18~~ \$27; and ~~(11)~~ (12) for new motor vehicles having a gross weight of more than 8,000 pounds, ~~\$33~~ \$49.50.

(b) It shall be unlawful for a motor vehicle dealer to sell

or assign, as a retail sale, any motor vehicle without a tax stamp for the current year being affixed to the certificate of origin or assigned title of such motor vehicle.

(c) No motor vehicle, the seller or assignor of which is a motor vehicle dealer, shall be registered and licensed in the state of Kansas unless the manufacturer's certificate or statement of origin or assigned title covering such motor vehicle shall have the tax stamp for the current tax year affixed thereon.

"Sec. 2. K.S.A. 79-1019 is hereby repealed.";

In line 22, by striking "2" and inserting "3";

In line 23, by striking "December 31, 1985, and";

In the title, in line 16, by striking all after the semicolon; in line 17, by striking all before "the" and inserting "concerning"; in line 18, before the period, by inserting "; amending K.S.A. 79-1019 and repealing the existing section"

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Except as otherwise provided in this subsection, the amount of each tax stamp shall be as follows: (1) For new and used motorcycles and motorized bicycles, \$1; (2) for all other used motor vehicles having a gross weight of 3,000 pounds or less, \$5; (3) for all other new motor vehicles having a gross weight of 3,000 pounds or less, \$6; (4) for used motor vehicles having a gross weight of more than 3,000 pounds but not more than 4,000 pounds, \$6; (5) for new motor vehicles having a gross weight of more than 3,000 pounds but not more than 4,000 pounds, \$8; (6) for used motor vehicles having a gross weight of more than 4,000 pounds but not more than 4,500 pounds, \$8; (7) for new motor vehicles having a gross weight of more than 4,000 pounds but not more than 4,500 pounds, \$10; (8) for used motor vehicles having a gross weight of more than 4,500 pounds but not more than 8,000 pounds, \$10; (9) for new motor vehicles having a gross weight of more than 4,500 pounds but not more than 8,000 pounds, \$12; (10) for used motor vehicles having a gross weight of more than 8,000 pounds, \$18; and (11) for new motor vehicles having a gross weight of more than 8,000 pounds, \$33.

Not later than December 1, 1985, and on such date in each year thereafter, the secretary of revenue shall recompute and

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3/1/85

publish in the Kansas register the amount of the tax stamp prescribed for each class of motor vehicle described in paragraphs (1) to (11), inclusive, of this subsection for use in the next following calendar year. Such amount for each such class shall be equal to an amount determined by multiplying the current year's tax stamp amount by a percentage equal to 100 plus the percent increase in the average U.S. average consumer price index for all urban consumers for the current calendar year over that for the next preceding calendar year, rounded to the nearest dollar amount.

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Proposed Amendment to House Bill No. 2343

On page 1, in line 23, before "pipeline" by inserting "electric, "; in line 34, after "an" by inserting "electric company with an"; in line 43, before "reproduction" by inserting "average"