

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 7, 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 Spaniol presented a suggested amendment to HB-2159, which is an act relating to income taxation; providing for refundable credits therefrom for merchants and manufacturers and livestock inventory ad valorem taxes. His amendment would change the bill from a tax credit to a property tax rebate. (Attachment 1) After committee discussion, Representative Spaniol moved, second by Representative Patterson, that the amendment to HB-2159 be adopted. The motion carried. Representative Lowther proposed an amendment to HB-2159 which would set the rebate at 20% the first year, 40% the second, and 50% thereafter. (Attachment 2) Representative Lowther moved, second by Representative Spaniol, that the rebate be capped at 50%. Representative Vancrum moved, second by Representative Fox, that the effective date of HB-2159 be subject to the enactment of HB-2512 and the Lowther amendment be incorporated. The substitute motion carried. Representative Wagnon opposed the motion because she does not believe that the two bills are compatible. Representative Leach moved, second by Representative Schmidt, to amend in the provisions of HB-2402. Representative Spaniol moved, second by Representative Aylward, that the bill as amended be reported favorably. The substitute motion carried.

Representative Roe proposed an amendment to HB-2512, an act relating to taxation of cigarettes, which would increase the cigarette tax by \$.08. (Attachment 3) Representative Roe moved, second by Representative Fox, that this amendment be adopted. Representative Leach moved, second by Representative Jarchow, to amend HB-2402 into the motion of Representative Roe. Chairman Rolfs ruled the substitute motion not germane as HB-2512 relates to taxation of cigarettes and HB-2402 to income taxation. After committee discussion, the chair was sustained. The original motion of Representative Roe carried. Representative Aylward moved, second by Representative Fox, that the bill be recommended favorably as amended. The substitute motion carried. Representatives Reardon, Jarchow, Leach, and Adam requested that they be recorded as voting no.

There being no further business, the meeting was adjourned.



Ed C. Rolfs, Chairman

HOUSE BILL No. 2159

By Committee on Assessment and Taxation

0017 AN ACT relating to income taxation; providing for refundable
0018 credits therefrom for merchants' and manufacturers' and live-
0019 stock inventory ad valorem taxes; amending K.S.A. 79-32,105,
0020 79-32,120 and 79-32,138 and repealing the existing sections.

refunds

0021 *Be it enacted by the Legislature of the State of Kansas:*

0022 New Section 1. (a) ~~There shall be allowed as a credit against~~
0023 the tax liability of a merchant computed under the provisions of
0024 the Kansas income tax act, and amendments thereto, the amount
0025 determined under subsection (b). If the amount determined
0026 under subsection (b) exceeds the income tax liability of the
0027 merchant for the designated tax year, any excess shall be applied
0028 to any other income tax, including penalties and interest, if any,
0029 then owed the state of Kansas by such merchant and the balance
0030 of such excess, if any, refunded to the merchant from the income
0031 tax refund fund established and maintained under K.S.A. 79-
0032 ~~32,105, and amendments thereto.~~

Any claim for refund allowed by section 2, 3 or 4 shall accompany the claimant's Kansas income tax return filed for the taxable year which commences in the calendar year for which the refund is allowed. Such claim shall provide such information and be made upon forms prescribed and provided by the director of taxation.

New Sec. 2 (a)

0033 ~~[(b)]~~ (1) For income tax years commencing after December 31,
0034 1984, and prior to January 1, 1986, a merchant shall be allowed a
0035 credit or refund in an amount equal to 20% of the total of all ad
0036 valorem property taxes on the inventory of such merchant which
0037 was paid during such income tax year.

the calendar year 1985

Kansas

0038 (2) For income tax years commencing after December 31,
0039 1985, and prior to January 1, 1987, a merchant shall be allowed a
0040 credit or refund in an amount equal to 40% of the total of all ad
0041 valorem property taxes on the inventory of such merchant which
0042 was paid during such income tax year.

the calendar year 1986

Kansas

0043 (3) For income tax years commencing after December 31,
0044 1986, and prior to January 1, 1988, a merchant shall be allowed a
0045 credit or refund in an amount equal to 60% of the total of all ad

the calendar year 1987

Kansas

Atch. 1

ATTACHMENT 1

3/7/85

0046 valorem property taxes on the inventory of such merchant which
0047 was paid during such income tax year.

0048 (4) For income tax years commencing after December 31,
0049 1987, and prior to January 1, 1989, a merchant shall be allowed a
0050 credit or refund in an amount equal to 80% of the total of all ad
0051 valorem property taxes on the inventory of such merchant which
0052 was paid during such income tax year.

the calendar year 1988

Kansas

0053 (5) For all income tax years commencing after December 31,
0054 1988, a merchant shall be allowed a credit or refund in an amount
0055 equal to 100% of the total of all ad valorem property taxes on the
0056 inventory of such merchant which was paid during such income
0057 tax year.

the calendar year 1989, and all subsequent calendar years

Kansas

(b)

0058 (c) As used in this section: (1) "Merchant" means every
0059 person, company or corporation who shall own or hold, subject to
0060 such person's control, any personal property within this state, as
0061 inventory for sale in such person's business as a merchant; and

0062 (2) "inventory" means all personal property owned or held,
0063 subject to the control of a merchant, which shall have been
0064 purchased by such merchant with a view of being sold at an
0065 advanced price or profit, or which shall have been consigned to
0066 such merchant for the purpose of being so sold.

3

0067 New Sec. 2 ~~(a) There shall be allowed as a credit against the~~
0068 ~~tax liability of a manufacturer computed under the provisions of~~
0069 ~~the Kansas income tax act, and amendments thereto, the amount~~
0070 ~~determined under subsection (b). If the amount determined~~
0071 ~~under subsection (b) exceeds the income tax liability of the~~
0072 ~~manufacturer for the designated tax year, any excess shall be~~
0073 ~~applied to any other income tax, including penalties and interest,~~
0074 ~~if any, then owed the state of Kansas by such manufacturer and~~
0075 ~~the balance of such excess, if any, refunded to the manufacturer~~
0076 ~~from the income tax refund fund established and maintained~~
0077 ~~under K.S.A. 79-32,105, and amendments thereto.~~

(a)

0078 (b) (1) For income tax years commencing after December 31,
0079 1984, and prior to January 1, 1986, a manufacturer shall be
0080 allowed a credit or refund in an amount equal to 20% of the total
0081 of all ad valorem property taxes on the inventory of such manu-
0082 facturer which was paid during such income tax year.

the calendar year 1985

Kansas

0083 (2) For income tax years commencing after December 31,
0084 1985, and prior to January 1, 1987, a manufacturer shall be
0085 allowed a credit or refund in an amount equal to 40% of the total
0086 of all ad valorem property taxes on the inventory of such manu-
0087 facturer which was paid during such income tax year.

the calendar year 1986

Kansas

0088 (3) For income tax years commencing after December 31,
0089 1986, and prior to January 1, 1988, a manufacturer shall be
0090 allowed a credit or refund in an amount equal to 60% of the total
0091 of all ad valorem property taxes on the inventory of such manu-
0092 facturer which was paid during such income tax year.

the calendar year 1987

Kansas

0093 (4) For income tax years commencing after December 31,
0094 1987, and prior to January 1, 1989, a manufacturer shall be
0095 allowed a credit or refund in an amount equal to 80% of the total
0096 of all ad valorem property taxes on the inventory of such manu-
0097 facturer which was paid during such income tax year.

the calendar year 1988

Kansas

0098 (5) For all income tax years commencing after December 31,
0099 1988, a manufacturer shall be allowed a credit or refund in an
0100 amount equal to 100% of the total of all ad valorem property taxes
0101 on the inventory of such manufacturer which was paid during
0102 such income tax year.

the calendar year 1989, and all subsequent calendar years

Kansas

(b)

0103 [(c)] As used in this section: (1) "Manufacturer" means every
0104 person, company or corporation who shall hold or purchase
0105 personal property for the purpose of adding to the value thereof
0106 by any process of manufacturing, refining or by the combination
0107 of different materials; and

0108 (2) "inventory" means all personal property purchased or
0109 held by a manufacturer for the purpose of being used in the
0110 process of manufacturing, refining or combining and all personal
0111 property manufactured and retained in the possession of such
0112 manufacturer.

4

0113 New Sec. 3 (a) ~~There shall be allowed as a credit against the~~
0114 ~~tax liability of a taxpayer paying ad valorem taxes upon livestock~~
0115 ~~under the laws of the state of Kansas computed under the~~
0116 ~~provisions of the Kansas income tax act, and amendments~~
0117 ~~thereto, the amount determined under subsection (b). If the~~
0118 ~~amount determined under subsection (b) exceeds the income tax~~
0119 ~~liability of the taxpayer for the designated tax year, any excess~~

0120 shall be applied to any other income tax, including penalties and
0121 interest, if any, then owed the state of Kansas by such taxpayer
0122 and the balance of such excess, if any, refunded to the taxpayer
0123 out of the income tax refund fund established and maintained
0124 under K.S.A. 79-32,105, and amendments thereto.

(a)

0125 (b)(1) For income tax years commencing after December 31,
0126 1984, and prior to January 1, 1986, a taxpayer shall be allowed a
0127 credit or refund in an amount equal to 20% of the total of all ad
0128 valorem property taxes on livestock which was paid by such
0129 taxpayer during such income tax year.

the calendar year 1985

Kansas

0130 (2) For income tax years commencing after December 31,
0131 1985, and prior to January 1, 1987, a taxpayer shall be allowed a
0132 credit or refund in an amount equal to 40% of the total of all ad
0133 valorem property taxes on livestock which was paid by such
0134 taxpayer during such income tax year.

the calendar year 1986

Kansas

0135 (3) For income tax years commencing after December 31,
0136 1986, and prior to January 1, 1988, a taxpayer shall be allowed a
0137 credit or refund in an amount equal to 60% of the total of all ad
0138 valorem property taxes on livestock which was paid by such
0139 taxpayer during such income tax year.

the calendar year 1987

Kansas

0140 (4) For income tax years commencing after December 31,
0141 1987, and prior to January 1, 1989, a taxpayer shall be allowed a
0142 credit or refund in an amount equal to 80% of the total of all ad
0143 valorem property taxes on livestock which was paid by such
0144 taxpayer during such income tax year.

the calendar year 1988

Kansas

0145 (5) For all income tax years commencing after December 31,
0146 1988, a taxpayer shall be allowed a credit or refund in an amount
0147 equal to 100% of the total of all ad valorem property taxes on
0148 livestock which was paid by such taxpayer during such income
0149 tax year.

the calendar year 1989, and all subsequent calendar years

Kansas

(b)

0150 (c) As used in this section: "Livestock" means: (1) Horses,
0151 not less than 12 months old; (2) cattle, not less than 12 months
0152 old; (3) mules and asses, not less than 12 months old; (4) sheep,
0153 not less than six months old; (5) hogs, not less than six months
0154 old; and (6) goats, not less than six months old.

5

0155 Sec. 4 K.S.A. 79-32,105 is hereby amended to read as fol-
0156 lows: 79-32,105. (a) The director shall pay to the treasurer of the

0157 state daily the entire amount collected during the preceding day,
0158 under the provisions of this act and from the income tax imposed
0159 upon individuals, corporations, estates or trusts pursuant to the
0160 "Kansas income tax act" less amounts withheld as provided in
0161 subsection (b), which amounts shall be credited to the state
0162 general fund.

0163 (b) A revolving fund, designated as "income tax refund fund"
0164 not to exceed \$4,000,000 shall be set apart and maintained by the
0165 director from income tax collections, withholding tax collections,
0166 and estimated tax collections and held by the state treasurer for
0167 prompt payment of all income tax refunds, *for the payment of*
0168 *refunds authorized under the provisions of sections* 1, 2 and 3
0169 and for the payment of interest as provided in subsection (e). The
0170 fund shall be in such amount, within the limit set by this section,
0171 as the director determines is necessary to meet current refunding
0172 requirements under this act.

2, 3 and 4

0173 (c) If the director discovers from the examination of the
0174 return, or upon claim duly filed by the taxpayer or upon final
0175 judgment of the court that the income tax, withholding tax,
0176 declaration of estimated tax or any penalty or interest paid by or
0177 credited to any taxpayer is in excess of the amount legally due,
0178 the director shall certify to the director of accounts and reports
0179 the name of the taxpayer, the amount of refund and such other
0180 information as the director may require. Upon receipt of such
0181 certification the director of accounts and reports shall issue a
0182 warrant on the state treasurer for the payment to the taxpayer out
0183 of the fund provided in subsection (b), except that no refund
0184 shall be made for a sum less than \$5, but such amount may be
0185 claimed by the taxpayer as a credit against the taxpayer's tax
0186 liability in the taxpayer's next succeeding taxable year.

In the event such fund is, at any time, insufficient to provide for the payment of refunds due claimants thereof, the director shall certify the amount of additional funds required to the director of accounts and reports who shall promptly transfer the required amount from the state general fund to the income tax refund fund, and notify the state treasurer, who shall make proper entry in the records.

0187 (d) When a resident taxpayer dies, and the director deter-
0188 mines that a refund is due the claimant not in excess of \$100, the
0189 director shall certify to the director of accounts and reports the
0190 name and address of the claimant entitled to the refund and the
0191 amount of the refund. A refund may be made upon a claim duly
0192 made on behalf of the estate of the deceased or in the absence of
0193 any such claim upon a claim by a surviving spouse and if none

0194 upon the claim by any heir at law. Upon receipt of such certifi-
0195 cation the director of accounts and reports shall issue a warrant
0196 on the state treasurer for the payment to the claimant out of the
0197 fund provided in subsection (b).

0198 (e) Interest shall be allowed and paid at the rate of 12% per
0199 annum upon any overpayment of the income tax imposed upon
0200 individuals, corporations, estates or trusts pursuant to the Kansas
0201 income tax act.

0202 For the purposes of this subsection:

0203 (1) Any return filed before the last day prescribed for the
0204 filing thereof shall be considered as filed on such last day,
0205 determined without regard to any extension of time granted the
0206 taxpayer;

0207 (2) any tax paid by the taxpayer before the last day prescribed
0208 for its payment, any income tax withheld from the taxpayer
0209 during any calendar year and any amount paid by the taxpayer as
0210 estimated income tax for a taxable year shall be deemed to have
0211 been paid on the last day prescribed for filing the return for the
0212 taxable year to which such amount constitutes a credit or pay-
0213 ment, determined without regard to any extension of time
0214 granted the taxpayer;

0215 (3) if any overpayment of tax results from a carryback of a net
0216 operating loss or net capital loss, such overpayment shall be
0217 deemed not to have been made prior to the close of the taxable
0218 year in which such net operating loss or net capital loss arises;

0219 (4) in the case of a credit, interest shall be allowed and paid
0220 from the date of the overpayment to the due date of the amount
0221 against which the credit is taken, except that if any overpayment
0222 of income tax is claimed as a credit against estimated tax for the
0223 succeeding taxable year, such amount shall be considered as a
0224 payment of the income tax for the succeeding taxable year,
0225 whether or not claimed as a credit in the return of estimated tax
0226 for such succeeding taxable year, and no interest shall be al-
0227 lowed or paid in such overpayment for the taxable year in which
0228 the overpayment arises;

0229 (5) in the case of a refund, interest shall be allowed and paid
0230 from the date of the overpayment to a date preceding the date of

0231 the refund check by not more than 30 days, as determined by the
0232 director, whether or not such refund check is accepted by the
0233 taxpayer after tender of such check to the taxpayer, but accept-
0234 ance of such check shall be without prejudice to any right of the
0235 taxpayer to claim any additional overpayment and interest
0236 thereon; and

0237 (6) if any overpayment is refunded within two months after
0238 the last date prescribed, or permitted by extension of time, for
0239 filing the return of such tax, or within two months after the return
0240 was filed, whichever is later, no interest shall be allowed or paid.
0241 For the purposes of this section, an overpayment shall be
0242 deemed to have been refunded at the time the refund check in
0243 the amount of the overpayment, plus any interest due thereon, is
0244 deposited in the United States mail.

0245 Sec. 5 K.S.A. 79-32,120 is hereby amended to read as fol-
0246 lows: 79-32,120. (a) If federal taxable income of an individual is
0247 determined by itemizing deductions from such individual's fed-
0248 eral adjusted gross income, such individual may elect to deduct
0249 the Kansas itemized deduction in lieu of the Kansas standard
0250 deduction. The Kansas itemized deduction of an individual
0251 means the total amount of deductions from federal adjusted gross
0252 income, other than federal deductions for personal exemptions,
0253 as provided in the internal revenue code of 1954, as amended,
0254 and in effect on December 31, 1977, with the modifications
0255 specified in this section.

0256 (b) The total amount of deductions from federal adjusted
0257 gross income shall be reduced by the total amount of income
0258 taxes imposed by or paid to this state or any other taxing juris-
0259 diction to the extent that the same are deducted in determining
0260 the federal itemized deductions, by the amount of medical and
0261 dental expenses claimed in determining such deductions, by the
0262 amount of any charitable contribution claimed for any contribu-
0263 tion or gift to or for the use of any racially segregated educational
0264 institution, *by the amount of all ad valorem tax deductions*
0265 *claimed for which a credit is claimed pursuant to section 1, 2 or*
0266 *3 and by the amount of all depreciation deductions claimed for*

6

refund

2, 3 or 4

0268 allowed by K.S.A. 79-32,161, and amendments thereto, and by
0269 K.S.A. 79-32,168, and amendments thereto, is or has been
0270 claimed.

0271 (c) The total amount of deductions from federal adjusted
0272 gross income shall be increased by the sum of:

0273 (i) The federal income tax liability under chapter 1 of the
0274 internal revenue code for the same taxable year for which the
0275 Kansas return is being filed after reduction for all credits
0276 thereon, except credits for federal withholding and payments on
0277 estimates of federal income tax, credits for gasoline and lubri-
0278 cating oil tax, and for foreign tax credits in an amount as herein-
0279 after provided. If, in any year to which this act relates, the
0280 taxpayer pays federal income tax pertaining to a prior year's
0281 federal income tax liability, such taxpayer may deduct such
0282 payment in the year such payment is made if, on the Kansas
0283 income tax return for such prior year, such taxpayer computed
0284 the federal income tax deduction on the basis of federal income
0285 tax paid in such prior year, rather than as accrued. The deduction
0286 for federal income tax liability for any year shall be determined
0287 by multiplying the federal income tax liability for such year by a
0288 fraction the numerator of which is the Kansas adjusted gross
0289 income for such year and the denominator of which is the federal
0290 adjusted gross income for the same year. Notwithstanding the
0291 foregoing, for all taxable years commencing after December 31,
0292 1982 and prior to January 1, 1985, the deduction for federal
0293 income *tax* liability allowed by this subsection, as limited by the
0294 preceding sentence, shall not exceed whichever of the following
0295 is greater: (A) Five thousand dollars in the case of a taxpayer
0296 filing a return as a single individual, head of household or
0297 married individual filing separately, or \$10,000 in the case of
0298 taxpayers filing a joint return; or (B) fifty percent of the product
0299 determined by multiplying federal income tax liability, after
0300 reduction for credits except those enumerated by the first sen-
0301 tence of this subsection, by the fraction determined under the
0302 preceding sentence.

0303 (ii) The amount of railroad retirement, social security or
0304 self-employment taxes payable under the internal revenue code

0305 for the same taxable year for which the Kansas return is being
0306 filed to the extent that the same are not deducted in computing
0307 federal taxable income. If in any year to which this act relates,
0308 the taxpayer pays railroad retirement, social security or self-
0309 employment taxes pertaining to a prior year's liability, such
0310 taxpayer may deduct such payment in the year in which such
0311 payment is made provided that such taxpayer has not deducted
0312 such amount in a prior year.

0313 (iii) Expenses in excess of \$50 paid during the taxable year
0314 not compensated for by insurance or otherwise, for medical or
0315 dental care for the taxpayer, the taxpayer's spouse, or a depen-
0316 dent.

0317 (iv) An amount for amortization of the amortizable costs of a
0318 certified oil production process as computed under K.S.A. 79-
0319 32,161, and amendments thereto.

0320 (v) An amount for the amortization deduction for a solar
0321 energy system allowed pursuant to K.S.A. 79-32,168, and
0322 amendments thereto.

0323 (vi) The fair market value of a painting or other work of art
0324 contributed to any art gallery or museum which is operated on a
0325 not-for-profit basis and which is supported in whole or part by
0326 public funds, by any taxpayer whose personal efforts created
0327 such painting or work of art, less the amount deducted from
0328 federal adjusted gross income attributable to such contribution.
0329 The value of such painting or work of art shall be determined and
0330 certified to the department of revenue by such art gallery or
0331 museum.

0332 Sec. 6 K.S.A. 79-32,138 is hereby amended to read as fol-
0333 lows: 79-32,138. (a) Kansas taxable income of a corporation
0334 taxable under this act shall be the corporation's federal taxable
0335 income for the taxable year with the modifications specified in
0336 this section.

0337 (b) There shall be added to federal taxable income: (i) The
0338 same modifications as are set forth in subsection (b) of K.S.A.
0339 79-32,117, and amendments thereto, with respect to resident
0340 individuals.

0341 (ii) The amount of all depreciation deductions claimed for

0342 any real or tangible personal property upon which the deduction
0343 is allowed by K.S.A. 79-32,161, and amendments thereto.

0344 (iii) The amount of all depreciation deductions claimed for
0345 any property upon which the deduction allowed by K.S.A. 79-
0346 32,168, and amendments thereto, is claimed.

0347 (iv) The amount of any charitable contribution deduction
0348 claimed for any contribution or gift to or for the use of any
0349 racially segregated educational institution.

0350 (v) *The amount of all ad valorem tax deductions claimed for*
0351 *which a credit is claimed pursuant to section 1, 2 or 3.*

refund

0352 (c) There shall be subtracted from federal taxable income: (i)
0353 The same modifications as are set forth in subsection (c) of K.S.A.
0354 79-32,117, and amendments thereto, with respect to resident
0355 individuals.

2, 3 or 4

0356 (ii) The federal income tax liability for any taxable year
0357 commencing prior to December 31, 1971, for which a Kansas
0358 return was filed after reduction for all credits thereon, except
0359 credits for payments on estimates of federal income tax, credits
0360 for gasoline and lubricating oil tax, and for foreign tax credits if,
0361 on the Kansas income tax return for such prior year, the federal
0362 income tax deduction was computed on the basis of the federal
0363 income tax paid in such prior year, rather than as accrued.
0364 Notwithstanding the foregoing, the deduction for federal income
0365 tax liability for any year shall not exceed that portion of the total
0366 federal income tax liability for such year which bears the same
0367 ratio to the total federal income tax liability for such year as the
0368 Kansas taxable income, as computed before any deductions for
0369 federal income taxes and after application of subsections (d) and
0370 (e) of this section as existing for such year, bears to the federal
0371 taxable income for the same year.

0372 (iii) An amount for amortization of the amortizable costs of a
0373 certified oil production process as computed under K.S.A. 79-
0374 32,161, and amendments thereto.

0375 (iv) An amount for the amortization deduction for a solar
0376 energy system allowed pursuant to K.S.A. 79-32,168, and
0377 amendments thereto.

0378 (d) If any corporation derives all of its income from sources

0379 within Kansas in any taxable year commencing after December
 0380 31, 1979, its Kansas taxable income shall be the sum resulting
 0381 after application of subsections (a) through (c) hereof. Otherwise,
 0382 such corporation's Kansas taxable income in any such taxable
 0383 year, after excluding any refunds of federal income tax and
 0384 before the deduction of federal income taxes provided by sub-
 0385 section (c)(ii) shall be allocated as provided in K.S.A. 79-3271 to
 0386 ~~K.S.A. 79-3293~~, inclusive, and amendments thereto, plus any
 0387 refund of federal income tax as determined under paragraph (iv)
 0388 of subsection (b) of K.S.A. 79-32,117, and minus the deduction
 0389 for federal income taxes as provided by subsection (c)(ii) shall be
 0390 such corporation's Kansas taxable income.

0391 (e) A corporation may make an election with respect to its
 0392 first taxable year commencing after December 31, 1982, whereby
 0393 no addition modifications as provided for in K.S.A. 79-
 0394 32,138(b)(ii) and subtraction modifications as provided for in
 0395 K.S.A. 79-32,138(c)(iii), as those subsections existed prior to their
 0396 amendment by this act, shall be required to be made for such
 0397 taxable year.

0398 New Sec. [7]. The provisions of this act shall be applicable to
 0399 all taxable years commencing after December 31, 1984.

0400 Sec. [8]. K.S.A. 79-32,105, 79-32,120 and 79-32,138 are hereby
 0401 repealed.

0402 Sec. [9]. This act shall take effect and be in force from and
 0403 after its publication in the statute book.

8

sections 6 and 7 of

9

10

Together.

2

PAH2159b1

Proposed amendment to HB 2159

On page 1, in line 43, before "income" by inserting "all"; in line 44, by striking "and prior to January 1, 1988,"; in line 45, by striking "60%" and inserting "50%";

On page 2, by striking all in lines 48 to 57, inclusive;

On page 3, in line 88, before "income" by inserting "all"; in line 89, by striking "and prior to January 1, 1988,"; in line 90, by striking "60%" and inserting "50%"; by striking all in lines 93 to 102, inclusive;

On page 4, in line 135, before "income" by inserting "all"; in line 136, by striking "and prior to January 1, 1988,"; in line 137, by striking "60%" and inserting "50%"; by striking all in lines 140 to 149, inclusive;

Proposed amendment to HB 2512

On page 1, in line 24, by striking "\$.16" and inserting "\$.24"; in line 25, by striking "\$.20" and inserting "\$.30"; also, in line 25, by striking all after the period; by striking all in lines 26 to 32, inclusive; in line 42, by striking "October" and inserting "July";

On page 2, in line 46, by striking "October" and inserting "July"; also, in line 46, by striking all after the period; by striking all in lines 47 to 56, inclusive; in line 57, by striking all before "as" and inserting "A tax of \$.08 on each 20 cigarettes or fractional part thereof or \$.10 on each 25 cigarettes, as the case requires, and \$.08 or \$.10"; in line 59, by striking "October" and inserting "July"; in line 60, by striking "October" and inserting "July"; after line 64 by inserting two new sections to read as follows:

"Sec. 3. K.S.A. 79-3311 is hereby amended to read as follows: 79-3311. The director shall design and designate indicia of tax payment to be affixed to each package of cigarettes as provided by this act. The director shall sell water applied stamps only to licensed wholesale dealers in the amounts of 1,000 or multiples thereof. Stamps applied by the heat process shall be sold only in amounts of 30,000 or multiples thereof. Meter imprints shall be sold only in amounts of 10,000 or multiples thereof. Water applied stamps in amounts of 10,000 or multiples thereof and stamps applied by the heat process and meter imprints shall be supplied to wholesale dealers at a discount of 2.65% from the face value thereof, and shall be deducted at the time of purchase or from the remittance therefor as hereinafter provided. ~~On--and--after--October-17-1985--such discount-rate-shall-be-1.77%.~~ Any wholesale cigarette dealer who shall file with the director a bond, of acceptable form, payable to the state of Kansas with a corporate surety authorized to do business in Kansas, shall be permitted to purchase stamps, and

remit therefor to the director within 30 days after each such purchase, up to a maximum outstanding at any one time of 85% of the amount of the bond. Failure on the part of any wholesale dealer to remit as herein specified shall be cause for forfeiture of such dealer's bond. All revenue received from the sale of such stamps or meter imprints shall be remitted to the state treasurer daily. Upon receipt thereof, the state treasurer shall deposit the entire amount thereof in the state treasury. The state treasurer shall first credit such amount thereof as the director shall order to the cigarette tax refund fund and shall credit the remaining balance to the state general fund. A refund fund designated the cigarette tax refund fund not to exceed \$10,000 at any time shall be set apart and maintained by the director from taxes collected under this act and held by the state treasurer for prompt payment of all refunds authorized by this act. Such cigarette tax refund fund shall be in such amount as the director shall determine is necessary to meet current refunding requirements under this act.

The wholesale cigarette dealer shall affix to each package of cigarettes stamps or tax meter imprints required by this act prior to the sale of cigarettes to any person, by such dealer or such dealer's agent or agents, within the state of Kansas. The director is empowered to authorize wholesale dealers to affix revenue tax meter imprints upon original packages of cigarettes and is charged with the duty of regulating the use of tax meters to secure payment of the proper taxes. No wholesale dealer shall affix revenue tax meter imprints to original packages of cigarettes without first having obtained permission from the director to employ this method of affixation. If the director approves the wholesale dealer's application for permission to affix revenue tax meter imprints to original packages of cigarettes, the director shall require such dealer to file a suitable bond payable to the state of Kansas executed by a corporate surety authorized to do business in Kansas. The director may, to assure the proper collection of taxes imposed by

the act, revoke or suspend the privilege of imprinting tax meter imprints upon original packages of cigarettes. All meters shall be under the direct control of the director, and all transfer assignments or anything pertaining thereto must first be authorized by the director. All inks used in the stamping of cigarettes must be of a special type devised for use in connection with the machine employed and approved by the director. All repairs to the meter are strictly prohibited except by a duly authorized representative of the director. Requests for service shall be directed to the director. Meter machine ink imprints on all packages shall be clear and legible. If a wholesale dealer continuously issues illegible cigarette tax meter imprints, it shall be considered sufficient cause for revocation of such dealer's permit to use a cigarette tax meter.

A licensed wholesale dealer may, for the purpose of sale in another state, transport cigarettes not bearing Kansas indicia of tax payment through the state of Kansas provided such cigarettes are contained in sealed and original cartons.

"Sec. 4. K.S.A. 79-3312 is hereby amended to read as follows: 79-3312. The director shall redeem any unused stamps or meter imprints that any wholesale dealer presents for redemption within six months after the purchase thereof, at the face value less 2.65% thereof if such stamps or meter imprints have been purchased from the director, ~~except that if any such stamps or imprints purchased on and after October 17, 1985, are presented for redemption, the director shall redeem the same at their face value less 1.77% thereof.~~ The director shall prepare a voucher showing the net amount of such refund due, and the director of accounts and reports shall draw a warrant on the state treasurer for the same. Wholesale dealers shall be entitled to a refund of the tax paid on cigarettes which have become unfit for sale upon proof thereof less 2.65% of such tax, ~~except that if the tax is paid on or after October 17, 1985, such refund shall equal the tax paid less 1.77% thereof.~~";

By renumbering existing sections 3 and 4 as sections 5 and 6 respectively;

Also, on page 2, in line 65, by striking "and" and inserting a comma; also, in line 65, before "are" by inserting ", 79-3311 and 79-3312";

In the title, in line 18, by striking the first "and" and inserting a comma; also, in line 18, before the second "and" by inserting ", 79-3311 and 79-3312"