

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

The meeting was called to order by Senator Fred A. Kerr at
Chairperson

7:00 ~~xxx~~/p.m. on Thursday, April 25, 1985 in room 519-S of the Capitol.

All members were present ~~xxxx~~:

Committee staff present:

Tom Severn, Research Department
Melinda Hanson, Research Department
Don Hayward, Revisor's Office

Conferees appearing before the committee: None

H.B. 2512 - Cigarette tax rate increase

Chairman Kerr announced that the purpose of the meeting was to discuss H.B. 2512 concerning an increase in the excise tax in cigarettes.

Senator Burke requested that Don Hayward explain the amendment prepared for the bill. Mr. Hayward explained that the amendment strikes section 2 of the bill, increases the cigarette tax by 8¢ on a package of 20 and by 10¢ on a package of 25, sets the discount rate at 1.77% and changes the effective date of the bill to October 1, 1985.

Senator Burke asked why the discount rate was set at 1.77%. Dr. Severn responded that current law gives wholesalers a discount of 4.24 mills per package to cover the cost of affixing the stamps and that a 1.77% rate would provide for nearly the same amount (4.248 mills). Dr. Severn indicated that the bill had a fiscal impact of 14.4 million in FY 86.

Senator Burke made a motion to adopt the amendment. The motion was seconded by Senator Hayden.

Senator Karr asked how Kansas would compare to other states, both nationwide and regionally, should the bill pass. Dr. Severn replied that Colorado has legislation pending to raise their cigarette tax from 15¢ to 23¢ on July 1, Nebraska and Oklahoma have pending legislation that would raise the tax in the amount of any federal tax decrease, effective October 1. Nationwide, Kansas would have the fifth highest rate if the federal rate is not decreased.

Senator Burke asked if any amount to cover slippage and bootlegging had been included in the fiscal note. Dr. Severn responded that if no change in consumption were assumed, the estimate would be \$4 million higher.

On the vote to amend, the motion carried.

The Committee briefly discussed the income tax as another revenue option. Senator Burke expressed his opinion that given the late hour in the legislative session, income tax change and reform were of too great a magnitude to discuss and that it would be inappropriate to consider the income tax at the present time.

Senator Frey stated that he would prefer to get the cigarette tax bill to the floor where it could be more fully and adequately discussed.

Senator Burke made a motion to report the bill, as amended, favorably for passage. The motion was seconded by Senator Hayden.

Senator Allen mentioned the issue of surety bonds as a significant one to be considered. He said it was his understanding that some smaller companies might be forced out of business because of a cigarette tax increase. Chairman Kerr confirmed that the issue had arisen during hearings on the bill earlier in the session.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S, Statehouse, at 7:00 ~~xxx~~ p.m. on April 25, 1985

The motion to report the bill, as amended, favorably passed 6-4.

Meeting adjourned.

(The next morning Dr. Severn notified Chairman Kerr that the fiscal impact would be 14.7 million dollars in FY 86 instead of 14.4 million. The change is due to the change in the discount rate.)