

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 April 1, 1986 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Aylward, Ott

Committee staff present:

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

Mr. Bill Edds, representing Kansas Department of Revenue, explained HB-3121, an act providing income and sales tax incentives for certain business development, amending the job expansion and investment credit act of 1976. He answered questions from committee members and said that the Department of Revenue supports this bill.

Mr. Jamie Schwartz also spoke as a proponent of HB-3121. He said he had appeared as a proponent of HB-3068 and supports HB-3121 without restrictions. Mr. Charles Belt, representing Wichita Chamber of Commerce, spoke as a proponent. Mr. Bud Grant testified as a proponent and said he also supports the amendments. There was some discussion concerning the effective date of HB-3121.

Mr. Harley Duncan, representing Kansas Department of Revenue, spoke as a proponent for HB-3128, an act concerning the county inheritance tax fund; providing for the termination of distribution to counties therefrom; abolishing such fund and disposing of the moneys therein. (Attachment 1) Mr. Duncan discussed the bill and replied to questions from the committee. Committee members were concerned about how soon the money would be available to the counties. This concluded the public hearing on HB-3128.

The next bill considered was SB-573, an act relating to income taxation; concerning itemized deductions of an individual; concerning penalties for underpayment of estimated tax. Representative Wunsch moved, second by Representative Crowell, that a person with a zero tax liability would not have to file an estimate the following year. The motion carried. Representative Leach moved, second by Representative Wagnon, that SB-573 be amended to provide for tax reform and shifts within brackets. (Attachment 2) Representative Rolfs said he does not believe there are enough votes on the floor to pass this bill. Representative Leach said it is quite a long way from final adjournment and he believes a compromise could be reached. Motion to amend failed.

Representative Fox moved, second by Representative Erne, to allow the personal exemption for both spouses with joint custody of a child. There was considerable discussion about child custody. Representative Fox said he believes clarification would bring some equity. The motion to amend failed.

Representative Wunsch moved, second by Representative Moomaw, to amend SB-573 by reinserting lines 99 through 107 which referred to allowing credit for the full market value of a painting or other work of art. After considerable discussion, it was decided it would be difficult to determine the fair market value and the motion failed.

Representative Patterson moved, second by Representative Leach, that SB-573 be reported favorably for passage. The motion carried.

The next bill considered was SB-689, an act relating to the enforcement and collection of Kansas retailers' sales and compensating tax; imposing personal liability for the tax on individuals responsible for collection. Representative Wunsch moved, second by Representative Vancrum, that SB-689 be conceptually amended to include the same language for individual liabilities as applies to withholding and sales tax. The motion carried. Representative Leach moved, second by Representative Fox, that SB-689 be passed favorably. The motion carried.

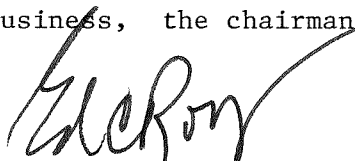
Representative Fox moved, second by Representative Vancrum, that SB-462 be passed favorably. This is an act concerning property taxation; authorizing the appointment of advisory hearing panels to assist county boards of equalization in hearing taxpayer appeals resulting from statewide reappraisal. There was considerable discussion concerning whether some panel members might be involved as appraisers and there would be a conflict of interests. Dr. Severn explained that there would be several panels so there need not be a conflict of interests. Representative Jarchow made a conceptual motion, second by Representative Fox, that a person who had appraised a property could not be on a panel that would make a determination about a taxpayer's appeals. The motion carried. Representative Spaniol moved, second by Representative Leach, that Sedgwick be omitted from the list of counties in line 105. The motion carried. Representative Lowther moved, second by Representative Vancrum, that SB-462 as amended be passed favorably. Representative Adam moved, second by Representative Wagon, that SB-462 be tabled. The motion failed. Representative Reardon moved, second by Representative Smith, that line 105 be amended to refer to Johnson County only. The motion passed. Representative Fox moved, second by Representative Vancrum, that SB-462 as amended be passed favorably. The motion carried.

The next bill considered was SB-548, an act relating to property taxation; concerning delinquent tax sales of real estate. Representative Fry moved, second by Representative Fox, that SB-548 be reported favorably. The motion carried.

Representative Wunsch stated that his conceptual amendment on SB-689 may not be necessary and may need to be modified or not included in the bill at all. By unanimous consent, the committee agreed to have Representative Wunsch work with the Department and staff to include or not include any provision necessary to bring the bill in harmony with the state withholding statutes.

The minutes of March 31 were approved.

There being no further business, the chairman adjourned the meeting.

  
Ed C. Rolfs, Chairman

MEMORANDUM

TO: The Honorable Ed C. Rolfs, Chairman  
House Committee on Assessment and Taxation

FROM: Harley T. Duncan, Secretary  
Kansas Department of Revenue

RE: House Bill 3128

DATE: April 1, 1986

Thank you for the opportunity to appear before you today on House Bill 3128. The Administration supports enactment of this measure.

Under current law, five percent of the inheritance tax is rebated to the county in which the estate giving rise to the inheritance tax domiciled. House Bill 3128 repeals the distribution of inheritance revenues back to county governments effective July 1, 1986. HB 3128 will decrease State General Fund expenditures by approximately \$1.2 million in FY 1987 and by roughly \$1.5 million annually thereafter. More accurately, failure to enact the bill will increase State General Fund expenditures by \$1.2 million above the Governor's recommended budget in FY 1987.

The rationale underlying HB 3128 is straightforward. Prior to the recodification of the inheritance tax law in 1978, the counties were involved in the administration of the tax with the tax payments actually being made to the county treasurer. As payment for this service, the treasurers retained 5 percent of the tax. Under the recodification, all administration is handled by the Department of Revenue. Yet, we continue to distribute a portion of the tax back to counties. The inheritance tax rebate has become a general aid program with no sound distribution criteria.

I would note that the Governor's recommended budget includes \$8 million for reappraisal cost sharing and a continuation of the LAVTR and CCRS at their current percentages. Increasing the sales and use tax rate to 4.0 percent as proposed by the Governor would increase these two aid programs by about \$15 million annually when phased in fully. These two programs more than offset the elimination of this program.

Proposed Amendment to SB 573  
(As amended by Senate Committee)

On page 1, in line 38, by striking all after "deductions";  
by striking all in line 39;

On page 2, by striking all in lines 79 to 83, inclusive;

On page 3, by striking all in lines 84 to 92, inclusive; in  
line 93, by striking "(iv)" and inserting "(ii)"; in line 96, by  
striking "(v)" and inserting "(iii)";

On page 6, after line 227, by inserting three new sections  
to read as follows:

"Sec. 3. K.S.A. 79-32,111a is hereby amended to read as  
follows: 79-32,111a. (a) There shall be allowed as a credit  
against the tax liability of a resident individual under article  
32 of chapter 79 of the Kansas Statutes Annotated and acts  
amendatory thereof and supplemental thereto ~~a portion~~ an amount  
equal to 25% of the amount of the credit allowed against said  
such taxpayer's federal income tax liability pursuant to 26  
U.S.C. 44A for the taxable year in which said such credit was  
claimed against the taxpayer's federal income tax liability. Said  
~~portion shall be the applicable percentage of said credit as set~~  
~~forth in the following schedule:~~

Taxpayers-Kansas-Adjusted

Gross-Income	%-of-Federal-Credit
\$0-to-\$5,000	100
5,000.01-to--6,000	90
6,000.01-to--7,000	80
7,000.01-to--8,000	70
8,000.01-to--9,000	60
9,000.01-to--10,000	50
10,000.01-to--11,000	40
11,000.01-to--12,000	30
12,000.01-to--13,000	20
13,000.01-to--14,000	10
14,000.01-and-over	0

(b) The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by K.S.A. 79-32,110, and amendments thereto, reduced by the sum of any other credits allowable pursuant to law.

"Sec. 4. K.S.A. 79-32,119 is hereby amended to read as follows: 79-32,119. The Kansas standard deduction of an individual, ~~including a husband and wife who are either both residents or who file a joint return as if both were residents,~~ shall be the sum of (a) ~~the standard deduction allowable to such individual or to such husband and wife under the internal revenue code of 1954, as amended, and in effect on December 31, 1976, except, however, that any limitation on such federal standard deduction expressed in terms of a percentage of the federal adjusted gross income shall be applied to Kansas adjusted gross~~ income (1) \$3,670 for a married individual filing a joint Kansas income tax return; or (2) \$2,480 for a single individual, or an individual filing a return under the status of head of household; or (3) \$1,835 for a married individual filing a separate Kansas income tax return; and (b) the deduction for federal income tax as defined in K.S.A. 79-32,120. ~~For purposes of the foregoing, the federal standard deduction allowable to a husband and wife filing separate Kansas income tax returns shall be determined on the basis that separate federal returns were filed, and the federal standard deduction of a husband and wife filing a joint Kansas income tax return shall be determined on the basis that a joint federal income tax return was filed.~~

"New Sec. 5. (a) There shall be allowed as a credit against the tax liability of an individual imposed under the Kansas income tax act an amount equal to \$55 for each personal exemption for which such individual is entitled to a deduction for the taxable year for federal income tax purposes. In addition, an individual filing a federal income tax return under the status of head of household, shall be allowed an additional credit in an amount equal to \$55.

(b) The credit allowed by subsection (a) shall not exceed the amount of the tax imposed under the Kansas income tax act, reduced by the sum of any other credits allowable pursuant to law.";

By renumbering existing sections 3 to 5, inclusive, as sections 6 to 8, respectively;

Also, on page 6, in line 230, by striking "and 79-32,120" and inserting "79-32,111a, 79-32,119, 79-32,120 and 79-32,121";

In the title, in line 18, after "concerning" by inserting "the standard and"; in line 20, after the semicolon, by inserting "allowing certain credits therefrom"; in line 20, before "and" by inserting ", 79-32,111a, 79-32,119"; in line 21, before the period by inserting "; also repealing K.S.A. 79-32,121"