

Approved February 20, 1986
Date

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

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

11:00 a.m./~~pm~~ on Wednesday, February 19, 1986 in room 519-S of the Capitol.

All members were present ~~XXXXX~~

Committee staff present:

Tom Severn, Research Department
Melinda Hanson, Research Department
Don Hayward, Revisor's Office
LaVonne Mumert, Secretary to the Committee

Conferees appearing before the committee:

Harley Duncan, Department of Revenue
T. C. Anderson, Kansas Society of Certified Public Accountants
Albert B. Franklin, Manhattan
Gilbert Green, National Association of Retired Federal Employees

S.B. 573 - Income taxation; conformity of certain state and federal itemized deduction and estimated tax penalties

Harley Duncan explained that the bill would update the reference date for federal itemized deductions, repeal a state deduction for works of art, repeal the disallowance for charitable contributions to racially segregated educational institutions and conform with the federal underpayment exceptions for estimated tax (Attachment 1). Secretary Duncan estimates that the bill will raise revenues by \$3.4 million and that two-thirds of the total liability will be paid by taxpayers with incomes between \$35,000 and \$100,000. He discussed charts which illustrate the effect of the bill on various types of taxpayers. The Committee was also provided with a chart showing the "Percent of Resident Taxpayers Itemizing by Income Bracket in Tax Year 1984" (Attachment 2). Senator Kerr asked for a breakdown of the \$3.4 million. Secretary Duncan said that approximately \$3 million would come from the elimination of the gasoline tax deduction and about \$400,000 from conformance of the casualty loss deduction.

S.B. 574 - Income taxation; conformity of certain state and federal deductions and penalty provisions; increase of personal exemption amounts

Secretary Duncan explained that this bill is identical to S.B. 573 but, in addition, conforms with the federal government on medical and dental expense deductions and increases the personal exemption allowance to \$1,080 (Attachment 3). He said the bulk of the increase in tax liability falls in the \$35,000 to \$100,000 range with the average increase for all residents being 3.9%. Secretary Duncan pointed out charts illustrating the effect of the bill on various types of taxpayers. In response to Chairman Kerr's question, Secretary Duncan said that approximately \$31 million is realized by conforming on the medical and dental deductions and approximately \$11 million would be lost by the \$80 increase in the personal exemption.

T. C. Anderson testified that his association is interested in seeing Kansas move towards conformity with the federal tax laws. Mr. Anderson provided copies of part of the Kansas income tax return to show how the instructions could be simplified by the passage of S.B. 573 and/or S.B. 574 (Attachment 4). He also distributed copies of the Nebraska Individual Income Tax Return (Attachment 5). Mr. Anderson explained the amendments he suggests for the bills (Attachment 6). The amendments would provide that penalties shall not be assessed if they are less than \$5 (line 140), that no estimated tax shall be due if the taxpayer did not file a return or had no tax owing the previous year (line 153) and that taxpayers shall have the option of changing from one method to another method of computing the tax within a tax year (line 158). Answering a question from Chairman Kerr, Mr. Anderson

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on February 19, 1986

said that his association has never taken a policy position on legislation; but members have noted that the perception is that the top individual income tax rate of 9% is high, without taking into consideration that deduction of federal taxes are allowed. Mr. Anderson observed that it might be possible to lower the top tax bracket to 6%, if deduction of federal taxes are disallowed, without having a negative fiscal impact.

Harley Duncan said that Kansas is one of 13 states allowing deduction of federal taxes from the state income tax. In answer to a question from Senator Karr, Secretary Duncan said that Kansas would automatically conform to any changes affecting the adjusted gross income but would not conform to changes with regard to itemized deductions.

Albert B. Franklin urged that foreign service retirement benefits be subtracted from the federal adjusted gross income as are civil service retirement benefits. Mr. Franklin said that there are only eight retired foreign service officers in Kansas.

Gilbert Green expressed concern about conformance with the federal tax code. He said Kansas has almost 19,000 civil service retirees, which is a high percentage. He mentioned that some social security benefits are now subject to taxation because of conforming with the federal tax code.

Senator Montgomery moved that the minutes of the February 14, 17 and 18 meetings be approved. Senator Mulich seconded the motion, and the motion carried.

Meeting adjourned.

MEMORANDUM

TO: The Honorable Fred A. Kerr, Chairman
Senate Committee on Assessment and Taxation

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



RE: Senate Bill 573

DATE: February 19, 1986

Thank you for the opportunity to appear before you today on Senate Bill 573. The Department supports enactment of this measure.

BACKGROUND

SB 573 was requested by the Department of Revenue and is designed to create a greater degree of conformity between the state tax code and the federal Internal Revenue Code in the area of itemized deductions and penalties for underpayment of estimated tax. Specifically, the bill would accomplish the following.

1. Update the reference date for federal itemized deductions from December 31, 1977 to December 31, 1985. This means that state itemized deductions will be federal itemized deductions as they existed on December 31, 1985 plus and minus certain state modifications. The effect of this change is to eliminate the gasoline tax deduction which was repealed at the federal level in 1978, conform our casualty loss deduction to the federal level of only losses in excess of 10 percent of AGI, and repeal the deduction for political contributions.

2. Repeal the special state itemized deduction for works of art. This deduction allows an artist to deduct the fair market value of any works of art donated to a non-profit art gallery or museum supported wholly or in part by public funds. With the amendment, the artist would deduct only what is allowed at the federal level which is the cost of materials. Since it was enacted in 1979, we are unaware of any taxpayer using this provision.
3. Repeal a special state provision disallowing charitable contributions to racially segregated educational institutions. This is no longer necessary since federal law disallows such contributions.
4. Repeal two exceptions to the penalty for underpayment of estimated tax which will bring us into conformity with the federal underpayment exceptions as they exist currently. The two remaining exceptions will be if the payments equal the liability for the prior year or if they equal 80 percent (66 2/3 percent for farmers) of the current year liability.

The Department supports these measures in the interests of conformity with the federal tax code. Where the state and federal tax codes conform to one another, tax matters tend to be simpler for the taxpayer and practitioners. More importantly, from our perspective, our compliance is improved when we conform with the federal government. Because of our limited ability to audit individual returns, we must rely heavily on federal enforcement efforts.

FISCAL IMPACT

We estimate that enactment of SB 573 will increase State General Fund revenues by \$3.4 million in FY 1987. The estimate was developed through our individual income tax simulation model. The model is based on a sample of 10,000 individual income tax returns from 1983

with income and expenses increased to 1986 levels based on actual increases in 1984 and assumptions used in the consensus revenue estimates for 1985 and 1986.

Attached to this testimony is information displaying the effect of these changes on various types of taxpayers broken between single and married returns and various income groups. At the top of the first page is a breakdown of current law income tax liability which shows for various income groups of married residents, single residents, and all residents the following data: number of returns, percent of Kansas Adjusted Gross Income, estimated income tax liability, percent of total liability for that group, and the effective tax rate for that income group with effective rate being tax liability expressed as a percentage of AGI. The bottom half of the first page shows the same information after one makes the changes encompassed in the bill. The second page focuses on the increase resulting from the bill. It presents the estimated amount of increase, the percentage increase, the percent of total increase and the effective tax rate for the various income groups and filing categories.

Because of the relatively limited fiscal impact contained in SB 573, little can be said about its distributional effects. Three-fourths of the total increase will fall on married resident taxpayers, but 80 percent of that additional liability will be paid by taxpayers with incomes in excess of \$35,000. Two-thirds of the total liability will be paid by taxpayers (married and single) with incomes between \$35,000 and \$100,000.

Since this bill and others deal with itemized deductions, the Committee may find the following information on our itemized filing population helpful.

1. In 1984, 39 percent of all resident taxpayers itemized their deductions. This constitutes 372,773 returns.
2. Of the itemizers, 77 percent (288,000) were married taxpayers and the rest (84,000 or 23 percent) were single.

3. For all resident taxpayers, 80 percent of those with under \$25,000 AGI file with a standard deduction while 79 percent of those over \$25,000 AGI file with itemized deductions.
4. For married resident taxpayers, 68 percent under \$25,000 AGI use the standard deduction and 80 percent of those over \$25,000 use itemized deductions.
5. For single resident taxpayers, 86 percent of those under \$25,000 AGI file with a standard deduction and 71 percent of those over \$25,000 use itemized deductions.

I hope this information is helpful. I would be glad to attempt to answer any questions.

ELIMINATION OF THE KANSAS GAS TAX DEDUCTION AND "OTHER" DEDUCTIONS FROM KANSAS ITEMIZED DEDUCTIONS

Kansas Department Of Revenue

Individual Income Tax In Tax Year 1986
Resident Taxpayers

Current Law

K.A.G.I. Bracket	Married					Single					Total Residents				
	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate
No K.A.G.I.	12,526	0.2%	\$0.00	0.0%	0.0%	6,211	0.0%	\$0.00	0.0%	0.0%	18,737	0.0%	\$0.00	0.0%	0.0%
\$0 \$5,000	15,995	0.2%	\$13,463.39	0.0%	0.0%	103,053	4.9%	\$928,091.84	0.6%	0.3%	118,947	1.4%	\$941,561.22	0.2%	0.3%
\$5,000 \$15,000	75,474	4.5%	\$5,618,627.55	1.6%	0.9%	166,105	26.4%	\$28,001,524.49	17.6%	1.6%	241,579	10.1%	\$34,620,152.04	6.0%	1.5%
\$15,000 \$25,000	97,368	11.2%	\$31,912,859.18	7.6%	1.7%	84,316	27.3%	\$45,157,027.55	28.9%	2.9%	181,684	15.3%	\$76,069,886.73	13.5%	2.2%
\$25,000 \$35,000	107,709	18.5%	\$71,270,618.37	17.0%	2.3%	36,842	17.9%	\$34,453,306.12	21.6%	3.3%	144,632	18.4%	\$105,523,924.49	18.3%	2.5%
\$35,000 \$50,000	125,253	29.8%	\$129,205,372.41	31.0%	2.6%	15,263	10.3%	\$20,111,682.65	12.6%	3.3%	140,526	24.8%	\$149,317,053.06	25.9%	2.6%
\$50,000 \$100,000	71,150	25.6%	\$121,076,324.06	29.2%	2.8%	6,632	7.1%	\$16,226,425.51	10.2%	3.9%	77,789	21.1%	\$137,324,729.59	23.8%	2.9%
\$100,000 Over	9,853	9.9%	\$57,273,155.33	13.7%	3.4%	1,368	6.0%	\$13,520,811.22	8.5%	3.9%	10,421	8.9%	\$70,853,977.55	12.3%	3.5%
Total	514,526	100.0%	\$417,172,415.31	100.00%	2.5%	419,789	100.00%	\$159,450,669.39	100.00%	2.7%	934,316	100.00%	\$576,631,284.69	100.00%	2.5%

Kansas Department Of Revenue

Individual Income Tax In Tax Year 1985
Resident Taxpayers

SENATE BILL 573: ELIMINATION OF THE KANSAS GAS TAX DEDUCTION AND "OTHER" DEDUCTIONS

K.A.G.I. Bracket	Married					Single					Total Residents				
	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate
No K.A.G.I.	12,526	0.2%	\$0.00	0.0%	0.0%	6,211	0.0%	\$0.00	0.0%	0.0%	18,737	0.0%	\$0.00	0.0%	0.0%
\$0 \$5,000	15,995	0.2%	\$13,463.39	0.0%	0.0%	103,053	4.5%	\$928,091.84	0.6%	0.3%	118,947	1.4%	\$941,561.22	0.2%	0.3%
\$5,000 \$15,000	75,474	4.5%	\$5,633,281.43	1.6%	0.8%	166,105	26.4%	\$28,050,197.56	17.5%	1.8%	241,579	10.1%	\$34,683,519.29	6.0%	1.5%
\$15,000 \$25,000	97,368	11.2%	\$32,220,675.59	7.6%	1.6%	84,316	27.3%	\$46,302,945.92	28.9%	2.8%	181,684	15.3%	\$76,331,825.51	13.5%	2.2%
\$25,000 \$35,000	107,709	18.5%	\$71,434,324.08	17.0%	2.2%	36,842	17.9%	\$34,616,775.51	21.6%	3.2%	144,632	18.4%	\$105,111,679.59	18.3%	2.5%
\$35,000 \$50,000	125,253	29.8%	\$130,188,941.04	31.0%	2.5%	15,263	10.3%	\$20,213,825.51	12.6%	3.3%	140,526	24.8%	\$150,422,767.35	25.9%	2.6%
\$50,000 \$100,000	71,150	25.6%	\$121,975,446.94	29.1%	2.7%	6,632	7.1%	\$16,348,672.41	10.2%	3.8%	77,789	21.1%	\$138,324,117.35	23.9%	2.8%
\$100,000 Over	9,853	9.9%	\$57,359,901.02	13.7%	3.3%	1,368	6.0%	\$13,565,464.69	8.5%	3.6%	10,421	8.9%	\$70,569,385.71	12.2%	3.4%
Total	514,526	100.0%	\$419,734,054.29	100.00%	2.4%	419,789	100.00%	\$160,249,531.64	100.00%	2.7%	934,316	100.00%	\$579,764,656.12	100.00%	2.5%

Fiscal Impact: \$2,562,448.98

\$591,122.45

\$3,153,571.43

All Taxpayers: \$3,361,026.53

Non-Resident: \$287,455.10

Kansas Department Of Revenue

Individual Income Tax In Tax Year 1986
Resident Taxpayers
Impact By Bracket

SENATE BILL 573: ELIMINATION OF THE KANSAS GAS TAX DEDUCTION AND "OTHER" DEDUCTIONS

K.A.S.I. Bracket	Married					Single					Total Residents				
	No. Of Returns	Percent Increase	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Increase	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Increase	Liability	Percent Of Total	Effective Rate
No K.A.S.I.	12,526	0.0%	\$2.00	0.0%	0.0%	6,211	0.0%	\$2.00	0.0%	0.0%	18,737	0.0%	\$2.00	0.0%	0.0%
\$0 - \$5,000	15,855	0.0%	\$2.00	0.0%	0.0%	103,053	0.0%	\$2.00	0.0%	0.3%	118,947	0.0%	\$2.00	0.0%	0.3%
\$5,000 - \$15,000	75,474	0.2%	\$14,693.88	0.6%	0.8%	166,185	0.2%	\$46,673.47	0.2%	1.8%	241,579	0.2%	\$63,367.35	2.0%	1.5%
\$15,000 - \$25,000	97,368	0.4%	\$116,022.41	4.5%	1.6%	84,316	0.3%	\$145,918.37	24.7%	2.8%	181,684	0.3%	\$261,938.78	8.3%	2.2%
\$25,000 - \$35,000	107,789	0.6%	\$424,285.71	16.6%	2.2%	36,842	0.5%	\$163,469.39	27.7%	3.2%	144,632	0.6%	\$567,755.10	18.6%	2.5%
\$35,000 - \$50,000	125,263	0.8%	\$563,571.43	38.4%	2.5%	15,263	0.5%	\$102,142.86	17.3%	3.3%	142,526	0.7%	\$1,065,714.29	34.4%	2.6%
\$50,000 - \$100,000	71,158	0.7%	\$697,142.85	35.0%	2.7%	6,632	0.8%	\$122,244.90	28.7%	3.8%	77,789	0.7%	\$1,019,387.76	32.3%	2.8%
\$100,000 - Over	9,053	0.2%	\$126,734.69	4.5%	3.3%	1,368	0.1%	\$8,673.47	1.5%	3.8%	10,421	0.2%	\$135,408.16	4.3%	3.4%
Total	514,526	0.6%	\$2,562,448.98	100.00%	2.4%	419,789	0.4%	\$591,122.45	100.00%	2.7%	934,316	0.5%	\$3,153,571.43	100.00%	2.5%
Fiscal Impact:			\$2,562,448.98					\$591,122.45					\$3,153,571.43		
All Taxpayers:			\$3,361,026.53			Non-Resident:		\$207,455.10							

Percent of Resident Taxpayers Itemizing by
Income Bracket in Tax Year 1984

K.A.G.I. Bracket	Married			Single			Total Residents		
	No. Of Returns	No. Itemizing	Percent Itemizing	No. Of Returns	No. Itemizing	Percent Itemizing	No. Of Returns	No. Itemizing	Percent Itemizing
No K.A.G.I.	12,555	2,227	17.7%	20,256	453	2.3%	32,611	2,660	8.2%
\$0 \$5,000	22,577	2,557	12.4%	125,224	3,227	2.6%	145,581	5,764	4.0%
\$5,000 \$15,000	92,259	23,125	25.1%	178,632	22,877	12.3%	271,291	45,222	16.7%
\$15,000 \$25,000	115,647	46,718	42.1%	79,231	29,181	36.8%	194,678	77,899	40.0%
\$25,000 \$35,000	113,627	76,528	67.3%	27,279	17,855	65.5%	140,836	94,373	67.2%
\$35,000 \$50,000	96,734	84,102	86.9%	8,991	7,217	80.3%	125,785	91,319	86.3%
\$50,000 \$100,000	45,593	43,430	95.3%	3,825	3,245	84.8%	49,416	46,675	94.5%
\$100,000 Over	8,239	7,948	98.9%	1,011	893	88.3%	9,252	8,841	97.7%
Total	525,068	288,615	57.1%	444,230	84,158	18.9%	949,298	372,773	39.3%

Total Number of Itemizing Taxpayers:

	No.	% of Total
Married	288,615	77.4%
Single	84,158	22.6%
Total	372,773	100.0%

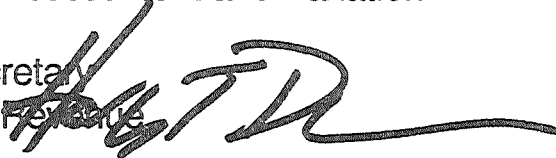
All Resident Taxpayers: 79.6% with K.A.G.I. "Under" \$25,000 use the standard deduction.
79.8% with K.A.G.I. "Over" \$25,000 itemize.

Married Resident Taxpayers: 60.2% with K.A.G.I. "Under" \$25,000 use the standard deduction.
62.3% with K.A.G.I. "Over" \$25,000 itemize.

Single Resident Taxpayers: 86.4% with K.A.G.I. "Under" \$25,000 use the standard deduction.
71.1% with K.A.G.I. "Over" \$25,000 itemize.

MEMORANDUM

TO: The Honorable Fred A. Kerr, Chairman
Senate Committee on Assessment and Taxation

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

RE: Senate Bill 574

DATE: February 19, 1986

Thank you for the opportunity to appear before you today on Senate Bill 574. The Department takes no position on the enactment of this measure. Instead, my purpose is to explain the bill and its fiscal impact.

BACKGROUND

SB 574 creates a greater degree of conformity between the state tax code and the federal Internal Revenue Code in the area of itemized deductions and penalties for underpayment of estimated tax. Specifically, the bill would accomplish the following.

1. Update the reference date for federal itemized deductions from December 31, 1977 to December 31, 1985. This means that state itemized deductions will be federal itemized deductions as they existed on December 31, 1985 plus and minus certain state modifications. The effect of this change is to eliminate the gasoline tax deduction which was repealed at the federal level in 1978, conform our casualty loss deduction to the federal level of

only losses in excess of 10 percent of AGI, and repeal the deduction for political contributions.

2. Repeal the special state itemized deduction for works of art. This deduction allows an artist to deduct the fair market value of any works of art donated to a non-profit art gallery or museum supported wholly or in part by public funds. With the amendment, the artist would deduct only what is allowed at the federal level which is the cost of materials. Since it was enacted in 1979, we are unaware of any taxpayer using this provision.
3. Repeal a special state provision disallowing charitable contributions to racially segregated educational institutions. This is no longer necessary since federal law disallows such contributions.
4. Repeal two exceptions to the penalty for underpayment of estimated tax which will bring us into conformity with the federal underpayment exceptions as they exist currently. The two remaining exceptions will be if the payments equal the liability for the prior year or if they equal 80 percent (66 2/3 percent for farmers) of the current year liability.
5. Conform our medical and dental expense deduction to that of the federal government. With the bill, all unreimbursed expenses in excess of 5 percent of AGI would be deductible whereas under current law, all unreimbursed expenses of \$50 are deductible.
6. Increase the personal exemption allowance to \$1,080 for tax years 1986 and beyond.

FISCAL IMPACT

We estimate that enactment of SB 574 will increase State General Fund revenues by \$23.7 million in FY 1987. The estimate was developed through our individual income tax simulation model. The model is based on a sample of 10,000 individual income tax returns from 1983 with income and expenses increased to 1986 levels based on actual increases in 1984 and assumptions used in the consensus revenue estimates for 1985 and 1986.

Attached to this testimony is information displaying the effect of these changes on various types of taxpayers broken between single and married returns and various income groups. At the top of the first page is a breakdown of current law income tax liability which shows for various income groups of married residents, single residents, and all residents the following data: number of returns, percent of Kansas Adjusted Gross Income, estimated income tax liability, percent of total liability for that group, and the effective tax rate for that income group with effective rate being tax liability expressed as a percentage of AGI. The bottom half of the first page shows the same information after one makes the changes encompassed in the bill. The second page focuses on the increase resulting from the bill. It presents the estimated amount of increase, the percentage increase, the percent of total increase and the effective tax rate for the various income groups and filing categories.

Of the total increase, \$17.8 million falls on married residents, \$4.5 million on single residents and \$1.5 million on non-residents. On average married resident liability would increase by 4.3 percent, but those with less than \$25,000 AGI would experience some decrease while those with an AGI between \$35 and \$100,000 would experience an increase of 5.3 to 5.9 percent. For all resident taxpayers (married and single) those with incomes below \$15,000 AGI would experience a tax reduction on average while those above this level would experience an increase. The maximum increase of 5.7 percent occurs in the \$50-100,000 income group.

Since this bill and others deal with itemized deductions, the Committee may find the following information on our itemized filing population helpful.

1. In 1984, 39 percent of all resident taxpayers itemized their deductions. This constitutes 372,773 returns.
2. Of the itemizers, 77 percent (288,000) were married taxpayers and the rest (84,000 or 23 percent) were single.
3. For all resident taxpayers, 80 percent of those with under \$25,000 AGI file with a standard deduction while 79 percent of those over \$25,000 AGI file with itemized deductions.
4. For married resident taxpayers, 68 percent under \$25,000 AGI use the standard deduction and 80 percent of those over \$25,000 use itemized deductions.
5. For single resident taxpayers, 86 percent of those under \$25,000 AGI file with a standard deduction and 71 percent of those over \$25,000 use itemized deductions.

I hope this information is helpful. I would be glad to attempt to answer any questions.

CONFORMITY TO THE FEDERAL GOVERNMENT ON MEDICAL AND DENTAL EXPENSE DEDUCTIONS, AND ELIMINATION OF THE GAS TAX DEDUCTION AND "OTHER" DEDUCTIONS FROM KANSAS ITEMIZED DEDUCTIONS. KANSAS PERSONAL EXEMPTION INCREASED TO \$1,200

Kansas Department Of Revenue

Individual Income Tax In Tax Year 1986
Resident Taxpayers

Current Law

K.A.S.I. Bracket	Married					Single					Total Residents				
	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate
No K.A.S.I.	12,526	0.0%	\$0.00	0.0%	0.0%	6,211	0.0%	\$0.00	0.0%	0.0%	18,737	0.0%	\$0.00	0.0%	0.0%
\$0 \$5,000	15,895	0.2%	\$13,469.39	0.0%	0.0%	103,053	4.9%	\$328,091.04	0.6%	0.3%	118,947	1.4%	\$941,561.22	2.2%	2.3%
\$5,000 \$15,000	75,474	4.5%	\$6,610,627.55	1.6%	0.9%	166,105	26.4%	\$26,001,524.49	17.6%	1.8%	241,579	13.1%	\$34,622,152.24	6.2%	1.5%
\$15,000 \$25,000	97,368	11.2%	\$31,912,859.18	7.6%	1.7%	84,316	27.3%	\$46,157,227.55	28.9%	2.9%	181,634	15.3%	\$75,759,655.73	13.5%	2.2%
\$25,000 \$35,000	107,789	18.5%	\$71,073,616.37	17.0%	2.3%	36,842	17.9%	\$34,453,326.12	21.6%	3.3%	144,632	18.4%	\$105,523,524.49	18.3%	2.5%
\$35,000 \$50,000	125,253	29.6%	\$123,223,372.41	31.2%	2.6%	15,263	10.3%	\$20,111,662.65	12.9%	3.3%	142,526	24.8%	\$149,317,253.26	25.9%	2.6%
\$50,000 \$100,000	71,158	25.8%	\$121,278,374.26	29.2%	2.8%	6,632	7.1%	\$16,226,425.51	10.2%	3.9%	77,789	21.1%	\$137,384,729.59	23.6%	2.9%
\$100,000 Over	9,053	9.9%	\$57,273,166.33	13.7%	3.4%	1,368	6.0%	\$13,580,811.22	8.5%	3.9%	13,421	8.9%	\$70,853,977.55	12.3%	3.5%
Total	514,526	100.0%	\$417,172,415.31	100.00%	2.5%	419,789	100.00%	\$159,458,659.39	100.00%	2.7%	934,316	100.00%	\$576,631,284.69	100.00%	2.5%

Kansas Department Of Revenue

Individual Income Tax In Tax Year 1986
Resident Taxpayers

SENATE BILL 574: CONFORMITY ON MEDICAL AND DENTAL EXPENSES, ELIMINATION OF THE GAS TAX AND "OTHER" DEDUCTIONS AND KANSAS' PERSONAL EXEMPTION INCREASED TO \$1,200

K.A.S.I. Bracket	Married					Single					Total Residents				
	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate
No K.A.S.I.	12,526	0.0%	\$0.00	0.0%	0.0%	6,211	0.0%	\$0.00	0.0%	0.0%	18,737	0.0%	\$0.00	0.0%	0.0%
\$0 \$5,000	15,895	0.2%	\$9,265.71	0.0%	0.0%	103,053	4.9%	\$876,561.63	0.5%	0.3%	118,947	1.4%	\$876,667.35	0.1%	0.3%
\$5,000 \$15,000	75,474	4.5%	\$5,279,233.88	1.4%	0.8%	166,105	26.4%	\$28,179,177.55	17.2%	1.8%	241,579	13.1%	\$34,458,417.35	5.8%	1.5%
\$15,000 \$25,000	97,368	11.2%	\$31,855,716.33	7.3%	1.6%	84,316	27.3%	\$47,422,435.71	28.9%	2.9%	181,634	15.3%	\$79,278,152.04	13.2%	2.2%
\$25,000 \$35,000	107,789	18.5%	\$73,273,694.90	16.8%	2.3%	36,842	17.9%	\$35,709,510.20	21.8%	3.3%	144,632	16.4%	\$103,999,225.10	18.2%	2.5%
\$35,000 \$50,000	125,253	29.6%	\$133,241,402.61	31.3%	2.6%	15,263	10.3%	\$20,661,274.49	12.7%	3.4%	142,526	24.8%	\$156,922,755.10	26.2%	2.7%
\$50,000 \$100,000	71,158	25.8%	\$129,194,633.61	29.5%	2.6%	6,632	7.1%	\$15,986,221.43	10.4%	4.0%	77,789	21.1%	\$145,162,852.04	24.2%	2.9%
\$100,000 Over	9,053	9.9%	\$59,268,264.29	13.6%	3.4%	1,368	6.0%	\$13,911,627.55	8.5%	3.6%	13,421	8.9%	\$73,199,691.84	12.2%	3.5%
Total	514,526	100.0%	\$434,948,112.24	100.00%	2.5%	419,789	100.00%	\$163,936,628.57	100.00%	2.7%	934,316	100.00%	\$598,804,942.62	100.00%	2.6%
Fiscal Impact:			\$17,775,696.34					\$4,477,959.18					\$22,253,656.12		
All Taxpayers:			\$23,726,692.86			Non-Resident:		\$1,475,036.73							

Kansas Department Of Revenue

Individual Income Tax In Tax Year 1986

Resident Taxpayers

Impact By Bracket

SENATE BILL 574: CONFORMITY ON MEDICAL AND DENTAL EXPENSES, ELIMINATION OF THE GAS TAX AND "OTHER" DEDUCTIONS AND KANSAS' PERSONAL EXEMPTION INCREASED TO \$1,000

K.A.G.I. Bracket	Married					Single					Total Residents				
	No. Of Returns	Percent Increase	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Increase	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Increase	Liability	Percent Of Total	Effective Rate
No K.A.G.I.	12,526	0.0%	\$0.00	0.0%	0.0%	6,211	0.0%	\$0.00	0.0%	0.0%	18,737	0.0%	\$0.00	0.0%	0.0%
\$0 \$5,000	15,895	-31.1%	(\$4,163.67)	-0.0%	0.0%	183,853	-6.5%	(\$60,510.20)	-1.4%	0.3%	118,947	-6.9%	(\$64,693.88)	-0.3%	0.3%
\$5,000 \$15,000	75,474	-5.1%	(\$339,387.76)	-1.9%	0.0%	166,185	0.6%	\$177,653.86	4.0%	1.8%	241,579	-2.5%	(\$161,724.69)	-0.7%	1.5%
\$15,000 \$25,000	97,368	-2.2%	(\$57,142.66)	-0.3%	1.6%	84,316	2.7%	\$1,265,408.16	28.3%	2.9%	181,684	1.5%	\$1,228,265.31	5.4%	2.2%
\$25,000 \$35,000	107,789	3.1%	\$2,229,076.53	12.4%	2.3%	36,842	3.6%	\$1,255,204.83	28.0%	3.3%	144,632	3.3%	\$3,454,223.61	15.6%	2.5%
\$35,000 \$50,000	125,263	5.3%	\$6,835,110.22	30.5%	2.6%	15,263	3.7%	\$749,591.64	16.7%	3.4%	140,526	5.1%	\$7,585,722.04	34.1%	2.7%
\$50,000 \$75,000	71,158	5.9%	\$7,116,326.53	40.0%	2.8%	6,632	4.7%	\$759,795.92	17.0%	4.0%	77,789	5.7%	\$7,876,122.45	35.4%	2.9%
\$75,000 Over	9,853	3.5%	\$2,014,897.96	11.3%	3.4%	1,368	2.4%	\$330,816.33	7.4%	3.8%	10,421	3.3%	\$2,345,714.29	10.5%	3.5%
Total	514,526	4.3%	\$17,775,656.94	100.00%	2.5%	419,789	2.8%	\$4,477,959.18	100.00%	2.7%	934,316	3.9%	\$22,253,656.12	100.00%	2.6%
Fiscal Impact:			\$17,775,656.94					\$4,477,959.18					\$22,253,656.12		
All Taxpayers:			\$23,728,692.66			Non-Resident:		\$1,475,036.73							

the necessary information to determine these adjustments.

- **Fiduciary Adjustments:** If you received income from estates or trusts, enter on line 39 your proportionate share of any subtraction adjustments that are required. The fiduciary of the Kansas estate or trust of which you are beneficiary will provide you with the necessary information to determine these adjustments.
- **Jobs Tax Credit:** Enter on line 39 the amount of the federal targeted jobs tax credit disallowance claimed on the federal income tax return.
- **Work Incentive Credit Disallowance:** Enter on line 39 the amount of work incentive credit disallowance claimed on the federal income tax return.

Line 40—Total Subtractions from Federal Adjusted Gross Income

Enter on line 40 the total of lines 32 through 39.

Line 41—Net Modifications to Federal Adjusted Gross Income

If your total additions to federal adjusted gross income (line 31) exceed your total subtractions from federal adjusted gross income (line 40), enter on line 41 the difference between line 40 and line 31 as a positive amount. If your total subtractions from federal adjusted gross income (line 40) exceed your total additions to federal adjusted gross income (line 31), enter on line 41 the difference between line 40 and line 31 as a negative amount. Enclose negative amount in brackets.

Enter the result from line 41 on line 2, on the front of form 40. If the amount you are carrying over to line 2, on the front of form 40, is a negative amount, enclose the negative amount in brackets.

PART II—ITEMIZED DEDUCTIONS

(Back of Form 40)



Do not complete Part II if you did not itemize your federal deductions. See page 13 to determine your standard deduction.

You cannot itemize deductions on your Kansas return unless your federal itemized deductions exceed the federal zero bracket amount of \$3,540 for married filing joint, \$2,390 for single or head of household, or \$1,770 for married filing separate. If you do itemize, your Kansas itemized deductions will be your federal itemized deductions with certain adjustments as computed below.

Line 42—Total Federal Itemized Deductions

Enter on line 42 the total federal itemized deductions from Schedule A of your federal income tax return. **THIS AMOUNT IS PRIOR TO THE ZERO BRACKET DEDUCTION OF \$3,540, \$2,390, OR \$1,770.**

SUBTRACTIONS FROM FEDERAL ITEMIZED DEDUCTIONS

Line 43—State and Local Income Taxes

Enter on line 43 any state and local income or earnings taxes which are included in your federal itemized deductions.

Line 44—Medical, Dental, and Drug Expenses

Enter on line 44 the net medical, dental, and drug expenses included in your federal itemized deductions. A more generous Kansas medical deduction is allowed below.

Line 45—Other Subtractions from Federal Itemized Deductions

Enter on line 45 the sum of the following "Other Subtractions from Federal Itemized Deductions".

- If you elect to use the special Kansas provisions for amortization of the amortizable costs of a certified oil production process, you are entitled to deduct the

allowable amortization on line 53. Enter on line 45 the depreciation deductions claimed on your federal return for any real or tangible personal property on which the deduction on line 53 is claimed. If you are amortizing the cost for a certified oil production process, complete schedule K-50 and attach it to your Kansas income tax return. Schedule K-50 may be obtained from the Kansas Income and Inheritance Tax Bureau.

- If you elect to use the special Kansas provisions for amortization of the adjusted basis of a qualified solar energy system used in your business, you are entitled to deduct the allowable amortization on line 53. Enter on line 45 the depreciation deductions claimed on your federal return for any property upon which the deduction at line 53 is claimed. If you are amortizing the adjusted basis of a qualified solar energy system used in your business, complete schedule K-35 and attach it to your Kansas income tax return. Schedule K-35 may be obtained from the Kansas Income and Inheritance Tax Bureau.

- Enter on line 45 any amounts contributed to racially segregated educational institutions included in your federal itemized deductions.
- Enter on line 45 adoption expenses included in your federal itemized deductions.
- Enter on line 45 any amounts claimed as casualty or theft losses included in your federal itemized deductions. A more generous Kansas deduction is allowed below.

Line 46—Total Subtractions from Federal Itemized Deductions

Add lines 43 through 45. Enter the total on line 46.

Line 47

Subtract line 46 from line 42. Enter the result on line 47.

ADDITIONS TO FEDERAL ITEMIZED DEDUCTIONS

Line 48—Social Security Tax

Enter on line 48 the social security tax (FICA) which was withheld from your wages during the taxable year. This is the total amount of social security taxes withheld by all employers you worked for during the year. If you are married filing jointly, you should enter the total amount withheld for both you and your spouse. You may **NOT** claim more than the maximum amount which is required by federal law.

Line 49—Self-Employment Tax

Enter on line 49 the self-employment tax which you were required to pay on income earned during the taxable year. You may claim the amount actually paid up to the maximum amount which is required to be paid under federal law.

Line 50—Railroad Retirement Tax

Enter on line 50 the railroad retirement tax which was withheld from your wages during the taxable year. You may claim the actual amount withheld up to the maximum amount which is required by federal law. This amount includes all tier I and tier II railroad retirement contributions.

Line 51—Medical, Dental, and Drug Expenses

Your Kansas medical, dental, and drug expenses are all expenses paid during the taxable year for "medical care" of you, your spouse, and your dependents, minus \$50. Expenses for "medical care" are defined as those expenses allowed as a medical deduction for federal tax purposes (e.g.: hospital and doctor bills; hearing aids; eyeglasses; dentures; prescription drugs; hospital and medical insurance; and lodging and transportation related to medical treatment). "Medical care" does not include nonprescription drugs or funeral and burial expenses. Your Kansas medical deduction must be reduced by any amount of insurance reimbursements you have received.

You may not deduct premiums paid for insurance policies that pay you for loss of time or reimburse you for loss of limbs, sight, etc. If the policy provides for a combination of coverages, you may claim only that portion of the premium that applies to medical or hospital payments.

Complete the following schedule to determine your allowable Kansas medical, dental, and drug expenses:

(1) Medical insurance premium	\$ _____
(2) Drug expenses	\$ _____
(3) Medical expenses	\$ _____
(4) Dental expenses	\$ _____
(5) Total expenses (Add lines 1, 2, 3, & 4)	\$ _____
(6) Insurance reimbursements	\$ _____
(7) Nondeductible	\$ <u>50.00</u>
(8) Total nondeductible medical, dental, and drug expenses (Add lines 6 & 7)	\$ _____
(9) Kansas medical, dental, and drug expenses (Subtract line 8 from line 5, to be entered on line 51, Part II, on the back of form 40)	\$ _____

Line 52—State and Local Gasoline Tax

Enter on line 52 your state and local gasoline tax deduction. Deduct either the actual amount you paid, or estimate the amount paid using the worksheet provided. A separate

worksheet calculation should be performed for each car as well as for any mileage driven in another state. The result of each calculation should then be added together to determine the gasoline tax deduction. Use the tax rates from the following chart in completing the worksheet.

KANSAS TAX RATES (Per Gallon)

Gasoline	11¢
Diesel	13¢
Gasohol	(See note)
Propane	10¢
Other state(s)	Consult other state for appropriate rate

NOTE: The gasohol tax rates increase from 6¢/gal. to 7¢/gal. as of July 1, 1985. A calculation for each six month period should be made for cars using gasohol and then the calculations added together to determine the appropriate deduction.

WORKSHEET

- (1) Number of nonbusiness miles driven _____
- (2) Average miles per gallon _____
- (3) Gallons used (Divide line 1 by line 2) _____
- (4) Gasoline tax (Multiply line 3 by appropriate tax rate from the chart above) \$ _____

Enter the amount from line 4 on line 52, Part II, on the back of form 40.

Line 53—Other Additions to Federal Itemized Deductions

Enter on line 53, the total of the following "Other Additions to Federal Itemized Deductions".

- If you have elected to use the special Kansas provisions for amortization of the amortizable costs of a certified oil production process, enter on line 53 the allowable amortization. You must complete schedule K-50 and attach it to your Kansas income tax return. Schedule K-50 may be obtained from the Kansas Income and Inheritance Tax Bureau.
- If you have elected to use the special Kansas provisions for amortization of the adjusted basis of a qualified solar energy system used in your business, enter on line 53 the allowable amortization. You must complete schedule K-35 and attach it to your Kansas income tax return. Schedule K-35 may be obtained from the Kansas Income and Inheritance Tax Bureau.

■ You may deduct up to \$100 (\$200 on a joint return) for contributions of money to candidates for public office, political committees or to newsletter funds of candidates and elected officials.

■ You may deduct the fair market value of a painting or other work of art contributed to an art gallery or museum which is operated on a nonprofit basis and supported in whole or part by public funds. The work of art must be the result of your personal effort to create such art. The state itemized deduction must exclude the amount deducted from federal adjusted gross income because of the contribution. The value of your contribution must be determined and certified to the Department of Revenue by the art gallery or museum. Attach a copy of the certification to your return.

■ If during 1985 you suffered casualty or theft losses, as defined by the Internal Revenue Code, you may deduct the losses to the extent that the net loss after

insurance reimbursements exceeds \$100 per occurrence. Attach to the form 40, a schedule of calculations which conform to the following worksheet. A separate calculation should be done for each item within an occurrence.

- (1) Cost of item \$ _____
- (2) Insurance or other reimbursement you have received or expect to receive. . . \$ _____
- (3) Fair market value before casualty or theft. \$ _____
- (4) Fair market value after casualty or theft \$ _____
- (5) Loss (Subtract line 4 from line 3). . . \$ _____
- (6) Limitation (Line 1 or line 5, whichever is less) \$ _____
- (7) Net loss (Subtract line 2 from line 6) \$ _____

The calculations for each item within an occurrence should then be added together and \$100 deducted from the total net losses. A separate schedule should be provided for each casualty or theft loss.

Line 54—Total Additions to Federal Itemized Deductions

Add lines 48 through 53. Enter total on line 54.

Line 55—Kansas Itemized Deductions

Add line 47 and line 54. Enter total on line 55. This is the total of your Kansas itemized deductions. The amount is to be entered on line 4, on the front of the return.

PART III—FEDERAL INCOME TAX DEDUCTION SCHEDULE
(Back of Form 40)



Do not complete lines 56 through 60 if line 2 is zero or a positive amount. Your federal tax deduction is the amount computed in the three steps on page 14.

You are permitted to claim a Kansas deduction for federal income taxes paid. The deduction is NOT the amount of federal tax withheld or refunded; it is based on the actual liability paid and is limited to the amount of federal liability applicable to the Kansas adjusted gross income.

Line 56—1985 Federal Tax Liability

Enter on line 56 your total federal tax liability as computed using the three steps in the instructions for line 5 on page 14. If line 2 of form 40 is a negative amount, your federal tax liability must be prorated on lines 56 through 60 to allow for a deduction only on the amount of Kansas adjusted gross income.

Line 57—Kansas Adjusted Gross Income

Enter on line 57 the Kansas adjusted gross income from line 3, on the front of form 40.

Line 58—Federal Adjusted Gross Income

Enter on line 58 the federal adjusted gross income from line 1, on the front of form 40.

Line 59—Percentage Limitation

Divide line 57 by line 58 and enter your percentage limitation on line 59. The percentage limitation cannot exceed 100%. If lines 57 and 58 are the same amount, line 59 will automatically be 100%.

Line 60—Federal Tax Deduction

Multiply line 56 by line 59 and enter the result on line 60. This is the amount of federal tax you may claim as a deduction. Enter this amount on line 5 on the front of form 40.

PART IV—CREDIT FOR TAXES PAID TO OTHER STATES
(Back of Form 40)

RESIDENTS ONLY

You may claim a credit for income taxes paid to other states if you meet all of the following:

- You were a resident of Kansas during the taxable year;
- Your total income reported to Kansas includes income earned in another state; and,
- You were required to pay income taxes on that income to the other states.

The tax credit you may claim is the actual amount of the tax paid to the other state or the amount determined below and NOT the amount of tax withheld.

The credit for taxes paid to the other state is limited by the following formulas:

Other State Adjusted Gross Income	÷	Kansas Adjusted Gross Income	=	Percentage Limitation
Percentage Limitation	x	Kansas Income Tax Liability	=	Other State Tax Credit

The other state credit will be either: (1) the actual tax paid to another state; or, (2) the amount determined by the limitation formulas provided, whichever is less. If the credit is based on taxes paid to more than one state, computations should be made separately for each state and then added together. The schedule of computations should be attached.

Part-year residents filing as nonresidents are allowed this credit in certain situations. Instructions for part-year nonresidents claiming this credit follow the instructions for residents claiming the credit.

Line 61—1985 Income Tax Paid to the Other State

Enter on line 61 the amount of 1985 tax actually paid to the other state. Also enter on the line provided the name of the state for which you are claiming a tax credit.

Line 62—Kansas Income Tax Liability

Enter on line 62 your Kansas income tax liability from line 13, on the front of form 40.



Nebraska Individual Income Tax Return

for the taxable year January 1, 1985 through December 31, 1985 or other taxable year beginning _____, 1985 and ending _____, 19

FORM 1040N
1985

Please Print or Type

PLEASE DO NOT WRITE IN THIS SPACE

First Name(s) and Initial(s) _____ Last Name _____

Home Address (Number and Street, or Rural Route and Box Number) _____

City, Town, or Post Office _____ State _____ Zip Code _____

Public School District Data County Name _____ Your Social Security Number _____

If your principal source of income is from farming, ranching, or fishing, check this box. County of Residence _____ School Identification Number _____ Spouse's Number _____

1 Federal filing status (check only one) (1) Single (2) Married filing joint return
(3) Married filing separate return (4) Head of household (5) Widow(er) with dependent child

2 Type of return being filed (check box 1 or 2) Month Day Month Day
(1) Resident (2) Nonresident, or partial-year resident from _____ 1985 to _____ 1985. Attach Nebr. Sch. III.

3 Federal exemptions (number of exemptions on your 1985 federal return) 3

FOLD HERE

Check Federal Source Used (1) Tax Table (2) Tax Rate Schedules (3) Schedule G (4) Form 6251 (5) Forms 4972, 5544, or 5329

Please Attach State Copy of W-2 Here

4 Federal adjusted gross income (line 32, Form 1040; or line 14, Form 1040A; or line 3, Form 1040EZ) 4

5 Federal taxable income (line 37, Form 1040; or line 19, Form 1040A; or line 7, Form 1040EZ). (If line 5 is zero, attach a copy of pages 1 and 2 of Federal Forms 1040, 1040A, or 1040EZ) 5

6 Federal income tax before credits (enter total of the following [check if applicable]) 6

FEDERAL FORMS: 1040, Line 38 5544 Part I, Line 32 1040A, Line 20 6251, Line 10 5544 Part II, Line 28 1040EZ, Line 9 4972, Line 26 or 28 5329, Line 11

NEBRASKA SCHEDULES: Schedule I, Line 30 Schedule III, Line 51

7 Nebraska income tax (20% of line 6) 7

8 Nebraska income tax withheld (attach Nebraska copies of Federal Forms W-2 or W-2G, or Form 14N) 8

9 1985 estimated tax payments (include 1984 overpayment credited to 1985) 9

10 Nonhighway use motor vehicle fuels credit (attach Form 4136N) 10

11 Credit for tax paid to another state (attach Nebraska Schedule II and a complete copy of the other state's return) 11

12 Credit for the elderly and the permanently disabled (attach copy of Federal Schedule R) 12

13 Renewable energy source systems credit (attach Form 5695N) 13

14 Community Development Assistance Act credit (attach Form CDN) 14

15 Total credits (total of lines 8 through 14) 15

16 Amount of balance due if line 7 is greater than line 15 (pay in full with return). If Form 2210N is attached, check here . Include penalty in line 16, and show amount of penalty here \$ 16

17 Amount of overpayment, if line 15 is greater than line 7 17

18 Amount of line 17 to be credited to 1986 estimated tax 18

19 Nongame and endangered species fund (enter total donated) 19

20 Amount of overpayment to be refunded (line 17 minus lines 18 and 19) (allow 8 weeks for your refund check) 20

FOLD HERE

Please Attach Check or Money Order Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is correct and complete.

sign here Your Signature _____ Date _____ Signature of Preparer Other than Taxpayer _____ Date _____

Spouse's Signature (If filing jointly, both must sign) _____ Phone Number _____ City _____ State _____ Zip Code _____

STATEMENT TO THE COMMITTEE OF TAXATION AND ASSESSMENT
OF THE STATE OF KANSAS BY ALBERT B. FRANKLIN
FEBRUARY 19, 1986

TO PUT MY SUBJECT BRIEFLY: KANSAS TAX LAW DISCRIMINATES AGAINST FOREIGN SERVICE RETIREES. SECTION 79-32, 117(c) (vii) OF THE KANSAS STATE CODE EXEMPTS U S CIVIL SERVICE RETIREES' FEDERAL PENSION FROM THE KANSAS STATE INCOME TAX, BUT LEAVES FOREIGN SERVICE RETIREES' PENSION SUBJECT TO TAXATION.

I HAVE REFRAINED FROM APPROACHING KANSAS LEGISLATORS ON THIS SUBJECT DURING MY OVER 17 YEARS OF RETIREMENT FOR TWO REASONS:
1) VERY FEW FOREIGN SERVICE OFFICERS RETIRE IN KANSAS, AND
2) KANSAS HAS BEEN GOOD TO ME IN OFFERING ME AND MY WIFE A LOVELY PLACE TO LIVE, MANY WARM AND INTERESTING FRIENDS, PLENTY OF RECREATION AND OPPORTUNITIES FOR SELF-DEVELOPMENT AND SERVICE TO OTHERS.

THESE ARE THE ANSWERS I HAVE GIVEN WHEN ASKED BY SURPRISED COLLEAGUES WHY I HAVE COME TO REST IN A STATE WHICH DISCRIMINATES AGAINST FOREIGN SERVICE RETIREES. MY REASONING WAS FAULTY. BOTH THE STATE OF KANSAS AND MY COLLEAGUES WOULD BENEFIT FINANCIALLY AND IN MANY OTHER WAYS IF THE ANOMALY IN THE KANSAS TAX CODE SHOULD BE REMEDIED. THE FINANCIAL BENEFIT TO THE STATE WOULD COME FROM THE RETIREMENT TO KANSAS OF A NUMBER OF FOREIGN SERVICE EMPLOYEES WHO WOULD THEN SPEND A MAJOR PART OF THEIR FEDERAL PENSION IN KANSAS. AS FOR OTHER BENEFITS, THE FOREIGN SERVICE RETIREES ARE A MOST DESIRABLE RESOURCE IN ANY COMMUNITY.

IN MANY STATES FOREIGN SERVICE OFFICERS ARE TREATED, WHERE TAXES ARE CONCERNED, SIMPLY THE SAME AS CIVIL SERVICE EMPLOYEES. THERE IS NO OBSERVABLE OR LOGICAL REASON TO TREAT THEM DIFFERENTLY. LIKE RETIRED CIVIL SERVANTS, RETIRED FOREIGN SERVICE EMPLOYEES HAVE GIVEN YEARS OF DEDICATED SERVICE AS EMPLOYEES OF THE FEDERAL GOVERNMENT. THEIR PENSION FUNDS ARE DEPOSITED IN THE U S TREASURY, THEY CONSIST OF CONTRIBUTIONS FROM BOTH THE EMPLOYEE AND THE FEDERAL GOVERNMENT, AND THEY ARE SUBJECT TO THE SAME COST-OF-LIVING ANNUITY VICISSITUDES UNDER TITLE 5, U S CODE SECTION 8340 (b). IN GENERAL,

THESE SIMILARITIES BETWEEN THE CIVIL SERVICE AND THE FOREIGN SERVICE, AND IN PARTICULAR THEIR RETIREMENT PLANS, GIVE THE STATE OF KANSAS NO RATIONAL BASIS TO TREAT THE TWO DIFFERENTLY.

"BY DOING SO", SAYS SUSAN HOLIK, GENERAL COUNSEL OF THE AMERICAN FOREIGN SERVICE ASSOCIATION, "KANSAS IS ACTING IN VIOLATION OF FOREIGN SERVICE RETIREES' EQUAL PROTECTION RIGHTS UNDER THE FOURTEENTH AMENDMENT TO THE UNITED STATES CONSTITUTION".

THE KANSAS CODE CURRENTLY PROVIDES THAT "(c) THERE SHALL BE SUBTRACTED FROM FEDERAL ADJUSTED GROSS INCOME: ... (vii) AMOUNTS RECEIVED AS ANNUITIES UNDER THE FEDERAL CIVIL SERVICE RETIREMENT SYSTEM FROM THE CIVIL SERVICE RETIREMENT AND DISABILITY FUND". IN THE LIGHT OF THE ABOVE, THE AFSA SUGGESTS THAT THE CODE BE AMENDED TO READ AS FOLLOWS:

: (c) THERE SHALL BE ~~SUBTRACTED~~ FROM FEDERAL ADJUSTED GROSS INCOME: ... (vii) AMOUNTS RECEIVED AS ANNUITIES UNDER THE FEDERAL CIVIL SERVICE AND FOREIGN SERVICE RETIREMENT SYSTEMS, AND FROM THE CIVIL SERVICE AND FOREIGN SERVICE RETIREMENT AND DISABILITY FUNDS".

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0120 mined on a joint return, each of them shall be entitled to a Kansas
0121 exemption of ~~one thousand dollars (\$1,000)~~ \$1,080 for each
0122 federal exemption to which such individual would be entitled
0123 for the taxable year if their federal income taxes had been
0124 determined on separate returns.

0125 Sec. 3. K.S.A. 79-32,107 is hereby amended to read as fol-
0126 lows: 79-32,107. (a) All penalties and interest prescribed by
0127 K.S.A. 79-3228, and amendments thereto, for noncompliance
0128 with the income tax laws of Kansas shall be applicable for
0129 noncompliance with the provisions of the Kansas withholding
0130 and declaration of estimated tax act relating to withholding tax
0131 which shall be enforced in the same manner as the "Kansas
0132 income tax act." A penalty at the same rate per annum prescribed
0133 by subsection (b) of K.S.A. 79-2968, and amendments thereto, for
0134 interest upon delinquent or unpaid taxes shall be applied and
0135 added to a taxpayer's amount of underpayment of estimated tax
0136 due from the date the estimated tax payment was due until the
0137 same is paid or until the 15th day of the fourth month following
0138 the close of the taxable year for which such estimated tax is a
0139 credit, whichever date is earlier, but such penalty shall not be
0140 added if the total amount thereof does not exceed ~~\$x~~ For \$5.
0141 purposes of this subsection, the amount of underpayment of
0142 estimated tax shall be the excess of the amount of the installment
0143 which would be required to be paid if the estimated tax were
0144 equal to 80% of the tax shown on the return for the taxable year
0145 or, if no return was filed, 80% of the tax for such year, over the
0146 amount, if any, of the installment paid on or before the last date
0147 prescribed for payment. Amounts due from any employer on
0148 account of withholding or from any taxpayer for estimated tax
0149 may be collected by the director in the manner provided for the
0150 collection of state income tax in K.S.A. 79-3235, and amendments
0151 thereto.

0152 (b) No penalty or interest shall be imposed upon any indi-
0153 vidual with respect to any underpayment of any installment if
0154 the total amount of all payments of estimated tax made on or
0155 before the last date prescribed for the payment of such install-
0156 ment equals or exceeds the amount which would have been

the preceding taxable year was a taxable year
of 12 months and the individual did not have
any liability for tax during the preceding taxable
year, or

0157 required to be paid on or before such date if the estimated tax
 0158 were whichever of the following is the least: _____ for that installment:

0159 (1) The tax shown on the return of the individual for the
 0160 preceding taxable year, if a return showing a liability for tax was
 0161 filed by the individual for the preceding taxable year and such
 0162 preceding year was a taxable year of 12 months;

0163 (2) an amount equal to 66 $\frac{2}{3}$ %, in the case of individuals
 0164 referred to in K.S.A. 79-32,102 (b), and amendments thereto, and
 0165 80%, in the case of all other individuals, of the tax for the taxable
 0166 year computed by placing on an annualized basis, pursuant to
 0167 rules and regulations adopted by the secretary of revenue, the
 0168 taxable income for the months in the taxable year ending before
 0169 the month in which the installment is required to be made;

0170 (3) an amount equal to 90% of the tax computed, at the rates
 0171 applicable to the taxable year, on the basis of the actual taxable
 0172 income for the months in the taxable year ending before the
 0173 month in which the installment is required to be paid as if such
 0174 months constituted the taxable year; or

0175 (4) an amount equal to the tax computed at the rates applic-
 0176 able to the taxable year, on the basis of the taxpayer's status with
 0177 respect to personal exemptions under K.S.A. 70-32,121, and
 0178 amendments thereto, for the taxable year, but otherwise on the
 0179 basis of the facts shown on the return for, and the law applicable
 0180 to, the preceding taxable year.

0181 (c) No penalty or interest shall be imposed upon any corpo-
 0182 ration with respect to any underpayment of any installment of
 0183 estimated tax if the total amount of all payments of estimated tax
 0184 made on or before the last date prescribed for the payment of
 0185 such installment equals or exceeds the amount which would
 0186 have been required to be paid on or before such date if the
 0187 estimated tax were whichever of the following is lesser:

0188 (1) The tax shown on the return of the corporation for the
 0189 preceding taxable year, if a return showing a liability for tax was
 0190 filed by the corporation for the preceding taxable year and such
 0191 preceding year was a taxable year of 12 months;

0192 (2) an amount equal to the tax computed at the rates applica-
 0193 ble to the taxable year but otherwise on the basis of the facts