

Approved March 7, 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 Thursday, March 6, 1986 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
LaVonne Mumert, Secretary to the Committee

Conferees appearing before the committee:

Orin F. Parker, The Retired Officers Association
David Goldenbaum, National Association of Retired Federal Employees
Gilbert D. Green, National Association of Retired Federal Employees
Basil Covey, Kansas Retired Teachers Association
Ron Calbert, United Transportation Union
Marshall Crowther, Kansas Public Employees Retirement System
Joe Wujcik, National Association of Retired Federal Employees
Tom Moffett, The Retired Officers Association

S.B. 567 - Income taxation of retirement benefits

Senator Vidricksen's statement was distributed to the Committee (Attachment 1)

The Revisor said that the intent of the bill is to give all retirement benefits the same tax treatment. He explained a proposed amendment to the bill (Attachment 2). The Revisor agreed that the amendment deletes the specific exemptions presently in the statute and makes them subject to the \$25,000 limit for single taxpayers and \$31,000 for married taxpayers and further that KPERS (Kansas Public Employees Retirement System) is not affected and the military is treated the same as other retirement pensions.

Orin F. Parker testified in favor of the bill (Attachment 3). He said the intent of the bill is to spread the tax burden evenly over all retired persons. He suggested that the bill should contain an age limit. Mr. Parker thinks that the fiscal impact of the bill would be a slight gain in revenue.

David M. Goldenbaum spoke in opposition to the bill (Attachment 4). He said the bill would raise relatively little revenue. He expressed concern that the bill would be amended to the further detriment of federal retirees.

Gilbert D. Green spoke in opposition to the bill (Attachment 5). He said the bill would exempt retirement income from any pensions or annuities which does not exceed the \$25,000 or \$31,000 limits. He is concerned about the precedent of taxing federal retirement pensions.

Basil Covey opposed S.B. 567 (Attachment 6). He stated that the bill would have an undesirable effect on retirement programs and would be harmful to the state's economy.

Ron Calbert testified in opposition to the bill (Attachment 7). Mr. Calbert said that the United States Code prevents state and local taxation of railroad retirement benefits.

Marshall Crowther pointed out that, as a general rule, any public employee in Kansas receiving a pension, has received an exemption. He noted that the bill, including the proposed amendment, would deviate from this policy. He explained that, in some instances, employees of first class cities are treated differently.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S, Statehouse, at 11:00 a.m./~~PM~~ on March 6, 1986

Joe Wujcik testified in opposition to the bill. It is his feeling that the bill would result in a negative fiscal impact for the state. He questioned the treatment of income paid as "retainer" to members of the armed forces and whether the bill would also affect private pension funds.

Tom Moffett spoke in favor of the bill and urged that the amendment be adopted.

S.B. 688 - Financing of county law enforcement facilities from countywide retailers' sales tax proceeds

Senator Thiessen moved that the bill be reported favorably for passage. Senator Mulich seconded the motion, and the motion carried.

S.B. 665 - Extension of solar energy system income and privilege tax credits

The Revisor explained a proposed amendment to the bill (Attachment 8). The amendment provides that the individual credit would be \$1,000 for 1986 and \$1,000 for 1987 and 1988. Senator Hayden moved that the amendment be adopted. Senator Mulich seconded the motion, and the motion carried.

Senator Mulich moved that the bill, as amended, be recommended favorably for passage. Senator Allen seconded the motion, and the motion carried.

Senator Hayden moved that the minutes of the March 5, 1986 meeting be approved. Senator Thiessen seconded the motion, and the motion carried.

Meeting adjourned.

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
3/6/86	Gifford D McEargar	Salina Ks	Chair 16 TRKA
	George C. Brown	Salina Ks	TROA
	V.O. Stevens	Wichita Ks	"
	Ernie M. Eubank	Salina Ks	"
	Warrin J. Reed	Leavenworth, K.	Fed. Retiree (NARFE)
	Frank W. Hewel	Leavenworth Ks	Fed Retiree (NARFE)
	Joe Wycich	Leavenworth Ks.	NARFE
	David M. Goldenbaum	Shawnee Missouri Ks	NARFE Pres.
	Edward J. Kenwick	Topeka Ks	Retired Federal Emp.
	Paul G. Harkin	Topeka Ks	Retired Fed emp.
	Jay Bayless	Topeka	" " "
	Ben Lape	Topeka	" " "
	Harold Hough	Topeka	" " "
	H.E. Gilmer	Topeka	" " "
	K.E. Sharp	Topeka	" " "
	Paul H. Patterson	"	" " "
	William C. Hunter	Topeka	" " "
	Blaine Hunter	Topeka	Ret. Teachers
	Margaret M. Cochran	Leav. Ks.	Leav. Ret. ass.
	Phyllis H. Martin	Topeka	Fed Retiree, NARFE
	RON CALBERT	NEWTON	United Transportation Union
	R. F. Etzel	Topeka	Retired Fed. emp.
	Duane Bergren	Topeka Ks	
	Richard Scott	Topeka Ks	Ret Fed Emp
	Jim A. Wiskent	Topeka, Ks	Ret. Fed Emp.
	Joseph E. McCoy	Topeka	Ret Fed Emp -
	John D. M. Neal	Topeka	TROA
	DONALD STIRTZ	TOPEKA	Retired federal emp.
	Dean E. Fleming	Topeka, Ks.	Retired Fed. Emp.
	Fred W. Downey	" "	" " "
	Maudie Downey	" "	"

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
3/6	Gerrey Ray	Plattler	Jo Co Commission
3/6	Juanita J. Samms	Junction City	
3/6	BOB BRADLEY	LAURENCE, KS	KS Assoc Counties
3/6	Walter WALTERS	RR1 Millard, KS	
3/6	Elwin Mathis	Junction City, KS.	
3/6	Lynnie B. Samms	Junction City, KS	TREACH 4
3/6	Ralph Janner	Lawrence	Self
3/6	Dilbert Green	Topoka	Kansas Union of Ret. Fed. Employees
3/6	Oscar W. Albrecht	Topoka	
3/6	ROBERT G. WINTER	JUNCTION CITY, KS.	TROA
3/6	WILLIAM M. OZLEY	JUNCTION CITY, KS	TROA
3/6	WILLIAM J. ADKINS	JUNCTION CITY, KS	TROA
3/6	JACK HUTTIG	WICHITA, KS	TROA
3/6	M. R. Coulson	Wichita, KS	TROA
3/6	Ronald Messer	Topoka, KS	Retired Federal NARFE
3/6	MAYNARD COX	Topoka, KS	Retired Federal Emp.
3/6	Wilbert P. Thatch	" "	" " "
3/6	Basel Covey	Topoka, KS	KRTA
	Harold C. Pitts	Topoka	TARTA
	Margaret Beaman	Lawrence	LWVK
3/6	McElaine Bennett	Topoka	NARFE
3/6	Lois M. Armstrong	Topoka	NARFE
	DANA Ferrell	Topoka	Budget
	Steve Goff	Topoka	Revenue
	H. Dince	Topoka	
	Marshall Conyers	Lawrence	KPERS
	Jack Hawn	Topoka	KPERS
3/16	Dim J. Parker	Assaria	TROA
	Tom Maffett	Topoka	TROA

STATE OF KANSAS



TOPEKA

SENATE CHAMBER

BEN E. VIDRICKSEN

SENATOR, DISTRICT 24

SALINE, ELLSWORTH,

LINCOLN COUNTIES

713 N. 11TH STREET

SALINA, KANSAS 67401-1814

(913) 827-4251

827-2551

827-5964

STATE CAPITOL

TOPEKA, KANSAS 66612-1565

(913) 296-7390

COMMITTEE ASSIGNMENTS

CHAIRMAN: GOVERNMENTAL ORGANIZATION
VICE CHAIRMAN: ENERGY AND NATURAL RESOURCES
MEMBER: CONFIRMATIONS
FEDERAL AND STATE AFFAIRS
PUBLIC HEALTH AND WELFARE
TRANSPORTATION AND UTILITIES
ELECTIONS
LEGISLATIVE POST AUDIT
MEMBER: WATER PLANNING ADVISORY COMMITTEE
MEMBER: NATIONAL CONFERENCE OF STATE LEGISLATURES

TO: Senator Fred Kerr
Chairman - Assessment & Taxation

Mr. Chairman and Members of the Committee:

I will not be available to present the bill before your Committee this morning. I will be in Wichita meeting with the Air Force World Wide Food Service Evaluation Team as they evaluate McConnell Air Force Base. This letter will serve as an explanation of the bill.

SB 567 was introduced by a request from the Retired Officers Association. The bill is an attempt by the R.O.A. to gain equal tax treatment along with other retirees in our state.

The result of this legislation would amend the Kansas Income Tax Act to modify the federal adjusted gross income for certain retirees.

The bill would repeal the current ~~audit~~^{credit} of \$120.00 against income liability on military retirement benefits for those 62 years and older and set up new standards for taxation of retirees.

Under current law, the following categories of retirement income are subtracted from federal AGI and thus are exempt from Kansas tax: federal civil service income; supplemental railroad retirement annuities, and city employee retirement income. SB 567 would repeal these specific exemptions and would add to the listing of items to be subtracted from federal AGI new language treating retirement income generally. The new section, effective beginning in tax year 1986 and would exempt from the Kansas tax income from military pensions and retirement income from any federal, state, local, or private pension or annuity, including Social Security. Retirement income under the Kansas Public Employees Retirement System (KPERs) would be included within this deduction from federal AGI. The exempt amount could not exceed \$25,000 for a single taxpayer (\$31,000 for a joint return).

I'm sure, Mr. Chairman, you will have ample testimony for the committee to evaluate the subject of SB 567.

Attachment 1

Senate Tax Comm. - 3/6/86

One must become involved in the accomplishments of his time, lest he be judged not to have lived.

PROPOSED AMENDMENTS TO SENATE BILL No. 567

Be amended:

On page 3, following line 117, by inserting the following:

"(vii) Amounts received as annuities under the federal civil service retirement system, from the civil service retirement and disability fund not to exceed an amount equal to \$25,000 in the case of a single taxpayer, or \$31,000 in the case of a married taxpayer filing a joint return.

(viii) Amounts received by retired railroad employees as a supplemental annuity under the provisions of 45 U.S.C. 228b(a) and 228c(a)(1) et seq. not to exceed an amount equal to \$25,000 in the case of a single taxpayer, or \$31,000 in the case of a married taxpayer filing a joint return.

(ix) Amounts received by retired employees of a city and by retired employees of any board of such city as retirement allowances pursuant to K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter ordinance exempting a city from the provisions of K.S.A. 13-14,106, and amendments thereto not to exceed an amount equal to \$25,000 in the case of a single taxpayer, or \$31,000 in the case of a married taxpayer filing a joint return.";

in line 118, by striking "(vii)" and inserting "(x)"

On page 4, in line 132, by striking "(viii)" and inserting "(xi)"; in line 138, by striking "(ix)" and inserting "(xii)"; in line 141, by striking all after "States"; by striking all of line 142; in line 145, by striking all after the period; and by striking all of lines 146 to 148, inclusive.

On page 5, by striking all of lines 159 to 193, inclusive;

On page 6, by striking all of lines 194 to 200, inclusive; in line 201 by renumbering section 3 as section 2; also in line 201, by striking "74-4923,"; in line 203, by renumbering section 4 as section 3;

In the title, in line 19, by striking "74-4923 and"; in line 20, by striking "sections" and inserting "section"

TO: Members of the Senate Assessment & Taxation Committee
Senator Fred F. Kerr, Chairman

SB 567 - addressing the inequities of personal income taxation
of the retired community.

(1) Why should certain retirement benefits be excluded
from taxation?

A. SB 567, Page #3, Line 107, Sub Paragraph VII

1. This discriminates against the retired
community of this state
2. All should be treated equally
3. Each taxpayer should be taxed from the same
base (SB 567, Page 3, Line 0107, Sub Paragraph
VII, as amended

(2) It is proposed that a single taxpayer be allowed an
exemption of \$25,000 and \$31,000 exemption for a
married taxpayer

A. Some cash flow will be lost

B. More cash flow will be gained

C. Neutralizing and possibly a plus effect would
be realized in cash flow

(3) Relevant Information

There are 14,575 DOD retirees in the State of
Kansas bringing \$12,437,232 monthly into the
state

2/6/86

Kansas House Assessment and Taxation Committee

HB567

I am David M. Goldenbaum, 5823 Cherokee Drive, Shawnee Mission, Kansas, 66205. I am the Kansas State President of the NATIONAL ASSOCIATION OF RETIRED FEDERAL EMPLOYEES, a national organization of over 500,000 retired federal employees. In appearing before you today, I speak in behalf of the 19,253 federal retirees who now reside in Kansas.

Under current State law, all federal retirees, retired railroad employees, and city employees, are presently exempt from paying state taxes on retirement incomes.

I speak today only in behalf of retired federal employees residing in Kansas. The bill now before you, Senator Vidricksen's SB567, cancels the present exemption from State taxation of the annuities received by both federal retirees and others.

As written, paragraph 9 on page 4 of SB567 continues to allow the annuities and retirement allowances of federal retirees and the others to remain exempt from payment of State taxes provided that the adjusted gross incomes of those filing singly receive less than \$25,000 annually, and those filing jointly receive less than \$31,000 annually.

However, this same paragraph requires that those filing singly who receive adjusted gross incomes of \$25,000 or more, and those filing jointly who receive \$31,000 or more, shall pay Kansas State taxes on amounts equal to, or above, \$25,000 and \$31,000, respectively.

I can state categorically that Kansas Federal retirees object strongly to the provisions of HB567 for two valid reasons, as follows:

First:

From a table prepared by the federal Office of Personnel Management in Washington which lists the annual annuities received by both federal retirees and their surviving annuitants, it is shown that nationally, there are relatively few annuitants drawing \$25,000 and \$31,000 and above.

For example: the table of Kansas annuitants receiving these amounts and above reveals that of the 19,253 federal annuitants in Kansas, only 9%, or 1,732 of the annuitants filing singly receive \$25,000 per year or more, and that only 3%, or 577 of the annuitants filing jointly receive \$31,000 per year or more.

By going to the Kansas tax tables and figuring the revenue to be derived from these selected annuitants, and further assuming an average adjusted gross income in excess of \$3,000 - that is, - \$28,000 single and \$34,000 jointly, the total revenue derived amounts to a negligible \$166,829.

Should this bill go to the floor and pass, it would not harm the majority of lesser paid retirees and survivors, and would produce only a small amount of revenue to the State, so that the gain to the State coffers would be relatively small.

Second:

Contrary to both Congressional and Administration self-serving propaganda, federal retirees were not overpaid during their working years, nor do they now receive excessive retirement incomes. Kansas retirees receive an average of \$1.021 per month and their survivors receive an average of \$541 per month. In actuality, 54% of retirees actually receive far less than the average, and 62% of survivors (widows) actually receive far less than the average.

Thus, the great fear of Kansas retirees and survivors is that should this bill pass, it would open the door for punitive amendments by members of the legislature which would severely handicap federal retirees and survivors. These folk are already paying full federal income tax on their annuities plus exorbitant federal health insurance monthly premiums, plus high medicare monthly premiums.

These annuitants are in constant fear of the continuing federal proposals to further erode their retirement and health benefits insurances in their declining years and, with considerable justice, strongly object to any tampering with their present exemptions from taxation of their annuities.

State
Thank you.

Topeka, Kansas,
March 5, 1986.

SENATE ASSESSMENT AND TAXATION COMMITTEE:

Gentlemen:

My name is Gilbert D. Green. I am a member of Chapter 2 of the National Association of Retired Federal Employees, Topeka, Kansas. I am one of 19,253 members on our rolls as of October 31, 1985. The average monthly annuity received by annuitants was \$1,021.00. The survivor average monthly annuity was \$541.00. The average for the nation was \$1,119.00 for annuitants and the survivor annuity was \$528.00.

The Civil Service Retirement System, created back in 1920 provided for the creation of a retirement fund into which each employee paid a percentage of his or her monthly income. This percentage was to be matched by the employer, the United States Government. The total funds collected to be invested in long term government securities and the interest thereon credited to the fund. The Government's contribution was never made nor was interest credited. The fact is the employees contribution was dumped into the General Fund and Congress simply appropriated what ever was necessary to operate the retirement system. In reality the annuity concept was never created, although accounting shows an unfunded liability by the Federal Government in excess of 110 Billion dollars. If properly operated the Civil Service System would be totally self supporting. The Social Security System was patterned after Civil Service.

I make these remarks only to dispel the myth that the federal retirement system is a lucrative program. Civil Service was not the gift of a sympathetic government but rather it was a forward approach in employer-employee relationship that has served this nation very well for the past 65 years.

Now with respect to Senate Bill No. 567 introduced by Senator Vidricksen. I believe I understand the intent of this bill and I am sympathetic in part with

its objective to exempt military pensions from Kansas income tax. However, this bill goes much further than this and exempts retirement income from any federal, state, local, or private pensions or annuity, including Social Security. The exempt amount would not exceed \$25,000. for a single taxpayer (\$31,000. for a joint return). I must oppose this bill because in visualize a substantial loss of revenue for the State of Kansas and the beginning of taxation of public pensions and annuities.

For many years Kansas has exempted Civil Service annuities from Kansas income tax for the reason that such annuities are fully taxed at the federal level while other public employee pensions have not been subjected to income tax at either state or federal level.

Federal retirees do pay Kansas income tax, indirectly, because a substantial portion of federal income tax paid by Kansas is returned to the state in the form of grants and revenue sharing in support of programs administered at the state level.

Thank you for permitting me to make these brief remarks.

Sincerely,



Gilbert D. Green,
Legislative Representative.



Kansas Retired Teachers Association



1985-1986

ELECTIVE OFFICERS

March 6, 1986

President
Morris J. Thompson
412 East 13th
Hutchinson, Ks. 67501
Phone 316-662-3002

President Elect
Mrs. Lucy Clark
425 Morningside Drive
Newton, Ks. 67114
Phone 316-283-2421

Vice President
Mr. Jimmie Nickel
965 Mentlick Dr.
Colby, Ks. 67701
Phone 913-462-2293

Secretary
Mrs. Thyra Olson
106 W. Saline
Lindsborg, Ks. 67456
Phone 913-227-3661

Treasurer
Mr. Mearle Hoover
2135 Norton
Salina, Ks. 67401
Phone 913-827-5443

Assistant Treasurer
Mr. Fred Jarvis
1122 N. Cedar
Abilene, Ks. 67410
Phone 913-263-1533

Chairman of Editing & Publishing Committee
Mrs. Elsie Klemp
608 E. Price
Garden City, Ks. 67846
Phone 316-275-5322

Legislative Chairman
District 2
Basil Covey
3119 W. 31st Ct.
Topeka, Ks. 66614
Phone 913-272-5914

Past President
Mrs. Etta Blanche Dahlgren
4326 Waverly
Kansas City, Ks. 66104
Phone 913-287-2279

DISTRICT DIRECTORS

District 1
Mrs. Wilda Novotny
2310 Maple Drive
Belleville, Ks. 66935
Phone 913-527-2964

District 2
Mr. Jack Rose
808 Iowa St.
Holton, Ks. 66436
Phone 913-364-2965

District 3
Mr. Willis Jordan
933 Maple
Ottawa, Ks. 66067
Phone 913-242-8130

District 4
Mrs. Ruth A. McCarty
Box 334
Bucklin, Ks. 67834
Phone 316-826-3769

District 5
Mrs. Martha D. Hicks
1323 N. Erie
Wichita, Ks. 67214
Phone 316-682-2490

District 6
Mrs. Beulah C. Bohn
Route #1, Box 192
Fall River, Ks. 67047
Phone 316-736-2213

Members of the Senate Assessment and Taxation Committee:

My name is Basil Covey and I represent the Kansas Retired Teachers Association.

We do not support SB 567.

This bill is written in a form that is confusing and difficult for the Kansas taxpayer to understand. The bill repeals the current law that exempts federal civil service income, supplemental railroad retirement annuities and city employee retirement income.

The new section, effective beginning in tax year 1986, would exempt from Kansas tax income from military pensions and retirement income from any federal, state, local, or private pension or annuity, Social Security and retirement income under the Kansas Public Employees Retirement System (KPRS). The exempt amount of combined income cannot exceed \$25000 for a single taxpayer and \$31000 for a joint return. Herein lies a visit of the Wicked Witch to Kansas, the land of Ah's.

In 1985 Kansas was one of 10 states that taxed Social Security benefits of 38,000 Kansas retired citizens. This resulted in three and a half million dollars taken out of the Kansas economy. SB 567, using \$31000 for a joint return, will add many more thousands of retired citizens of Kansas as taxpayers and millions of other dollars will be taken out of the economy of Kansas.

Many of the 14000 retired teachers in Kansas that did not have to pay taxes on their Social Security benefits will now be deprived of their standard of living by the state of Kansas in SB 567. This added to other groups of retired citizens in Kansas that will be taxed will have a damaging effect on retirement programs and will be harmful to the Kansas economy.

We urge you to vote against SB 567.

Sincerely,

Basil Covey
KRTA

Attachment 6
Senate Tax Comm. - 3/6/86

APPOINTEE OFFICERS

Legislative Committee
District 5
Mr. Fayette Fields
1956 N. Tyler Rd.
Wichita, Ks. 67212
Phone 316-722-4458

District 6
Mr. Harold D. Hardy
307 Winwood
Pittsburg, Ks. 66762
Phone 316-231-6232

District 1
Dr. Calvin E. Harbin
303 W. 19th
Hays, Ks. 67601
Phone 913-625-2428

District 4
Mr. Laurence Stanton
406 LaVista
Dodge City, Ks. 67801
Phone 316-227-6877

District 3
Mr. Kenneth Rogg
110 Hillcrest Dr.
Paola, Ks. 66071
Phone 913-294-3933

Historian
Mrs. Faye Riggs
604 N. Washington
Lindsborg, Ks. 67456
Phone 913-227-3434

Community Participation Chairman
Mr. Donald Bachtel
1119 Dakota
Leavenworth, Ks. 66048
Phone 913-682-5723

Necrology Chairman
Mrs. Eunice E. Schnitzer
1711 N. 4th, Apt. 518
Arkansas City, Ks. 67005
Phone 316-442-2685

Informative and Protective Services
Mrs. Lois Marshall
912 Judson Street
Ft. Scott, Ks. 66701
Phone 316-223-2157

Retirement Planning Chairman
Mr. Milton Senti
708 Stout
Pratt, Ks. 67124
Phone 316-672-6183

Membership Chairman
Mrs. Ann Butler
524 N. Main
Hoisington, Ks. 67544
Phone 316-653-2922

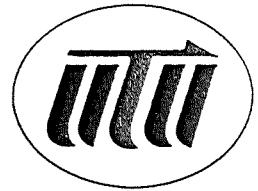
NRTA Coordinator
Dr. George Goebel
711 Crest Dr.
Topeka, Ks. 66606
Phone 913-272-3418

Corresponding Secretary
Miss Esther Griswold
229 East 6th
Hutchinson, Ks. 67501
Phone 316-662-3608

Parliamentarian
Mr. Arthur Harvey
816 Terran
Lyons, Ks. 67554
Phone 316-257-3548

R. E. (RON) CALBERT
DIRECTOR/CHAIRMAN

united
transportation
union



OAK STREET PLACE SUITE A
130 EAST FIFTH STREET
P.O. BOX 726
NEWTON, KANSAS 67114-0726
TELEPHONE (316) 283-8041

KANSAS STATE LEGISLATIVE BOARD

STATEMENT OF

RON E. CALBERT, DIRECTOR

KANSAS STATE LEGISLATIVE BOARD
UNITED TRANSPORTATION UNION

REGARDING SENATE BILL NO. 567

MARCH 1986

Attachment 7
Senate Tax Comm. 3/6/86

MR. CHAIRMAN, AND MEMBERS OF THE COMMITTEE, THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY ON SENATE BILL No. 567. I AM RON CALBERT, DIRECTOR, KANSAS STATE LEGISLATIVE BOARD, **UNITED TRANSPORTATION UNION**. I AM AUTHORIZED TO SPEAK FOR OUR SEVEN THOUSAND (7,000) ACTIVE AND RETIRED MEMBERS AND THEIR FAMILIES WHO RESIDE IN KANSAS. I APPEAR TODAY IN OPPOSITION TO SENATE BILL No. 567.

THE WAY I INTERPRET THE BILL IS THAT WHERE RAILROAD RETIREMENT BENEFITS HAVE BEEN SUBTRACTED FROM FEDERAL AGI, THESE BENEFITS ARE EXEMPT FROM KANSAS TAX. SENATE BILL 567, SUB SECTION (C), PARAGRAPH VIII, STARTING WITH LINE 0110, WOULD REPEAL THIS EXEMPTION.

THE AMENDMENT IS A NEW PARAGRAPH IX OF SUB SECTION (C) OF SECTION 1, STARTING WITH LINE 0138. MR. CHAIRMAN, AND MEMBERS OF THE COMMITTEE, I DON'T FIND RAILROAD RETIREMENT PUT BACK INTO THE BILL.

I MIGHT REMIND THE COMMITTEE THAT SECTION 231M OF TITLE 45 OF THE UNITED STATES CODE SPECIFIES THAT, EXCEPT AS PROVIDED IN THE INTERNAL REVENUE CODE, RAILROAD RETIREMENT BENEFITS ARE NOT SUBJECT TO TAXATION. ALTHOUGH AMENDED DURING 1983 TO MAKE SOME RAILROAD RETIREMENT BENEFITS EQUIVALENT TO SOCIAL SECURITY BENEFITS AND THUS SUBJECT TO FEDERAL TAX, SECTION 231M CONTINUES TO BAR STATE AND LOCAL TAXATION OF THESE BENEFITS. THUS, STATES WHICH USE THE INTERNAL REVENUE CODE AS THE STARTING POINT IN DETERMINING STATE TAX WILL HAVE TO ALLOW A DEDUCTION FOR ANY RAILROAD RETIREMENT BENEFITS INCLUDED IN THE FEDERAL TAX BASE.

WHILE STATES DID NOT TAX SOCIAL SECURITY BENEFITS IN THE PAST, THERE IS NO PROVISION IN FEDERAL LAW PROHIBITING STATE AND LOCAL GOVERNMENTS FROM TAXING SOCIAL SECURITY BENEFITS. THE ENACTMENT OF THE SOCIAL SECURITY AMENDMENTS ACT OF 1983 (P.L. 98-21, APRIL 20, 1983) MADE A PORTION OF SOCIAL SECURITY BENEFITS SUBJECT TO FEDERAL INCOME TAXES. FOR STATES THAT USE THE INTERNAL REVENUE CODE AS A STARTING POINT, THIS MEANS THAT THE SAME AMOUNT OF SOCIAL SECURITY BENEFITS WILL BE SUBJECT TO STATE TAXATION, UNLESS THE STATE LAW SPECIFICALLY EXEMPTS SOCIAL SECURITY BENEFITS. WHILE SOME STATES PASSED LEGISLATION DURING 1984 AND 1985 TO EXEMPT SOCIAL SECURITY BENEFITS, KANSAS DID NOT.

THANK YOU FOR THE OPPORTUNITY TO PRESENT OUR STATEMENT. I WILL TRY TO RESPOND TO ANY QUESTIONS WHICH YOU MAY HAVE.

Proposed Amendment to SB 665

On page 2, in line 63, by striking "\$3,000" and inserting "\$1,500"; in line 66, by striking "\$2,000" and inserting "\$1,000"; in line 72, by striking "\$3,000" and inserting "\$1,500"; in line 75, by striking "\$2,000" and inserting "\$1,000";

On page 3, in line 85, by striking "\$1,000" and inserting "\$500"; in line 94, by striking "\$1,000" and inserting "\$500"; in line 106, by striking "\$667" and inserting "\$333"; in line 115, by striking "\$667" and inserting "\$333"