

Approved March 25, 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. ~~XXX~~ on Monday, March 24, 1986 in room 519-S of the Capitol.

All members were present except:
Senator Nancy Parrish (Excused)

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:
Gerry Ray, Johnson County Commission
Senator Audrey Langworthy
Scott M. Lambers, Overland Park
Representative Bob Wunsch
Representative Lloyd Polson
Bill Trahan, Kansas Society of Certified Public Accountants
Paul Fleener, Kansas Farm Bureau
Jim Maag, Kansas Bankers Association
David Litwin, Kansas Chamber of Commerce and Industry
Rich McKee, Kansas Livestock Association

H.B. 3066 - Countywide retailers' sales tax distribution formula for
Johnson County

Gerry Ray testified in support of the bill (Attachment 1). She explained that in 1983 the county commission created a capital improvement program including the county assisted road system. This is a revenue sharing program with the cities to maintain and improve roads. The bill would provide that one-fourth of a one half cent sales tax would be retained by the county and the remaining three-fourths would be distributed under the existing formula. Ms. Ray noted that the bill does not affect the current one half cent sales tax but would apply to an additional half cent to be approved by the voters. She talked about the importance of a road system in Johnson County in competing with Missouri. She pointed out that even under the bill, the total sales tax cannot exceed 5%.

Staff advised that counties are not subject to the charter ordinance as cities are.

Senator Audrey Langworthy spoke in support of the bill.

Scott M. Lambers testified in support of the bill. (Attachment 2)

H.B. 2779 - Exclusion of gain realized on certain real estate transactions

Representative Bob Wunsch explained in certain situations persons may be subject to a capital gains tax when deeding property in lieu of foreclosure. The bill applies only to real property and would be effective from January 1, 1985 to January 1, 1990.

Representative Lloyd Polson said that persons can be forced to take bankruptcy to avoid being subject to a capital gains tax in some situations. He mentioned that the state capital gains tax is about 15% of the federal amount. Representative Polson advised that similar legislation is being at the federal level.

Bill Trahan provided a summary of federal debt law dealing with bankruptcy and insolvency (Attachment 3). He discussed questions in determining insolvency: whether the taxpayer is insolvent immediately both before and

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 March 24, 19 86

immediately after the deed in lieu of foreclosure and the non resource indebtedness problem. Answering a question from Chairman Kerr, Mr. Trahan advised that the property conveyed represents the same thing after foreclosure as it did before foreclosure from the lender's tax standpoint. Mr. Trahan said lenders much prefer the deed in lieu of foreclosure rather than a bankruptcy because they have better control over the subject property.

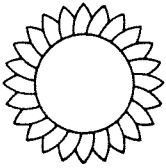
Paul Fleener testified in support of the bill (Attachment 4).

Jim Maaq spoke in support of H.B. 2779 (Attachment 5). He mentioned a capital forbearance program at the federal level which would encourage banks to restructure existing debt. He said that legislation, such as this bill, is needed in order for such a program to work.

David Litwin testified in support of the bill (Attachment 6).

Rich McKee spoke in favor of the bill (Attachment 7).

Meeting adjourned.



SENATE ASSESSMENT AND TAXATION COMMITTEE
HEARING ON HOUSE BILL 3066
MARCH 24, 1986
TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL COORDINATOR
JOHNSON COUNTY BOARD OF COMMISSIONERS

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS GERRY RAY, REPRESENTING THE JOHNSON COUNTY BOARD OF COMMISSIONERS. THANK YOU FOR THE OPPORTUNITY TO APPEAR IN SUPPORT OF HB 3066.

IN 1983, THE JOHNSON COUNTY COMMISSIONERS TOOK ACTION TO IMPLEMENT A CAPITAL IMPROVEMENT PROGRAM WHICH INCLUDED THE COUNTY ASSISTED ROAD SYSTEM, BETTER KNOWN AS "CARS". THIS PUT IN PLACE A PROCEDURE BY WHICH THE COUNTY WOULD SHARE THE COST WITH CITIES OF BUILDING AND MAINTAINING A COORDINATED ROAD SYSTEM WITHIN JOHNSON COUNTY. WE UNDERSTAND THIS IS THE ONLY FORMAL REVENUE SHARING PROGRAM BETWEEN A COUNTY AND CITIES THAT EXISTS IN KANSAS.

AFTER THE CARS PROGRAM WAS IMPLEMENTED AND THE REQUESTS WERE SUBMITTED BY THE CITIES, IT BECAME EVIDENT TO THE BOARD THAT INNOVATIVE MEASURES WOULD BE NECESSARY TO FUND THE PROGRAM TO THE DEGREE NEEDED IN OUR COUNTY. HENCE, THE BOARD TOOK THE INITIATIVE TO REQUEST LOCALIZED LEGISLATION APPLICABLE ONLY TO JOHNSON COUNTY, THAT WOULD PROVIDE AN ALTERNATE METHOD OF DISTRIBUTION FOR A SECOND ONE-HALF CENT COUNTY-WIDE SALES TAX. THE PROPOSED LEGISLATION FOUND IN HB 3066 ALLOWS THE COUNTY TO RETAIN 1/4 CENT OF A ONE CENT SALES TAX AND DISTRIBUTE 3/4 CENT USING THE EXISTING FORMULA. AS A POINT OF CLARIFICATION, THIS IS NOT A QUESTION OF GRANTING ADDITIONAL TAXING AUTHORITY OR A TAX INCREASE. EXISTING LAW GIVES THE COUNTY COMMISSIONERS THE AUTHORITY TO LEVY A FULL ONE CENT SALES TAX SUBJECT TO APPROVAL BY THE MAJORITY OF THE VOTERS WITHIN THAT COUNTY. JOHNSON COUNTY CURRENTLY HAS A 1/2 CENT COUNTY-WIDE SALES TAX AND WOULD BE REQUIRED TO SUBMIT ANY INCREASE TO REFERENDUM.

A RESOLUTION OF INTENT HAS BEEN ADOPTED BY THE BOARD, DEDICATING THE REVENUE REALIZED BY THE COUNTY FROM THIS NEW FORMULA TO THE CAPITAL IMPROVEMENT PLAN WITH AN EMPHASIS ON THE CARS PROGRAM. BECAUSE THE COMMISSIONERS PERCEIVED THIS AS A JOINT EFFORT BETWEEN THE COUNTY AND CITIES, THE CITIES WERE ASKED FOR THEIR INPUT ON THE PROPOSED FORMULA AND THE NECESSARY

LEGISLATION. OF THE TWENTY CITIES IN JOHNSON COUNTY, SEVENTEEN FORMALLY ACTED TO SUPPORT THE PROPOSAL, ONE REMAINED NEUTRAL AND TWO DID NOT RESPOND. IN ADDITION, TWO CHAMBERS OF COMMERCE EXPRESSED THEIR SUPPORT FOR THE PROPOSAL.

TO ILLUSTRATE WHAT THE FORMULA CHANGE WOULD MEAN TO THE COUNTY, APPROXIMATELY \$10,427,245 WOULD BE RECEIVED IN ADDED REVENUE SHOULD A SECOND HALF-CENT BE APPROVED BY THE VOTERS AND THE NEW FORMULA WAS IN PLACE. THIS WOULD MEAN THE CARS PROGRAM COULD BE FUNDED WITH A "PAY AS YOU GO" METHOD RATHER THAN THROUGH THE USE OF BONDS. SAVINGS ARE ESTIMATED TO RUN AS MUCH AS 40% ON CERTAIN PROJECTS WITH THIS UP-FRONT FUNDING APPROACH. IT IS FURTHER PROJECTED THAT THE CITIES WOULD RECIEVE \$6,191,350 IN NEW REVENUE. SEVERAL CITIES HAVE EXPRESSED INTEREST IN DEDICATING THIS NEW REVENUE TO FUNDING THEIR SHARE OF THE JOINT PROJECTS. ANOTHER ASPECT OF THE BONDING ISSUE IS THE PENDING FEDERAL LEGISLATION IN HR3838. THIS BILL WILL SEVERELY DECREASE THE TAX FREE STATUS OF MUNICIPAL BONDS. ALTHOUGH IT HAS NOT BECOME LAW, IT HAS HAD A DRASTIC EFFECT ON THE BOND MARKET AND HAS PUT MANY BONDED PROJECTS IN JEOPARDY ACROSS THE COUNTRY.

IN THE REDWOOD STUDY, RECOMMENDATION NO. 29 SUGGESTS THAT "A GENERAL LOAN POOL FOR INFRASTRUCTURE DEVELOPMENT SHOULD BE AVAILABLE FOR USE BY COMMUNITIES TO PROMOTE ECONOMIC DEVELOPMENT". IT GOES ON TO INCLUDE ROADS AS PART OF THE INFRASTRUCTURE, SUPPORTING OUR BELIEF THAT A WELL-PLANNED AND MAINTAINED ROAD SYSTEM IS A KEY FACTOR TO ATTRACTING BUSINESS. OUR PLAN DOES NOT INCLUDE ASKING FOR A LOAN FRCM THE STATE OR FOR NEW TAXING AUTHORITY. WE ARE ONLY ASKING TO BE ALLOWED TO SOLVE LOCAL PROBLEMS THROUGH A COOPERATIVE EFFORT BETWEEN THE OFFICIALS OF THE CITIES AND THE COUNTY FOR THE BENEFIT OF THE CITIZENS WHO ARE MUTUALLY REPRESENTED BY THOSE OFFICIALS.

CONTINUED ECONOMIC DEVELOPMENT IS A MAJOR CONCERN IN JOHNSON COUNTY AS THE COMMUNITIES ACROSS THE STATE LINE IN MISSOURI ACCELERATE THEIR EFFORST TO ATTRACT NEW BUSINESS. WE MUST BE ABLE TO COMPETE ON THE KANSAS SIDE. HB 3066 PROVIDES OUR COUNTY AND CITIES A TOOL WITH WHICH TO MOVE AHEAD IN THIS COMPETITION. WE NEED YOUR HELP IN THIS ENDEAVOR THROUGH YOUR SUPPORT OF THE PASSAGE OF THIS LEGISLATION.

REMARKS BY SCOTT M. LAMBERS
BEFORE THE SENATE ASSESSMENT & TAXATION COMMITTEE
REGARDING HOUSE BILL 3066
MONDAY, MARCH 24, 1986

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I AM SCOTT LAMBERS; AND I AM THE ASSISTANT TO THE CITY MANAGER OF OVERLAND PARK. ON BEHALF OF OVERLAND PARK'S GOVERNING BODY, I WOULD LIKE TO EXPRESS OUR SUPPORT FOR HOUSE BILL 3066.

ON DECEMBER 17, 1984, THE GOVERNING BODY OF OVERLAND PARK UNANIMOUSLY ADOPTED RESOLUTION No. 1851, WHICH IS ATTACHED, TO EXPRESS SUPPORT FOR THE JOHNSON COUNTY BOARD OF COUNTY COMMISSIONERS' PROPOSAL TO AMEND THE DISTRIBUTION OF AN ADDITIONAL HALF-CENT COUNTYWIDE RETAILERS' SALES TAX IN JOHNSON COUNTY.

THEREFORE, I URGE YOU TO REPORT THIS BILL OUT AS FAVORABLE FOR PASSAGE, AND I THANK YOU FOR YOUR CONSIDERATION IN THIS REGARD.

#

RESOLUTION NO. 1851

A RESOLUTION SUPPORTING THE BOARD OF COUNTY COMMISSIONERS OF JOHNSON COUNTY, KANSAS, IN ITS EFFORT TO SEEK APPROVAL OF AN ADDITIONAL ONE-HALF CENT COUNTYWIDE SALES TAX UNDER A REVISED DISTRIBUTION FORMULA TO BE PRESENTED TO THE KANSAS LEGISLATURE FOR STATUTORY ENACTMENT.

WHEREAS, the Johnson County Board of Commissioners is contemplating seeking voter approval of an additional one-half cent Countywide sales tax under a revised formula of distribution to be presented as an amendment to the Kansas legislature for enactment; and

WHEREAS, the Board of County Commissioners has adopted Resolution No. 161-84 setting forth its intent to pledge all funds received as a result of the additional tax to the County Assisted Road System (CARS) or other capital improvements; and

WHEREAS, the Board of County Commissioners has requested the support of the City of Overland Park, Kansas, in such efforts.

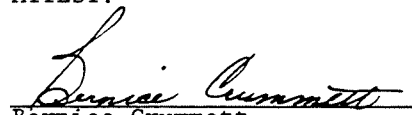
NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF OVERLAND PARK, KANSAS:

The City of Overland Park, Kansas, supports the efforts of the Board of County Commissioners as set forth herein.

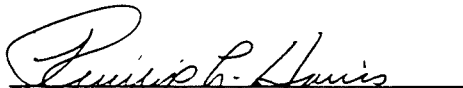
ADOPTED by the City Council of the City of Overland Park, Kansas, this 17th day of December, 1984.


Ed Eilert, Mayor

ATTEST:


Bernice Crummett
Finance Director/City Clerk

APPROVED AS TO FORM:


Phillip L. Harris
City Attorney

APPENDIX

SUMMARY OF DEBT FORGIVENESS GIVE BACKS—OLD AND NEW LAW

Tax Act Treatment¹

Law Prior to the Tax Act

Election to First Adjust Basis of Depreciable Assets²

No Election to First Adjust Basis of Depreciable Assets

Bankruptcy

1. No income realized on the forgiveness of indebtedness.
2. Basis reduced by the amount of the indebtedness but not below fair market value.

1. No income recognized on the forgiveness of indebtedness.
2. Basis of depreciable property reduced, but not below zero; limitation restricting basis reduction to the excess of the basis of the assets over liabilities immediately after discharge not applicable.
3. Tax attributes (including remaining nondepreciable asset basis) reduced by amount of any remaining indebtedness.
4. Reduction in basis of assets cannot cause insolvency; i.e. liabilities exceed fair market value of assets.

1. No income recognized on the forgiveness of indebtedness.
2. Tax attributes (including basis) reduced; basis of assets cannot be reduced below liabilities immediately after discharge.

Insolvency

1. No income realized if insolvent both before and after the forgiveness of indebtedness.
2. No adjustment of basis required since no income realized.
3. Income realized to the extent that solvency was created.
4. Election available to adjust basis of assets to avoid recognition of income.

1. No income recognized on the forgiveness of indebtedness.
2. Basis of depreciable property reduced, but not below zero; limitation restricting basis reduction to the excess of the basis of the assets over liabilities immediately after discharge not applicable.
3. Tax attributes (including remaining nondepreciable asset basis) reduced by amount of remaining indebtedness.
4. Income recognized to the extent solvency is created.
5. Election available to treat qualifying debt as qualified business indebtedness and to further reduce any remaining basis of depreciable assets; reduction in basis may not create insolvency.

1. No income recognized on the forgiveness of indebtedness.
2. Tax attributes (including basis) reduced; basis of assets cannot be reduced below liabilities immediately after discharge.
3. Income recognized to the extent solvency is created.
4. Election available to treat qualifying debt as qualified business indebtedness and to further reduce basis of depreciable assets.

¹ This chart briefly describes the tax consequences of debt forgiveness when the Tax Act becomes fully effective on January 1, 1982. For a description of the transitional rules presently in effect, see Page 7.

² Depreciable property for this purpose can include real property held as inventory.

APPENDIX Continued**Solvent
Taxpayer****Law Prior to
the Tax Act**

1. Income realized to the extent of debt forgiveness.
2. Election available to adjust basis of assets to avoid recognition of income.

**Election to First Adjust
Basis of Depreciable Assets²**

1. Income recognized to the extent of debt forgiveness.
2. Election available to treat qualifying debt as qualified business indebtedness and to reduce basis of depreciable assets to the extent of debt forgiveness but not below zero.
3. Special rules apply to acquiring debt of a related party from an unrelated party at a discount; capitalizing debt; recapture of depreciation or investment tax credit; and the earnings and profits computation.

Tax Act Treatment¹**No Election to First Adjust
Basis of Depreciable Assets**

1. Income recognized to the extent of debt forgiveness.

¹ This chart briefly describes the tax consequences of debt forgiveness when the Tax Act becomes fully effective on January 1, 1982. For a description of the transitional rules presently in effect, see Page 7.

² Depreciable property for this purpose can include real property held as inventory.



PUBLIC POLICY STATEMENT

Statement to:

SENATE ASSESSMENT AND TAXATION COMMITTEE

RE: Income taxation . . . excluding gain realized on the sale of
mortgage property . . . H.B. 2779

Topeka, Kansas
March 24, 1986

Presented by:
Paul E. Fleener, Director
Public Affairs Division
Kansas Farm Bureau

Mr. Chairman and Members of the Committee:

My name is Paul E. Fleener. I am the Director of Public Affairs for Kansas Farm Bureau. We are here today strongly supporting the proposal advanced in H.B. 2779 which addresses a serious problem for these economic times.

H.B. 2779 proposes for Kansas income taxpayers the right to subtract from the amount of federal adjusted gross income shown on the tax form the amount of any gain realized resulting from the sale or disposition of mortgage real estate.

At the recent American Farm Bureau Federation Annual Meeting . . . held January 12-16, 1986, the delegates from Kansas, supported by delegates from other states, were successful in including in two places language which addresses the situation set forth in H.B. 2779 for Kansas income tax. In their efforts to speak to the issue of tax reform at the federal level our delegates inserted the following language:

Capital Gains Exclusion for Insolvent Farmers.

We support a capital gains exclusion for insolvent farmers on liquidation of farm property.

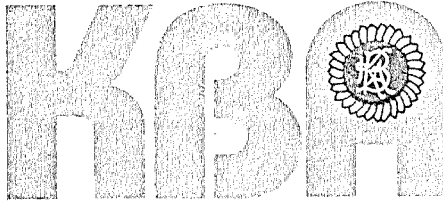
In another policy position specifically on **Capital Gains**, our delegates said this:

The tax treatment of capital gains should encourage investment without creating tax loopholes or discouraging the sale of property.

We support changes in the capital gains law which would alleviate the tax burden upon farmers who must sell due to insolvency or bankruptcy.

Mr. Chairman and Members of the Committee, our reading of H.B. 2779 indicates to us that Representative Wunsch and the other co-sponsors of this legislation seek to do at the Kansas level exactly what we are trying to achieve at the federal level. We commend and thank all of the sponsors for introducing this legislation. We ask the members of this committee to report this bill favorably.

Thank you very much for this opportunity to make a brief statement on H.B. 2779.



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

March 24, 1986

TO: Senate Committee on Assessment and Taxation

RE: HB 2779 - Capital Gains Exemption

Mr. Chairman and members of the Committee:

Thank you for the opportunity to appear in support of HB 2779. Representative Wunsch and his colleagues are to be commended for introducing this important legislation for those Kansans faced with serious financial problems in our distressed agricultural economy. We at the KBA have been working with our Congressional delegation in Washington to effect the same type of changes in our federal tax code. As you are probably aware, Senator Nancy Kassebaum has recently introduced a bill on this subject and we plan to give her every possible assistance in getting the measure enacted.

It is obvious that the provisions of HB 2779 will have the broadest impact today on owners of agricultural land. Let us take an example which is fairly typical of the plight of the farmer and which is occurring with some frequency: An agricultural producer and his lender decide jointly that the producer must reduce his amount of indebtedness in order to "cash flow" and thus to survive economically. The producer voluntarily turns over ownership of part of his property to the lender and the lender, in turn, forgives a portion of the debt. This "trimming down" of the debt load is being attempted every day in agricultural banks throughout Kansas and the very survival of many producers depends on it. However, our current federal and state tax laws stop the majority of these cases right in their tracks because of the tremendous tax burden which accrues to the producer. It would be enormously positive to all parties involved if we could reform state and federal tax laws to allow for this voluntary workout to occur without creating huge tax problems.

A more specific example would be as follows: Let's assume the producer has \$50,000 basis in a piece of property with a market value of \$110,000 and, in return for the property, the lender will write off \$150,000 of debts. The example assumes the producer will continue to own other property. The \$100,000 difference between the producer's tax basis and the amount of the loan forgiven will constitute taxable income to the producer - unless the producer takes bankruptcy or can prove he is insolvent. The producer faces many uncertainties in attempting to prove insolvency so that bankruptcy is the only safe solution to avoid a capital gains tax and tax on ordinary income under the present laws.

Federal regulators and possibly the United States Congress will soon be implementing a capital forbearance or amortization plan for agricultural banks which will give them greater flexibility to work with their farm customers in restructuring existing debt and that positive action makes it more imperative than ever that legislation such as HB 2779 be passed so large tax liabilities will not discourage or block any cooperative debt restructuring plans between the creditor and the producer.

Your positive consideration of HB 2779 would be greatly appreciated.

Attachment 5
Senate Tax Comm. 3/24/86

Office of Executive Vice President • 707 Merchants National Building
Eighth and Jackson • Topeka, Kansas 66612 • (913) 232-3444

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United States Senate

COMMITTEE ON THE BUDGET
WASHINGTON, DC 20510

STEPHEN BELL, STAFF DIRECTOR

RICHARD N. BRANDON, MINORITY STAFF DIRECTOR

March 20, 1986

We hope Sen. Kassebaum receives SIGNIFICANT support for this important amendment!
Harold Stokes

Dear Colleague:

Everyone is aware of the problems confronting those in farm and rural communities. Commodity prices are below levels necessary to service the highly debt-intensive operation of farming. As a result, banks are forcibly calling notes and refusing credit. We are experiencing, for the first time since the 1930s, widespread bankruptcies, newspaper notices of foreclosures, and an expanding list of closed banks.

Recognizing the severity of the situation for agricultural banks, the Senate Banking Committee held hearings where most participants expressed the need for a loan-loss deferral program. This would allow banks to reamortize their loan losses over time. The reason for this allowance is to provide banks an incentive to renegotiate debt and continue working with the farmer/borrower. In addition, the local community will benefit from the increased solvency of its farm customers and from the stable flow of credit from the banking institution.

Although this legislation is a necessary first step, it cannot, by itself, be effective. The reality is that even if enacted, farmers will forego debt renegotiations and seek bankruptcy protection unless there is companion legislation exempting farmers from income tax liability for loan writedowns. Many such bankruptcies are entirely unnecessary. They are the result of a little-known provision in the tax code known as cancellation of indebtedness income.

Currently, if a bank and farmer work out an arrangement where the bank writes down the the farmer's debt to a level that the farmer can manage, the portion written down is treated as income to the farmer. Thus if the farmer had a \$100,000 loan and the bank is willing to write off \$30,000, the farmer is treated under the tax code as receiving \$30,000 in taxable income.

Since the farmer has no money in hand to pay the taxes, the well-advised farmer will file for bankruptcy protection rather than work with the bank to bring the loan down to a manageable level. By declaring bankruptcy before entering a workout agreement the farmer will be able to avoid a personal tax liability. Thus, a responsible effort by the farmer and the banker to work out a voluntary debt reduction agreement is undermined by a provision of the tax code.

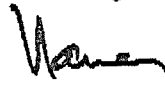
It is therefore essential that legislation which exempts farmers from this tax liability be considered as a necessary companion to any effective agricultural credit legislation. Such an exemption should not result in a revenue loss to the federal government since the well advised farmer would declare bankruptcy rather than pay taxes in its absence. Moreover, the provision would not only benefit the farmer and the banker but also numerous other small businesses in the agricultural community.

Consequently, I am introducing legislation which would exempt farmers from tax liability for writing down their farm debts. The exclusion would only be available for taxpayers who gain more than 50 percent of their gross income from farm operations and would be limited to debt forgiven on qualified agricultural loans from agricultural banks.

In addition, I will introduce a resolution which I intend to offer as an amendment to the agricultural bank credit package soon to be considered by the full Senate. The resolution will demonstrate congressional understanding of this problem and will emphasize the need for this tax reform measure if meaningful renegotiation of agricultural debt is to occur. Finally, the resolution will commit Congress to consider, at the earliest opportunity, a legislative remedy.

I welcome your support for my efforts. For more information, or if you would like to be added as a cosponsor, please contact Greg Musil, Dan Bolen or Alan Ott at 4-4774

Warmest regards,



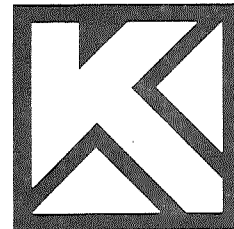
Nancy Landon Kassebaum
United States Senator

NLK:dw

Copies to: Task Force on Ag Credit
Midwest State Bankers Association
Messrs. Yingling, O'Toole, Rodman, Jessor - ARB
Messrs. Gunther, Barton - IBA
ICBA Gov Council
ICBA Task Force on Ag OPA
ICBA Federal Affairs Committee

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

HB 2779

March 24, 1986

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Assessment and Taxation Committee

by

David S. Litwin
Director of Taxation

Mr. Chairman, members of the committee. I am David Litwin, representing the Kansas Chamber of Commerce and Industry. Thank you for the chance to testify today on HB 2779.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Our board of directors has not had occasion to address the specific issue that is the subject of this bill, but I have little doubt that the board would support the bill if presented with the issue. This bill would essentially exclude from Kansas

adjusted gross income certain paper gains that a mortgagor might incur upon foreclosure or conveyance to the mortgagee. In brief, it would prevent the addition of further misery to someone who is already very likely in deep financial trouble and who, if government should be involved at all, should be receiving government assistance rather than a tax bill.

Hopefully, this bill will be helpful to the many citizens, especially farmers, who are experiencing severe economic difficulties at this time.

Thank you again. If there are any questions, I will be happy to answer them.



2044 Fillmore • Topeka, Kansas 66604 • Telephone: 913/232-9358
Owns and Publishes The Kansas STOCKMAN magazine and KLA News & Market Report newsletter.

STATEMENT
OF THE
KANSAS LIVESTOCK ASSOCIATION
TO THE
SENATE COMMITTEE
ON ASSESSMENT AND TAXATION
SENATOR FRED KERR, CHAIRMAN
WITH RESPECT TO
HB 2779
PRESENTED BY
RICH MCKEE
EXECUTIVE SECRETARY, FEEDLOT DIVISION
KANSAS LIVESTOCK ASSOCIATION
MARCH 24, 1986

Mr. Chairman, Members of the Committee, my name is Rich McKee. I am here representing the members of the Kansas Livestock Association. KLA is a statewide voluntary association of livestock producers. Our association represents cattle, swine and sheep producers. For many years our association has actively participated in the legislative process to represent the best interest of Kansas agriculture in general and the livestock producing segment specifically. We appreciate the chance to appear before your committee to share with you some of our views and opinions.

The Kansas Livestock Association supports HB 2779. Current law, which forces an income tax on "paper profit", is only an insult to injury for many of our members who have voluntarily conveyed mortgaged real estate. This bill is not a panacea for all of agriculture but would be of significant benefit to a number of individual farmers and ranchers.

Mr. Chairman, the Kansas Livestock Association realizes that the state legislature can not greatly change the economic pressures that are burdening the livestock and farming operations in this state. However, in reviewing this bill our members felt it would be a step in the right direction. Therefore, we urge you to consider favorable passage of HB 2779 for full Senate consideration.

The Kansas Livestock Association appreciates the opportunity to present it's position before your committee. If there are any questions from the committee I would gladly attempt to provide an answer. Thank you.