

Approved 1-20-87

Minutes of the House Committee on Taxation. This was a joint meeting with the Senate Assessment and Taxation Committee, held in the old Supreme Court Room at 11:00 a.m. on January 13, 1987.

The meeting was called to order by Senator Fred Kerr.

All members of the House Taxation Committee were present.

Senator Kerr introduced Harley Duncan, Secretary of Revenue, who handed out and explained the booklet on "The Impact of the Tax Reform Act of 1986 on the Kansas Individual Income Tax - January, 1987". (Attachment 1, Jan. 14)

The Tax Reform Act of 1986 marks a significant change in the federal income tax code. There are expected to be ramifications to the Kansas income tax structure, both in terms of conformity and revenues. Since the state income tax structure is roughly based on federal adjusted gross income, the removal of deductions at the federal level is expected to cause an increase in the adjusted gross income applicable to Kansas income tax. If no changes are made in the state income tax structure, income tax revenues are expected to increase. The latest official department estimates are that the revenue would increase \$105.0 million in tax year 1987 and \$125.0 million in tax year 1988. Secretary Duncan said that such estimates are difficult to predict and that they could be in error. He encouraged caution in changing the income tax structure to quickly neutralize the effects of the windfall.

The federal changes also increase the number of areas in which state taxes are adjusted from the federal income tax base. Secretary Duncan said that individual tax payers will find their state taxes more complicated to figure out if nothing is changed from the current law. He pointed out fourteen areas in which adjustments will now have to be made. He also said that, with no state changes, many people will now have to pay state income taxes who do not have to pay federal taxes. These are generally low income people.

Representative Keith Roe asked if this revenue adjustment situation could be handled in the 90 days of the 1987 legislative session.

Secretary Duncan said he thought it would be ill advised to pass legislation to neutralize the windfall this session because of the uncertainties.

There being no further business to come before the committees. the meeting was adjourned.



Ed C. Rolfs