

Approved April 7, 1987  
Date

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

The meeting was called to order by Senator Dan Thiessen at  
Chairperson

11:00 a.m. ~~p.m.~~ on April 6, 1987 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Tom Severn, Research  
Chris Courtwright, Research  
Don Hayward, Revisor's Office  
Sue Pettet, Secretary to the Committee

Conferees appearing before the committee:

T.C. Anderson, Kansas Society of C.P.A.'s  
Secretary Harley Duncan

Vice-Chairman Thiessen called the meeting to order and said that the agenda for the day was to have a briefing on H.B. 2543.

HOUSE BILL 2543

Chairman Fred Kerr gave explanation of H.B. 2543. (Attachment 1) He explained that the Tax Equity and Simplification Act, (TESA) has, as objectives tax simplification, economic development, and fair enforcement. He said that the 1986 federal changes raise two major issues for the state of Kansas—windfall and complexity. He said H.B. 2543 is designed to address the "complexity" issue. He noted that the committee will need to make two major decisions regarding H.B. 2543. The first is whether or not the bill contains good policy, which he said he feels it certainly does. The second decision is whether the bill should be passed in 1987 or 1988.

Chairman Kerr stated that there will now be fourteen areas in which the state of Kansas does not conform for itemized taxpayers, with the federal tax code unless H.B. 2543 is passed. (Listed on p.1 of attachment 1) He also said that the policy in H.B. 2543 will prevent 60,000 Kansas taxpayers who otherwise will owe state income taxes, but not federal income tax, from owing those state taxes. He said that the bill accomplishes this by conforming state standard deductions and personal exemptions with those in the new federal code. He noted that the bill provides for a state child care tax credit enhancement in the amount of 25% of the federal credit.

Chairman Kerr noted that the bill does initiate a "stairstep" personal exemption for middle and upper income tax payers. He said that in order to make the bill relatively revenue "neutral", the stairstep provision, whereby personal exemptions are phased down \$100 for each \$2000 of income above \$25,000 for single taxpayers and \$35,000 for married taxpayers, was included.

He said that another feature of the bill is that it lowers the top state tax incidence which is currently 9%. He said that for many years tax observers had said that Kansas' 9% top bracket has been unusually high compared to other states and that it serves to deter our competitiveness. He said that the bill was originally introduced to lower the top bracket to 7.5%. House amendments changed the top bracket to 8%. The bill proposes to raise the lowest tax bracket from 2% to 3 1/4%.

He said that another feature of the bill is that there will be no tax on Social Security Benefits for any Kansas taxpayers beginning January 1, 1988.

As far as fiscal impact of the bill goes, he noted that the bill assumes current law, which means that it is assumed that the income tax "windfall" is a reality. From that figure, the bill, as recommended by the House, would have a fiscal impact to the state of +\$2.5 million in FY 1988, and -\$5.5 million in FY 1989.

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 April 6, 19 87

Chairman Kerr explained that pages two and three of his testimony are graphs explaining the impact by brackets on taxpayers in 1987 and 1988. The information was compiled by the Department of Revenue. A Kansas Tax Table is included on page four. Pages five and six show the effect of the bill when combined with the effect taxpayers will receive as a result of the federal income tax changes. He said that these tables are important because they show that the taxpayers which do receive an increase in taxes as a result of H.B. 2543 are the taxpayers which receive a substantial decrease in their federal taxes as a result of the 1986 federal changes. He noted that the federal reductions far exceed the increase at the state level.

T.C. Anderson testified on H.B. 2543. (Attachments 2 & 3) He stated that the Kansas Society of Certified Public Accountants has not yet taken a formal position on this proposed legislation. He said that the members generally approve of simplification, and that simplification leads to better adherence to the tax code. He said that some concern had been expressed about the phase-out of the exemptions.

Charles Clinkenbeard, retired C.P.A., answered questions posed by the committee.

Secretary Duncan stated that the non-itemizers will benefit from this bill because the standard deduction is going up. Most who non-itemize are in the \$35,000 and below bracket.

Tom Severn, Research stated that there were two Federal changes in 1986 regarding personal exemptions. The Federal government increased the 28% rate to 33%. Once that phase out is accomplished, it drops back to 28%. They do phase out personal exemptions at the Federal level as well.

Senator Hayden made a motion to accept the minutes of the meeting of April 3, 1987. Senator Karr seconded. Motion carried.

Meeting adjourned.





SIMULATION NO. 6327: TAX REFORM ACT OF 1986

*McC. Ruffs  
65th District*

TAX YEAR 1987  
KANSAS TAX EQUITY AND SIMPLIFICATION ACT  
EXEMPTION PHASE-OUT BEGINS AT \$25,000 FOR SINGLE  
UPPER RATE BRACKET AT 8%--\$25,000 & \$50,000

Kansas Department Of Revenue  
Individual Income Tax In Tax Year 1986  
Resident Taxpayers  
Impact By Bracket

KANSAS TAX EQUITY AND SIMPLIFICATION ACT

K.A.G.I. Bracket	Married					Single					Total Residents				
	No. Of Returns	Percent Increase	Dollar Change In Liability	Dollar Change Per Return	Effective Rate	No. Of Returns	Percent Increase	Dollar Change In Liability	Dollar Change Per Return	Effective Rate	No. Of Returns	Percent Increase	Dollar Change In Liability	Dollar Change Per Return	Effective Rate
No K.A.G.I.	11,263	0.0%	\$0.00	\$0.00	0.0%	5,789	0.0%	\$0.00	\$0.00	0.0%	17,053	0.0%	\$0.00	\$0.00	0.0%
\$0 \$5,000	14,947	-100.0%	(\$13,775.51)	(\$0.92)	0.0%	104,105	-91.2%	(\$930,848.98)	(\$8.94)	0.0%	119,053	-91.3%	(\$944,624.49)	(\$7.93)	0.0%
\$5,000 \$15,000	73,895	-65.6%	(\$4,585,804.08)	(\$62.06)	0.3%	166,421	-22.8%	(\$6,644,388.78)	(\$39.93)	1.4%	240,316	-31.1%	(\$11,230,192.86)	(\$46.73)	1.1%
\$15,000 \$25,000	98,842	-23.0%	(\$7,880,341.84)	(\$79.73)	1.3%	85,158	-1.1%	(\$543,347.96)	(\$6.38)	2.9%	184,000	-10.1%	(\$8,423,689.80)	(\$45.78)	2.0%
\$25,000 \$35,000	106,947	-5.7%	(\$4,229,856.12)	(\$39.55)	2.2%	34,421	4.6%	\$1,473,061.22	\$42.80	3.4%	141,368	-2.6%	(\$2,756,794.90)	(\$19.50)	2.5%
\$35,000 \$50,000	118,842	5.6%	\$7,543,801.02	\$63.48	2.9%	15,263	12.8%	\$2,559,102.04	\$167.67	3.6%	134,105	6.6%	\$10,102,903.06	\$75.34	3.0%
\$50,000 \$100,000	78,842	12.9%	\$19,636,887.76	\$249.07	3.4%	6,947	6.6%	\$1,121,922.45	\$161.49	4.1%	85,789	12.2%	\$20,758,810.20	\$241.97	3.5%
\$100,000 Over	10,947	1.5%	\$1,246,147.96	\$113.83	4.0%	1,684	-5.1%	(\$1,075,102.04)	(\$638.34)	4.3%	12,632	0.2%	\$171,045.92	\$13.54	4.0%
<b>Total</b>	<b>514,526</b>	<b>2.4%</b>	<b>\$11,717,059.18</b>	<b>\$22.77</b>	<b>2.8%</b>	<b>419,789</b>	<b>-2.4%</b>	<b>(\$4,039,602.04)</b>	<b>(\$9.62)</b>	<b>2.7%</b>	<b>934,316</b>	<b>1.2%</b>	<b>\$7,677,457.14</b>	<b>\$8.22</b>	<b>2.7%</b>
<b>Fiscal Impact:</b>			<b>\$11,717,059.18</b>					<b>(\$4,039,602.04)</b>					<b>\$7,677,457.14</b>		
<b>All Taxpayers:</b>			<b>\$6,159,048.98</b>			<b>Non-Resident:</b>		<b>(\$1,518,408.16)</b>							

TAX YEAR 1988

KANSAS TAX EQUITY AND SIMPLIFICATION ACT

Kansas Department Of Revenue

EXEMPTION PHASE-OUT FOR SINGLE BEGINS AT \$25,000

UPPER RATE BRACKET AT 8%--\$25,000 & \$50,000

Individual Income Tax In Tax Year 1986

Resident Taxpayers

Impact By Bracket

KANSAS TAX EQUITY AND SIMPLIFICATION ACT

K.A.G.I. Bracket	Married					Single					Total Residents				
	No. Of Returns	Percent Increase	Dollar Change In Liability	Dollar Change Per Return	Effective Rate	No. Of Returns	Percent Increase	Dollar Change In Liability	Dollar Change Per Return	Effective Rate	No. Of Returns	Percent Increase	Dollar Change In Liability	Dollar Change Per Return	Effective Rate
No K.A.G.I.	11,263	0.0%	\$0.00	\$0.00	0.0%	5,789	0.0%	\$0.00	\$0.00	0.0%	17,053	0.0%	\$0.00	\$0.00	0.0%
\$0 \$5,000	14,947	-100.0%	(\$13,775.51)	(\$0.92)	0.0%	104,105	-99.8%	(\$1,026,248.98)	(\$9.86)	0.0%	119,053	-99.8%	(\$1,040,024.49)	(\$8.74)	0.0%
\$5,000 \$15,000	73,895	-76.6%	(\$5,378,061.22)	(\$72.78)	0.2%	166,421	-33.0%	(\$9,617,433.67)	(\$57.79)	1.2%	240,316	-41.5%	(\$14,995,494.90)	(\$62.40)	0.9%
\$15,000 \$25,000	98,842	-31.9%	(\$10,972,854.08)	(\$111.01)	1.2%	85,158	-5.8%	(\$2,835,076.53)	(\$33.29)	2.8%	184,000	-16.6%	(\$13,807,930.61)	(\$75.04)	1.9%
\$25,000 \$35,000	165,947	-9.8%	(\$7,291,402.04)	(\$68.18)	2.1%	34,421	2.4%	\$785,200.00	\$22.81	3.4%	141,368	-6.0%	(\$6,506,202.04)	(\$46.02)	2.4%
\$35,000 \$50,000	118,842	4.8%	\$6,487,172.45	\$54.59	2.9%	15,263	11.2%	\$2,440,379.59	\$159.89	3.9%	134,105	5.7%	\$8,927,552.04	\$66.57	3.0%
\$50,000 \$100,000	78,842	13.1%	\$20,463,724.49	\$259.55	3.5%	6,947	5.5%	\$1,030,204.08	\$148.29	4.5%	85,789	12.3%	\$21,493,928.57	\$250.54	3.6%
\$100,000 Over	10,947	3.4%	\$2,879,209.18	\$263.00	4.1%	1,684	-5.2%	(\$1,260,612.24)	(\$748.49)	4.9%	12,632	1.5%	\$1,618,596.94	\$128.14	4.2%
<b>Total</b>	<b>514,526</b>	<b>1.3%</b>	<b>\$6,174,013.27</b>	<b>\$12.00</b>	<b>2.7%</b>	<b>419,789</b>	<b>-5.9%</b>	<b>(\$10,483,587.76)</b>	<b>(\$24.97)</b>	<b>2.7%</b>	<b>934,316</b>	<b>-0.6%</b>	<b>(\$4,309,574.49)</b>	<b>(\$4.61)</b>	<b>2.7%</b>
<b>Fiscal Impact:</b>			<b>\$6,174,013.27</b>					<b>(\$10,483,587.76)</b>					<b>(\$4,309,574.49)</b>		
<b>All Taxpayers:</b>			<b>(\$6,914,592.86)</b>			<b>Non-Resident:</b>		<b>(\$2,605,018.37)</b>							

Simulation 6327

Kansas Tax Tables

Single

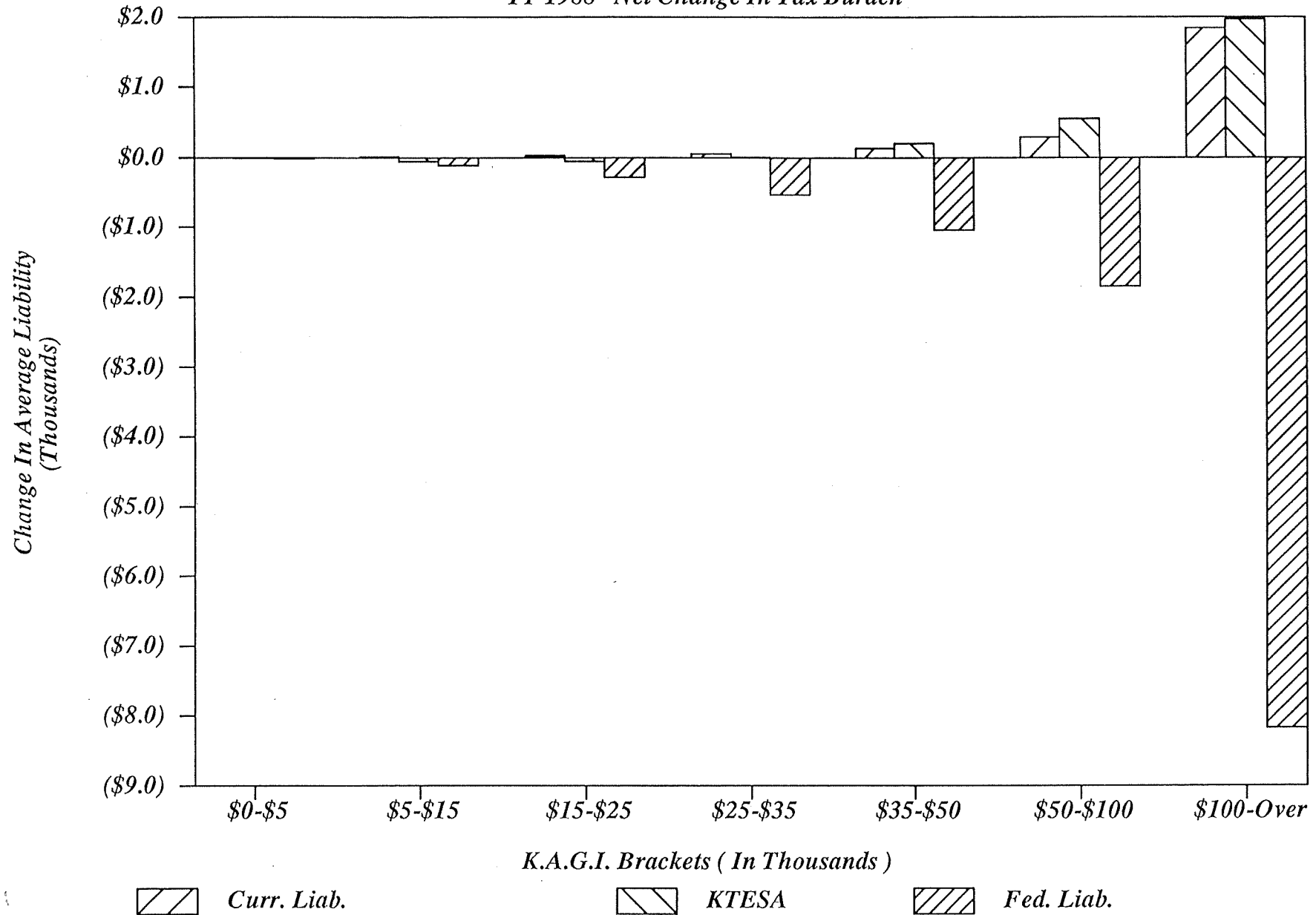
Taxable Income			Tax Rate	Excess Over
\$0	\$3,000		3.25%	\$0
\$3,000	\$5,000	\$98	5.25%	\$3,000
\$5,000	\$10,000	\$203	6.50%	\$5,000
\$10,000	\$20,000	\$528	7.00%	\$10,000
\$20,000	\$25,000	\$1,228	7.50%	\$20,000
\$25,000	Over	\$1,603	8.00%	\$25,000

Married

Taxable Income			Tax Rate	Excess Over
\$0	\$6,000		3.25%	\$0
\$6,000	\$10,000	\$195	4.70%	\$6,000
\$10,000	\$20,000	\$383	5.70%	\$10,000
\$20,000	\$30,000	\$953	6.00%	\$20,000
\$30,000	\$40,000	\$1,553	6.30%	\$30,000
\$40,000	\$50,000	\$2,183	7.50%	\$40,000
\$50,000	Over	\$2,933	8.00%	\$50,000

# Kansas Department of Revenue

*TY 1988--Net Change In Tax Burden*





Kansas Department of Revenue

Data For Graphs

Tax Year 1987  
Net Change In Tax Burden

	\$0-\$5	\$5-\$15	\$15-\$25	\$25-\$35	\$35-\$50	\$50-\$100	\$100-Over
Current Liability	\$0.74	\$9.53	\$27.28	\$46.65	\$113.77	\$229.56	\$1,594.19
KTESA	(\$7.45)	(\$38.67)	(\$19.95)	(\$26.54)	(\$191.48)	(\$479.18)	(\$1,608.16)
Federal Liability	(\$15.29)	(\$104.12)	(\$270.12)	(\$447.18)	(\$836.80)	(\$1,163.72)	(\$5,321.15)

Tax Year 1988  
Net Change In Tax Burden

	\$0-\$5	\$5-\$15	\$15-\$25	\$25-\$35	\$35-\$50	\$50-\$100	\$100-Over
Current Liability	\$0.80	\$9.70	\$28.59	\$53.83	\$131.10	\$287.73	\$1,839.75
KTESA	(\$8.21)	(\$54.66)	(\$48.83)	(\$6.35)	(\$199.78)	(\$46.18)	(\$1,971.93)
Federal Liability	(\$16.39)	(\$108.55)	(\$280.99)	(\$530.95)	(\$1,044.64)	(\$1,849.00)	(\$8,176.29)

=====  
Tax Year 1987  
Average Kansas Tax Liability

	\$0-\$5	\$5-\$15	\$15-\$25	\$25-\$35	\$35-\$50	\$50-\$100	\$100-Over
Prior Law	\$8.23	\$145.54	\$438.45	\$732.68	\$1,070.02	\$1,810.57	\$7,090.51
Current Law	\$8.97	\$155.07	\$465.73	\$779.33	\$1,183.79	\$2,040.13	\$8,684.70
KTESA	\$0.78	\$106.87	\$418.50	\$759.22	\$1,261.50	\$2,289.75	\$8,698.67

Tax Year 1988  
Average Kansas Tax Liability

	\$0-\$5	\$5-\$15	\$15-\$25	\$25-\$35	\$35-\$50	\$50-\$100	\$100-Over
Prior Law	\$8.23	\$145.54	\$438.45	\$732.68	\$1,070.02	\$1,810.57	\$7,090.51
Current Law	\$9.03	\$155.24	\$467.04	\$786.51	\$1,201.12	\$2,098.30	\$8,930.26
KTESA	\$0.02	\$90.88	\$389.62	\$739.03	\$1,269.80	\$2,356.75	\$9,062.44

=====  
Average Federal Liability

	\$0-\$5	\$5-\$15	\$15-\$25	\$25-\$35	\$35-\$50	\$50-\$100	\$100-Over
Prior Liability	\$35.76	\$623.50	\$1,950.75	\$3,549.33	\$5,770.23	\$11,788.73	\$59,454.99
Tax Year 1987	\$20.47	\$519.38	\$1,680.63	\$3,102.15	\$4,933.43	\$10,625.01	\$54,133.84
Tax Year 1988	\$19.37	\$514.95	\$1,669.76	\$3,018.38	\$4,725.59	\$9,939.73	\$51,278.70

=====  
Tax Year 1987 Total State and Federal Tax Burden

	\$0-\$5	\$5-\$15	\$15-\$25	\$25-\$35	\$35-\$50	\$50-\$100	\$100-Over
Prior Law	\$43.99	\$769.04	\$2,389.20	\$4,282.01	\$6,840.25	\$13,599.30	\$66,545.50
Current Law	\$29.44	\$674.45	\$2,146.36	\$3,881.48	\$6,117.22	\$12,665.14	\$62,818.54
KTESA	\$21.25	\$626.25	\$2,099.13	\$3,861.37	\$6,194.93	\$12,914.76	\$62,832.51

Tax Year 1988 Total State and Federal Tax Burden

	\$0-\$5	\$5-\$15	\$15-\$25	\$25-\$35	\$35-\$50	\$50-\$100	\$100-Over
Prior Law	\$43.99	\$769.04	\$2,389.20	\$4,282.01	\$6,840.25	\$13,599.30	\$66,545.50
Current Law	\$28.40	\$670.19	\$2,136.80	\$3,804.89	\$6,926.71	\$12,038.03	\$60,208.96
KTESA	\$19.39	\$605.83	\$2,059.38	\$3,757.41	\$5,995.39	\$12,296.48	\$60,341.14



Kansas Society of  
Certified Public Accountants

FOUNDED OCTOBER 17, 1932

400 CROIX / P.O. BOX 5654 / TOPEKA, KANSAS 66605-0654 / 913-267-6460

KANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Senate Assessment and Taxation Committee

HB 2543

April 6, 1987

Mr. Chairman and members of the Committee, I am T. C. Anderson, Executive Director of the Kansas Society of Certified Public Accountants. With me today is Charles Clinkenbeard, CPA, a retired partner in the international firm of Peat Marwick Main & Co. and President of our 2,000 member organization.

Inasmuch as it is tax season and H.B. 2543 was introduced only a short time ago I hope you will understand why the Kansas Society has not yet had an opportunity to meet to discuss and take a formal position on this proposed legislation.

I have, however, circulated information on H.B. 2543 to our Federal and State Taxation Committee, Board of Directors and other interested members.

Those responding to the questionnaire have not taken a position in support or opposition to HB 2543, but have expressed comments.

Of those offering comments, many have expressed concerns over the phase out of exemptions provision. A member wrote, "I do not particularly care for the personal exemption change. It throws in an unnecessary complication for many taxpayers."

Sen. A & T  
— 4/6/87

Att. 2 —

One member indicated that in the spirit of conformity and fairness, it seems that the federal definition of gross income as it relates to social security benefits should be followed in Kansas."

And finally, another member writes, "H.B. 2543 goes along way toward conformity and simplicity. Simplicity is not a goal in itself - but a means to the end result of enhanced voluntary compliance and self-assessment. Removing 60,000 working poor from the Kansas tax rolls is a commendable objective. It must be realized, however, that achieving conformity with Federal rules is transitory. The Federal rules are and will continue to be a moving target."

Through the Topeka offices of Peat Marwick Main & Co. we have also attempted to analyze the effects of H.B. 2543 on actual taxpayers.

Following is a table which outlines these taxpayer's actual 1986 Federal and State tax obligations; their Federal obligation if the Tax Reform Act of 1986 had been effective for tax year 1986 and the resulting Kansas tax with and without H.B. 2543.

Summary

1986 INFORMATION FILED AS  
1987 RETURN WITH NO  
KANSAS LAW CHANGES

1986 INFORMATION FILED AS  
1987 RETURN WITH PROPOSED  
LAW EFFECTS INCLUDED

1986 RETURN AS FILED

EXAMPLE RETURN	KANSAS AGI	KANSAS TAXABLE INCOME	KANSAS TAX LIABILITY	KANSAS AGI	KANSAS TAXABLE INCOME	KANSAS TAX LIABILITY	KANSAS AGI	KANSAS TAXABLE INCOME	KANSAS TAX LIABILITY	HOUSE AMENDMENTS LIABILITY
MARRIED, ONE CHILD Does NOT itemize	\$ 23375	15182	\$ 587	\$ 23375	15608	\$ 616	\$ 23375	11948	\$ 494	NO CHANGE
SINGLE, OVER 65 w/ RAILROAD RETIREMENT	\$ 15849	5257	\$ 173	\$ 15863	8989	\$ 380	\$ 15863	6679	\$ 312	NO CHANGE
MARRIED, MOVING EXPENSES, CONSUMER INTEREST AND CAPITAL GAINS	\$ 74189	38951	\$ 2321	\$ 84839	46362	\$ 3942	\$ 84839	51510	\$ 3046	\$ 3054
SINGLE, OVER 65, HIGH MEDICAL & Social Security	\$ 31494	7378	\$ 280	\$ 31494	8802	\$ 374	\$ 28551	8174	\$ 409	\$ 579
MARRIED, BOTH OVER 65 Social Security, MEDICAL HIGH CAPITAL GAINS	\$ 29388	15026	\$ 577	\$ 44526	33499	\$ 1911	\$ 36664	21737	\$ 1057	\$ 1578
MARRIED, ONE CHILD Heavy Consumer Interest	\$ 46783	21341	\$ 1001	\$ 49164	26783	\$ 1408	\$ 49164	31579	\$ 1652	NO CHANGE
MARRIED, 2 CHILDREN CHILD CARE CREDIT	\$ 14358	<11067	NONE	\$ 14615	<248>	NONE	\$ 14615	<919>	NONE	NO CHANGE
SINGLE, 2 CHILDREN CHILD CARE CREDIT	\$ 17626	5185	\$ 164	\$ 17626	6548	\$ 231	\$ 17626	5598	\$ 122	\$ 75

CLIENT No.    PREPARED BY    DATE    W/P Reference