

Approved On: _____

Minutes of the House Committee on Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on February 2, 1988 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Crowell and Lowther

Committee staff present:

Tom Severn, Legislative Research
Chris Courtright, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

Secretary Harley Duncan, Department of Revenue, continued the discussion and explanation of HB-2684 and the Tax Reform Proposals of Governor Mike Hayden. The discussion today was concentrated on Business Taxes, starting on Page 8 of

Att 2, Feb 1. He explained three tables based on Kansas corporation income tax returns processed in 1986, ranking of states by industry, and ranking of Kansas by industry and by tax liability of hypothetical new and expanding firms.

Secretary Duncan then outlined four of the Governor's recommendations concerning Manufacturing Machinery and Equipment, Alternative Minimum Tax, Income Apportionment Formula, and Net Operating Loss Carrybacks. Attachment E lists all states' 1987 Corporate Rates -- Income Level, Federal Income Tax Deductible, and Carry Back and Carry Forwards. Page 9 of the attachment shows Total Tax Liability of Hypothetical and Expanding Firms, ranking states by industry and comparing Kansas with nearby states.

In answer to questions from committee members, Secretary Duncan explained alternative minimum tax, how a taxpayer would figure a return, and how the tax was figured in the tables. He agreed with committee members that rates for corporate taxes are not as elastic as individual losses and planned losses. The figures for Kansas and Missouri were compared, and it was agreed that the Kansas rates are higher because Kansas spends more money on the educational system.

The minutes of the February 1 meeting were approved.

There being no further business, the chairman adjourned the meeting.



E. C. Rolfs, Chairman