

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 3, 1988 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Lowther and Smith

Committee staff present:

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

Mr. E. A. Mosher, Executive Director of the League of Kansas Municipalities, testified in support of Section 4 of HB-2684 - AN ACT amending and supplementing the Kansas income tax act. (Attachment 1) He believes that enactment of section 4 will establish some reasonable rationality to the present system. Mr. Mosher then responded to questions from committee members.

Mr. Basil Covey, representing Kansas Retired Teachers Association, said they both support and reject HB-2684. The Association objects to any taxation of Social Security benefits and believes the state has entered the back door by using the default method. (Attachment 2)

Richard Chalker, Representing Arthur Young & Company, Kansas City, testified that the Tax Reform Act of 1986 complicated the federal tax system and played a major role in increasing the complexity of Kansas income taxes. He endorsed the Governor's Tax Reform proposal and said it would accomplish the objectives set forth by the Governor. (Attachment 3) Mr. Chalker then answered questions from committee members and explained different examples shown in his presentation.

Committee members then requested that Mr. Chalker cite examples and make further comparisons showing liability under 1986 and 1987 schedules. There were also questions concerning a single wage earner in a family as compared with two workers. There was also discussion whether funds would be lost because of changes regarding catastrophic care.

Representative Vancrum then presented Summary Data comparing tax liability for Singles, Married Joint, and Head of Household. (Attachment 4) This presentation covers 1986, 1987, and 1988. Chairman Rolfs requested that Secretary Duncan supply additional information covering the three years.

Secretary Duncan presented the information regarding itemizers that had been requested by the committee at a previous meeting. (Attachment 5)

The minutes of the meeting of February 2, 1988 were approved.

There being no further business, the meeting was adjourned.


E. C. Rolfs, Chairman



League of Kansas Municipalities

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL / 112 WEST SEVENTH ST., TOPEKA, KANSAS 66603 / AREA 913-354-9565

RE: Section 4 of HB 2684--State Taxation of Municipal Bond Interest
TO: House Committee on Taxation
FROM: E.A. Mosher, Executive Director
DATE: February 3, 1988

The League is in support of Section 4 of HB 2684, which would exempt from state income taxation the interest on all Kansas municipal bonds. Enactment of such legislation has long been a convention-adopted policy objective of the League, and is one of the League's highest legislative priorities for 1988. Kansas is now one of five states which taxes the bonds of their local units, according to a Legislative Research Department memo of June 8, 1987.

In our judgment, enactment of this legislation is properly a part of income tax reform and simplification, given the complicated mess we now have as to bond interest exemptions. However, our primary objective is to reduce the cost of local government borrowing for essential public improvements and facilities. I frankly do not know how much an interest exemption will lower local property taxes or reduce municipal utility charges in the future. We have heard comments that it could amount to as much as one-fourth of one percent, which is a substantial amount for a 10- or 20-year bond. We think there will be significant savings to local governments, off-setting some of the increasing costs resulting from federal intervention in municipal bonds. We also think it will help increase the Kansas market for Kansas municipals--especially in the future, when the Kansas Department of Revenue receives through federal tax returns information as to the interest received from municipal bonds, whether taxable or non-taxable.

Beyond these objectives is the fact that enactment of Section 4 will establish some reasonable rationality to our present system. We simply do not now have a consistent public policy as to the taxability of municipal bond interest.

Review of attached Research/Information Bulletin.

In my judgment, we are now doing things fanny-backwards, to use a euphemistic term. The classic, traditional, essential governmental public improvement bonds, usually supported by property taxes, are now taxable. But other kinds, primarily revenue bonds, often used for proprietary-type purposes, are exempt. We think it should be the other way around--the first priority should be the exemption of clear public purpose bonds. Since it's highly unlikely that we will make bonds now exempt subject to state income taxation, we simply suggest that those bonds most justifiably exempt also be those that are legally exempt.

RESEARCH / INFORMATION

BULLETIN

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Vol. X, No. 464
January 26, 1988

STATE TAXATION OF MUNICIPAL BOND INTEREST

As a general rule:

...The interest on Kansas municipal bonds, issued by state agencies and by local governments and their agencies, is subject to state income taxes--unless there is a specific statutory exemption. See K.S.A. Supp. 79-32,117.

...The interest on classic, traditional public purpose bonds issued by local governments is subject to state taxation. This includes general obligation bonds, and revenue bonds with limited exceptions, issued for such purposes as park and recreation facilities; sewerage and refuse systems; roads, streets and bridges; libraries, public buildings and school buildings; and water and other utility systems.

...The interest on revenue bonds, for proprietary-type, "private activity" purposes tend to be exempt, while the interest on general obligation, tax supported bonds are taxable.

...The interest on state agency-issued revenue bonds tend to be exempt, while general municipal utility revenue bonds (e.g. water systems) are taxable.

...Bond authorization statutes of recent years, since 1950, tend to provide for an exemption, especially when a special agency or authority is created, while the bond authorization statutes of earlier years do not provide for an exemption.

We have in Kansas a number of bond interest taxation anomalies. For example, turnpike and freeway bonds are exempt from taxation, but not local bonds for streets, highways and bridges; bonds issued for "private" buildings for economic development purposes are exempt, but not bonds for libraries, school buildings or city halls; rural water districts may issue tax exempt bonds, but the bonds issued by cities for water system improvements are taxable; university bonds for unions and dormitories are exempt, but bonds for community facilities like a park or swimming pool are taxable. If a city issues revenue bonds for a sewerage system under one statute it is exempt, but if the general revenue bond statute or general obligation bonds are used, the issue is taxable. If sales tax bonds are used for a county jail, the bonds are exempt, but if the bonds are retired by property taxes, they are taxable. If two cities each issue \$200,000 of bonds for fire stations, the bonds are taxable, but if they jointly issue a \$400,000 bond for the same buildings, they are exempt.

As noted above, the general rule is that bonds interest is taxable unless there is a specific exemption. Following is a statutory reference to a number of known tax exempt provisions, with the date of the original enactment of the cited statute.

1. Kansas Turnpike Revenue Bonds--K.S.A. 68-2013 (1953), 68-2062 (1967), etc.
2. Express Highway and Freeway Bonds--K.S.A. 68-2309 (1972).
3. Board of Regents Revenue Bonds--K.S.A. 76-6a22 (1947).

4. University Dormitory Revenue Bonds--K.S.A. 76-6a10 (1941).
5. University of Kansas Medical Center Revenue Bonds--K.S.A. 76-810,823 (1973).
6. Higher Education Loan Program Bonds--K.S.A. 72-7407 (1977).
7. State Park and Resources Authority Bonds--K.S.A. 74-4522 (1955).
8. State Office Building Revenue Bonds--K.S.A. 75-3607,3616 (1953).
9. Kansas Armory Board Bonds--K.S.A. 48-317 (1947).
10. State Sewage Disposal Revenue Boards--K.S.A. 12-3710,3716 (1973).
11. Kansas Development Finance Authority Bonds--K.S.A. 1987 Supp. 74-8901,8908 (1987).
12. Irrigation District Bonds--K.S.A. 42-388b (1933).
13. Urban Renewal Bonds--K.S.A. 17-4751 (1955).
14. Rural Water District Bonds--K.S.A. 82a-625 (1957).
15. Leavenworth Toll Bridge Revenue Bonds--K.S.A. 13-14d01, 14d09 (1953).
16. Housing Authority Revenue Bonds--K.S.A. 17-2351 (1957).
17. Municipal Pollution Control Revenue Bonds (K.S.A. 12-3101,3106) (1959).
18. Municipal Parking Authority Revenue Bonds, Cities 1st Class--K.S.A. 13-13c01, 13c15 (1959).
19. Wichita Transit System Revenue Bonds--K.S.A. 13-3101,3115 (1965).
20. Port Authority Bonds--K.S.A. 12-3418 (1969).
21. County Hospital, Nursing Building Revenue Bonds--K.S.A. 19-18,103;18,110 (1967).
22. Johnson County Park and Recreation District Revenue Bonds--K.S.A. 19-2862a (1968).
23. Economic Development Revenue Bonds (IDBs)--K.S.A. 12-1746 (1961).
24. Municipal Airport Revenue Bond--K.S.A. 3-153,158 (1974).
25. City Tax Increment Financing Bonds--K.S.A. 12-1774, (1976).
26. Municipal Energy Agency Revenue Bonds--K.S.A. 12-885,8-106 (1977).
27. Local Residential Housing Bonds--K.S.A. 12-5230 (1982).
28. Joint Local Bonds--K.S.A. 1987 Supp. 12-2904a (1987).
29. Local Sales Tax Bonds--K.S.A. 1987 Supp. 12-195 (1987).



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Retired — Not Withdrawn

1987 - 1988



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February 3, 1988

To Members of the House Taxation Committee:

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

We both support and reject HB 2684. We support the individual reform features, but we reject the bill because it is mute on an issue we have supported for the last four years. This committee supported HB 2543 that provided for exclusion of social security benefits from Kansas income tax.

We point out two issues to focus on. First there is taxation by default. As we stated in other testimony, this type of taxation dates back to the Boston Tea Party.

There has never been a bill introduced in either house to tax social security benefits. Instead, using the default method, the state entered the back door, and without permission from the owners, picked up 9 million retirement dollars each of the four years.

Forty states have honored the original bond or contract between the U.S. government and it's citizens and have not touched SS benefits of their retired citizens. Kansas is not one of those.

The second issue is the credibility of a successful candidate at the ballot-box. This candidate made a pledge that is on public record to work for exclusion of social security benefits from Kansas income tax.

We were told over the four years that the estimated toll on social security benefits was 3 to 4 million. We were surprised and somewhat intimidated to learn the amount to be 9 million retirement dollars.

We are all interested in the Kansas economy. We worried about the effects of

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Black Monday. Economists tell us that we are saved from a depression by retired citizens in Kansas and elsewhere. This support was lacking in the Great Depression of the Thirties.

The jury is still out on Reaganomics, but was not the theory behind that--to tax is to stifle the economy?

Would not the Kansas economy be stronger with 9 million retirement dollars left with the owners to be exchanged for goods and services, and added to savings so that bankers can make loans for construction and new business?

We urge the committee to amend HB 2684 to include a section to exclude social security benefits from Kansas income tax.

This will rid Kansas of taxation by default, and help this successful candidate regain credibility by making this amendment a part of the Governor's Tax Reform bill.

Surely, he will not veto his campaign pledge.

Sincerely,

Basil Covey
Basil Covey
KRTA



Kansas Retired Teachers Association

Retired — Not Withdrawn

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January 26, 1988

Members of the Senate Assessment and Taxation Committee:

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

We support HB 2543 because it contains an issue we support, mainly, that Social Security retirement benefits are excluded from Kansas income tax.

There are two issues here:

1. There is taxation by default. This type of taxation dates back to the Boston Tea Party.
2. There is the credibility of a successful candidate at the ballot-box with a pledge that is a matter of public record. That pledge is not being carried out.

As far as we know there has never been a bill in either Kansas house introduced to tax social security retirement dollars. There have been several bills introduced in the last four years to exclude social security retirement dollars. You know what happened to those bills.

Social security retirement dollars were never meant to be taxed. This was a bond, a contract between the U.S. government and the citizens. The contract was changed by mutual consent to save the SS system. Forty states have honored the original contract and have not taxed social security retirement dollars. Kansas is not one of them.

If social security retirement dollars had been present when the 1929 stock market crashed the Great Depression would not have been so devastating. We were saved from a depression following Black Monday in 1987 because retired citizens kept the economy going.

Most Kansas retired teachers have three

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sources of income, none of which by itself will keep us from living with our children. Retired teachers have KPERS benefits, social security retirement dollars and, if lucky, some private investment earnings. It is difficult to balance a retired person on a three-legged stool with one leg shortened. Other retired Kansas citizens with both husband and wife working during their life for industry with higher salaries than teachers, have a four-legged stool. It is easier to balance a four-legged stool with one leg shorter.

Those of us who have worked for school districts and the state, as legislators are, are constantly subjected to an element of intimidation by taxpayers who pay our salaries. If a person has other sources of income, or other occupations one tends to take refuge in it by saying, "This is not a full-time job."

Teaching is a full-time job. Although school is for nine months the other three months is used for more education or other jobs to supplement a salary to support a family.

We have tried to learn the amount of tax from Kansas retirees on social security retirement dollars but were never successful. We were told an estimate of 3 to 4 million. We were surprised and somewhat intimidated to learn the amount is 9 million retirement dollars.

The jury is still out on Reaganomics, but was not the theory behind that--to tax is to stifle the economy?

Would not the Kansas economy be better with 9 million retirement dollars left with the owners to be exchanged for goods and services?

We urge you to lift the section on excluding social security benefits from Kansas income tax and amend the Tax Reform bill, if HB 2543 goes by the wayside as other similar bills have.

You can help this successful candidate regain credibility by making this a part of the Governor's Tax Reform bill.

Surely, he will not veto his campaign pledge.

Sincerely,

Basil Covey
KRTA

TESTIMONY BEFORE THE
HOUSE TAXATION COMMITTEE

FEBRUARY 3, 1988

RICHARD B. CHALKER, CPA
PARTNER
ARTHUR YOUNG & COMPANY
KANSAS CITY

The Tax Reform Act of 1986 not only complicated the federal tax system, but it has also played a major role in increasing the complexity of Kansas income taxes. Presently, there are considerable differences between Kansas itemized deductions, the standard deduction, and personal exemptions and the corresponding federal provisions. These differences will add complexity for the taxpayer and increase compliance difficulties for the State of Kansas. Thus, to simplify greatly the existing Kansas tax structure, the Governor's Task Force on Tax Reform has made some proposals to amend the Kansas individual income tax laws. A brief description of the major changes is as follows:

Kansas Standard Deductions: The standard deduction is increased to conform with federal, including an additional amount (\$600 for married taxpayers and \$750 for single) for elderly and blind taxpayers, as shown below:

	<u>Current</u>	<u>Proposed</u>
Married	\$2,100 - \$2,800	\$5,000
Single	1,700 - 2,400	3,000
Head of Household	1,700 - 2,400	4,400
Married Filing Separate	1,050 - 1,400	2,500

Kansas Personal Exemptions: The personal exemption is also increased from \$1,000 to \$1,950 per allowance (\$2,000 in 1989) to conform with federal.

Federal Income Tax Deduction: The deduction for federal income taxes has been eliminated.

Kansas Itemized Deductions: The Kansas itemized deductions will conform with the federal itemized deductions, with the exception of state and local income taxes, which will continue to be nondeductible. The proposal will eliminate eleven areas

of existing non-conformity between Kansas and federal law, including medical expenses, sales tax, and the deduction for social security, self-employment and railroad retirement taxes.

Kansas Tax Rates: The current rate structure of eight tax brackets ranging from two percent to nine percent will be reduced to two tax brackets:

Single:	\$ 0 - \$25,000	4.8%
	over \$25,000	6.2%
Married:	\$ 0 - \$37,500	4.15%
	over \$37,500	5.4%

Tax Credits: All taxpayers eligible to claim a federal child care credit are allowed to claim a Kansas credit equal to 25% of the federal credit.

The above recommendations are intended to establish a simple, broad-based and equitable tax system for all taxpayers. According to the Governor, the impact to resident Kansans will generally be favorable with most taxpayers having their tax liability reduced or at least remaining the same as under the current system. As shown below, we have tested examples under various scenarios and the results support the Governor's statements. We believe that, in most situations, taxpayers will see a decrease in their tax. Since every individual situation is unique, we could not test all possible combinations of income, deductions, exemptions and filing status. However, a number of examples were tested, from which we have selected five different economic situations which we believe to be a representative sample of Kansas taxpayers living in the Kansas City metropolitan area.

	Examples				
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Filing status	Married	Single	Married	Married	Married
Personal Exemptions	3	1	2	2	3
Kansas Adjusted					
Gross Income	20,000	30,000	55,701	74,215	99,215
1988 Kansas Tax					
- Proposed Law	380	1,202	1,458	2,788	3,128
1988 Kansas Tax					
- Current Law	451	1,363	1,339	2,888	3,594
Increase <Decrease>	<71>	<161>	119	<100>	<466>
Percentage Change	<15.74%>	<11.81%>	8.89%	<3.46%>	<12.97%>

The Governor's committee has identified some principal benefits which stress the simplicity and fairness of the proposal. Our research and examples produced results which are consistent with the Governor's conclusions.

- The state tax liability for 105,000 households below the poverty level is eliminated because of the increased standard deduction and personal exemptions.
- Approximately 500,000 - 600,000 taxpayers will be able to file on a "short" tax form that can be reduced to as few as nine lines.
- Tax returns for those not filing a short form will also be simplified significantly.
- The proposal provides an estimated \$21 million in tax relief to Kansans, with the greatest relief directed to the low-income households. The tax burden for two-thirds of all Kansans will be reduced or stay the same.
- The tax base is broader and is progressive with respect to income. This allows tax rates to be reduced and will help insure that persons in similar economic circumstances are treated equally.

- The proposal reduces economic distortions by minimizing preferential treatment of various types of income or expenditures and reducing tax rates.

The proposed changes will be a giant step towards tax simplification and tax equity in the Kansas tax system. As indicated by Governor Hayden and supported by our calculations, this tax reform can be accomplished without increasing the tax burden for the majority of our Kansas population. Although in certain selected cases, individuals may experience a slight tax increase, the majority of taxpayers will pay the same or less tax. We believe that the comprehensive individual tax reform package is worthy of serious consideration.

SUMMARY DATA

Marital Status: 1=Single; 2 = Married Joint; 3 = Head of Household

Case 1

	1986	1987	1988
Marital Status:	1	1	1
Exemptions:	1	1	1
KS AGI		23,456	23,456
Total itemized		10,068	6,058
Federal tax		2,400	0
Net KS tax	\$357	\$449	\$755

Case 2

	1986	1987	1988
Marital Status:	3	3	3
Exemptions:	3	3	3
KS AGI		77,565	77,565
Total itemized		36,577	26,146
Federal tax		9,450	0
Net KS tax	\$1,825	3,382	\$2,501

Case 3

	1986	1987	1988
Marital Status:	1	1	1
Exemptions:	1	1	1
KS AGI		11,526	11,526
Total itemized		1,844	3,750
Federal tax		624	0
Net KS tax	\$174	\$324	283

Case 4

	1986	1987	1988
Marital Status:	2	2	2
Exemptions:	4	4	4
KS AGI		30,134	30,134
Total itemized		12,407	6,379
Federal tax		2,636	0
Net KS tax	\$352	\$365	\$654

Case 5

	1986	1987	1988
Marital Status:	2	2	2
Exemptions:	2	2	2
KS AGI		24,729	24,729
Total itemized		2,800	5,000
Federal tax		2,959	0
Net KS tax	\$700	\$703	\$653

Case 6

	1986	1987	1988
Marital Status:	2	2	2
Exemptions:	4	4	4
KS AGI		60,789	60,789
Total itemized		18,296	11,594
Federal tax		7,193	0
Net KS tax	\$1,412	\$1,748	\$1,756

Case 7

	1986	1987	1988
Marital Status:	2	2	2
Exemptions:	3	3	3
KS AGI		330,125	330,125
Total itemized		133,117	77,936
Federal tax		81,455	0
Net KS tax	\$8,113	\$8,880	\$12,825

Case 8

	1986	1987	1988
Marital Status:	2	2	2
Exemptions:	4	4	4
KS AGI		16,887	16,887
Total itemized		9,386	6,442
Federal tax		367	0
Net KS tax	\$59	\$63	\$101

CASE 1

General Description: Case 1 is a single individual with no dependents. The taxpayer is a salaried employee with \$836 other income. \$575 of the other income is a Kansas income tax refund, shown as a modification in the detail. The taxpayer owns a home and itemizes deductions on her federal return.

	1986	Old Law 1987	Task Force 1988
Marital Status:	1	1	1
Exemptions	1	1	1
Taxable income:			
Wage income		23,195	23,195
Other income		836	836
Total income		24,031	24,031
Adjustments			
Federal AGI		24,031	24,031
KS Modification		-575	-575
KS AGI		23,456	23,456
KS Std deduction		2,400	3,000
Itemized Deductions:			
Social Security		1,742	0
Medical		245	0
Taxes		1,438	709
Interest		5,660	4,979
Contributions		200	200
Miscellaneous		651	170
Other		132	
Total itemized		10,068	6,058
KS Exemptions		1,000	2,000
Federal tax		2,400	0
Total deduction		13,468	8,058
KS Taxable income		9,988	15,398
Net KS tax	\$357	\$449	\$755

CASE 2

General Description: This individual is a single head of household with two dependents. He is an outside sales person with significant travel and business expenses. He itemizes deductions.

	1986	Old Law 1987	Task Force 1988
Marital Status:	3	3	3
Exemptions	3	3	3
Taxable income:			
Wage income		83,084	83,084
Other income		2,850	2,850
Total income		85,934	85,934
Adjustments		7,020	7,020
Federal AGI		78,914	78,914
KS Modification		(1,349)	(1,349)
KS AGI		77,565	77,565
KS Std deduction		2,400	4,400
Itemized Deductions:			
Social Security		3,380	0
Medical		1,500	0
Taxes		2,844	1,324
Interest		11,055	8,700
Contributions		700	700
Miscellaneous		0	15,422
Other		98	0
Total itemized		36,577	26,146
KS Exemptions		4,000	6,000
Federal tax		9,450	0
Total deduction		50,027	32,146
KS Taxable income		27,538	45,419
Net KS tax	\$1,825	3,382	\$2,501

CASE 3

General Description: Retired widow. All income is from retirement investments and includes interest, dividends and capital gains. She does not itemize.

	1986	Old Law 1987	Task Force 1988
Marital Status:	1	1	1
Exemptions	1	1	1
Taxable income:			
Wage income		0	0
Other income		11,701	11,701
Total income		11,701	11,701
Adjustments			
Federal AGI		11,701	11,701
KS Modification		(175)	(175)
KS AGI		11,526	11,526
KS Std deduction		1,844	3,750
Itemized Deductions:			
Social Security		0	0
Medical		0	0
Taxes		0	0
Interest		0	0
Contributions		0	0
Miscellaneous		0	0
Other		0	0
Total itemized		1,844	3,750
KS Exemptions		1,000	2,000
Federal tax		624	0
Total deduction		3,468	5,750
KS Taxable income		8,058	5,776
Net KS tax	\$174	\$324	\$283

CASE 4

General Description: Case 4 is a married couple with two children. Only one spouse is employed, and they itemize deductions on the federal return. They also have significant medical expenses because the non-working spouse is disabled.

	1986	Old Law 1987	Task Force 1988
Marital Status:	2	2	2
Exemptions	4	4	4
Taxable income:			
Wage income		30,065	30,065
Other income		69	69
Total income		30,134	30,134
Adjustments			
Federal AGI		30,134	30,134
KS Modification			
KS AGI		30,134	30,134
KS Std deduction		2,800	5,000
Itemized Deductions:			
Social Security		2,258	0
Medical		3,262	1,052
Taxes		1,350	829
Interest		4,927	3,998
Contributions		500	500
Miscellaneous		0	0
Other		110	0
Total itemized		12,407	6,379
KS Exemptions		4,000	8,000
Federal tax		2,636	0
Total deduction		19,043	14,379
KS Taxable income		11,091	15,755
Net KS tax	\$352	\$365	\$654

CASE 5

General Description: Represents a retired married couple. The wife still work part-time. Other income is retirement income. They do not itemize deductions.

	1986	Old Law 1987	Task Force 1988
Marital Status:	2	2	2
Exemptions	2	2	2
Taxable income:			
Wage income		5,895	5,895
Other income		20,870	20,870
Total income		26,765	26,765
Adjustments		2,036	2,036
Federal AGI		24,729	24,729
KS Modification			
KS AGI		24,729	24,729
KS Std deduction		2,800	5,000
Itemized Deductions:			
Social Security			
Medical			
Taxes			
Interest			
Contributions			
Miscellaneous			
Other			
Total itemized		2,800	5,000
KS Exemptions		2,000	4,000
Federal tax		2,959	0
Total deduction		7,759	9,000
KS Taxable income		16,970	15,729
Net KS tax			
	\$700	\$703	\$653

CASE 6

General Description: Married couple with two incomes and two children. Other income is from interest and a \$922 Kansas refund (refund shown as a modification). They own a home and itemize deductions.

	1986	Old Law 1987	Task Force 1988
Marital Status:	2	2	2
Exemptions	4	4	4
Taxable income:			
Wage income		58,606	58,606
Other income		3,105	3,105
Total income		61,711	61,711
Adjustments			
Federal AGI		61,711	61,711
KS Modification		(922)	(922)
KS AGI		60,789	60,789
KS Std deduction		2,800	5,000
Itemized Deductions:			
Social Security		4,131	0
Medical		908	0
Taxes		2,402	1,771
Interest		10,125	9,323
Contributions		500	500
Miscellaneous		120	0
Other		110	0
Total itemized		18,296	11,594
KS Exemptions		4,000	8,000
Federal tax		7,193	0
Total deduction		29,489	19,594
KS Taxable income		31,300	41,195
Net KS tax			
	\$1,412	\$1,748	\$1,756

CASE 7

General Description: This is a case of a non-Johnson County resident who lives and owns several businesses in Kansas and employs a significant number of people. Both husband and wife work and have one dependent child. They itemize deductions.

	1986	Old Law 1987	Task Force 1988
Marital Status:	2	2	2
Exemptions	3	3	3
Taxable income:			
Wage income		85,000	85,000
Other income		283,728	283,728
Total income		368,728	368,728
Adjustments		4,633	4,633
Federal AGI		364,095	364,095
KS Modification		-33,970	-33,970
KS AGI		330,125	330,125
KS Std deduction		2,800	5,000
Itemized Deductions:			
Social Security		6,384	0
Medical		834	0
Taxes		2,753	1,994
Interest		*60,112	13,063
Contributions		62,879	62,879
Miscellaneous		0	0
Other		155	0
Total itemized		133,117	77,936
KS Exemptions		3,000	6,000
Federal tax		81,455	0
Total deduction		217,572	83,936
KS Taxable income		112,553	246,189
Net KS tax	\$8,113	\$8,880	*\$12,825
			*\$10,824

CASE 8

General Description: The last case is a married couple. Both spouses work, and the husband is an outside sales person who receives significant reimbursements for travel and expenses which are included in wage income and deducted as adjustments. They have two children and itemize deductions.

	1986	Old Law 1987	Task Force 1988
Marital Status:	2	2	2
Exemptions	4	4	4
Taxable income:			
Wage income		24,080	24,080
Other income		975	975
Total income		25,055	25,055
Adjustments		8,014	8,014
Federal AGI		17,041	17,041
KS Modification		-154	-154
KS AGI		16,887	16,887
KS Std deduction		2,702	5,000
Itemized Deductions:			
Social Security		1,097	0
Medical		3,741	2,463
Taxes		1,058	820
Interest		3,155	3,133
Contributions		26	26
Miscellaneous		100	0
Other		209	0
Total itemized		9,386	6,442
KS Exemptions		4,000	8,000
Federal tax		367	0
Total deduction		13,753	14,442
KS Taxable income		3,134	2,445
Net KS tax			
	\$59	\$63	\$101

MEMORANDUM

To: The Honorable Ed Rolfs, Chairman
House Committee on Assessment and Taxation

From: Harley T. Duncan, Secretary
Kansas Department of Revenue

Re: Kansas Itemized Deductions

Date: February 2, 1988

Attached is the information you requested concerning Kansas taxpayers who itemize their deductions.

Tables one, two, and three, show the number of itemizing taxpayers by K.A.G.I., bracket for all resident taxpayers, married taxpayers, and single taxpayers. Table four shows the dollar amounts claimed by K.A.G.I. bracket, under current law and the Governor's Proposal.

Please let me know if you have any questions, or need any further information.

Table I

Kansas Department of Revenue

Current Law

Itemizing Taxpayers by K.A.G.I. Bracket

K.A.G.I. Brackets	Total Returns	Itemizing Returns	Percent Itemizing by Bracket
No K.A.G.I.	14,211	2,526	17.8%
\$0 - \$5,000	127,368	4,737	3.7%
\$5,000 - \$15,000	240,000	34,000	14.2%
\$15,000 - \$25,000	189,053	63,158	33.4%
\$25,000 - \$35,000	135,368	76,421	56.5%
\$35,000 - \$50,000	131,684	104,211	79.1%
\$50,000 - \$100,000	100,842	94,421	93.6%
\$100,000 - Over	15,158	15,158	100.0%
Total	953,684	394,632	41.4%

Kansas Department of Revenue

Governor's Proposal

Itemizing Taxpayers by K.A.G.I. Bracket

K.A.G.I. Brackets	Total Returns	Itemizing Returns	Percent Itemizing by Bracket
No K.A.G.I.	14,211	2,000	14.1%
\$0 - \$5,000	127,368	4,211	3.3%
\$5,000 - \$15,000	240,000	30,105	12.5%
\$15,000 - \$25,000	189,053	57,789	30.6%
\$25,000 - \$35,000	135,368	74,526	55.1%
\$35,000 - \$50,000	131,684	102,526	77.9%
\$50,000 - \$100,000	100,842	93,158	92.4%
\$100,000 - Over	15,158	14,737	97.2%
Total	953,684	379,053	39.7%

Table II

Kansas Department of Revenue

Current Law
Married Filing Joint

Itemizing Taxpayers by K.A.G.I. Bracket

K.A.G.I. Brackets	Total Returns	Itemizing Returns	Percent Itemizing by Bracket
No K.A.G.I.	9,684	2,000	20.7%
\$0 - \$5,000	16,947	2,211	13.0%
\$5,000 - \$15,000	71,895	17,263	24.0%
\$15,000 - \$25,000	93,474	33,895	36.3%
\$25,000 - \$35,000	97,684	55,053	56.4%
\$35,000 - \$50,000	111,789	88,737	79.4%
\$50,000 - \$100,000	93,474	88,211	94.4%
\$100,000 - Over	14,000	14,000	100.0%
Total	508,947	301,368	59.2%

Kansas Department of Revenue

Governor's Proposal
Married Filing Joint

Itemizing Taxpayers by K.A.G.I. Bracket

K.A.G.I. Brackets	Total Returns	Itemizing Returns	Percent Itemizing by Bracket
No K.A.G.I.	9,684	1,474	15.2%
\$0 - \$5,000	16,947	1,684	9.9%
\$5,000 - \$15,000	71,895	13,789	19.2%
\$15,000 - \$25,000	93,474	31,684	33.9%
\$25,000 - \$35,000	97,684	53,684	55.0%
\$35,000 - \$50,000	111,789	88,000	78.7%
\$50,000 - \$100,000	93,474	87,474	93.6%
\$100,000 - Over	14,000	13,579	97.0%
Total	508,947	291,368	57.2%

Table III

Kansas Department of Revenue

Current Law
Single

Itemizing Taxpayers by K.A.G.I. Bracket

K.A.G.I. Brackets	Total Returns	Itemizing Returns	Percent Itemizing by Bracket
No K.A.G.I.	4,526	526	11.6%
\$0 - \$5,000	110,421	2,526	2.3%
\$5,000 - \$15,000	168,105	16,737	10.0%
\$15,000 - \$25,000	95,579	29,263	30.6%
\$25,000 - \$35,000	37,684	21,368	56.7%
\$35,000 - \$50,000	19,895	15,474	77.8%
\$50,000 - \$100,000	7,368	6,211	84.3%
\$100,000 - Over	1,158	1,158	100.0%
Total	444,737	93,263	21.0%

Kansas Department of Revenue

Governor's Proposal
Single

Itemizing Taxpayers by K.A.G.I. Bracket

K.A.G.I. Brackets	Total Returns	Itemizing Returns	Percent Itemizing by Bracket
No K.A.G.I.	4,526	526	11.6%
\$0 - \$5,000	110,421	2,526	2.3%
\$5,000 - \$15,000	168,105	16,316	9.7%
\$15,000 - \$25,000	95,579	26,105	27.3%
\$25,000 - \$35,000	37,684	20,842	55.3%
\$35,000 - \$50,000	19,895	14,526	73.0%
\$50,000 - \$100,000	7,368	5,684	77.1%
\$100,000 - Over	1,158	1,158	100.0%
Total	444,737	87,684	19.7%

Table IV

Kansas Department of Revenue
Kansas Total Itemized Deductions by K.A.G.I. Bracket

Current Law

K.A.G.I. Brackets	Number of Returns	Amount Claimed	Average		Itemized Deductions as a Percent of the K.A.G.I. of	
			Itemizing Taxpayers	All Taxpayers	Itemizing Taxpayers	All Taxpayers
\$0 - \$5,000	4,737	\$47,043,579	\$9,931	\$369	422.59%	13.16%
\$5,000 - \$15,000	34,105	\$278,786,947	\$8,174	\$1,162	76.86%	11.75%
\$15,000 - \$25,000	60,632	\$530,160,105	\$8,744	\$2,804	41.23%	14.23%
\$25,000 - \$35,000	76,211	\$757,324,105	\$9,937	\$5,595	32.90%	18.79%
\$35,000 - \$50,000	103,368	\$1,276,997,579	\$12,354	\$9,697	29.21%	23.30%
\$50,000 - \$100,000	94,000	\$1,581,473,579	\$16,824	\$15,683	26.09%	24.51%
\$100,000 - Over	15,158	\$447,992,526	\$29,555	\$29,555	17.36%	17.36%
Total	388,211	\$4,919,778,421	\$12,673	\$5,159	28.98%	19.68%

Full Conformity with Federal Itemized Deductions

K.A.G.I. Brackets	Number of Returns	Amount Claimed	Average		Itemized Deductions as a Percent of the K.A.G.I. of	
			Itemizing Taxpayers	All Taxpayers	Itemizing Taxpayers	All Taxpayers
\$0 - \$5,000	4,211	\$9,746,737	\$2,315	\$77	96.63%	2.73%
\$5,000 - \$15,000	30,105	\$182,589,895	\$6,065	\$761	56.35%	7.70%
\$15,000 - \$25,000	57,789	\$357,099,684	\$6,179	\$1,889	30.26%	9.59%
\$25,000 - \$35,000	74,526	\$475,636,842	\$6,382	\$3,514	21.18%	11.80%
\$35,000 - \$50,000	102,526	\$761,529,579	\$7,428	\$5,783	17.70%	13.90%
\$50,000 - \$100,000	93,158	\$971,875,053	\$10,433	\$9,638	16.24%	15.06%
\$100,000 - Over	14,737	\$314,500,211	\$21,341	\$20,748	12.42%	12.19%
Total	377,053	\$3,072,978,000	\$8,150	\$3,222	18.54%	12.29%