

Approved Feb. 1, 1988  
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT & TAXATION

The meeting was called to order by Senator Fred A. Kerr at  
Chairperson

8:00 a.m. on January 29, 1988 in room 123-S of the Capitol.

All members were present except:  
Senator Bud Burke

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, CPA's  
Marian George, Ifft, George, Barber, CPA's  
Jim McBride  
Gerhard Metz, KCCI

Chairman Kerr called the meeting to order and announced continued hearings on S.B. 490. He said that there would be a hearing on Monday, February 1 regarding the portion of the bill pertaining to bonds.

T.C. Anderson testified, stating that he appeared before the committee two years ago to speak in support of "simplification." He stated that he was happy for the opportunity to speak to the aspects of S.B. 490 and the effects it would have on taxpayers. He offered assistance to any of the committee members that have questions that his organization might be able to answer. He introduced Mrs. Marian George, CPA from Leawood, Ks.

Marian George, testified. (Att. 1) She stated that she realized the Kansas legislature is faced with a difficult and unpopular task of tax reform. She stated that she felt the individual income tax proposals offered by the Governor are based on the principles of simplification, equity and economic development. She stated that she felt some Kansas tax law changes are needed. Without change Kansas taxpayers will be faced with increasingly complicated tax returns. She stated that she has a hard time justifying time and expense to her clients regarding Kansas tax returns. She felt that on the whole, the package appears to be an improvement over current law. Mrs. George stated that she felt there would be no significant changes in the amount of taxes paid by the individual with the new tax reform, and in many cases, the individual's taxes could be lower.

Jim McBride testified. (Att. 2) He stated that he supported S.B. 490. He stated that he felt it was a major improvement, and that for himself personally, it lowered the amount of taxes he would otherwise pay. He especially appreciated the relief it would give the impoverished.

Gerhard Metz testified. (Att. 3) He stated that his organization had reconsidered since his testimony the previous day and wished to withdraw the previously stated opposition to the disallowance of deductibility of federal taxes paid from Kansas taxable income for individual taxpayers.

Committee Discussion

There was committee discussion concerning requests from the committee regarding S.B. 490. Senator Salisbury stated that she felt there had been ample testimony from large business institutions and how they would be affected with the tax reform, but wished to hear from the other side, namely, smaller businesses.

Chairman Kerr stated that he requested the Department of Revenue to provide the committee with information in several areas.

1. More details regarding the alternative minimum tax. (AMT) How many other states are involved, how does it work, and what the

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 & TAXATION,  
room 123-S, Statehouse, at 8:00 a.m./~~p.m.~~ on January 29, 1988

fiscal note would be.

2. He also asked for a fiscal note for retroactivity for 1987, exempting non-filers from state income tax.
3. Fiscal note for reducing the corporate tax rate 1/4%.

Meeting adjourned.

ASSESSMENT AND TAXATION

OBSERVERS  
(PLEASE PRINT)

1-29-88

DATE	NAME	ADDRESS	REPRESENTING
1-29-88	Jim M. B. ...	Topeka	Observer
1 "	MARK BURGHART	"	REVENUE
	H Duncan	"	Revenue
	JOHN LUTSOTTAN	"	"
	VINCE PATTON	WICHITA	KAKE TV
	LARRY BUELL	"	"
	Jan Vacet	Topelca	KSCPA
	Marian George	Leawood	KSCPA
	Bill George	Leawood	KSCPA
	BERTARD METZ	TOPEKA	KCCI
	JOE A. MORRIS	TOPEKA	KLSI
	Jim TURNER	TOPEKA	KLSI
	Jeff Hockett	TOPEKA	KASB
	Mary Harper	Scott City	farmer
	Klaus Ken	Hatch	Senate
	Matt Truell	Topelca	AP
	Glenn Hawkins	Tulsa	City Service Oil & Gas Corp
	Bob ...	Topeka	Dept. of Rev.
	Jack B. ...	"	"
	Rebecca Rice	Topeka	Ameco
	BOB GRANT	"	KCCI
	JEFF RUSSELL	"	UNITED TO GO KS.
	Richard Funk	"	KASB
	Z. O. Anderson	"	KSCPA
	Wana Fenell	"	Budget

Testimony Before The  
Senate Assessment and Taxation Committee  
January 28, 1988

Marian S. George, CPA  
IFFT GEORGE BARBER  
Leawood, Kansas  
Chairman - 1988 Kansas Tax Conference  
Member - Federal & State Taxation Committee  
Kansas Society of CPAs

The Kansas legislature is faced with a difficult and sometimes unpopular task - tax reform. With tax reform comes the unavoidable problem of what is equitable for some taxpayers may not be perceived as equitable for others. The legislature must also be committed to insuring that the tax base necessary to support the state's revenue needs is maintained.

Governor Mike Hayden, with the aid of the Task Force on Tax Reform created by the Governor in December 1986, has presented his proposal on tax reform to the legislature in "The Tax Reform Proposals of Governor Mike Hayden" dated January 21, 1988. These proposals are based on the principles of simplification, equity and economic development. The report states that these principles are best accomplished by "- - -adopting a tax base that is broadly and comprehensively defined, contains few provisions for special treatment of certain income or expenses, and has marginal tax rates that, while graduated, are as low as possible."

Following are several calculations intended to cover a representative cross-section of Kansas taxpayers but not be all inclusive. Because every individual situation is unique, we could not simulate all possible combinations of income, deductions, exemptions and filing status.

EXAMPLES

Single-1988

	<u>A</u> 1	<u>B</u> 1	<u>C</u> 1	<u>D</u> 1	<u>E</u> 1
Personal Exemptions					
Kansas Adjusted Gross Income	18,720	29,982	45,378	57,117	95,045
Tax Under -Current Law	735	1,363	1,949	2,400	5,034
Tax Under -Proposed Law	661	1,202	2,100	2,487	5,236
Decrease (Increase)	74	161	<151>	<87>	<202>
Percentage Change	10%	12%	<8%>	<4%>	<4%>

Married-1988

	<u>A</u> 2	<u>B</u> 2	<u>C</u> 5	<u>D</u> 2	<u>E</u> 4
Personal Exemptions					
Kansas Adjusted Gross Income	29,922	58,000	77,919	91,959	104,787
Tax Under -Current Law	1,047	1,467	1,555	4,563	4,530
Tax Under -Proposed Law	872	1,554	1,325	3,914	4,070
Decrease (Increase)	175	<87>	230	649	460
Percentage Change	17%	<6%>	15%	14%	10%

Certain other examples we tested rendered results even more favorable than those projected by the Governor's proposal. To extend our results to all taxpayers would not be justified, given the non-statistical nature of our limited sample, but our examples confirmed the Governor's basic premise that most taxpayers suffer no significant detriment or are benefitted by the proposed changes. One exception seems to be high-income, single taxpayers who experience a slight percentage increase.



Changes of some nature to Kansas tax law are needed. Without change Kansas taxpayers will be faced with increasingly complicated tax returns.

The Governor's tax reform package clearly provides for simplification and a broad-based reform of the individual income tax system, and the majority of taxpayers would pay less. On balance, the package appears to be an improvement over current law.

both  
Age 74

Edith B.  
James W. McBride  
~~87 Peppertree Lane~~ Net 340  
Topeka, Kansas 66611 900 SW 31st

Kansas Individual Income Tax

1986	2600	
1987	3700	
1988 Est.	2600	Bill +90

Loss Federal Tax Deductible

1987	10,000
1988	4,500
1986	10,772

Gain

Lower Tax Rates  
Higher Standard Deductions

Exemptions

1986	4000
1987	2000
1988	3900



**Kansas  
Chamber of  
Commerce  
and Industry**

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

TESTIMONY BEFORE THE  
SENATE COMMITTEE ON ASSESSMENT  
AND TAXATION

by

Gerhard Metz  
Director of Taxation

Thank you, Mr. Chairman and members of the Committee, for this opportunity to clarify a portion of the testimony I offered here yesterday morning.

After returning to my office yesterday afternoon, I had the chance to speak with some of our members on the issue of the disallowance of deductibility of federal income taxes from Kansas taxable income. The result of these discussions was to demonstrate that Mr. Chalker's conclusions about the effect of such a change on most taxpayers were, in fact, quite supportable. Given the evidence in support of such a view, and concurring views of others with more experience in this area, I feel it necessary to withdraw the previously-stated opposition to the disallowance of deductibility of federal taxes paid from Kansas taxable income for individual taxpayers.

Thank you once again for this opportunity to set matters straight. I will gladly take any questions at this time.