

Approved Feb. 23, 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. 526-S &
~~11:00 a.m.~~ on February 19, 19 ~~88~~ 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:

SENATE BILL 490

Chairman Kerr called the meeting to order at 8:00 a.m. and said that the committee would continue discussion of income tax reforms. The issue being discussed was the rates for single taxpayers.

Sec. Duncan (Att. 1) stated that the fiscal note on allowing single heads of households an additional \$1,950 personal exemption would be \$4.5 million. Allowing single heads of household to file on married taxpayer rate schedule would have fiscal note of \$4.5 million also.

Sen. Salisbury made the motion to lower the top single tax rate from 6.2% to 6%. (Fiscal note would be \$1 million.) Senator Frey seconded the motion. There was considerable committee discussion. Senator Burke made a substitute motion to make the top single rate 5.8%. There was no second to the motion, so the motion died.

Senator Parrish made a substitute motion that would allow the single heads of household the additional \$1,950 exemption and make the top single tax rate 6%. (Fiscal note of this would be approximately \$5.5 million.) Senator Kerr seconded. After committee discussion, Motion carried.

Senator Montgomery made a motion to allow a \$40.00 non refundable credit to the elderly/blind to be allowed on the 1988 tax return to compensate for the exemption lost in 1987. (Fiscal note is \$4.5 million.)

Senator Mullich seconded.

Senator Kerr made a substitute motion to make the credit to be \$60.00 instead of \$40.00. Senator Parrish seconded. (Fiscal note would be \$6.5 million) Motion carried.

Corporate Tax

Senator Burke made a motion that the corporate base rate be reduced by 1/2% of 1.0 percent. (Fiscal note is \$9.5 million dollars annually.)

Senator Frey seconded. Chairman Kerr passed out Att. 2 which is a chart showing nation wide corporate base tax rates. He pointed out that the chart shows that Kansas corporate tax rate is below the national median (28 states have a higher rate than Kansas, 16 states lower) although Kansas' rate is above that of the surrounding states. There was considerable committee discussion. Chairman Kerr announced a recess until 11:00 a.m.

The Committee reconvened at 11:00 a.m.

On a different topic, Senator Frey made a motion to request a bill introduction by the committee to clarify the definition of "exclusive use" regarding business aircraft property tax exemption. Senator Mullich seconded. Motion carried. Chairman Kerr stated that the committee would resume discussion regarding the motion on corporate sales tax base rate.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT & TAXATION,
room ~~519-S~~, Statehouse, at ~~11:00~~ ^{8:00 a.m.} ~~a.m./p.m.~~ on February 19, 1988

Senator Karr made a substitute motion that the corporate surtax rate take effect at \$50,000 rather than \$25,000. (Att. 3) (Att. 4 is also from Research Dept.) Motion died because there was no second.

Consideration of the primary motion continued. Chairman Kerr stated that if this amendment were adopted with an approximate fiscal note of \$9.5 million affecting corporate income tax rates that he felt it would jeopardize the machinery and equipment sales tax exemption. He said he felt the Governor's task force had considered all options and had correctly prioritized the business tax options by making the machinery sales tax exemption the top priority. There was considerable committee discussion. Senators Frey and Parrish stated that they concurred with Sen. Burke. Motion carried.

Richard Ryan of the Research Dept. stated that he had researched the most recent amendments to S.B. 490 and had a fiscal note of \$5.2 million in loss of income tax for school districts under the "20% to school districts" law.

Chairman Kerr stated that the only remaining item was amending S.B. 490 into H.B. 2543. Revisor Hayward advised that if S.B. 490 is amended into H.B. 2543 that it be done as a substitute bill for readability purposes. It was noted that under this procedure (amending into H.B. 2543) the House of Representatives could have the option of sending the bill to conference committee or sending it to a standing committee. Sen. Salisbury moved that the provisions agreed to in S.B. 490 be made a substitute bill for H.B. 2543. Sen. Thiessen seconded. Motion carried.

Sen. Salisbury moved that sub for H.B. 2543 be recommended for passage. Sen. Thiessen seconded. Motion carried.

Senator Hayden made a motion to adopt the minutes of the Feb. 17 & 18 meetings. Sen. Montgomery seconded. Motion carried.

Meeting adjourned.

EFFECT OF VARIOUS TAX OPTIONS

Allow Heads of Household an additional \$1,950 personal exemption		\$4.5 million
Allow Heads of Household to file on married taxpayer rate schedule		\$4.5 million
Rate Changes -- Each 0.1 Percentage Point		
Single	\$0 - \$25,000	\$3.4 million
	Over \$25,000	\$0.5 million
Married	\$0 - 37,500	\$9.4 million
	Over \$37,500	\$2.7 million

DEPARTMENT OF REVENUE
FEBRUARY 19, 1988

Kansas Department of Revenue
All States' 1987 Corporate Rates

Attachment

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State	Top Rate	Income Level	Federal Income Tax Deductible	Carry Back and Carry Forwards		
				None	Both	Forward Only
Alabama	5.00%	All	YES			X
Alaska	9.40%	\$90,000	NO		X	
Arizona	10.50%	\$6,000	YES			X
Arkansas	6.00%	\$25,000	NO			X
California	9.60%	All	NO			X
Colorado	6.00%	\$50,000	NO			X
Connecticut	11.50%	All	NO			X
Delaware	8.70%	All	NO		X	
D.C.	15.00%	All	NO	X		
Florida	7.70%	All	NO			X
Georgia	6.00%	All	NO		X	
Hawaii	6.40%	\$100,000	NO		X	
Idaho	8.00%	All	NO		X	
Illinois	6.50%	All	NO		X	
Indiana	9.70%	All	NO		X	
Iowa	12.00%	\$250,000	YES		X	
Kansas	6.75%	\$25,000	NO		X	
Kentucky	7.25%	\$250,000	NO		X	
Louisiana	8.00%	\$200,000	YES		X	
Maine	8.93%	\$250,000	NO		X	
Maryland	7.00%	All	NO		X	
Massachusetts	9.50%	All	NO			X
Michigan	2.35%	All	NO			X
Minnesota	9.50%	All	NO			X
Mississippi	5.00%	\$10,000	NO			X
Missouri	5.00%	All	YES		X	
Montana	6.75%	All	NO		X	
Nebraska	6.65%	\$50,000	NO		X	
New Hampshire	8.25%	All	NO	X		
New Jersey	9.00%	All	NO			X
New Mexico	7.60%	\$1,000,000	NO		X	
New York	9.00%	All	NO		X	
North Carolina	7.00%	All	NO			X
North Dakota	10.50%	\$50,000	YES		X	
Ohio	9.20%	\$25,000	NO			X
Oklahoma	5.00%	All	NO		X	
Oregon	6.60%	All	NO			X
Pennsylvania	8.50%	All	NO			X
Rhode Island	8.00%	All	NO		X	
South Carolina	6.00%	All	NO			X
Tennessee	6.00%	All	NO			X
Utah	5.00%	All	NO		X	
Vermont	9.00%	\$250,000	NO		X	
Virginia	6.00%	All	NO		X	
West Virginia	9.75%	All	NO		X	
Wisconsin	7.90%	All	NO			X

Total with Tax	46	YES = 6	2	25	19
		NO = 40			
States with rates above Kansas		28			
States with rates below Kansas		16			
States with same rate as Kansas		1			
Total Other States			A & T		

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Att. 2

Surtax @ \$50,000

Kansas Legislative Research Dept. Corporations

18-Feb-88

Income Bracket		Taxpayer Count	Tax Liability	Net Taxable Income	Combined Rate
Lower	Upper				
No Taxable Income		19,705	0	0	4.50%
0	5,000	4,227	3,005,608	66,791,283	4.50%
5,000	10,000	1,947	2,400,241	53,338,686	4.50%
10,000	15,000	1,452	2,042,544	45,389,868	4.50%
15,000	20,000	1,124	1,767,107	39,269,053	4.50%
20,000	25,000	942	1,549,830	34,440,661	4.50%
25,000	30,000	755	1,367,585	30,390,781	4.50%
30,000	35,000	586	1,217,422	27,053,824	4.50%
35,000	40,000	533	1,097,468	24,388,168	4.50%
40,000	45,000	435	991,937	22,043,037	4.50%
45,000	50,000	435	894,972	19,888,263	4.50%
50,000	75,000	1,319	5,197,517	77,000,257	6.75%
75,000	100,000	679	3,729,843	55,256,936	6.75%
100,000	500,000	1,498	23,669,581	350,660,459	6.75%
500,000	1,000,000	229	11,569,454	171,399,314	6.75%
1,000,000	none	284	58,558,010	867,526,080	6.75%
Total		36,150	119,059,119	1,884,836,670	
FISCAL EFFECT			(2,784,691)		
For Rate =		4.50%			
and Surtax =		2.25%			
(Total Rate =)		6.75%			

NOTE: Based on returns processed by Dept. of Revenue in 1986.

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2/19/88

Att. 3

Reducing base rate by 0.5 %

Kansas Legislative Research Dept. Corporations

18-Feb-88

Income Bracket		Taxpayer Count	Tax Liability	Net Taxable Income	Combined Rate
Lower	Upper				
No Taxable Income		19,705	0	0	4.00%
0	5,000	4,227	2,671,651	66,791,283	4.00%
5,000	10,000	1,947	2,133,547	53,338,686	4.00%
10,000	15,000	1,452	1,815,595	45,389,868	4.00%
15,000	20,000	1,124	1,570,762	39,269,053	4.00%
20,000	25,000	942	1,377,626	34,440,661	4.00%
25,000	30,000	755	1,899,424	30,390,781	6.25%
30,000	35,000	586	1,690,864	27,053,824	6.25%
35,000	40,000	533	1,524,261	24,388,168	6.25%
40,000	45,000	435	1,377,690	22,043,037	6.25%
45,000	50,000	435	1,243,016	19,888,263	6.25%
50,000	75,000	1,319	4,812,516	77,000,257	6.25%
75,000	100,000	679	3,453,559	55,256,936	6.25%
100,000	500,000	1,498	21,916,279	350,660,459	6.25%
500,000	1,000,000	229	10,712,457	171,399,314	6.25%
1,000,000	none	284	54,220,380	867,526,080	6.25%
Total		36,150	112,419,627	1,884,836,670	
FISCAL EFFECT			(9,424,183)		
For Rate =			4.00%		
and Surtax =			2.25%		
(Total Rate =)			6.25%		

NOTE: Based on returns processed by Dept. of Revenue in 1986.

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