

Approved \_\_\_\_\_

1/27/89

Date

MINUTES OF THE House COMMITTEE ON Taxation

x Keith Roe

The meeting was called to order by Representative Keith Roe at \_\_\_\_\_  
Chairperson

9:00 a.m./~~p.m.~~ on January 26, 1989 in room 519-S of the Capitol.

All members were present except:

Representative Long, absent  
Representative Guldner, excused  
Representative Reardon, excused

Committee staff present:

Tom Severn, Research  
Chris Courtwright, Research  
Don Hayward, Revisor's Office  
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Ed Rolfs, Secretary of Revenue  
Bud Grant, KCCI  
Roland Smith, Executive Director Wichita Independent Business Ass'n

Secretary of Revenue Ed Rolfs reviewed SB-24, stating that this bill provides for cuts in state income tax rates which will reduce the revenue base by \$78.9 million, and requested that the bill be passed in its current form. Delaying this bill to consider alternatives would cloud the "return of the windfall question" and reduce the likelihood of returning the windfall as pressure for spending mounts. (Attachment 1)

Bud Grant testified in support of SB-24, stating that passage of this bill will send a message of responsible government to the people of the state. KCCI would also request that the same favorable consideration be given to SB-5, which recognizes that all increased taxes caused by federal tax reform were not suffered by the individual alone, but also by Kansas businesses. (Attachment 2)

Roland Smith testified in support of SB-24, stating that WIBA is on record as supporting the individual and corporate income tax rates to a level that reflexes the pre-1987 levels. (Attachment 3)

Representative Vancrum stated that he is a proponent of SB-24, but it still does not restore the ability of the Kansas citizen to deduct federal taxes paid to Washington against their Kansas income tax. He proposes adding to SB-24 an optional tax table including federal deductibility. This would increase the fiscal note of the bill. It is estimated that around 29% of Kansans would use the federal deductibility.

Chairman Roe concluded hearings on SB-24.

The minutes of January 25, 1989, were approved.

The meeting adjourned.

MEMORANDUM

TO: THE HONORABLE KEITH ROE, CHAIRMAN  
HOUSE COMMITTEE ON TAXATION

FROM: ED C. ROLFS  
SECRETARY OF REVENUE

DATE: JANUARY 26, 1989

RE: SB-24 - INCOME TAX CUTS

Thank you for the opportunity to appear on SB-24. The bill provides for cuts in state income tax rates which will reduce the revenue base by \$78.9 million. When coupled with the Tax Equity and Simplification Act passed last year and the increase in the percentage rebate to school districts, the total comes to a little over \$135 million in tax relief which is the estimated amount of the revenues generated by the Federal Tax Reform Act of 1986. In addition, the sales tax exemption on business machinery and equipment (\$11.0 million), corporate apportionment (\$1.0 million), the permanent exemption for new farm machinery (\$7.6 million) and the repeal of the Alternative Minimum Tax (\$6.0 million) have either been adopted and proposed. All of these enactments and proposals total over \$150 million in tax cuts.

The Governor's proposal returns the windfall. We ask that the bill be passed in its current form. While the Governor is open to other changes in the tax code, he believes the most important issue at this time is to make the policy decision to return the windfall.

The budget process will begin moving forward around the 1st of February and, for that reason, your decision on this major public policy question is critical.

Alternatives should be considered through the normal process and examined thoroughly by the committees charged with this responsibility. Delaying this bill to consider those alternatives would cloud the "return of the windfall question" and reduce the likelihood of returning the windfall as pressure for spending mounts, as it always does.

*1-26-89  
attachment 1*

# LEGISLATIVE TESTIMONY

## Kansas Chamber of Commerce and Industry



500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

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

SB 24

January 26, 1989

### KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

House Committee on Assessment and Taxation

by

Bud Grant  
Vice President

Mr. Chairman and members of the Committee:

My name is Bud Grant, Vice President of the Kansas Chamber of Commerce and Industry, and I appreciate the opportunity of appearing before you today in support of SB 24.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

There is little argument that the increased revenues to the state general fund which resulted from federal tax reform in 1986 has allowed the state to firm up, what was then, a deteriorating economic base. Because of the responsible approach taken by the

1-26-89  
Attachment 2

administration and the legislature, Kansas now finds itself financially sound and ready to compete in the new world economy.

With this foundation in place, the passage of SB 24 will send a message of responsible government to the people of the state...a recognition that while belts were tightened in the short term, in the long term relief will be provided and the state's general fund balances will be at a level that are sufficient, yet conservative. KCCI supports the passage of SB 24.

We would also request Mr. Chairman and members of the Committee, that the same favorable consideration be given to SB 5, which is the proposal of the interim tax committee and which recognizes that all increased taxes caused by federal tax reform were not suffered by the individual alone, but also by Kansas businesses. The Institute for Public Policy and Business Research, Kansas Inc., and dozens of other studies over the past 10 years have concluded that corporate tax rates in Kansas are too high...that they are higher than all of our neighboring states...and that until they are reduced that will continue to be a deterrent to economic development and job creation. Federal tax reform has only made that situation worse.

The amount of the tax reduction contained in SB 5 is not large, but the message to business in Kansas and around the nation is. Should the general fund balances permit, and for the sake of those 55-60,000 Kansans now unemployed and seeking the security of a job I urge your favorable consideration.

Thank you, Mr. Chairman. I would be pleased to attempt to answer questions.

2.2

January 25, 1989

STATEMENT TO: HOUSE COMMITTEE ON ASSESSMENT AND TAXATION  
FROM: ROLAND SMITH, EXECUTIVE DIRECTOR  
WICHITA INDEPENDENT BUSINESS ASSOCIATION  
SUBJECT: SB-24

Mr. Chairman, members of the Committee, I am Roland Smith, Executive Director for the Wichita Independent Business Association.

WIBA is on record as supporting the individual and corporate income tax rates to a level that reflexes the pre-1987 levels. It appears this is politically impossible; however, SB-24 brings it closer to reality. Increasing the income tax return to local bodies from 20 to 22 million in separate legislation for education is definitely needed. The term "returning the windfall" is a misnomer as no moneys from 1987 or 1988 is actually being returned to the taxpayers that paid it. There was a partial reduction in tax rates in 1988 and the proposed 80 million is a reduction and not a return. This bill seems to be the closest to our position so we do support SB-24. This is not to say we don't support relief in the property tax or support for education. These are separate issues and should be dealt with on an individual basis on their own merits and not by default.

I would be glad to answer any questions.

*1-26-89  
Attachment 3*