

Approved 1/31/89
Date
[Signature]

MINUTES OF THE House COMMITTEE ON Taxation

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

9:00 a.m. ~~p.m.~~ on January 27, 1989 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
- Lenore Olson, Committee Secretary

Conferees appearing before the committee:

None

A motion was made by Representative Aylward and seconded by Representative Fuller to report SB-24 favorably.

A substitute motion was made by Representative Vancrum and seconded by Representative Spaniol to SB-24 to allow Kansans to choose between Governor Hayden's proposal (SB-24) or a higher tax rate with deducting federal taxes from their state returns. (Attachment 1) The substitute motion failed with a vote count of 6 yes, 14 no. Representatives Vancrum, Spaniol, and Snowbarger requested to be recorded as voting yes.

A substitute motion was made by Representative Wagnon and seconded by Representative Grotewiel to SB-24 that would conform standard deductions and personal exemptions in the Kansas income tax code with future changes in federal tax laws. (Attachment 2) The substitute motion failed with a vote count of 11 yes and 11 no.

The motion by Representative Aylward; seconded by Representative Fuller to report SB-24 favorably passed.

Chairman Roe appointed Representatives Fuller, Wagnon, and Grotewiel to a subcommittee to study HB-2032, the child care bill.

The minutes of January 26, 1989, were approved.

The meeting adjourned.



TOPEKA

HOUSE OF
REPRESENTATIVES

January 24, 1989

BOB VANCURUM
 REPRESENTATIVE, TWENTY-NINTH DISTRICT
 9004 W 104TH STREET
 OVERLAND PARK, KANSAS 66212
 (913) 341-2609
 STATE CAPITOL, ROOM 112-S
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COMMITTEE ASSIGNMENTS
 CHAIRMAN: ADMINISTRATIVE RULES
 AND REGULATIONS
 MEMBER: APPROPRIATIONS
 JUDICIARY
 TAXATION

To: Selected Representatives Who Supported Federal Deductibility Last Year

Dear Colleague:

Many of you have expressed an interest in pursuing the so-called modified "Oklahoma Option" permitting taxpayers to elect to deduct federal taxes paid as an option to paying taxes at the reduced brackets proposed in the Governor's plan. Attached you will find copies of three simulations showing (1) The effect of a separate table permitting federal deductibility (7561), (2) the Governor's plan that passed the Senate yesterday (7538), and (3) A simulation prepared by the Department of Revenue (7562) showing the estimated combined effect in each bracket and combined fiscal note of adding such a federal deductibility option.

Many of you have expressed support based on the proposal being revenue neutral. I believe this simulation is as close to revenue neutral as is practical. You will note that the tabulated revenues are reduced under the federal deductibility table at approximately the same level as the Governor's plan with no federal deductibility. Obviously, when the two options are combined, the fiscal note is going to go up somewhat since people will only elect federal deductibility option if it reduces the taxes they otherwise pay. Interestingly, I would point out the Revenue Department estimates that 50 percent of the taxpayers in the \$5,000 to \$15,000 bracket would benefit from federal deductibility, whereas only 23 percent of those above \$100,000 would benefit.

Vince Snowbarger, Art Douville, Rex Hoy and I have been working on putting together this plan for several weeks. I believe this is about as good as we are going to do. If you have any interest in co-sponsoring the bill to provide this option, please contact one of us, or my secretary Lorene in Rm-112-S to sign as a co-sponsor. The bill must be introduced by Wednesday since the Tax Committee will commence hearings on the Governor's bill tomorrow.

Sincerely,

Bob Vancrum
 State Representative

RJV/elm

1-27-89
 Attachment 1

MON 7561

TAX YEAR 1989
 Kansas Personal Exemption is \$2,000
 Federal Deductability

Kansas Department Of Revenue

Proposed Current

Married:	\$0 - \$20	4.20%	\$0 - \$35	4.05%
	\$20 - \$35	4.60%	\$35 - Over	5.30%
	\$35 - \$45	6.80%		
	\$45 - Over	7.95%		

Individual Income Tax In Tax Year 1989
 Resident Taxpayers

Simulation 7561

Single:	\$0 - \$2	4.20%		
	\$2 - \$10	5.50%	\$0 - \$27.5	4.80%
	\$10 - \$20	5.65%	\$27.5 - Over	6.10%
	\$20 - \$30	7.25%		
	\$30 - Over	7.95%		

Liability Dollars are in Millions

K.A.G.I. Bracket	Married					Single					Total Residents				
	No. Of Returns	Percent Change	Dollar Change In Liability	Dollar Change Per Return	Effective Rate	No. Of Returns	Percent Change	Dollar Change In Liability	Dollar Change Per Return	Effective Rate	No. Of Returns	Percent Change	Dollar Change In Liability	Dollar Change Per Return	Effective Rate
No K.A.G.I.	9,684	0.0%	\$0.0	\$0.00	0.0%	4,526	0.0%	\$0.0	\$0.00	0.0%	14,211	0.0%	\$0.0	\$0.00	0.0%
\$0 \$5	15,895	0.0%	\$0.0	\$0.00	0.0%	105,368	0.0%	\$0.0	\$0.00	0.0%	121,263	0.0%	\$0.0	\$0.00	0.0%
\$5 \$15	66,632	-18.5%	(\$0.5)	(\$8.23)	0.3%	163,684	-13.9%	(\$4.0)	(\$24.48)	1.6%	230,316	-14.3%	(\$4.6)	(\$19.78)	1.2%
\$15 \$25	87,368	-12.3%	(\$3.5)	(\$39.53)	1.4%	96,737	-7.0%	(\$3.8)	(\$39.66)	2.7%	184,105	-8.8%	(\$7.3)	(\$39.60)	2.1%
\$25 \$35	93,368	-11.9%	(\$7.4)	(\$79.07)	2.0%	42,421	-5.4%	(\$2.2)	(\$52.57)	3.2%	135,789	-9.3%	(\$9.6)	(\$70.79)	2.3%
\$35 \$50	112,211	-11.0%	(\$13.3)	(\$118.67)	2.3%	21,579	-5.1%	(\$1.6)	(\$75.73)	3.4%	133,789	-9.8%	(\$14.9)	(\$111.74)	2.5%
\$50 \$100	107,158	-12.5%	(\$24.7)	(\$230.93)	2.5%	9,053	-7.2%	(\$1.7)	(\$192.51)	3.9%	116,211	-11.9%	(\$26.5)	(\$227.94)	2.6%
\$100 Over	16,632	-7.1%	(\$9.2)	(\$555.51)	4.4%	1,368	-6.8%	(\$0.9)	(\$671.00)	4.9%	18,000	-7.0%	(\$10.2)	(\$564.29)	4.5%
Total	508,947	-10.8%	(\$58.7)	(\$115.31)	2.5%	444,737	-7.4%	(\$14.4)	(\$32.31)	2.7%	953,684	-9.9%	(\$73.1)	(\$76.60)	2.5%

Fiscal Impact:

All Taxpayers:	(\$79.5)
Residents Only:	(\$73.1)
Married Residents:	(\$58.7)
Single Residents:	(\$14.4)
Non-Residents:	(\$6.5)

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1-3

SIMULATION 7538

TAX YEAR 1989
Kansas Personal Exemption is \$2,000

	Proposed	Current
Married: \$0 - \$35,000	3.60%	4.05%
\$35,000 - Over	4.90%	5.30%
Single: \$0 - \$27,500	4.45%	4.80%
\$27,500 - Over	5.85%	6.10%

Kansas Department Of Revenue

Individual Income Tax In Tax Year 1989
Resident Taxpayers

Simulation 7538

Liability Dollars are in Millions

K.A.G.I. Bracket	Married					Single					Total Residents				
	No. Of Returns	Percent Change	Dollar Change In Liability	Dollar Change Per Return	Effective Rate	No. Of Returns	Percent Change	Dollar Change In Liability	Dollar Change Per Return	Effective Rate	No. Of Returns	Percent Change	Dollar Change In Liability	Dollar Change Per Return	Effective Rate
No K.A.G.I.	9,684	0.0%	\$0.0	\$0.00	0.0%	4,526	0.0%	\$0.0	\$0.00	0.0%	14,211	0.0%	\$0.0	\$0.00	0.0%
\$0 \$5	15,895	0.0%	\$0.0	\$0.00	0.0%	105,368	0.0%	\$0.0	\$0.00	0.0%	121,263	0.0%	\$0.0	\$0.00	0.0%
\$5 \$15	66,632	-10.6%	(\$0.3)	(\$4.73)	0.4%	163,684	-7.4%	(\$2.1)	(\$12.98)	1.7%	230,316	-7.7%	(\$2.4)	(\$10.59)	1.3%
\$15 \$25	87,368	-11.5%	(\$3.2)	(\$36.96)	1.4%	96,737	-7.6%	(\$4.2)	(\$43.37)	2.7%	184,105	-8.9%	(\$7.4)	(\$40.33)	2.1%
\$25 \$35	93,368	-11.7%	(\$7.2)	(\$77.64)	2.0%	42,421	-7.7%	(\$3.2)	(\$74.99)	3.1%	135,789	-10.1%	(\$10.4)	(\$76.81)	2.3%
\$35 \$50	112,211	-11.7%	(\$14.2)	(\$126.57)	2.3%	21,579	-7.1%	(\$2.3)	(\$104.31)	3.4%	133,789	-10.7%	(\$16.5)	(\$122.98)	2.5%
\$50 \$100	107,158	-11.1%	(\$22.0)	(\$205.41)	2.6%	9,053	-5.9%	(\$1.4)	(\$158.24)	4.0%	116,211	-10.6%	(\$23.4)	(\$201.74)	2.7%
00 Over	16,632	-8.7%	(\$11.4)	(\$686.32)	4.4%	1,368	-4.6%	(\$0.6)	(\$449.23)	5.0%	18,000	-8.3%	(\$12.0)	(\$668.30)	4.4%
Total	508,947	-10.7%	(\$58.4)	(\$114.79)	2.5%	444,737	-7.1%	(\$13.8)	(\$31.03)	2.7%	953,684	-9.8%	(\$72.2)	(\$75.73)	2.5%

Fiscal Impact:

All Taxpayers:	(\$78.9)
Residents Only:	(\$72.2)
Married Residents:	(\$58.4)
Single Residents:	(\$13.8)
Non-Residents:	(\$6.6)

Individual Income Tax In Tax Year 1989
Resident Taxpayers

Simulation 7562

Liability Dollars are in Millions

Taxpayers would be allowed to use the current tax structure or deduct their taxes paid to determine which tax structure would result in the least amount of tax.

	With Federal Deductability		No Federal Deductability		Current	
		Proposed		Proposed		Current
Married:	\$0 - \$20	4.20%	\$0 - \$35	3.60%	\$0 - \$35	4.05%
	\$20 - \$35	4.60%	\$35 - Over	4.90%	\$35 - Over	5.30%
	\$35 - \$45	6.80%				
	\$45 - Over	7.95%				
Single:	\$0 - \$2	4.20%	\$0 - \$27.5	4.45%	\$0 - \$27.5	4.80%
	\$2 - \$10	5.50%	\$27.5 - Over	5.85%	\$27.5 - Over	6.10%
	\$10 - \$20	5.65%				
	\$20 - \$30	7.25%				
	\$30 - Over	7.95%				

K.A.G.I. Bracket	Married					Single					Total Residents				
	No. Of Returns	Percent Change	Dollar Change In Liability	Dollar Change Per Return	Effective Rate	No. Of Returns	Percent Change	Dollar Change In Liability	Dollar Change Per Return	Effective Rate	No. Of Returns	Percent Change	Dollar Change In Liability	Dollar Change Per Return	Effective Rate
No K.A.G.I.	9,684	0.0%	\$0.0	\$0.00	0.0%	4,526	0.0%	\$0.0	\$0.00	0.0%	14,211	0.0%	\$0.0	\$0.00	0.0%
\$0 \$5	15,895	0.0%	\$0.0	\$0.00	0.0%	105,368	0.0%	\$0.0	\$0.00	0.0%	121,263	0.0%	\$0.0	\$0.00	0.0%
\$5 \$15	66,632	-18.6%	(\$0.6)	(\$8.27)	0.3%	163,684	-11.8%	(\$3.4)	(\$20.78)	1.6%	230,316	-12.4%	(\$4.0)	(\$17.16)	1.2%
\$15 \$25	87,368	-12.5%	(\$3.5)	(\$40.28)	1.4%	96,737	-8.4%	(\$4.6)	(\$47.51)	2.7%	184,105	-9.8%	(\$8.1)	(\$44.08)	2.1%
\$25 \$35	93,368	-12.0%	(\$7.4)	(\$79.65)	2.0%	42,421	-7.9%	(\$3.3)	(\$77.02)	3.1%	135,789	-10.3%	(\$10.7)	(\$78.83)	2.3%
\$35 \$50	112,211	-12.4%	(\$15.0)	(\$133.62)	2.3%	21,579	-7.5%	(\$2.4)	(\$111.55)	3.4%	133,789	-11.4%	(\$17.4)	(\$130.06)	2.4%
\$50 \$100	107,158	-13.4%	(\$26.5)	(\$247.73)	2.5%	9,053	-8.4%	(\$2.0)	(\$224.74)	3.9%	116,211	-12.9%	(\$28.6)	(\$245.94)	2.6%
\$100 Over	16,632	-13.9%	(\$18.2)	(\$1,092.47)	4.1%	1,368	-6.8%	(\$0.9)	(\$669.92)	4.9%	18,000	-13.2%	(\$19.1)	(\$1,060.35)	4.2%
Total	508,947	-13.1%	(\$71.2)	(\$139.93)	2.4%	444,737	-8.5%	(\$16.6)	(\$37.38)	2.7%	953,684	-11.9%	(\$87.8)	(\$92.11)	2.5%

Percent of All Taxpayers by K.A.G.I. Bracket Using Each Alternative

Fiscal Impact:		No Federal Deductability	Federal Deductability
All Taxpayers:	(\$95.4)	\$0 - \$5 100.0%	0.0%
Residents Only:	(\$87.8)	\$5 - \$15 50.1%	49.9%
		\$15 - \$25 85.6%	14.4%
Married Residents:	(\$71.2)	\$25 - \$35 82.8%	17.2%
Single Residents:	(\$16.6)	\$35 - \$50 83.7%	16.3%
		\$50 - \$100 32.9%	67.1%
Non-Residents:	(\$7.6)	\$100 - Over 77.0%	23.0%
		Total 70.8%	29.2%

Prospective Conformity to Federal Standard Deductions in 1989 and
 Personal Exemption Amounts in 1990

	Proposed	Current
Married: \$0 - \$27,500	3.45%	4.05%
\$27,500 - Over	4.95%	5.30%
Single: \$0 - \$27,500	4.25%	4.80%
\$27,500 - Over	5.95%	6.10%

Individual Income Tax In Tax Year 1989
 Resident Taxpayers

Current Law

Married						Single					Total Residents				
K.A.G.I. Bracket	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate
No K.A.G.I.	9,684	0.0%	\$0.00	0.0%	0.0%	4,526	0.0%	\$0.00	0.0%	0.0%	14,211	0.0%	\$0.00	0.0%	0.0%
\$0 \$5	15,895	0.2%	\$0.00	0.0%	0.0%	105,368	4.5%	\$0.04	0.0%	0.0%	121,263	1.3%	\$0.04	0.0%	0.0%
\$5 \$15	66,632	3.6%	\$2.97	0.4%	0.4%	163,684	23.6%	\$28.80	3.9%	1.8%	230,316	8.7%	\$31.77	4.3%	1.4%
\$15 \$25	87,368	9.0%	\$28.12	3.8%	1.6%	96,737	27.9%	\$54.89	7.4%	2.9%	184,105	13.8%	\$83.01	11.2%	2.3%
\$25 \$35	93,368	14.3%	\$62.11	8.4%	2.2%	42,421	18.5%	\$41.52	5.6%	3.3%	135,789	15.4%	\$103.62	14.0%	2.6%
\$35 \$50	112,211	24.0%	\$121.30	16.4%	2.6%	21,579	13.1%	\$31.91	4.3%	3.6%	133,789	21.2%	\$153.21	20.8%	2.8%
\$50 \$100	107,158	35.0%	\$198.03	26.8%	2.9%	9,053	8.6%	\$24.15	3.3%	4.2%	116,211	28.2%	\$222.18	30.1%	3.0%
\$100 Over	16,632	14.0%	\$130.99	17.7%	4.8%	1,368	3.8%	\$13.50	1.8%	5.2%	18,000	11.4%	\$144.48	19.6%	4.8%
Total	508,947	100.00%	\$543.52	73.6%	2.8%	444,737	100.00%	\$194.81	26.4%	2.9%	953,684	100.00%	\$738.33	100.00%	2.8%

Kansas Department Of Revenue

Individual Income Tax In Tax Year 1989
 Resident Taxpayers

SIMULATION 7585

Married						Single					Total Residents				
K.A.G.I. Bracket	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Of KAGI	Liability	Percent Of Total	Effective Rate
No K.A.G.I.	9,684	0.0%	\$0.00	0.0%	0.0%	4,526	0.0%	\$0.00	0.0%	0.0%	14,211	0.0%	\$0.00	0.0%	0.0%
\$0 \$5	15,895	0.2%	\$0.00	0.0%	0.0%	105,368	4.5%	\$0.04	0.0%	0.0%	121,263	1.3%	\$0.04	0.0%	0.0%
\$5 \$15	66,632	3.6%	\$2.31	0.4%	0.3%	163,684	23.6%	\$24.58	3.7%	1.5%	230,316	8.7%	\$26.89	4.1%	1.2%
\$15 \$25	87,368	9.0%	\$23.19	3.5%	1.3%	96,737	27.9%	\$47.71	7.2%	2.5%	184,105	13.8%	\$70.89	10.8%	2.0%
\$25 \$35	93,368	14.3%	\$51.87	7.9%	1.9%	42,421	18.5%	\$36.31	5.5%	2.9%	135,789	15.4%	\$88.18	13.4%	2.2%
\$35 \$50	112,211	24.0%	\$105.62	16.0%	2.3%	21,579	13.1%	\$28.53	4.3%	3.2%	133,789	21.2%	\$134.15	20.3%	2.4%
\$50 \$100	107,158	35.0%	\$182.13	27.6%	2.7%	9,053	8.6%	\$22.40	3.4%	3.9%	116,211	28.2%	\$204.53	31.0%	2.8%
\$100 Over	16,632	14.0%	\$121.70	18.5%	4.4%	1,368	3.8%	\$13.00	2.0%	5.0%	18,000	11.4%	\$134.69	20.4%	4.5%
Total	508,947	100.00%	\$486.81	73.8%	2.5%	444,737	100.00%	\$172.56	26.2%	2.6%	953,684	100.00%	\$659.37	100.00%	2.5%

Fiscal Impact:

All Taxpayers:	(\$86.0)
Residents:	(\$79.0)
Non-Residents:	(\$56.7)
State:	(\$22.2)
Non-Resident:	(\$7.0)

1-27-89
 attachment 2

Prospective Conformity to Federal Standard Deductions in 1989 and Personal Exemption Amounts in 1990

Kansas Department Of Revenue

	Proposed	Current
Married: \$0 - \$27,500	3.45%	4.05%
\$27,500 - Over	4.95%	5.30%
Single: \$0 - \$27,500	4.25%	4.80%
\$27,500 - Over	5.95%	6.10%

Individual Income Tax In Tax Year 1989 Resident Taxpayers

Simulation 7585

Liability Dollars are in Millions

K.A.G.I. Bracket	Married					Single					Total Residents				
	No. Of Returns	Percent Change	Dollar Change In Liability	Dollar Change Per Return	Effective Rate	No. Of Returns	Percent Change	Dollar Change In Liability	Dollar Change Per Return	Effective Rate	No. Of Returns	Percent Change	Dollar Change In Liability	Dollar Change Per Return	Effective Rate
No K.A.G.I.	9,684	0.0%	\$0.0	\$0.00	0.0%	4,526	0.0%	\$0.0	\$0.00	0.0%	14,211	0.0%	\$0.0	\$0.00	0.0%
\$0 \$5	15,895	0.0%	\$0.0	\$0.00	0.0%	105,368	0.0%	\$0.0	\$0.00	0.0%	121,263	0.0%	\$0.0	\$0.00	0.0%
\$5 \$15	66,632	-22.2%	(\$0.7)	(\$9.87)	0.3%	163,684	-14.7%	(\$4.2)	(\$25.79)	1.5%	230,316	-15.4%	(\$4.9)	(\$21.19)	1.2%
\$15 \$25	87,368	-17.5%	(\$4.9)	(\$56.46)	1.3%	96,737	-13.1%	(\$7.2)	(\$74.25)	2.5%	184,105	-14.6%	(\$12.1)	(\$65.81)	2.0%
\$25 \$35	93,368	-16.5%	(\$10.2)	(\$109.66)	1.9%	42,421	-12.5%	(\$5.2)	(\$122.79)	2.9%	135,789	-14.9%	(\$15.4)	(\$113.76)	2.2%
\$35 \$50	112,211	-12.9%	(\$15.7)	(\$139.76)	2.3%	21,579	-10.6%	(\$3.4)	(\$156.74)	3.2%	133,789	-12.4%	(\$19.1)	(\$142.50)	2.4%
\$50 \$100	107,158	-8.0%	(\$15.9)	(\$148.38)	2.7%	9,053	-7.3%	(\$1.8)	(\$193.77)	3.9%	116,211	-7.9%	(\$17.7)	(\$151.92)	2.8%
\$100 Over	16,632	-7.1%	(\$9.3)	(\$558.75)	4.4%	1,368	-3.7%	(\$0.5)	(\$364.23)	5.0%	18,000	-6.8%	(\$9.8)	(\$543.96)	4.5%
Total	508,947	-10.4%	(\$56.7)	(\$111.42)	2.5%	444,737	-11.4%	(\$22.2)	(\$50.03)	2.6%	953,684	-10.7%	(\$79.0)	(\$82.79)	2.5%

Fiscal Impact:

All Taxpayers:	(\$86.0)
Residents Only:	(\$79.0)
Married Residents:	(\$56.7)
Single Residents:	(\$22.2)
Non-Residents:	(\$7.0)

adds about \$4 m to single relief.

Kansas Department of Revenue
Effective Tax Rate Comparison
Current Law vs. Simulation 7585

