

Approved 2/9/89
Date

MINUTES OF THE House COMMITTEE ON Taxation

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

9:00 a.m./~~pm~~ on February 8, 1989 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

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

Conferees appearing before the committee:

Representative Graeber
Representative Borum
Guy Gibson, AARP
Etta Blanche Dahlgren, AARP
Robert Burkholder, AARP
Basil Covey, Kansas Retired Teachers Ass'n
Gerald Duree, Topeka taxpayer
James Sheehan, taxpayer
Joseph Wujcik, NARFE
Clint Acheson

Representative Graeber testified in support of HB-2001, stating that this proposal is one of the principle measures supported by many of our senior citizen organizations. (Attachment 1)

Representative Borum testified in support of HB 2001 and HB 2046, stating that if Kansas needs more revenue to fund new or existing programs then let this money be raised by more equitable means. (Attachment 2) The fiscal note for this bill would be \$8.4 million.

Guy Gibson testified in support of HB 2001 and HB 2046, stating that the current tax is a windfall tax and indirectly taxes people. He hates to see Kansas as one of the few states that taxes people in this situation.

Etta Blanche Dahlgren testified in support of HB 2001 and HB 2046, stating that the current tax is an additional tax for a selected group of individuals. (Attachment 3)

Robert Burkholder testified in support of HB 2001 and HB 2046, stating that 39 states don't tax Social Security and Kansas should do the same.

Basil Covey testified in support of HB 2001 and HB 2046, stating the current tax is a tax by default and ignores the democratic process of taxing by legislative action. (Attachment 4)

Gerald Duree testified in support of HB 2001 and HB 2046, stating that with all the tax increases in the last couple of years, it won't be long until we've been taxed into the welfare system. (Attachment 5)

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation,
room 519-S, Statehouse, at 9:00 a.m.~~pm~~ on February 8, 1989

James Sheehan testified on HB 2001 and HB 2046 favorably, stating that the tax of Social Security benefits appears inequitable when compared to pensions now exempt from Kansas income tax. (Attachment 6)

Joseph Wujcik testified in support of HB 2001 and HB 2046, stating that he feels that older citizens are being taxed unfairly. He is also upset with the catastrophic health insurance premiums.

Clint Acheson testified in support of HB 2001, stating that people work hard all their lives and are asked in the twilight of their lives to pay an additional amount of money at the state level. It is time to stop asking people to pay by default.

Chairman Roe concluded the hearings on HB 2001 and HB 2046.

The minutes of February 7, 1989, were approved.

HOUSE COMMITTEE ON TAXATION

DATE 2/8/89

NAME ADDRESS REPRESENTING

NAME	ADDRESS	REPRESENTING
James M. Sheehan	3216 SW 19 th Topeka, KS	Myself
Erma H. D. Mee	418 SW Tyler St. Topeka, Mo.	Erma D. Mee
Lela Mae Jackson	1610 SW 29 th Topeka	Self
Gay E. Jackson	1610 SW 29 th Topeka	Self
Phyllis G. Gault	1912 SW 29 th Topeka	Self
Marguerite Ireland	1912 SW 29 th Topeka	Self
Carol D. Dineen	1201 Villa Lawrence Topeka, KS	Law. Retired Teacher 99 U.P. KNEA
Mary Wentz	1021 S. 5 th St. Lawrenceville, KS	Law. Ret. Teacher AARP KNEA
Margaret M. Cochran	1414 Cherokee Topeka, Mo. 66608	Senior Citizen KNEA LARTA RTA AARP. <i>Self</i>
Joseph Barnes	Topeka - LARTA Law. To.	Self.
Oscar Albrecht	Topeka, KS	NARFE
Le W. W. W.	LEA WEAVER, KS	NARFE
Margaret Wycik	Topeka, KS	NARFE
John W. W. W.	Topeka	Observer
Gerhard Metz	"	KCCU
Don't DeLeon	Topeka	Self.
Bill Kastens	Topeka	NARFE
Kathleen Callison	"	Dof R

Testimony -- Clyde Graeber - Representative, 41st
District RE: H.B. 2001

Mr. Chairman, committee members -- H.B. 2001 would exempt Social Security payments from the Kansas Income Tax. This proposal is one of the principle measures supported by many of our senior citizen organizations, including the American Association of Retired Persons (AARP), Kansas Retired Teachers Association (KRTA) and The National Association of Retired Federal Employees (NARFE).

In my community there are many retired persons and one of the most asked questions of me is, "Why do I have to pay Kansas income tax on my Social Security?" My answer is that there have been many attempts to do away with such taxing of these benefits and maybe this year with our cash balances and our greater than anticipated revenue receipts we may succeed in this needed relief for our senior citizens.

It is said only a small percentage of our Kansas Taxpayers pay income tax on their Social Security. While that may be correct, many more perceive or genuinely feel they pay such tax. This concept causes great concern among all our senior citizens. Many others feel such taxation of Social Security benefits sets a precedent and one which many fear may lead to further or increased taxation of these benefits later on.

2/8/89
Attachment 1

Some recent newspaper articles hinted at this possibility.

The exemption as proposed in H.B. 2001 would treat Social Security benefits in the same way our state employees retirement benefits are treated, total exemption from Kansas Income Tax.

I feel adoption of this bill would maintain Kansas' reputation as a state that does not tax unfairly. Currently, over forty of our states do not tax Social Security Benefits. Kansas should join with those other states that have adopted this policy to help and aid our senior citizens in their golden years.

ISABEL "BELLE" BORUM
REPRESENTATIVE, EIGHTY-EIGHTH DISTRICT
SEDGWICK COUNTY
3340 ELMWOOD DRIVE
WICHITA, KANSAS 67218



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: ECONOMIC DEVELOPMENT
PENSIONS, INVESTMENTS AND BENEFITS
PUBLIC HEALTH AND WELFARE

Testimony before the House Taxation Committee on HB 2001 and HB 2046, by Representative Belle Borum, February 8, 1989.

Purpose of HB 2046 is to exclude Social Security benefits from Kansas income taxation and thereby protect not only retirement income for those who are retired today but for those of you who will be retired in the future.

In 1983 Congress passed legislation calling for federal taxation up to one-half of Social Security benefits to recipients whose adjusted gross income exceeded \$25,000 for an individual and \$32,000 for a married couple. The taxation took effect in the tax year 1984.

States, such as Kansas, whose tax codes conformed to federal code that did not specifically exempt Social Security benefits also began taxing those benefits on the 1984 returns.

Federal legislation was passed to put money into a faltering Social Security Trust Fund for the purpose of maintaining its solvency and building a reserve fund. Money received by Kansas as a result of its conforming tax codes was simply extra revenue that Kansas in 1982 had never dreamed of receiving. Why?

(1) Historically Kansas had never taxed Social Security benefits and I suspect that it would be highly unlikely that the legislature would have ever passed legislation taxing Social Security benefits.

*2/8/89
Attachment 2*

(2) Because of the diversity of the tax codes of the fifty states I don't believe Congress intended to pass a law that would allow revenue to be raised by some states and not by others. By 1985, 2/3 of the states who had conforming tax codes had enacted specific exemptions for Social Security benefits. Kansas chose to continue to collect revenue by taking advantage of having the right tax code at the right time-- and at the expense of a group of our retirees.

We need to focus in on one question. Do we consider this action--no, this lack of action, on the part of the state to be ethical and responsible behavior. I don't.

If, indeed, Kansas needs more revenue to fund new or existing programs then let this money be raised by more equitable means.

Thank you.



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EXEMPTION OF SOCIAL SECURITY FROM TAXATION IN KANSAS - HB 2001 and HB2046

Mr. Chairman and Members of the House Taxation Committee:

Thank you for permitting us to present this testimony for HB 2001 and HB 2046 regarding the exemption of benefits under the Federal Social Security act from the adjusted gross income for Kansas taxation.

Social Security was never meant to be taxed. Federal taxation of Social Security benefits was part of a congressional package to help refinance the Social Security system, with the resulting revenues returned to the program trust fund. It was not the intent of Congress for states to also tax benefits because the state revenues would in no way benefit the Social Security program. Since Kansas uses the federal adjusted gross income figure, it appears that a segment of retired citizens is taxed by default.

Any tax should be fair. The present taxation taxes only those on Social Security on "tax-free" municipal bonds purchased before 1987. So, only retirees on Social Security pay such a tax. This is unfair. This makes this double taxation questionable. None of the amount collected in Kansas is earmarked for aging programs or services.

The exemption provided in these bills would maintain the states historic policy of not taxing unfairly.

Senior citizens are on fixed incomes. If they can maintain independent lives and continue contributing to society, that helps the younger members of their families, also. Exemption helps protect the purchasing power of retirement income. It is not just a program for older citizens.

There was a widespread interest in this Social Security exemption again this year when our priority surveys were made. Thirty-nine states now have this exemption.

The real issue is the principle of taxation. It is an additional tax for a selected group of individuals.

The power to act on this matter is vested in the legislature. We urge the passage of HB 2001 and HB 2046.

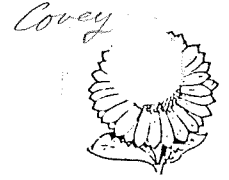
Mrs. Etta Blanche Dahlgren

Mrs. Etta Blanche Dahlgren
Member, AARP State Legislative Committee

2/8/89
attachment 3



Kansas Retired Teachers Association



YOUNG HEARTS STILL SERVING

1988 - 1989

February 8, 1989

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Members of the House Taxation Committee:

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

We support HB 2001 and HB 2046--both call for exclusion of social security benefits from Kansas income tax.

1. This is a tax by default and ignores the democratic process of taxing by legislative action.
2. The 1935 Social Security Act intended for funds collected to be used by retired citizens only.
3. U.S. Sen. Moynihan said recently, "Social Security was never meant to finance government."
4. Forty states or more do not tax social security retirement dollars.
5. The Kansas economy is best served by social security retirement dollars left in the hands of its citizens.
6. Retirement dollars must help build a reserve fund for a retired couple so when a spouse goes to a nursing home they will have funds rather than going on Medicaid. Taxing social security funds threatens the reserve fund.
7. Health costs have risen 12 to 18% in the last five years affecting retired teachers.
8. The same legal opinion and court decisions that was issued in repealing the legislative pension can be made pertaining to social security. A pension voted by the legislature--in this case the U.S. Congress--is a contract made with the citizens and cannot be set aside by a state legislature. Ten states including Kansas has ignored that principle.
9. The social security "duck" is similar to the windfall "duck"--only now the windfall "duck" may "waddle" back to taxpayers.

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*2/8/89
Attachment 4*

10. Social security retirement dollars should be excluded from Kansas income tax--and if needed, a bill should be introduced and debated to tax the funds.
11. Kansas has taxed social security retirement dollars a number of years and it is time things are made straight.

We urge the committee to give a favorable vote for HB 2001 and HB 2046.

Sincerely,

Basil Covey
Basil Covey
Chairman, KRTA
Legislative Committee

STATE OF KANSAS



OFFICE OF THE GOVERNOR

State Capitol
Topeka 66612-1590
(913) 296-3232

Mike Hayden Governor

Feb. 9, 1987

Mr. Basil Covey, Chairman
KRTA Legislative Committee
3119 W. 31st Ct.
Topeka, KS. 66614

Dear Mr. Covey:

Thank you for your good letter concerning House Bill 2087, which exempts Social Security payments from Kansas income taxation.

During the recent gubernatorial campaign I strongly endorsed exempting Social Security payments from Kansas taxation. I am pleased that HB 2087 is being sponsored by 31 Republican representatives, and I feel sure that it will be passed by a substantial majority. You may be assured that my staff and I will be doing everything possible to promote the adoption of this important legislation.

It is important, of course, that you and the members of your association write or call your representatives and senators, also, in support of this legislation. They need to be reminded that HB 2087 has substantial public support.

Thanks again for writing.

Sincerely


Mike Hayden
Governor

4-3

6 Feb 1989

To House Taxation Committee:

From Gerald H Duree

141 SW Urish St Topeka 66615

Phone 272-1291

Ref. HB 2001 and HB 2046

Exemption of Social Security from ~~State~~
State Income tax:

1. Some forty states do not tax Social Security
2. It was set up and was never intended to be taxed
3. Tax on the elderly retired has risen a great deal in the past several years. (1) Federal Health Ins 22.50 per 100 of Fed tax, for only 65 and older..
- (2) Fed. tax not deductible on the State tax. (3) Higher Medicare costs. (4) Less allowance on Health care costs on tax returns
- (5) Higher Health Ins. cost from private Ins Co. (6) Sales tax not deductible. (6) Some interest paid not deductible.
- (7) Property tax reappraisal will most likely be a tax hike.

The 4% increase in our social security check all taken for Higher Medicare Costs. Leaving nothing for rise in cost for anything else.

When will this tax and tax the elderly end??

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attachment 5

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Ladies and Gentlemen I liken the taxes leveled on the elderly retired to a refugee's Boat Story I heard on T.V. recently.

A boat with a number of War refugees aboard, broke down, they ran out of Supplies Food, etc. After many days without food they the Strong decided to eat their own people. The Strong decided who would die for their cause.

Should the elderly retired be punished because we've tried to be self sufficient in our retirement.

With all the tax increases we've had in the last couple of years, with our so-called tax-reform. It won't be long till we've been taped into the Welfare system.

The elderly retired are willing to pay a fair share of needed tax but please don't single out a group of retired people and place special taxes on them to balance the books.

I ask you to look at the whole taxing system before making your decision. I'm sure you'll agree these are good bills.

Thank you
Gerald H. Dur

To: Members of the House Taxation Committee

From: James M. Sheehan, 3216 S.W. 19th St., Topeka, Kansas, 66604
(913)233-3668

Re: House Bills No. 2001 and 2046

Date: February 3, 1989

I would appreciate the committee reporting favorably on these bills to exclude Social Security benefits from state taxable income.

Tax of Social Security benefits appears inequitable when compared to pensions now exempt from Kansas income tax. Exempt pensions are: Federal Civil Service, Kansas Public Employees Retirement Annuities, Kansas Teachers Retirement Annuities, Kansas Police and Fire Retirement System Pensions, Kansas Highway Patrol Pensions, Justices and Judges Retirement, certain pensions from first class cities, and Railroad Retirement Benefits administered by the U.S. Railroad Retirement Board.

My pension from a nongovernmental job is taxable.

Our State income tax on Social Security benefits in 1987 was \$336. In 1988 it is \$473 and in 1989 it will be about the same if the law is not changed.

I understand that the Federal income tax on Social Security benefits is returned to the Social Security Trust Funds. The state does not have such an arrangement.

Your effort to exclude Social Security benefits from state income tax would be appreciated.

James M. Sheehan

James M. Sheehan

*2/8/89
attachment 6*