

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Senator Dan Thiessen at
Chairperson

11:00 a.m. ~~p.m.~~ on Friday, January 13, 1989 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Don Hayward, Revisor's Office
Tom Severn, Research Department
Chris Courtwright, Research Department
Marion Anzek, Committee Secretary

Conferees appearing before the committee:

Ed Rolfs, Secretary-Department of Revenue
Steve Stotts, Analyst-Department of Revenue

Chairman Thiessen called the meeting to order and told the members they had minutes from January 11, and January 12 in front of them and would ask for approval at the end of the meeting. He turned attention to SB24.

SB24: An Act relating to income taxation; concerning rates imposed upon individuals; amending K.S.A. 1988 Supp. 79-32-110 and repealing the existing section.

The Chairman said he was sincerely convinced if we gave the taxpayers of this State a choice of not paying the windfall tax, rather than asking them to pay it and then having them depend on some magic formula to somehow get it back to them, that their option would be not to pay it in the first place and this bill would provide for that.

Then there is the other side of it, if we don't pass this type of legislation then they will keep on paying this windfall tax every year from now on. This adjustment needs to be made and we need to pass this kind of legislation. The Chairman recognized Senator Langworthy.

Senator Langworthy made a motion to move SB24 to the full senate favorably for passage, seconded by Senator Oleen.

Chairman Thiessen recognized Senator Lee.

Senator Lee said she had the runs she requested from the Department of Revenue at an earlier meeting. (Attachment 1) The Senator said page (1) is numbers in constant 1987 dollars and the very last figure at the lower right hand corner should be \$616.00 and not \$698.45. The 2nd sheet is a comparison of proposed taxes with normal growth.

Chairman Thiessen asked Ed Rolfs if in figuring those averages, did you delete the 105 thousand taxpayers that the 1988 legislation deleted?

Ed Rolfs asked Steve Stotts to answer saying he put this together.

Steve Stotts said the 105 thousand taxpayers taken off the tax rolls would be included in the bottom table at the bottom of the page.

There was committee discussion and concerns were how the figures relate to the consensus estimate and the dollar amount of the windfall.

Chairman Thiessen said he feels if we deviate from the \$135 million, then we could have 165 ideas of what the figure should be and it would be rather complicated and if we did err, he said he would rather be on the low side than the high side as several States have over estimated on the windfall and their budgets got in trouble because they did that.

There was committee discussion and Chairman Thiessen said we are bringing

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,
room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Friday, January 13, 1989

issues in that are separate and apart from this SB24 and we are concerned about what the needs will be down the road, but we are making policy decision on this now. The taxpayers are paying taxes that this legislature never levied and they don't like it and we should not fund projects of this State on the basis of that type of taxation and here is a bill to correct that situation.

Chairman Thiessen recognized Senator Martin.

Senator Martin made a substitute motion that the committee consider the \$135. million figure is as accurate as we can get and if not totally accurate, we are going to err on the side of being low and cautious, because of all the other potential problems that could come about, and as a committee we feel the \$135. million figure would be correct.

Chairman Thiessen ruled the above substitute motion out of order.

Senator Martin proposed a motion to amend SB24 on Corporate income at \$75,000. threshold rather than \$25,000. threshold and the fiscal effect would be around \$4.5 million and the surtax at \$75,000. million so the combined rate would jump from 4.5% to 6.75% at the \$75,000. threshold rather than \$25,000. and the fiscal impact would be \$4.5 million, seconded by Senator Petty.

(ATTACHMENT 2) was distributed by Senator Martin, regarding the proposed motion.

Committee discussion was regarding the runs in ATTACHMENT 2 and the coupling of corporate and individual income taxes.

Chairman Thiessen asked all in favor of Senator Martin's substitute motion, say aye, opposed no. Chairman Thiessen said the no's have it, motion failed.

Senator Martin called division.

Chairman Thiessen said all in favor raise your hand (5) and opposed please raise your hand (6). Motion failed on a count of 6-5.

The Chairman said we are back to the original motion.

Senator Karr made a substitute motion to amend to inject into SB24, the runs we had yesterday which now would include Federal deductibility and it would move the rate system from the 2 rate system to a 5 rate system for married, and a 6 rate system for singles and increase tax rates. Seconded by Senator Martin.

Senator Fred Kerr said Mr. Chairman I think we should reject this motion. I think a 5 point top tax rate to individuals is much superior to a tax top rate of 8% for individuals.

Chairman Thiessen called for a vote of members on the substitute motion. All in favor say aye, opposed say no. No's have it, the motion failed.

The Chairman said we are back to the original motion and called for a vote.

Senator Martin said he requested a new run by Chris Courtwright and Tom Severn so he could see what a new spread would be on the amount. We made 2 different runs. He asked Senator Karr to distribute the run. (ATTACHMENT 3)

Chairman Thiessen recognized Senator Langworthy.

Senator Langworthy moved the previous question.

Senator Karr asked about distributing the next run.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

room 519-S Statehouse, at 1:00 a.m./~~p.m.~~ on Friday, January 13, 1989

Chairman Thiessen said this is not debatable, and you have the opportunity to vote for or against the motion of the Senator from Johnson County and if that carries then we vote on the original motion she made earlier. If the majority of the members vote for her motion, then we vote on the main motion, as it cuts off debate.

Chairman Thiessen recessed the meeting at 12:05 p.m. and said we will reconvene in 30 minutes.

Chairman Thiessen reconvened the meeting at 12:35 p.m. recognizing Senator Langworthy.

Senator Langworthy said the reason she made her last motion, was there were 40 people waiting for the Senate to adjourn and she felt we should move along, and now that we have the time for discussion, I withdraw my motion.

Chairman Thiessen said we are back to the original motion.

Senator Karr finished passing out the rest of (ATTACHMENT 3).

Senator Martin said the amendment he is proposing will be explained with simulation #7545 (Attachment 3) and what I'am doing is lowering the amount of return to individuals to \$41.3 million and residents \$37.8 million, non-residents \$3.6 million, married \$29.6 million and single \$8.2 million.

Chairman Thiessen asked Senator Martin if he understood his proposed amendment correctly, and if he intended it to cut the benefits to the taxpayers approximately in half?

Senator Martin said yes, Mr. Chairman that is correct.

There was more committee discussion.

Senator Martin said he wanted to offer his proposed amendment as a substitute motion to amend SB24, seconded by Senator Karr.

There was committee discussion on the substitute motion and Senator Martin explained that what he intended was to lower the amount that would go back to the income taxpayer and to take that difference and use it to help property tax relief. In my opinion we need to reduce the amount of tax payments that income taxpayers will be making, but we also have to look at property tax relief.

Chairman Thiessen called for a vote on Senator Martin's substitute motion, all in favor say aye, opposed no. The no's have it and the motion failed.

The Chairman said we are back to our original motion, and asked if there was any more discussion, and having none, the Chairman called for a vote on the original motion, all in favor of the original motion to report SB24 favorable for passage say aye, opposed no. Ayes have it, and the motion carried.

Senator Oleen wanted to go on record as voting yes on SB24.

Senator's Martin and Karr wanted to be recorded as voting no on SB24.

Senator Thiessen asked for a move on the minutes of January 11, and January 12, and said a 1 word error would be corrected in the minutes of January 11, on page 2, line 3, changing the word census to consensus.

Senator Langworthy made a motion to adopt the minutes as corrected of January 11 and January 12, seconded by Senator Karr. Motion to approve the minutes carried.

Chairman Thiessen adjourned the meeting at 1:40 p.m.

ATT 1
PG 1

Kansas Department of Revenue

Comparison of Proposed Tax Year 1989 Liability
With Estimated Tax Year 1987 Liability
Before Federal and Kansas Tax Reform

Liability Numbers are in Constant 1987 Dollars

K.A.G.I. Brackets			Before Federal and Kansas Tax Reform		
			Estimated Tax Year 1987		
			Returns	Liability	Average
No K.A.G.I.			15,474		
\$0	-	\$5	135,368	\$1,090,211	\$8.05
\$5	-	\$15	253,895	\$36,987,158	\$145.68
\$15	-	\$25	190,737	\$82,916,211	\$434.72
\$25	-	\$35	141,053	\$101,228,842	\$717.67
\$35	-	\$50	128,842	\$131,391,579	\$1,019.79
\$50	-	\$100	76,316	\$129,854,316	\$1,701.54
\$100	-	Over	12,000	\$71,521,368	\$5,960.11
Total			953,684	\$554,989,684	\$581.94

K.A.G.I. Brackets			Proposed Tax Year 1989		
			Returns	Liability	Average
No K.A.G.I.			14,211		
\$0	-	\$5	132,632	\$52,842	\$0.40
\$5	-	\$15	247,789	\$30,478,211	\$123.00
\$15	-	\$25	190,947	\$76,301,684	\$399.60
\$25	-	\$35	136,000	\$91,173,474	\$670.39
\$35	-	\$50	126,105	\$125,105,158	\$992.07
\$50	-	\$100	91,895	\$156,353,368	\$1,701.44
\$100	-	Over	14,105	\$108,081,158	\$7,662.47
Total			953,684	\$587,545,895	\$698.45

606.00

period 1-12-89

1 + 1 -
62

Kansas Department of Revenue

Comparison of Proposed Tax Year 1989 Liability
With Estimated Tax Year 1986 Pre-Reform Liability

K.A.G.I. Brackets			Estimated Tax Year 1986		
			Returns	Liability	Average
No K.A.G.I.			15,474		
\$0	-	\$5	142,526	\$1,078,842	\$7.57
\$5	-	\$15	266,737	\$38,374,526	\$143.87
\$15	-	\$25	191,474	\$80,981,579	\$422.94
\$25	-	\$35	143,368	\$100,732,842	\$702.62
\$35	-	\$50	119,684	\$120,350,947	\$1,005.57
\$50	-	\$100	64,000	\$110,488,632	\$1,726.38
\$100	-	Over	10,421	\$63,321,158	\$6,076.27
Total			953,684	\$515,328,526	\$540.36

K.A.G.I. Brackets			Proposed Tax Year 1989		
			Returns	Liability	Average
No K.A.G.I.			14,211		
\$0	-	\$5	121,263	\$44,000	\$0.36
\$5	-	\$15	230,316	\$29,328,526	\$127.34
\$15	-	\$25	184,105	\$75,586,000	\$410.56
\$25	-	\$35	135,789	\$93,194,737	\$686.32
\$35	-	\$50	133,789	\$136,757,684	\$1,022.19
\$50	-	\$100	116,211	\$198,738,526	\$1,710.16
\$100	-	Over	18,000	\$132,455,579	\$7,358.64
Total			953,684	\$666,105,053	\$698.45

Kansas Legislative Research Dept. Corporations

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	2,051,378	30,390,781	6.75%
30,000	35,000	586	1,826,133	27,053,824	6.75%
35,000	40,000	533	1,646,201	24,388,168	6.75%
40,000	45,000	435	1,487,905	22,043,037	6.75%
45,000	50,000	435	1,342,458	19,888,263	6.75%
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	121,843,810	1,884,836,670	

FISCAL EFFECT 0

For Rate = 4.50%
and Surtax = 2.25%

(Total Rate =) 6.75%

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

Surtax @ \$50,000

Kansas Legislative Research Dept. Corporations

Income Bracket Lower	Income Bracket Upper	Taxpayer Count	Tax Liability	Net Taxable Income	Combined Rate
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.

Sur x @ \$75,000

Kansas Legislative Research Dept. Corporations

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	3,465,012	77,000,257	4.50%
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 36,150 117,326,613 1,884,836,670

FISCAL EFFECT (4,517,197)

For Rate = 4.50%

and Surtax = 2.25%

(Total Rate =) 6.75%

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

Surtax @ \$100,000

Kansas Legislative Research Dept. Corporations

Income Bracket Lower	Income Bracket Upper	Taxpayer Count	Tax Liability	Net Taxable Income	Combined Rate
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	3,465,012	77,000,257	4.50%
75,000	100,000	679	2,486,562	55,256,936	4.50%
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 36,150 116,083,332 1,884,836,670

FISCAL EFFECT (5,760,478)
 For Rate = 4.50%
 and Surtax = 2.25%
 (Total Rate =) 6.75%

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

ATT 3

Simulation 7545

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

Kansas Department Of Revenue

	Proposed	Current
Married: \$0 - \$35,000	3.75%	4.05%
\$35,000 - Over	5.30%	5.30%
Single: \$0 - \$27,500	4.60%	4.80%
\$27,500 - Over	5.90%	6.10%

Individual Income Tax In Tax Year 1989
Resident Taxpayers

Simulation 7545

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	-7.1%	(\$0.2)	(\$3.15)	0.4%	163,684	-4.2%	(\$1.2)	(\$7.42)	1.7%	230,316	-4.5%	(\$1.4)	(\$6.19)	1.3%
\$15 \$25	87,368	-7.7%	(\$2.2)	(\$24.68)	1.5%	96,737	-4.4%	(\$2.4)	(\$24.79)	2.8%	184,105	-5.5%	(\$4.6)	(\$24.73)	2.2%
\$25 \$35	93,368	-7.8%	(\$4.8)	(\$51.78)	2.0%	42,421	-4.4%	(\$1.8)	(\$42.93)	3.2%	135,789	-6.4%	(\$6.7)	(\$49.01)	2.4%
\$35 \$50	112,211	-7.7%	(\$9.4)	(\$83.69)	2.4%	21,579	-4.2%	(\$1.4)	(\$62.71)	3.5%	133,789	-7.0%	(\$10.7)	(\$80.31)	2.6%
\$50 \$100	107,158	-5.6%	(\$11.0)	(\$102.89)	2.7%	9,053	-3.9%	(\$0.9)	(\$104.55)	4.0%	116,211	-5.4%	(\$12.0)	(\$103.02)	2.8%
\$100 Over	16,632	-1.5%	(\$1.9)	(\$116.88)	4.7%	1,368	-3.4%	(\$0.5)	(\$337.38)	5.0%	18,000	-1.7%	(\$2.4)	(\$133.64)	4.7%
Total	508,947	-5.4%	(\$29.6)	(\$58.08)	2.6%	444,737	-4.2%	(\$8.2)	(\$18.43)	2.8%	953,684	-5.1%	(\$37.8)	(\$39.59)	2.7%

Fiscal Impact:

All Taxpayers:	(\$41.3)
Residents Only:	(\$37.8)
Married Residents:	(\$29.6)
Single Residents:	(\$8.2)
Non-Residents:	(\$3.6)