Approved Tuesday, February 14, 1989
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

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

11:00 a.m./~~p.m.~~ on Wednesday, February 8, 1989 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

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

Conferees appearing before the committee:
Senator Montgomery, Chief sponsor of SB37
Representative Robert Vancrum

Chairman Thiessen called the meeting to order and said today we will be looking at SB37 and SB43, these bills are practically identical and deal with the Federal deductibilty on income tax returns. The Chairman asked Chris Courtwright to give a review of the bills.

SB37:Allow Federal deduction to determine Kansas income tax liability.

SB43:Income taxation-allowing Federal income tax liability to determine Kansas income tax.

Chris Courtwright said basically what both bills would do is restore the income tax deduction for federal income taxes paid. There would be no change in the rates that were put in as part of the tax reform bill of last year. This means a rather high fiscal note. If you look at the run with the handout John Luttjohann passed out the fiscal impact is about $180.million. The legislature discovered last session in it's deliberations that if your looking at a rate structure that is going to include Federal deductibility you generally need a higher rate structure and often with more brackets. (ATTACHMENT 1)

Prior to last year Kansas had eight brackets ranging from 2 to 9 percent, and with last years tax reform bill, we now have 2 brackets each for married and single with the top single bracket 6.1% and top married bracket 5.3%. I would add this year there seems to be a third policy before the legislature and that is rather then the traditional deductibility rate structure or a non-deductibility rate structure which we went through last year, there are now some proposals that would allow taxpayers an option of paying under one rate table if they take the Federal tax deduction and paying under another rate table if they don't. I would be glad to answer any questions the members may have.

Chairman Thiessen said that would be the Oklahoma plan that would give them the choice but that is not in the bills before us now. The Chairman recognized Senator Montgomery as chief sponsor of SB37.

Senator Montgomery said there had been several different runs around that look good but there is a big difference in them, and I would like to have the committee to have some runs made that would show the revenue on the bill to show different plans that have been submitted. I feel like it is an option that we should submit to the taxpayers and let them make the choice. There is no way that you can have Federal deductibility without a big increase in rates, and I think in order to be competitive in this State we need the low rates. I think Representative Vancrum has a run that should be "revenue neutral" according to his figures. I would like to see it to make sure it is "revenue neutral" and I believe it is simulation 7562.

The Chairman recognized Senator Lee.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m. on Wednesday, February 8, 1989.

Senator Lee asked Senator Montgomery if SB37 is revenue neutral, and if the fiscal impact is $180.million? Senator Montgomery said yes to both questions and said that is the way he wants it, but he has not had a run on it yet, and in order for it to be $180.M the rates will have to be adjusted.

Chairman Thiessen said if we have the rates adjusted to be revenue neutral, then the option would be there for the taxpayer, does he want the low rates without deductibility or does he want the high rates with deductibility, and that can vary with every taxpayer if that would be advantageous to them. Chris Courtwright told the members that simulation run 7562 was the run that Representative Vancrum successuflly attached to the amendment to the bill in the House, the Oklahoma Option Plan and that particular run is about $95.M so it is roughly $16.M more than the Governor's proposal and that amendment was later rolled back by an amendment by Representative Crowell.

Senator Karr said he passed out a run to the committee at an earlier meeting which was revenue neutral and that run was not the Oklahoma run but was the use of Federal deductibility.

The Chairman recognized Representative Vancrum

Representative Vancrum said he would strongly support the concept of returning Federal deductibility to the Kansas State income tax laws. I think many of us in both chambers of the Statehouse would like to see Federal deductibility restored across the board, but I think the fiscal note is so high that, it is a viable possibility.

I have passed out to you a Minority Report which Robert Bennett filed with the Governor's Task Force of Tax Reform last year. I think it is excellent and he makes his case for Federal deductibility about as strong as it can be made.

I think both State and Federal Governments' allowed deductions whenever it's an expense that the taxpayer cannot avoid, certainly the payment of Federal income tax falls in that category and I think it is very appropriate that the State government not put our citizens in the position where they have to pay tax on tax dollars that they have already sent to Washington. (ATTACHMENT 2)

If the Oklahoma option were enacted there would be some difficulity in estimating revenue in future years. It seems to me that would be a small price to pay for basic fairness in our tax system which is something that our citizens readily understand.

Representative Vancrum said he and 45 other Representatives introduced HB2126 which enacts the Federal deductibility optional plan or the Oklahoma optional plan. What is done in the State of Oklahoma the taypayer is permitted to elect between a tax table that includes Federal deductibility which permits you to deduct Federal and State income taxes or a tax table which does not permit you to deduct these taxes. The table with the deductibility is with a higher rate. HB2126 as orginally introduced had rates on the non-deductibility side identical to SB24. On the Federal deductibility side the optional table peaked out at 7.95%, a little under what the law was in 1987.

The table at the very bottom of any one of these simulations, I happen to be looking at 7562, shows an estimate that the Department of Revenue has made indicating the percentage of taxpayers in each bracket, that would elect the Federal deductibility table even with the higher income tax brackets. The estimate is instances that the $5-$15 thousand group, nearly 50% of them would benefit from Federal deductibility even at a higher rate of tax than under the non-deductibility side. The figures we have is about 50% of their taxpayers elect Federal deductibility. (ATTACHMENT 3)

The other two runs that I have passed out, simulation 7589 and simulation 7574 are both about $78.9m, the level of SB24 as it passed the Senate. (ATTACHMENTS 4 & 5)

There was committee discussion on the different runs that we have had submitted to the committee this year, and The Chairman asked the members if they had any other questions or discussion on the runs and having none The Chairman asked for a motion on the minutes of February 1 and February 2.

Senator Petty made a motion to approve the minutes of February 1 and February 2, seconded by Senator Martin The motion to approve the minutes carried.

Chairman Thiessen adjourned the meeting at 12:09 p.m.

GUEST LIST

COMMITTEE: SENATE ASSESSMENT & TAXATION

DATE: Wed. Feb. 8, 1989

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
John Luttjohann	Topeka	Revenue
HAROLD PITTS	TOPEKA	KCOA
Kevin Kelly	Overland Park	Sun
Steve Stotts	Topeka	KDOR
MARK BURGHART	"	"
Oscar Albrecht	Topeka	self
Bud Grant	"	KCCI
Rob Hodges	"	KTA
Gerhard Metz	"	KCCI
Jim McBride	Topeka	Observer

KANSAS DEPARTMENT OF REVENUE
Division of Taxation
Robert B. Docking State Office Building
Topeka, Kansas 66625-0001

MEMORANDUM

TO: THE HONORABLE DAN THIESSEN, CHAIRMAN
SENATE COMMITTEE ON ASSESSMENT AND TAXATION

FROM: JOHN R. LUTTJOHANN
DIRECTOR OF TAXATION

RE: SENATE BILLS 37 AND 43
KANSAS DEDUCTION FOR FEDERAL INCOME TAXES PAID

DATE: FEBRUARY 8, 1989

Thank you for the opportunity to appear today on two Senate Bills, 37 and 43, which would amend our tax code to provide a deduction for Kansas income tax purposes for the amount of federal income taxes paid.

Each bill would restore the deductibility of federal income taxes for tax years beginning after December 31, 1988.

As a part of the tax reduction package passed by the legislature last year, the deduction for federal income taxes was repealed. There is no doubt that this was a controversial change, with strong philosophical arguments on each side of the issue.

Basically, those who support federal deductibility argue that state tax should not be assessed on money the taxpayer never sees. The payment of federal income tax is not a discretionary expenditure, and tax deductions have historically been allowed for payment of expenses which either are not discretionary, or which represent taxpayer behavior which the government seeks to encourage. In addition, should federal taxes increase sharply, the effect on Kansas citizens would be slightly mitigated if the taxpayer is able to claim a state tax deduction for the amount paid.

Opponents of the federal tax deduction point to the narrowness of the Kansas tax base if the deduction is reinstated. In analyzing this issue, Governor Hayden's Task Force on Tax Reform found that the proportion of income sheltered from state taxation as a result of federal deductibility increases as income increase because of the progressivity of the federal tax. The result is that marginal tax rates are required to be significantly higher than would otherwise be necessary. Repealing the deduction enabled significant reductions in marginal tax rates. In addition to the broadening of the tax base, repeal of the federal income tax deduction made it practical to design a Kansas short form tax return which can be used by about one-half of the state's taxpayers.

Director of Taxation (913) 296-3044 • Income & Inheritance Tax Bureau (913) 296-3051
Business Tax Bureau (913) 296-2461 • Mineral Tax Bureau (913) 296-7713
Audit Services Bureau (913) 296-7719

Attachment 1
Senate Assessment & Tax
2-8-89

The more narrow our tax base, whether due to the allowance of the federal tax deduction, or any other reduction, the higher our marginal tax rates must be to generate needed revenue, and the more volatile our tax revenues become. Although it is difficult to measure, certainly one of the most significant causes of our state income tax "windfall" was the lowering of income taxes by the federal government. Since federal income taxes were deductible for Kansas tax purposes, the lower amount of tax created a lower deduction for Kansans, hence, higher state taxes.

Attached hereto are three charts which identify the effects of the proposals. The first is Simulation 7519 which provides detailed information as to the effects of the change by income group. The second is a graph which depicts Kansas Taxable Income as a percentage of Kansas Adjusted Gross Income under current law, and also if federal deductibility is allowed. The third is a graph which depicts the progressivity of our effective tax rates under current law compared to the proposed changes before you.

The estimated fiscal impact of this change would be a decrease in State General Fund revenues of about $179.8 million.

I would be happy to respond to any questions which you may have.

LATION 7519

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

Kansas Department Of Revenue

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

Individual Income Tax In Tax Year 1989
Resident Taxpayers

Simulation 7519

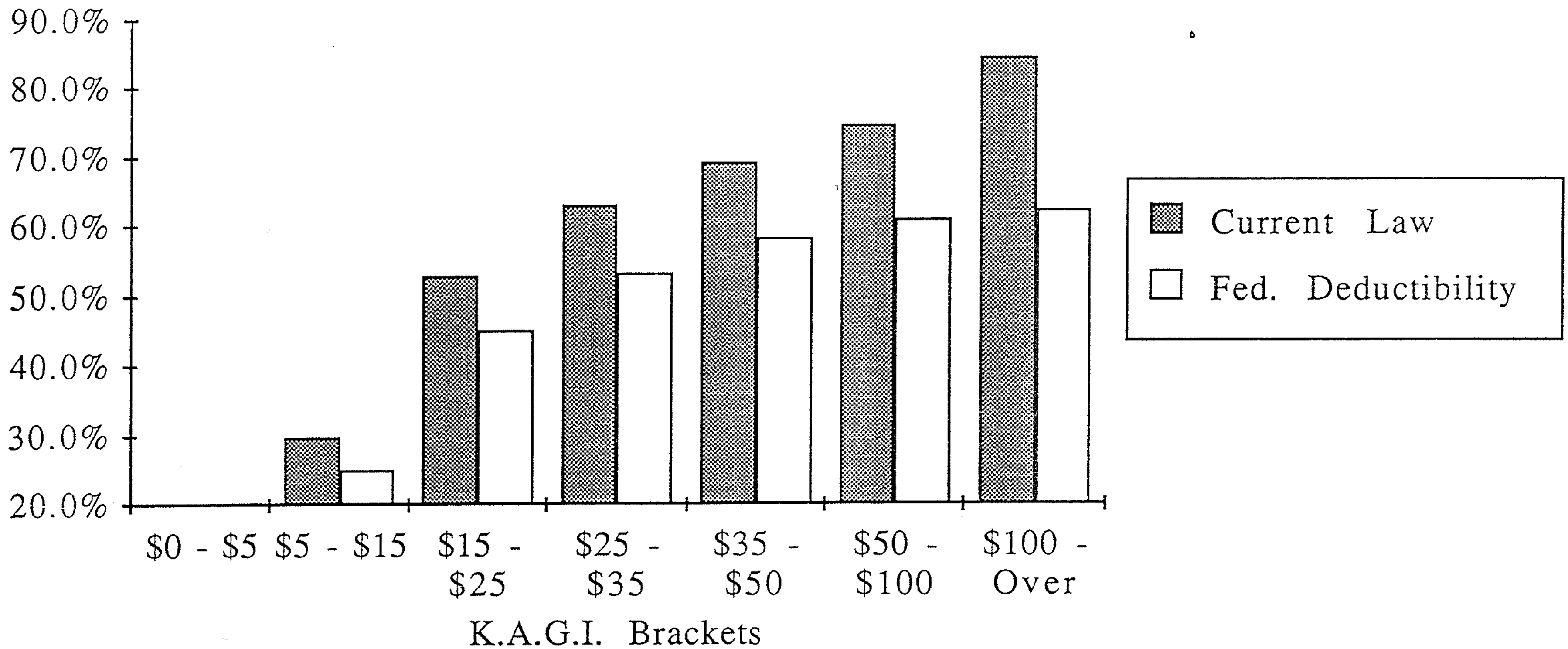
Liability Dollars are in Millions

	Married					Single					Total Residents				
K.A.G.I. Bracket	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	-21.4%	($0.6)	($9.72)	0.3%	163,684	-16.0%	($4.6)	($28.27)	1.5%	230,316	-16.5%	($5.3)	($22.90)	1.2%
$15 $25	87,368	-15.5%	($4.4)	($50.76)	1.4%	96,737	-15.9%	($8.8)	($90.87)	2.5%	184,105	-15.8%	($13.2)	($71.83)	1.9%
$25 $35	93,368	-15.3%	($9.6)	($103.06)	1.9%	42,421	-17.7%	($7.4)	($175.36)	2.8%	135,789	-16.3%	($17.1)	($125.64)	2.2%
$35 $50	112,211	-16.1%	($19.8)	($176.40)	2.2%	21,579	-23.0%	($7.4)	($344.87)	2.8%	133,789	-17.5%	($27.2)	($203.57)	2.3%
$50 $100	107,158	-23.6%	($47.9)	($446.62)	2.3%	9,053	-27.3%	($6.7)	($742.01)	3.1%	116,211	-24.0%	($54.6)	($469.63)	2.3%
$100 Over	16,632	-33.3%	($44.2)	($2,658.30)	3.2%	1,368	-28.0%	($3.8)	($2,784.62)	3.8%	18,000	-32.8%	($48.0)	($2,667.90)	3.3%
Total	508,947	-22.9%	($126.6)	($248.69)	2.2%	444,737	-19.7%	($38.8)	($87.30)	2.4%	953,684	-22.1%	($165.4)	($173.43)	2.2%

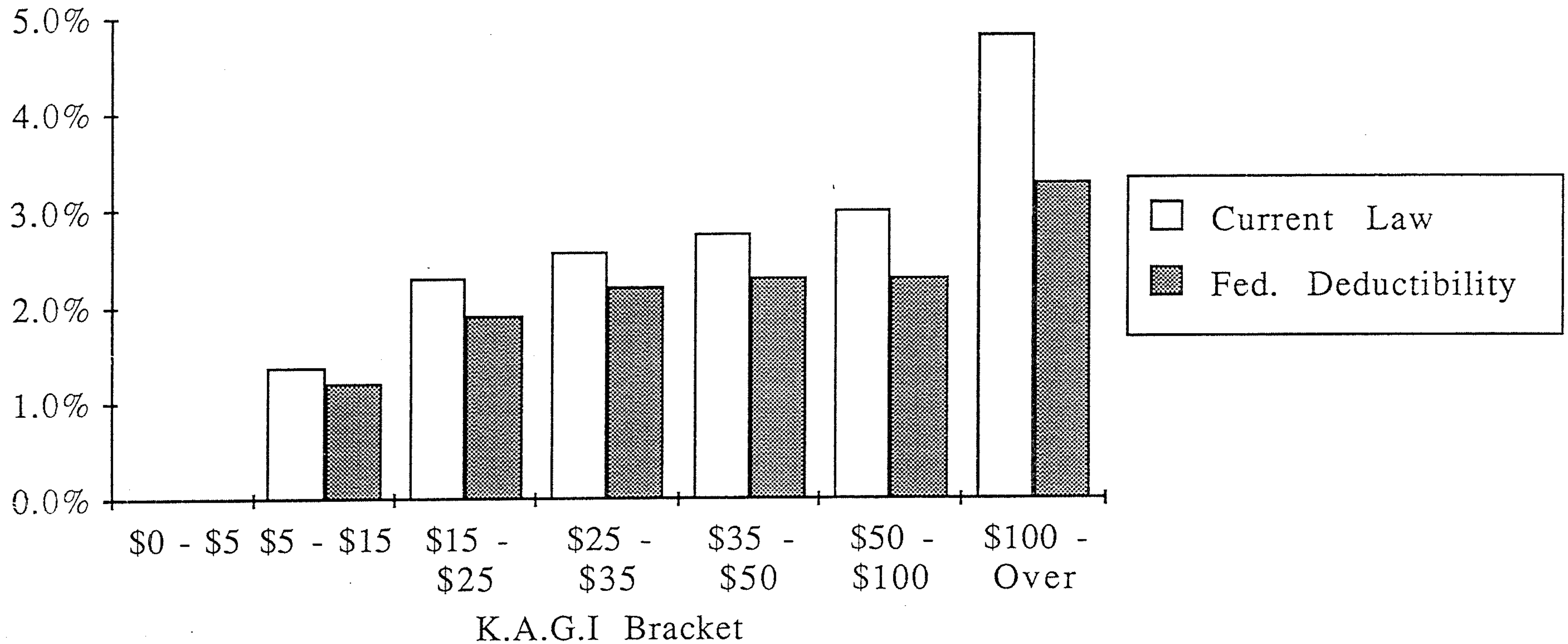
Fiscal Impact:

All Taxpayers:	($179.8)
Residents Only:	($165.4)
Married Residents:	($126.6)
Single Residents:	($38.8)
Non-Residents:	($14.4)

Kansas Department of Revenue
Taxable Income as a Percent of K.A.G.I.
Current Law vs. Federal Deductibility



Kansas Department of Revenue
Effective Tax Rate Comparison
Current Law vs. Senate Bill 37 and 43



APPENDIX A

Minority Report
of
Robert F. Bennett

Mr. Chairman:

Regrettably, I find it necessary to disassociate myself from certain of the recommendations of a majority of the Governor's Task Force of Tax Reform. While I am in general agreement with most of the recommendations, I must dissent from the recommendation that the State disallow a deduction for social security and self-employment taxes and particularly that the State disallow a deduction for federal income tax liability. In my opinion, both of these deductions should be retained for the following reasons:

1. Historically, in the area of income taxes, deductions have either been allowed because they are an expense that cannot be avoided or because they represent expenditures which government would like to encourage a taxpayer to make. Income tax due to the federal government and social security taxes due to the federal government certainly fall in the first category. The taxpayer has no option but to make the payments. The dollars expended in such tax liability are not discretionary. The tax obligations are, by law, first and prior to all other claims. The amount of the tax liability must be deducted before determining the taxpayer's truly "spendable income". For most taxpayers, the amount of income allocable to tax liability has never been actually received. To tax that liability as though it had been received and as though it constitutes spendable income is in my opinion patently unfair.

Even the federal government recognizes this unfairness when it allows the taxpayer to deduct state and local income taxes which he or she is required to pay. The State should do no less.

2. The argument has been made that the disallowance of these deductions will simplify the filing of the return. Simplification can hardly be justification for an unfair tax exaction and it is highly improbable that taxpayers would view it as such. While simplification is indeed an appropriate goal, it should hardly be an end in and of itself regardless of its tax effect. In any event, continuance of these deductions will not complicate an already greatly simplified return.

3. One of the arguments usually advanced for a maximum of conformity with the federal income tax deductions is that verification of non-conforming deductions would be nearly impossible without significant administrative and audit expense. Such an argument does not apply to these taxes because the Kansas taxpayer will still be required to file his or her withholding tax statements and his or her federal income tax return. These documents clearly disclose, and can be used to verify, the tax deductions claimed. The verification would be simple and swift and without administrative or audit expense.

Attachment 2
Senate Assessment & Tax
2-8-89

4. Continu allowance of these deduction particularly the fede income tax deduction, ~~would better~~ adjust for the increased tax liability that i occurred for Kansas taxpayers as a result of the enactment of income tax changes in the federal law. Kansas taxpayers in the middle to upper income groups have sustained significant increases in their state income tax liability as a result of these changes.

Although an analysis of the effect of changes in the federal income tax law clearly indicates that the bulk of the increased Kansas income tax liability rests on taxpayers with income in excess of $35,000, and although the committee's recommendation is to reduce individual income tax liability by some $21 million dollars or, on the average, 2.3%, the reduction for taxpayers with incomes of $35,000 and above would be much less than the average. For some taxpayers, although their liability has been increased, they would sustain, on the average, no modification one way or the other. In fact, for a few taxpayers falling in this bracket who are also single, they would actually sustain, again on the average, an increase. This is not a "return of the windfall", assuming that is a goal; it is merely a reallocation.

Retention of the federal income tax deduction would better adjust for the increased revenue which the state is receiving from these taxpayers. *more on this later*

5. It is difficult, if not impossible, to specifically and proportionately return to each taxpayer any part or all of the increased taxes which he or she will pay to the State as a result of the federal tax changes, assuming that to be a prudent goal. Disallowance of the federal income tax deduction, however, has the effect of "compounding the felony" for those individuals who do not have a congressionally-blessed tax deduction or tax shelter and must pay their full measure of tax liability to the federal government. The only way a "full-measure taxpayer" can receive a modicum of tax fairness is to be allowed to deduct that full measure. With disallowance of the deduction, the tax liability manipulator, with his plans for tax avoidance, becomes the beneficiary twice over. *Cut*

6. Some have argued that, unless Kansas does away with these tax deductions, because of the high dollar amount involved, Kansas cannot reduce its income tax rates by numbered percentages which would be "dramatic". Such an argument is based on a faulty assumption that taxpayers are so naive that they are impressed with the rate not with the tax. While some may be so shallow or so ignorant, it is my strong conviction that the vast majority of Kansas taxpayers are concerned with the bottom line and, whether the rate is at 5% or at 9%, if the tax at 5% represents greater dollars out of their pockets, they would prefer to have the higher rate and the lower tax liability.

7. If, indeed, reduction of the rates is the most important of goals, then it is respectfully submitted that there are other ways to realize such a goal. For instance, the Committee, really without rhyme or reason, except that the federal government has acted, is recommending increases in the personal exemptions and in the standard deductions. Either or both of these recommendations could be adjusted downward to support a reduced percentage tax rate. In fact, such an adjustment would probably more nearly reduce proportionately the increased tax liability which Kansas taxpayers are being required to pay as a result of the changes in the federal income tax law.

8. Finally, it must be noted that during the prior administration, Kansas attempted to at least partially disallow the federal income tax deduction. As unrestrained of merit as that decision was, it was at least a provision that was sunsetted. Fortunately, the Legislature did allow the sun to set. The public has had experience with the unfairness of the disallowance of the federal income tax deduction, bringing to mind a folk truism, "Once bit, twice shy."

For these reasons, I cannot support the portion of the Task Force recommendations which would disallow the federal income tax deduction and the tax deductions currently allowed for social security and self-employment taxes.

Respectfully submitted,

Robert F. Bennett

SIMULATION 7562 — TAX YEAR 1989

Kansas Personal Exemption is $2,000

Kansas Department Of Revenue

Individual Income Tax In Tax Year 1989

Resident Taxpayers

Simulation 7562

Liability Dollars are in Millions

HB2126

T[illegible]yers would be allowed to use the current tax structure or deduct their taxes paid to determine which tax stucture would result in the least amount [illegible]sas tax.

	With Federal Deductability		No Federal Deductability			
		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%				

	Married					Single					Total Residents				
K.A.G.I. Bracket	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%
[illegible] 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%

Fiscal Impact:

All Taxpayers:	($95.4)
Residents Only:	($87.8)
Married Residents:	($71.2)
Single Residents:	($16.6)
Non Residents:	($7.6)

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

	No Federal Deductability	Federal Deductability
$0 - $5	100.0%	0.0%
$5 - $15	50.1%	49.9%
$15 - $25	85.6%	14.4%
$25 - $35	82.8%	17.2%
$35 - $50	83.7%	16.3%
$50 - $100	32.9%	67.1%
$100 - Over	77.0%	23.0%
Total	70.8%	29.2%

Attachment 3
Senate Assessment & Tax
2-8-89

SIMULATION. 7589

TAX YEAR 1989
Kansas Personal Exemption is $2,000

Kansas Department Of Revenue

Individual Income Tax In Tax Year 1989
Resident Taxpayers

Simulation 7589

Liability Dollars are in Millions

Tax--yers would be allowed to compute their liability using the Governor's Proposal o   't their federal taxes paid to determine which tax stucture would result in r   amount of Kansas tax liability.

	With Federal Deductability	Proposed	No Federal Deductability	Proposed		Current
Married:	$0 - $20	4.30%	$0 - $15	3.60%	$0 - $35	4.05%
	$20 - $35	4.50%	$15 - $35	3.75%	$35 - Over	5.30%
	$35 - $45	7.25%	$35 - Over	5.15%		
	$45 - Over	8.50%				
Single:	$0 - $2	4.30%	$0 - $17.5	4.50%	$0 - $27.5	4.80%
	$2 - $10	5.50%	$17.5 - $27.5	4.65%	$27.5 - Over	6.10%
	$10 - $20	5.85%	$27.5 - Over	5.95%		
	$20 - $30	7.25%				
	$30 - Over	8.50%				

	Married					Single					Total Residents				
K.A.G.I. Bracket	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	-18.4%	($0.5)	($8.18)	0.3%	163,684	-11.0%	($3.2)	($19.29)	1.6%	230,316	-11.7%	($3.7)	($16.07)	1.2%
$15 $25	87,368	-12.4%	($3.5)	($39.79)	1.4%	96,737	-7.3%	($4.0)	($41.43)	2.7%	184,105	-9.0%	($7.5)	($40.65)	2.1%
$25 $35	93,368	-11.2%	($7.0)	($74.49)	2.0%	42,421	-6.0%	($2.5)	($59.21)	3.1%	135,789	-9.1%	($9.5)	($69.71)	2.3%
$35 $50	112,211	-10.7%	($13.0)	($116.16)	2.3%	21,579	-5.6%	($1.8)	($83.32)	3.4%	133,789	-9.7%	($14.8)	($110.87)	2.5%
$50 $100	107,158	-11.5%	($22.7)	($212.30)	2.6%	9,053	-5.9%	($1.4)	($156.51)	4.0%	116,211	-10.9%	($24.2)	($207.95)	2.7%
Over	16,632	-9.5%	($12.5)	($750.63)	4.3%	1,368	-3.5%	($0.5)	($340.54)	5.0%	18,000	-9.0%	($13.0)	($719.46)	4.4%
Total	508,947	-10.9%	($59.2)	($116.41)	2.5%	444,737	-6.9%	($13.4)	($30.03)	2.7%	953,684	-9.8%	($72.6)	($76.13)	2.5%

Fiscal Impact:

All Taxpayers:	($78.9)
Residents Only:	($72.6)
Married Residents:	($59.2)
Single Residents:	($13.4)
Non-Residents:	($6.3)

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

	No Federal Deductability	Federal Deductability
$0 - $5	100.0%	0.0%
$5 - $15	44.1%	55.9%
$15 - $25	82.6%	17.4%
$25 - $35	95.9%	4.1%
$35 - $50	82.4%	17.6%
$50 - $100	27.0%	73.0%
$100 - Over	82.1%	17.9%
Total	70.0%	30.0%

Attachment 4
Senate Assessment & Tax
2-8-89

SIMULATION 7574 TAX YEAR 1989

Kansas Personal Exemption is $2,000

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Taxpa, ould be allowed to compute their liability using current law or deduct their federal taxes paid to determine which tax stucture would result in the least amount of Kansas tax liability.

Kansas Department Of Revenue

Individual Income Tax In Tax Year 1989
Resident Taxpayers

Simulation 7574

Liability Dollars are in Millions

	With Federal Deductability		No Federal Deductability			
		Proposed		Proposed		Current
Married:	$0 - $20	6.00%	$0 - $35	3.60%	$0 - $35	4.05%
	$20 - $35	8.00%	$35 - Over	4.95%	$35 - Over	5.30%
	$35 - $45	9.00%				
	$45 - Over	10.00%				
Single:	$0 - $2	6.00%	$0 - $27.5	4.45%	$0 - $27.5	4.80%
	$2 - $10	7.50%	$27.5 - Over	5.90%	$27.5 - Over	6.10%
	$10 - $20	8.00%				
	$20 - $30	9.00%				
	$30 - Over	10.00%				

	Married					Single					Total Residents				
K.A.G.I. Bracket	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	-16.6%	($0.5)	($7.39)	0.4%	163,684	-8.2%	($2.4)	($14.46)	1.7%	230,316	-9.0%	($2.9)	($12.42)	1.3%
$15 $25	87,368	-12.1%	($3.4)	($38.79)	1.4%	96,737	-7.8%	($4.3)	($44.16)	2.7%	184,105	-9.2%	($7.7)	($41.62)	2.1%
$25 $35	93,368	-11.8%	($7.3)	($78.17)	2.0%	42,421	-7.7%	($3.2)	($75.55)	3.1%	135,789	-10.1%	($10.5)	($77.35)	2.3%
$35 $50	112,211	-11.9%	($14.4)	($128.32)	2.3%	21,579	-6.9%	($2.2)	($102.53)	3.4%	133,789	-10.8%	($16.6)	($124.16)	2.5%
$50 .00	107,158	-10.8%	($21.3)	($199.22)	2.6%	9,053	-5.5%	($1.3)	($147.23)	4.0%	116,211	-10.2%	($22.7)	($195.17)	2.7%
$100 Over	16,632	-8.5%	($11.2)	($672.33)	4.4%	1,368	-3.8%	($0.5)	($378.38)	5.0%	18,000	-8.1%	($11.7)	($649.98)	4.4%
Total	508,947	-10.7%	($58.1)	($114.17)	2.5%	444,737	-7.1%	($13.9)	($31.27)	2.7%	953,684	-9.8%	($72.0)	($75.51)	2.5%

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

Fiscal Impact:			No Federal Deductability	Federal Deductability
All Taxpayers:	($78.5)	$0 - $5	100.0%	0.0%
Residents Only:	($72.0)	$5 - $15	98.9%	1.1%
		$15 - $25	99.0%	1.0%
Married Residents:	($58.1)	$25 - $35	99.4%	0.6%
Single Residents:	($13.9)	$35 - $50	99.4%	0.6%
		$50 - $100	99.8%	0.2%
Non-R s:	($6.5)	$100 - Over	97.0%	3.0%
		Total	99.3%	0.7%

Attachment 5
Senate Assessment & Tax
2-8-89