

Approved

Keith Roe

Date 4/24/90

MINUTES OF THE House COMMITTEE ON Taxation

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

1:00 ~~xxx~~ p.m. on April 5, 1990 in room 519-S of the Capitol.

All members were present except:

Representatives Crowell, Dean, Branson, Fuller, Long, Pottorff,
and Reardon, excused

Committee staff present:

Tom Severn, Research Department
Chris Courtwright, Research Department
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Paul West, Research Department

Paul West, Research Department explained the provisions of SB 783. He stated that this bill would, for the tax year 1990, reduce the state institutions building mill levy by one-half and impose a corresponding .25 mill levy for the benefit of the correctional institutions building fund.

A motion was made by Representative Lowther, seconded by Representative Smith, to report SB 783 favorably. The motion carried with a vote count of 7 yeas and 6 nays.

Staff reviewed a handout from the Research Department which included 1989 appraised values of benevolent properties (lodges).
(Attachment 1)

The Chairman requested the Committee to turn to HB 2921.

A motion was made by Representative Wagon, seconded by Representative Aylward, to report HB 2921 adversely. The motion failed with a vote count of 9 yeas and 4 yeas.

A motion was made by Representative Snowbarger, seconded by Representative Vancrum, to table HB 2921. The motion carried with a vote count of 9 yeas and 6 nays.

The Chairman directed the Committee to turn to SB 560.

A motion was made by Representative Aylward, seconded by Representative Shore, to table SB 560. The motion carried.

The Chairman directed the Committee to turn to HB 3013.

Representative Marvin Smith reviewed the subcommittee report on HB 3013. He stated that the subcommittee balloon is basically mechanical suggestions to make the transfers of monies collected to the two different ad valorem property tax reduction funds. This would raise about \$600 million, and about \$300 million would go back to ad valorem property tax reduction. The other \$300 million would go to a fund known as an ad valorem reduction fund for schools, then would go back through the School District Equalization Aid (SDEA) formula.
(Attachment 2)

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation,
room 519-S, Statehouse, at 1:00 ~~xm~~/p.m. on April 5, 1990.

Representative Smith also reviewed a Memorandum from the Research Department, dated April 2, 1990, titled Subcommittee Report on HB 3013. This paper described HB 3013 with the amendments recommended by the subcommittee. (Attachment 3)

A motion was made by Representative Smith, seconded by Representative Harder, to amend HB 3013 by adopting the subcommittee report. The motion carried.

A motion was made by Representative Shore, seconded by Representative Snowbarger, to table HB 3013. The motion carried.

The minutes of the 7:30 a.m. and the 12:30 p.m. meetings on April 3, 1990, were approved.

The meeting adjourned at 1:25 p.m.

APPRAISED VALUES, 1989

#	COUNTY NAME	#	MULTIFAMILY		#	BENEVALENT		#	BENEVALENT <i>= lodges</i>	
			URBAN	RURAL		URBAN	RURAL			
1	ALLEN	40	1,523,500	1	67,700	3	39,800	1	44,100	
2	ANDERSON	27	793,550	0	0	3	23,900	1	8,500	
3	ATCHISON	40	4,070,700	3	168,600	5	128,300	0	0	
4	BARBER	17	1,280,900	0	0	2	22,400	0	0	
5	BARTON	51	9,409,400	2	451,100	6	538,100	0	0	
6	BOURBON	48	2,458,400	1	16,300	6	108,000	3	71,400	
7	BROWN	23	2,447,220	0	0	2	34,400	1	347,300	
8	BUTLER	93	15,359,780	5	243,700	11	1,144,900	1	44,100	
9	CHASE	1	43,900	0	0	0	0	0	0	
10	CHAUTAUQUA	1	31,200	0	0	3	65,900	0	0	
11	CHEROKEE	15	1,181,300	1	87,500	5	126,700	1	63,600	
12	CHEYENNE	2	85,400	0	0	2	60,000	0	0	
13	CLARK	1	204,600	0	0	1	7,200	0	0	
14	CLAY	14	998,600	1	19,500	4	251,500	0	0	
15	CLOUD	0	0	0	0	0	0	0	0	
16	COFFEY	10	998,700	0	0	3	71,400	1	2,200	
17	COMANCHE	4	200,300	0	0	1	6,700	0	0	
18	COWLEY	151	14,062,900	1	14,400	6	279,700	0	0	
19	CRAWFORD	78	8,558,920	4	162,700	10	474,400	3	57,100	
20	DECATUR	14	1,061,400	1	18,700	5	123,800	0	0	
21	DICKINSON	61	4,627,332	1	20,800	6	398,100	1	5,800	
22	DONIPHAN	7	744,700	1	64,000	3	62,300	0	0	
23	DOUGLAS	729	157,388,137	2	86,900	11	2,251,400	4	48,800	
24	EDWARDS	3	272,100	0	0	1	29,900	0	0	
25	ELK	0	0	0	0	2	9,400	0	0	
26	ELLIS	150	17,544,500	5	3,732,100	5	993,900	0	0	
27	ELLSWORTH	9	1,281,200	0	0	0	0	0	0	
28	FINNEY	194	24,204,389	12	1,123,000	2	213,600	2	271,900	
29	FORD	299	20,673,240	1	592,800	1	360,500	1	4,700	
30	FRANKLIN	116	10,298,900	0	0	2	108,600	0	0	
31	GEARY	432	30,292,775	0	0	1	47,100	0	0	
32	GOVE	1	8,200	0	0	4	100,500	0	0	
33	GRAHAM	4	279,700	2	32,400	0	0	1	95,500	
34	GRANT	10	1,077,500	1	23,000	0	0	0	0	
35	GRAY	8	873,700	1	11,300	1	20,700	0	0	
36	GREELEY	1	25,700	0	0	2	25,200	0	0	
37	GREENWOOD	12	964,800	0	0	3	33,700	0	0	
38	HAMILTON	6	315,200	0	0	2	67,500	0	0	
39	HARPER	20	1,789,600	0	0	1	25,500	0	0	
40	HARVEY	67	12,091,200	1	546,600	4	253,800	0	0	
41	HASKELL	2	27,500	0	0	1	6,700	0	0	
42	HODGEMAN	0	0	0	0	0	0	0	0	
43	JACKSON	19	1,403,640	0	0	2	18,400	1	11,700	
44	JEFFERSON	11	1,497,200	1	12,500	2	56,400	1	57,900	
45	JEWELL	4	209,200	0	0	0	0	0	0	
46	JOHNSON	696	654,946,434	4	3,087,600	15	3,447,400	1	147,800	
47	KEARNY	8	931,100	1	58,900	1	99,900	0	0	
48	KINGMAN	21	1,364,800	0	0	3	64,700	0	0	
49	KIOWA	6	542,800	0	0	2	69,000	0	0	
50	LABETTE	27	2,171,000	2	46,500	3	141,400	1	1,200	
51	LANE	3	39,200	1	1,800	1	9,300	0	0	
52	LEAVENWORTH	212	31,800,730	1	72,900	6	904,400	1	144,300	
53	LINCOLN	3	105,100	1	21,200	0	0	0	0	
54	LINN	8	363,700	1	400	3	152,000	1	7,500	

4/5/90

Attachment 1

#	COUNTY NAME	MULTIFAMILY		MULTIFAMILY		BENEVALENT		BENEVALENT	
		#	URBAN	#	RURAL	#	URBAN	#	RURAL
55	LOGAN	2	203,300	0	0	0	0	0	0
56	LYON	477	35,349,174	7	135,700	7	522,800	1	12,100
57	MARION	23	1,612,400	0	0	0	0	0	0
58	MARSHALL	17	1,047,100	0	0	3	16,100	1	76,500
59	McPHERSON	124	15,253,300	0	0	2	265,300	0	0
60	MEADE	5	233,000	0	0	1	15,000	0	0
61	MIAMI	108	9,047,228	3	11,100	2	126,700	0	0
62	MITCHELL	30	1,346,900	0	0	0	0	0	0
63	MONTGOMERY	85	10,405,720	8	893,100	2	79,500	1	63,300
64	MORRIS	12	1,574,200	0	0	3	41,500	1	7,000
65	MORTON	4	381,600	1	3,000	0	0	0	0
66	NEMAHA	17	854,000	1	230,400	2	116,700	1	5,000
67	NEOSHO	20	2,958,600	0	0	3	176,400	0	0
68	NESS	8	843,900	0	0	3	67,500	0	0
69	NORTON	9	472,400	0	0	2	46,500	1	38,200
70	OSAGE	24	3,480,800	1	24,500	2	57,800	0	0
71	OSBORNE	3	152,700	4	57,100	1	5,000	0	0
72	OTTAWA	5	1,293,600	30	287,600	1	9,500	0	0
73	PAWNEE	12	1,530,500	0	0	1	97,200	0	0
74	PHILLIPS	12	943,900	20	16,100	1	19,200	0	0
75	POTTAWATOMIE	16	1,121,300	11	714,200	3	166,800	0	0
76	PRATT	43	4,657,200	0	0	0	0	1	43,700
77	RAWLINS	5	250,600	0	0	4	157,200	2	94,400
78	RENO	211	32,007,030	13	917,900	9	893,500	1	10,000
79	REPUBLIC	16	1,012,900	0	0	4	60,800	0	0
80	RICE	11	631,300	0	0	0	0	0	0
81	RILEY	554	99,378,935	16	961,700	3	293,300	0	0
82	ROOKS	7	564,500	0	0	1	108,400	0	0
83	RUSH	4	326,000	0	0	2	14,900	0	0
84	RUSSELL	15	1,229,800	1	18,400	2	119,400	0	0
85	SALINE	161	21,501,510	2	38,400	3	608,982	1	41,700
86	SCOTT	10	1,152,400	0	0	2	39,300	0	0
87	SEDGWICK	2,067	485,385,420	11	493,200	19	3,385,600	2	14,600
88	SEWARD	42	7,622,200	1	405,800	2	503,300	0	0
89	SHAWNEE	1,265	226,511,040	17	14,071,400	19	4,238,500	6	265,000
90	SHERIDAN	5	247,600	2	13,500	2	86,200	0	0
91	SHERMAN	10	1,111,700	1	43,400	3	402,000	0	0
92	SMITH	4	224,800	0	0	4	93,700	0	0
93	STAFFORD	6	204,000	1	13,900	2	277,000	0	0
94	STANTON	0	0	0	0	1	24,800	0	0
95	STEVENS	6	139,200	0	0	0	0	0	0
96	SUMNER	29	5,571,200	3	73,900	3	115,900	0	0
97	THOMAS	20	1,845,000	1	99,400	3	115,800	0	0
98	TREGO	6	227,600	0	0	2	168,200	1	53,200
99	WABAUNSEE	2	454,200	0	0	2	50,400	0	0
100	WALLACE	2	54,500	4	65,500	1	3,100	0	0
101	WASHINGTON	2	17,000	0	0	3	121,000	0	0
102	WICHITA	2	100,700	4	80,800	0	0	0	0
103	WILSON	11	403,600	5	58,100	0	0	0	0
104	WOODSON	9	564,000	1	6,100	5	56,900	1	41,400
105	WYANDOTTE	945	157,449,031	0	0	13	1,494,800	0	0
TOTAL		10,262	2,185,876,535	228	30,519,100	321	28,740,882	48	2,201,500

SOURCE: DIVISION OF PROPERTY VALUATION, DEPARTMENT OF REVENUE

4/5/90
Attachment 2

32 **Sec. 19. K.S.A. 79-2959 is hereby amended to read as follows:**
33 **79-2959. (a) There is hereby created the local ad valorem tax re-**
34 **duction fund. All moneys transferred or credited to such fund under**
35 **the provisions of this act or any other law shall be apportioned and**
36 **distributed in the manner provided herein.**

37 **(b) On January 15 and on July 15 of each year, the director of**
38 **accounts and reports shall make transfers in equal amounts which**
39 **in the aggregate equal 4.5% of the total retail sales and compensating**
40 **taxes credited to the state general fund pursuant to articles 36 and**
41 **37 of chapter 79 of Kansas Statutes Annotated and acts amendatory**
42 **thereof and supplemental thereto during the preceding calendar year**
43 **from the state general fund to the local ad valorem tax reduction**

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fund; except that: (1) The transfers on January 15, 1988, and July 15, 1988, shall be in equal amounts which in the aggregate equal 4.329% of such taxes credited to the state general fund during calendar year 1987; and (2) the transfers on January 15, 1989, and July 15, 1989, shall be in equal amounts which in the aggregate equal 4.329% of such taxes credited to the state general fund during calendar year 1988. ~~On January 15 and July 15 of each year commencing on~~ July 15, 1991, the director of accounts and reports shall make transfers in equal amounts which in the aggregate equal \$295 million from the state general fund to the local ad valorem tax reduction fund. All transfers made in accordance with the provisions of this section shall be considered to be demand transfers from the state general fund.

(2)

On January 15 and July 15 of each year thereafter, the director of accounts and reports shall make transfers in equal amounts which in the aggregate equal 103% of the amount transferred pursuant to this paragraph in the preceding year from the state general fund to the local ad valorem tax reduction fund. (3)

(c) The state treasurer shall apportion and pay the amounts transferred under subsection (b) to the several county treasurers on January 15 and on July 15 in each year as follows: (1) Sixty-five percent of the amount to be distributed shall be apportioned on the basis of the population figures of the counties certified to the secretary of state pursuant to K.S.A. 11-201 and amendments thereto on July 1 of the preceding year; and (2) thirty-five percent of such amount shall be apportioned on the basis of the equalized assessed tangible valuations on the tax rolls of the counties on November 1 of the preceding year as certified by the director of property valuation.

New Sec. 20. (a) There is hereby established the school district ad valorem tax reduction fund which shall consist of all amounts transferred to such fund. ~~On July 15 and January 15 of each year, commencing on July 15, 1991,~~ the director of accounts and reports shall make ~~transfers in equal amounts which in the aggregate equal \$295 million~~ from the state general fund to the school district ad valorem tax reduction fund. ~~On July 15 and January 15 of each year, commencing on July 15, 1991,~~ the state board of education shall allocate and distribute the amount transferred to such fund to the school districts entitled thereto in the same manner as general state aid is allocated and distributed under the provisions of the school district equalization act. Each school district which is entitled to receive general state aid under the school district equalization act shall be entitled to payment from the school district ad valorem tax reduction fund.

September

a transfer of \$147.5

thereafter

On January 15 and July 15 of each year thereafter, the director of accounts and reports shall make transfers in equal amounts which in the aggregate equal 103% of the amount transferred pursuant to this subsection in the preceding year from the state general fund to the school district ad valorem tax reduction fund, except that the aggregate amount to be transferred in 1992 shall be \$303,850,000. On September 15, 1991, and

(b) The director of accounts and reports shall draw warrants on the state treasurer payable to the district treasurer of the school districts entitled to payment from the school district ad valorem tax reduction fund upon vouchers approved by the state board of education. Upon receipt of such warrant, each district treasurer shall

1 credit the amount thereof to the general fund of the school district.

2 (c) The general fund tax levy of each school district upon taxable
3 tangible property located within such district shall be reduced by
4 an amount equal to the amount distributed to the school district
5 pursuant to this section.

(d) (1) No distributions from the school district ad valorem tax reduction fund shall be made to school districts in any school year for which the amount of appropriations from the state general fund for general state and entitlements of school districts is less than the amount of the remainder obtained under paragraph (2)(C).

(2) On or before September 10, 1991, and on or before January 10 of each year thereafter, the state board of education shall:

(A) Determine the total amount of legally adopted budgets of operating expenses of all school districts for the school year and compute 45% of the amount so determined;

(B) determine the total amount of entitlements of all school districts from the school district income tax fund for the school year;

(C) subtract the amount determined under (B) from the amount determined under (A); and

(D) determine the total amount of appropriations from the state general fund for general state aid entitlements of school districts for the school year.

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KANSAS LEGISLATIVE RESEARCH DEPARTMENT

Room 545-N - Statehouse

Phone 296-3181

April 2, 1990

TO: Representative Marvin Smith

Office No. 112-S

RE: Subcommittee Report on H.B. 3013

This is in response to your request for a description of H.B. 3013 with the amendments recommended by your subcommittee.

Sales Tax Provisions

The state sales and use taxes would be increased by 2.25 percent, and all local sales taxes would be repealed. If the additional revenue from the increase was earmarked for property tax relief, we estimate that about \$440 million would be raised in FY 1991, assuming a one-month lag in collections. However, when the rate was raised from 3 percent to 4 percent in FY 1987, the lag may have lasted for longer than one month. With an even more dramatic increase in the tax of 2.25 percent, consumers would tend to accelerate their purchases of "big ticket" items even more.

Assuming a 3.75 percent growth rate in sales and use tax receipts, we estimate that the additional revenue would be about \$498 million in FY 1992.

Local sales and use taxes accounted for approximately \$217.4 million of revenue in FY 1989. As of January 1, 1990, there were 119 cities and 62 counties imposing the tax.

Individual Income Taxes

The bill also would raise about \$100 million in individual income taxes. We estimate that by repealing the federal deductibility option enacted last year, an additional \$10.1 million would be raised. The nondeductible rates are raised to increase revenues by an additional \$90 million. Please note, however, that these are rough approximations which must be verified by the Department of Revenue's new individual income tax simulation model.

Current Rates				Proposed Rates			
Married		Single		Married		Single	
\$0-\$15,000	3.65%	\$0-\$17,500	4.5%	\$0-\$15,000	4.00%	\$0-\$17,500	4.85%
\$15,000-\$35,000	3.65	\$17,500-\$27,500	4.5	\$15,000-\$35,000	4.25	\$17,500-\$27,500	5.10
over \$35,000	5.15	over \$27,500	5.95	over \$35,000	5.70	over \$27,500	6.50

4/5/90

Attachment 3

Corporation Income Taxes

The bill also would raise an additional \$25 million by increasing corporation income tax and financial institution privilege tax base rates by 0.25 percentage points and increasing the surtax rates by 0.75 percentage points, and by increasing the domestic insurance company privilege tax rate by 1 percentage point, from 5 percent to 6 percent.

These estimates are based on returns processed by the Department of Revenue in 1988. Thus, they are for the most part 1987 tax returns. Domestic insurance company privilege tax estimates, however, are based on FY 1991 consensus revenue estimates. Data for returns processed by the Department of Revenue in 1989 should be available in a few weeks.

Statewide Intangibles Tax

The statewide intangibles tax proposed in the bill may yield approximately \$60 million annually at a 3 percent rate. This estimate is based on returns filed in 1976 and 1988, and assumes the same growth for the state as was experienced in the 40 counties which levied an intangibles tax in 1988.

Distribution to Local Units for Property Tax Relief

On January 15 and July 15, 1991, two equal transfers of \$147.5 million would be made from the State General Fund to the LAVTRF. This amount would grow by 3 percent annually and would continue to be transferred on January 15 and July 15 each year.

The newly established School District Ad Valorem Tax Reduction Fund (SDAVTRF) also would receive a State General Fund transfer of \$147.5 million on September 15, 1991. Additional transfers would occur on January 15 and July 15, starting in 1992, with the amount of such transfers growing by 3 percent annually. School districts entitled to receive general state aid under the School District Equalization Act would be entitled to monies in the SDAVTRF, except that no SDAVTRF distributions could be made unless the amount of State General Fund appropriations for general state aid plus the amount of entitlements from the School District Income Tax Fund is greater than or equal to 45 percent of the legally adopted budgets of all school districts.

We hope this information is useful to you.

Chris W. Courtwright
Research Analyst

Thomas A. Severn
Principal Analyst