

Approved: 4-26-96
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Chairperson Phill Kline at 10:10 a.m. on April 3, 1996 in Room 519-S of the Capitol.

All members were present except: Rep. Lawrence

Committee staff present: Chris Courtwright, Legislative Research Department
Tom Severn, Legislative Research Department
Don Hayward, Revisor of Statutes
Shirley Sicilian, Department of Revenue
Ann McMorris, Committee Secretary

Conferees appearing before the committee: None

Others attending: See attached list

Chair opened discussion on:

**HB 2998 - Sales tax compliance investigation practices and procedures (SBARA)
Small Business Audit Relief Act**

Rep. Franklin, chair of subcommittee to study **HB 2998**, reviewed the changes recommended by the subcommittee. (Attachment 1)

Moved by Rep. Franklin, seconded by Rep. Powell, amend **HB 2998** to add language "any document or paper that contain information regarding another taxpayer". Motion withdrawn.

Moved by Rep. Powell, seconded by Rep. Franklin, subcommittee amendments without language in section (a) line 18 " , other than any such documents or papers which pertain to or contain information regarding another taxpayer." to **HB 2998** be approved. Motion carried.

Moved by Rep. Franklin, seconded by Rep. Powell, **HB 2998** be passed out favorably as amended. Motion carried. Yes 9, No 8.

HB 2999 -Sales tax payment responsibilities

Rep. Shore, chair of subcommittee on **HB 2999**, reviewed the proposed changes recommended by the subcommittee. (Attachment 2)

Moved by Rep. Shore, seconded by Rep. Hayzlett, approve balloon amendment to **HB 2999**. Motion carried.

Moved by Rep. Shore, seconded by Rep. Hayzlett, pass **HB 2999** favorably as amended.

Substitute motion by Rep. McKinney, seconded by Rep. Welshimer, **HB 2999** be tabled. Motion carried 11-8.

The committee recessed at 10:45 a.m. to caucus and reconvened at 11:40 a.m.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, ROOM 519-S Statehouse, at 9:00 a.m. on April 3, 1996, 1996.

Moved by Rep. Goodwin, seconded by Rep. Graeber, HB 2999 be taken from table. Motion carried.

Moved by Rep. Shore, seconded by Rep. Hayzlett, HB 2999 be passed out favorably as amended. Motion carried.

Chair announced recess until 2:30 p.m.

Upon reconvening, Chair opened for discussion, amendments and action on:

SB 425 - Wabaunsee county sales tax authorized to finance solid waste transfer station

Moved by Rep. Larkin, seconded by Rep. Welshimer, amend SB 425 to allow Neosho County to authorize sales tax for financing of a jail. Motion carried.

Moved by Rep. Donahue, seconded by Rep. Ott, amend HB 2806 - Political subdivision sales tax exemption into SB 425. Motion carried.

Moved by Rep. Shore, seconded by Rep. Vickery, amend HB 2828 - Sales tax exemption for coin-operated car washes into SB 425. Motion failed.

Moved by Rep. Kirk, seconded by Rep. Welshimer, amend HB 2766 - sales tax exemption for contractor purchaes relating to museum projects into SB 425. Motion carried.

Moved by Rep. Goodwin, seconded by Rep. Donovan, amend HB 2654 - sales tax exemption for certain meals into SB 425. Motion carried.

Moved by Rep. Welshimer, seconded by Rep. Pettey, amend HB 2805 - sales tax exemption for sales by Girl Scouts into SB 425. Motion carried.

Substitute motion by Rep. Mays, seconded by Rep. Graeber, amend SB 425 to include sales by children of products for benefit to service organizations (i.e. Boy Scouts, and all youth organizations). Motion carried.

Moved by Rep. Powell, seconded by Rep. Pottorff, amend HB 2672 - hotel defined for sales and transient guest tax purposes into SB 425. Motion carried.

Moved by Rep. Larkin, seconded by Rep. Donovan, amend HB 2473 - sales tax exemption for broadcasting machinery and equipment into SB 425. Motion carried.

Moved by Rep. Pettey, seconded by Rep. Welshimer, amend HB 2959 - sales tax exemption for admission to certain school events into SB 425 Motion carried.

Moved by Rep. Empson, seconded by Rep. Pettey, amend HB 2914 - sales tax exemption associated with certain educational institution activities into SB 425. Motion carried.

Moved by Rep. Krehbiel, seconded by Rep. Larkin, amend SB 425 to include SB 28 - sales tax exemption for remodeling of resident services. Motion carried.

Moved by Rep. Larkin, seconded by Rep. Pottorff, amend HB 2705 - sales tax exemption for construction materials purchased by Habitat for Humanity into SB 425. Motion carried.

Moved by Rep. Pettey, seconded by Rep. Welshimer, amend HB 2804 - sales tax exemption for sales to and by PTOs and PTAs and HB 2415 - sales tax exemption for parent-teacher associations and organizations into SB 425. Motion carried. Yes 10 No 6

Moved by Rep. Larkin, seconded by Rep. Graeber, S.B. 425 be tabled. Motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, ROOM 519-S Statehouse, at 9:00 a.m. on April 3, 1996, 1996.

STATE GENERAL FUND (SGF) RECEIPTS (Attachment 3)

Richard Ryan of the Division of Budget reviewed the adjusted estimates of State General Fund for FY 1996 and FY 1997.

Chair opened floor for any discussion and action.

SB 454 - Electronic filing and execution of tax returns.

Moved by Rep. Mays, seconded by Rep. Powell, amend SB 454 to include provisions as set forth in Attachment 4. (Attachment 4)

Much committee discussion on the impact to state revenue and the effect on state budget. Alan Conroy of State Legislative Research reviewed State General Fund Profile (Attachment 5).

Committee recessed to caucus. After caucus the committee reconvened. Chair declared a recess until 9:00 a.m. on Thursday, April 4.

The next meeting is scheduled for April 4, 1996.

Adjournment.

Attachments - 5

TAXATION COMMITTEE GUEST LIST

DATE: **APRIL 3, 1996**

NAME	REPRESENTING
Byrd M. Mellinckx	
Bill R Fuller	Kansas Farm Bureau
Leslie Kaufman	Kansas Farm Bureau
Art Bacon	Mid-America Lumbermen
Jamie Clover Adams	KS Grain & Feed Assn
Ann Youvalley	KS Optom. Ass'n.
Mike Hill	Hain, Ebert and Wear
DAVID SCHNEWEIS	WESTERN RESOURCES
Keat W. Davis	KDOT
DAVE HOLTHAUS	Western Resources Inc
LEW JENE SCHNEIDER	K.L.A.
Tom Bruno	Allport Assoc
J.C. LONG	UtiliCorp United, Inc.
Christy Caldwell	Topeka Chamber of Commerce
M. Martin	Sedgewick Co.
Anne Spiess	KS. Assoc of Counties
Ken Bahr	4th Enrollment USD's
Bernie Koch	Wichita Area Chamber of Commerce
Jacquie Dake	SQE

HOUSE BILL No. 2998

By Committee on Taxation

2-12

House Taxation
4-3-96
Attachment 1

9 AN ACT relating to sales taxation; concerning compliance investigation
10 practices and procedures.

11
12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. In addition to any other rights and privileges provided by
14 law regarding investigations of compliance with the provisions of the Kan-
15 sas retailers' sales tax and Kansas compensating tax acts by a taxpayer, an
16 investigated taxpayer shall be afforded the following rights and privileges:

17 (a) The opportunity to review documents and any other papers of the
18 director of taxation or the authorized agents and employees of the director
19 compiled as a result of any investigation into compliance with such acts
20 ~~at any time during or~~ after completion of such investigation;

, other than any such documents or papers which
pertain to or contain information regarding another
taxpayer,

21 (b) the provision of a conference conducted by the director or agent
22 of the director with the taxpayer ~~and~~ a representative of the taxpayer ~~at~~
23 ~~the time immediately~~ after completion of an investigation of compliance
24 with such acts; ~~and~~

and
personal or telephonic
or

25 ~~(c) if the convenience of the taxpayer so dictates and upon request~~
26 ~~of the taxpayer, the investigation of compliance with such acts shall be~~
27 ~~conducted outside normal business hours, and in no event shall any such~~
28 ~~investigation conducted during normal business hours require the utili-~~
29 ~~zation of the time of the taxpayer and employees of the taxpayer in excess~~
30 ~~of 25% of such business hours corresponding with the duration of such~~
31 ~~investigation.]~~

, except that, if requested by the taxpayer, such
conference shall be personal.

32 Sec. 2. This act shall take effect and be in force from and after its
33 publication in the statute book.

HOUSE BILL No. 2999

By Committee on Taxation

2-12

9 AN ACT relating to sales taxation; concerning the payment thereof.

10

11 *Be it enacted by the Legislature of the State of Kansas:*

12 Section 1. (a) Unless a person provides, at the time of sale, an exemption certificate to a retailer certifying that tangible personal property
13 or services being purchased are entitled to exemption from taxation pursuant to the Kansas retailers' sales tax act, it shall be the duty of such
14 person to pay the full amount of tax lawfully due to the retailer making
15 the sale, whether at the time of such sale or at the time of receipt of a
16 billing statement. Any person who willfully and intentionally refuses to
17 pay such tax shall be guilty of a misdemeanor and upon conviction there-
18 for, shall be subject to the penalties provided for in subsection (g) of
19 K.S.A. 79-3615, and amendments thereto.

22 (b) Any person required to pay tax to the retailer pursuant to sub-
23 section (a) may apply for the refund thereof by submitting a claim to the
24 director of taxation. Each claim for a sales tax refund shall be verified and
25 submitted to the director of taxation upon forms furnished by the director
26 and shall be accompanied by any additional documentation required by
27 the director. The director shall review each claim and shall refund that
28 amount of sales tax paid as determined under the provisions of the Kansas
29 retailers' sales tax act. All refunds shall be paid from the sales tax refund
30 fund upon warrants of the director of accounts and reports pursuant to
31 vouchers approved by the director or the director's designee.

32 Sec. 2. This act shall take effect and be in force from and after its
33 publication in the statute book.

has provided prior to the time of sale, or
a valid

or an affidavit, in the case where an
exemption is claimed pursuant to subsection
(t) of K.S.A. 79-3606, and amendments
thereto,

because of the failure to provide a valid
exemption certificate or affidavit, as the
case requires,

(c) A retailer shall be presumed to have
accepted an exemption certificate or
affidavit in good faith. Such presumption
shall not be overcome if the retailer: (1)
Maintains a ~~valid~~ exemption certificate or
affidavit, as the case requires; (2) has
ascertained the identity of the person or
entity who presented the exemption
certificate or affidavit; and (3) has not
been shown by a preponderance of evidence to
have accepted the exemption certificate or
affidavit with the intent to allow an
unlawful evasion of payment of tax by any
person.

MEMORANDUM

Kansas Legislative Research Department

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April 3, 1996

To: Governor Bill Graves and Legislative Budget Committee
From: Division of the Budget and Legislative Research Department

STATE GENERAL FUND (SGF) RECEIPTS

Adjusted Estimates for FY 1996 and FY 1997

The Consensus Estimating Group met on April 2 to adjust the estimates made last November of SGF receipts in FYs 1996 and 1997. Following is a table that shows the changes, if any, for each source of revenue. Revised economic forecasts and significant adjustments in specific revenue sources are discussed below.

Summary

Estimated total receipts in FY 1996 have been increased by \$41.570 million, or 1.2 percent. For FY 1997, total receipts have been reduced by \$9.575 million, or 0.3 percent. The change for the two years combined is an increase of \$31.995 million, or 0.5 percent, from the estimate made last November.

Economic Forecasts

In November 1995, the Consensus Estimating Group thought that the Kansas economy would increase moderately during the forecast period ending June 30, 1997. There has been no change in that opinion.

Kansas Personal Income. The November forecast was that Kansas personal income would increase by 5.8 percent in CY 1995, by 5.0 percent in CY 1996, and by 4.6 percent in CY 1997. The forecasts have been changed to 5.9 percent, 4.3 percent, and 4.8 percent, respectively.

Inflation Rate. Last November, the forecast of the year-over-year inflation rate, as measured by the CPI-U, was 2.8 percent for CY 1995 and 3.1 percent for both CYs 1996 and CY 1997. The increase for CY 1995 was 2.8 percent, but the estimates for the other two years were reduced to 2.7 percent and 2.8 percent, respectively.

House Taxation
4-3-96
Attachment 3-1

Interest Rates. The Pooled Money Investment Board invests state idle funds in bank CDs, repurchase agreements, and statutorily authorized securities, with the latter being the largest component of the total. In November, the rate of return on the whole portfolio was estimated to be 5.2 percent in both FYs 1996 and 1997. These rates have been reduced to 5.0 percent and 4.7 percent, respectively.

Natural Gas. For purposes of estimating severance tax receipts, the November forecasts were that natural gas prices (gross) would *average* \$1.42 per mcf in FY 1996 and \$1.55 in FY 1997, and the taxable value of gas would be \$932.6 million in FY 1996 and \$1.045 billion in FY 1997. All of these forecasts have been increased, *i.e.*, to \$1.50 and \$1.65, respectively, for average prices and to \$977.4 million and \$1.089 billion, respectively, for taxable value.

Crude Oil. The November forecasts were that the *average* taxable price of crude oil would be \$16.00 per barrel in FY 1996 and \$16.50 in FY 1997, and taxable production would be 25.080 million barrels and 26.040 million barrels, respectively, in those two years. The price forecasts have been raised to \$16.25 and \$17.00, respectively, but the estimates of taxable production have been lowered to 23.940 million barrels and 22.800 million barrels, respectively.

FY 1996 Receipts

The adjusted estimate of total SGF receipts in FY 1996 is \$3.408 billion, which is \$41.570 million, or 1.2 percent, more than the estimate made last November and is \$189.223 million, or 5.9 percent, more than actual receipts in FY 1995.

The largest adjustment was \$36.0 million for inheritance tax receipts, primarily because an unexpected tax payment of \$31.254 million was received from one estate in December 1995. Without that payment, the increase in total receipts from FY 1995 would be 4.9 percent.

Next in order of increases were \$10.250 for the individual income tax and \$10.0 million for the corporation income tax, but the latter was mainly due to shifting of a \$7 million refund, that was expected to be made in the last quarter of FY 1996, to FY 1997.

Other increases of \$1.0 million or more were \$6.250 million for the retail sales tax, \$2.1 million for the gas severance tax, and \$1.0 million for the privilege tax on financial institutions.

It should be noted that receipts from the individual income and sales taxes include a total of \$12.5 million (\$6.25 million for each) as a result of the Department of Revenue's Project 2000, a new program designed to increase taxpayer compliance with existing laws and to collect amounts legally due (but see the comments on transfers from the General Fund, below). No estimates of receipts from Project 2000 were available when the Consensus Group met last November.

The largest negative adjustment from the November estimate was \$12.570 million in net transfers to and from the General Fund. It is now estimated that \$9.5 million will be transferred in FY 1996 to the Automated Tax Systems Fund for purposes of paying the Project 2000 contractor, and that transfers to the Health Care Stabilization Fund and the Tort Claims Fund will be \$3.0 million and \$1.0 million, respectively, greater than previously expected.

Other decreases of at least \$1 million were \$3.3 million for insurance premium taxes, \$3.0 million for compensating use taxes, \$2.6 million for agency earnings and miscellaneous revenue (mainly because unclaimed property receipts will be less than estimated in November), and \$1.0 million for interest earnings.

FY 1997 Receipts

The new estimate of total receipts in FY 1997 is \$3.511 billion. That amount is \$9.575 million, or 0.3 percent, lower than the November estimate and is \$102.670 million, or 3.0 percent, more than the adjusted estimate for FY 1996. Disregarding the extraordinary inheritance tax payment of \$31.254 million in FY 1996, the increase from FY 1996 to FY 1997 would be 4.0 percent.

Individual income and retail sales taxes were each increased by \$6.250 million solely due to Project 2000.

The corporation income tax estimate was increased by \$5.0 million in spite of the fact that a \$7.0 million refund was shifted from FY 1996 to FY 1997.

There were only two other increases of \$1 million or more: \$2 million for the inheritance tax and \$1 million for the privilege tax on financial institutions.

As was the case for FY 1996, the largest negative adjustment was \$14.2 million for transfers to and from the General Fund. Most of that amount is an estimated transfer of \$12.5 million to the Automated Tax Systems Fund (Project 2000).

Other decreases of at least \$1 million were \$4.0 million for compensating use taxes, \$3.9 million for insurance premium taxes, \$2.6 million for agency earnings and miscellaneous revenue, \$1.7 million for the oil severance tax, and \$1.5 million for the gas severance tax. As to the latter, FY 1997 is the final year of the three-year phase down of the tax rate as provided by 1994 legislation and one taxpayer will receive tax credits totaling about \$3.3 million for prior overpayments of taxes.

No Extraordinary Receipts or Refunds

Aside from amounts previously mentioned in this memo, the new estimates for FYs 1996 and 1997 do not include any extraordinary receipts, tax credits or refunds, based on information provided by the Department of Revenue on April 2, 1996. Typically, extraordinary events of this type affect corporation income or inheritance tax revenue.

Pending Legislation Not Considered

The adjusted estimates made on April 2 do not take into account any pending state or federal legislation that would affect SGF receipts. Further adjustments will be made prior to final adjournment of the 1996 Legislature, as required by K.S.A. 1995 Supp. 75-6701, to account for revenue measures which become law after April 2.

State General Fund Receipts

(In Thousands)

	FY 1996			FY 1997		
	Estimate of 11/3/95	Estimate of 4/3/96	Change	Estimate of 11/3/95	Estimate of 4/3/96	Change
Property Tax:						
Motor Carrier	\$15,500	\$15,000	(\$500)	\$16,700	\$16,000	(\$700)
Income Taxes:						
Individual	\$1,330,000	\$1,340,250	\$10,250	\$1,410,000	\$1,416,250	\$6,250
Corporation	215,000	225,000	10,000	215,000	220,000	5,000
Financial Inst.	33,000	34,000	1,000	35,000	36,000	1,000
Domestic Ins. Co.	660	500	(160)	775	500	(275)
Total	\$1,578,660	\$1,599,750	\$21,090	\$1,660,775	\$1,672,750	\$11,975
Inheritance	\$60,000	\$96,000	\$36,000	\$62,000	\$64,000	\$2,000
Excise Taxes:						
Retail Sales	\$1,185,000	\$1,191,250	\$6,250	\$1,234,000	\$1,240,250	\$6,250
Compensating Use	152,000	149,000	(3,000)	158,000	154,000	(4,000)
Cigarette	53,000	52,500	(500)	53,500	53,000	(500)
Tobacco Prod.	2,900	2,900	--	3,100	3,100	--
Cereal Malt Bev.	2,500	2,500	--	2,400	2,400	--
Liquor Gallonage	12,600	12,500	(100)	12,700	12,600	(100)
Liquor Enforce.	25,600	25,800	200	26,000	26,200	200
Liquor Dr. Places	4,700	4,700	--	4,800	4,800	--
Corp. Franchise	12,800	12,800	--	13,300	13,300	--
Severance	60,800	62,400	1,600	60,100	56,900	(3,200)
Gas	44,600	46,700	2,100	42,800	41,300	(1,500)
Oil	16,200	15,700	(500)	17,300	15,600	(1,700)
Total	\$1,511,900	\$1,516,350	\$4,450	\$1,567,900	\$1,566,550	(\$1,350)
Other Taxes:						
Insurance Prem.	\$93,700	\$90,400	(\$3,300)	\$98,600	\$94,700	(\$3,900)
Miscellaneous	1,800	1,800	--	1,900	1,900	--
Total	\$95,500	\$92,200	(\$3,300)	\$100,500	\$96,600	(\$3,900)
Total Taxes	\$3,261,560	\$3,319,300	\$57,740	\$3,407,875	\$3,415,900	\$8,025
Other Revenues:						
Interest	\$68,800	\$67,800	(\$1,000)	\$71,800	\$71,000	(\$800)
Net Transfers *	(7,900)	(20,470)	(12,570)	(4,500)	(18,700)	(14,200)
Agency Earnings	44,000	41,400	(2,600)	45,100	42,500	(2,600)
Total Other Revenue	\$104,900	\$88,730	(\$16,170)	\$112,400	\$94,800	(\$17,600)
TOTAL RECEIPTS	\$3,366,460	\$3,408,030	\$41,570	\$3,520,275	\$3,510,700	(\$9,575)

* The net transfer line reflects transfers out attributed to the Kansas tax 2000 project of \$9.5 million in FY 1996 and \$12.5 million in FY 1997. Revenues accruing to the State General Fund as a result of the project of \$12.5 million in both fiscal years are reflected in the individual income and retail sales estimates (\$6.25 million in each source).

Property Tax Reduction Proposal

The Mays Amendment

- ◆ ***“Homestead” property tax exemption of \$40,000 in 1996 and CY 1997; \$70,000 in CY 1998; \$90,000 in CY 1999; \$100,000 in CY 2000; and all taxes relating to the state’s 35 mill levy eliminated in CY 2001.***
- ◆ ***The state’s 35 mill tax liability on all other classes of property reduced by 7% in CY 1996; 17% in CY 1997; 40% in CY 1998; 63% in CY 1999; 96% in CY 2000; and completely eliminated in CY 2001.***
- ◆ ***In FY 98, retailers will be allowed to retain 1/2 of 1% of all collected sales tax to cover administrative costs. This percentage will increase to 1% and hold there in FY 1999.***
- ◆ ***An additional amount of \$12 million will go to special education funding in FY 1997.***
- ◆ ***Education funding will increase \$36 per pupil in base state aid in FY 98 and will increase 1% every year after through FY 2001***
- ◆ ***Local option authority will increase 2% in FY 97 and will increase by 2% each year for an additional four years until authority is increased by 10%.***
- ◆ ***The state’s sales tax will increase from 4.9% to 5.2% in FY 1997.***
- ◆ ***This proposal will decrease taxes by \$600 million per year when fully phased in while the sales tax increase amounts to \$90 million per year. The net result is a \$510 million per year tax cut when fully phased in.***
- ◆ ***Immediate Calendar Year (CY) residential property tax reduction of \$161 per home owner plus a reduction in tax liability for all other classes of property.***

School Property and Car Tax Model

Exempt First	<u>\$40,000</u>	of single-family resd'l and mobile hms from	<u>35</u>	mills in 96
Exemption of	<u>7%</u>	of all other classes of property from	<u>35</u>	mills in 96
Exempt First	<u>\$40,000</u>	of single-family resd'l and mobile hms from	<u>35</u>	mills in 97
Exemption of	<u>17%</u>	of all other classes of property from	<u>35</u>	mills in 97
Exempt First	<u>\$70,000</u>	of single-family resd'l and mobile hms from	<u>35</u>	mills in 98
Exemption of	<u>40%</u>	of all other classes of property from	<u>35</u>	mills in 98
Exempt First	<u>\$90,000</u>	of single-family resd'l and mobile hms from	<u>35</u>	mills in 99
Exemption of	<u>63%</u>	of all other classes of property from	<u>35</u>	mills in 99
Exempt First	<u>\$100,000</u>	of single-family resd'l and mobile hms from	<u>35</u>	mills in 2000
Exemption of	<u>96%</u>	of all other classes of property from	<u>35</u>	mills in 2000
Exempt	<u>All</u>	of single-family resd'l and mobile hms from	<u>35</u>	mills in 2001
Exemption of	<u>100%</u>	of all other classes of property from	<u>35</u>	mills in 2001

Calendar Year	Current Assessed Value	Proposed Exemptions	Proposed Assessed Value	Current Mills	Proposed Mills
1994	\$15,502,087,375	--	\$15,502,087,375	35.0	35.0
1995	16,150,000,000	--	16,150,000,000	35.0	35.0
1996	16,658,725,000	4,026,936,269	12,631,788,731	35.0	<u>35.0</u>
1997	17,183,474,838	5,289,805,297	11,893,669,540	35.0	35.0
1998	17,724,754,295	9,382,470,153	8,342,284,142	35.0	35.0
1999	18,283,084,055	12,834,438,156	5,448,645,900	35.0	35.0
2000	18,859,001,203	17,271,476,343	1,587,524,860	35.0	35.0
2001	19,453,059,741	19,453,059,741	--	35.0	35.0
2002	20,065,831,123	20,065,831,123	--	35.0	35.0
2003	20,697,904,803	20,697,904,803	--	35.0	35.0
2004	21,349,888,804	21,349,888,804	--	35.0	35.0
2005	22,022,410,302	22,022,410,302	--	35.0	35.0
2006	22,716,116,226	22,716,116,226	--	35.0	35.0

Fiscal Year	Current Law Property Tax	Proposal Property Tax	Current Law Car Tax	Proposal Car Tax	Total Fiscal Note
1996	\$516,030,748	\$516,030,748	\$79,811,675	\$79,811,675	--
1997	561,180,192	480,464,170	\$71,345,079	\$71,345,079	(80,716,021)
1998	581,912,368	418,475,472	\$52,366,107	\$52,366,107	(163,436,896)
1999	600,242,607	336,768,799	\$32,356,321	\$32,356,321	(263,473,809)
2000	619,150,249	228,140,182	\$13,440,318	\$13,440,318	(391,010,068)
2001	638,653,482	109,496,138	--	--	(529,157,344)
2002	658,771,067	22,631,711	--	--	(636,139,356)
2003	679,522,356	--	--	--	(679,522,356)
2004	700,927,310	--	--	--	(700,927,310)
2005	723,006,520	--	--	--	(723,006,520)

***Tax Reduction on a \$100,000 Home
(Value Increases at 3.15% annually)***

CY	Home Value	Current Law 35 Mill Liability	Exemption Amount	Proposed Liability	Tax Reduction
96	\$100,000	\$402	\$40,000	\$241	\$161
97	\$103,150	\$415	\$40,000	\$249	\$166
98	\$106,399	\$428	\$70,000	\$129	\$299
99	\$109,750	\$442	\$90,000	\$45	\$397
00	\$113,208	\$456	\$100,000	\$11	\$445
01	\$116,774	\$470	ALL	\$0	\$470
02	\$120,452	\$485	ALL	\$0	\$485
Total Tax Reduction					\$2,423

Tax Savings on a \$300,000 Commercial Property

Assumption: Value Increase of 3.15%
(Liability on 35 mills)

1996

Liability on 35 mills on \$300,000 building:
\$2,625.

Total Paid with 7% Reduction:
\$2,441.

Total Tax Savings:
\$184.

1997

Liability on 35 mills on \$309,450 building:
\$2,707.

Total Paid with 17% Reduction:
\$2,247.

Total Tax Savings:
\$460.

1998

Liability on 35 mills on \$319,197 building:
\$2,793.

Total Paid with 40% Reduction:
\$1,676.

Total Tax Savings:
\$1,117.

1999

Liability on 35 mills on \$329,251 building:
\$2,881.

Total Paid with 63% Reduction:
\$1,066.

Total Tax Savings:
\$1,815.

2000

Liability on 35 mills on \$339,622 building:
\$2,971.

Total Paid with 96% Reduction:
\$118.

Total Tax Savings:
\$2,853.

2001

Liability on 35 mills on \$350,320 building:
\$3,065.

Total Paid with 100% Reduction:
\$0.

Total Tax Savings:
\$3,065.

Total Tax Savings in 6 years: \$9,494

Revenue: FY 1996 from the Governor's Budget Report, FY 1997-FY 2005
 4.5 Percent in Total Taxes; Separate Estimate for Nontax Revenue; Plus 0.3 Percent
 Increase in Sales Tax Revenue
 Expenditures: Freezing of Certain Demand Transfers Beginning in FY 1997; Most
 Expenditures Increase 2 percent Annually; FY 1997 One-Time Increase of \$12.0
 Million for Special Education; Local School Aid Increases 1 Percent Beginning in FY 1997
 Ending Balance: 7.5 Percent of Expenditures

STATE GENERAL FUND PROFILE
 In Millions
 FY 1996 - FY 2005

	FY 1996	Increase	FY 1997	Increase	FY 1998	Increase	FY 1999	Increase	FY 2000	Increase	FY 2001	Increase
Beginning Balance ^a	\$ 368.1		\$ 261.3		\$ 264.7		\$ 269.3		\$ 273.9		\$ 277.2	
Receipts ^b	3,368.0	4.6%	3,616.7	4.7%	3,765.9	7.4%	3,933.0	4.4%	4,105.5	4.4%	4,285.8	4.4%
Local Demand Transfers Frozen	91.3		92.6	1.3	92.6	--	92.6	--	92.6	--	92.6	--
All Other Expenditures ^c	3,383.5		3,440.0	56.5	3,502.0	62.0	3,563.6	61.5	3,607.4	43.9	3,645.6	38.2
Total Base Expenditures/Increased at Selected Rate and Adjustments ^c	3,474.8	165.0	3,532.6	57.8 1.7%	3,594.6	62.0 1.8%	3,656.1	61.5 1.7%	3,700.0	43.9 1.2%	3,738.2	38.2 1.0%
Available for Other Purposes Above Assumed Expenditure Growth			80.7		166.7		272.3		402.2		544.7	
Ending Balance	261.3		264.7		269.3		273.9		277.2		280.1	
% of Expenditures	7.5%		7.5%		7.5%		7.5%		7.5%		7.5%	
Receipts in Excess of Expend.	(106.8)		84.1		171.3		276.9		405.5		547.6	

House Taxation
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 Attachment 5-1

	FY 2002	Increase	FY 2003	Increase	FY 2004	Increase	FY 2005	Increase	Cumulative Increase FY97-FY05
Beginning Balance ^a	\$ 280.1		\$ 282.1		284.0		\$ 286.6		
Receipts ^b	4,474.0	4.4%	4,670.3	4.4%	4,875.4	4.4%	5,089.4	4.4%	
Local Demand Transfers Frozen	92.6	--	92.6	--	92.6	--	92.6	--	
All Other Expenditures	3,670.5	24.9	3,696.4	25.9	3,731.0	34.6	3,766.2	35.2	
Total Base Expenditures/Increased at Selected Rate and Adjustments ^c	3,763.1	24.9 0.7%	3,789.0	25.9 0.7%	3,823.6	34.6 0.9%	3,858.8	35.2 0.9%	384.0
Available for Other Purposes Above Assumed Expenditure Growth	708.9		879.4		1,049.2		1,228.0		5,332.1
Ending Balance	282.1		284.0		286.6		289.2		
% of Expenditures	7.5%		7.5%		7.5%		7.5%		
Receipts in Excess of Expend.	710.9		881.3		1,051.8		1,230.6		

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FOOTNOTES:

- a) FY 1996 beginning balance includes \$1.1 million in released encumbrances.
- b) Receipts for FY 1996 reflect the November, 1995 consensus estimates as adjusted by the Governor for various transfers. The projections for FYs 1997 through 2005 are not consensus estimates of receipts but are based on an annual growth rate of 4.5 percent for total taxes and separate estimates for nontax revenue, plus a 0.3 percent increase in sales tax revenue.
- c) Expenditures for FY 1996 are as reflected in the *Governor's Budget Report* as amended by Governor's Budget Amendments. For FY 1997 as reflected in the *Governor's Budget Report* (as amended by Governor's Budget Amendments) with the following adjustments. For FYs 1997-2005 the demand transfers are adjusted as follows: School District Capital Improvements Fund, Water Plan Fund, and State Fair all reflect current law; State Highway Fund for FY 1997 reflects the Governor's recommendations and for FYs 1998-2005 it is capped at a 2 percent annual increase; Local Ad Valorem Tax Reduction Fund, County-City Revenue Sharing Fund and City-County Highway Fund are all frozen beginning in FY 1997. General and supplemental school aid payments in FY 1996 and FY 1997 were revised on October 30, 1995. For FYs 1998 through 2005, projections were based on \$3,626 per pupil and full funding of the correlation weighting factor added by 1995 legislation, plus a 1 percent increase annually. Expenditures for FY 1997 include a one-time increase of \$12.0 million for special education. All other expenditures are increased 2 percent annually beginning in FY 1998. Base expenditures would include, among other expenditures, the provisions of 1995 S.B. 150 (motor vehicle property tax reduction). The current estimated fiscal note to hold local school districts harmless for the reduction in the motor vehicle property tax is: FY 1996 -- \$3.6 million; FY 1997 -- \$20.0 million; FY 1998 -- \$43.6 million; FY 1999 -- \$68.5 million; and FY 2000 -- \$92.4 million.

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 Kansas Legislative Research Department
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