

Approved: 4-30-97
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Chairperson Phill Kline at 12:30 p.m. on April 1, 1997 in Room 522-S of the Capitol.

Committee staff present: Tom Severn, Legislative Research Department
Ann McMorris, Committee Secretary

Conferees appearing before the committee: none

Others attending: See attached list

Chair opened for discussion, amendments and motions.

SB 22 - Property tax exemption for industrial training centers
HB 2016 - County appraisers, full time employment required

Moved by Rep. Mays, seconded by Rep. Larkin, amend **SB 22** by including the language from **HB 2016** with a change in **HB 2016** to include counties with 20,000 parcels. Motion carried.

Moved by Rep. Mays, seconded by Rep. Tanner, **SB 22** be reported favorably for passage as amended. Motion carried.

SB 162 - Property tax exemption for farm machinery and equipment
HB 2467 - Property tax exemption for real property to be used for religious purposes

Moved by Rep. Larkin, seconded by Rep. Mays, **SB 162** be passed favorably.

Substitute motion by Rep. Howell, seconded by Rep. Powell, amend **HB 2467** into **SB 162** with the following changes - on page 3, line 3, change the word "exclusively" to "predominately" and on page 4 line 22 change the year to 1995. Motion carried.

Moved by Rep. Shore, seconded by Rep. Powell, amend **SB 162** to "effective on publication in register". Motion carried.

Moved by Rep. Shore, seconded by Rep. Powell, **SB 162** be passed favorably as amended. Motion carried.

SB 51 - Income tax credit for property tax imposed on business machinery and equipment.
HB 2295 - Exclusion of income for income tax purposes of certain bank stockholders

Moved by Rep. Shultz, seconded by Rep. Howell, strike all of **SB 51** and amend in **HB 2295** with changes to include savings and loan associations and to add the language " , or the Kansas taxable income of shareholders as defined in KSA 79-32, 139 and amendments thereto". Motion carried. (Attachment 1)

Moved by Rep. Larkin, seconded by Rep. Powell, pass **SB 51** favorably as amended. Motion carried.

SB 53 Single individual income tax rates reduced
HB 2296 - Statutory debt limitation, city of Andover

Moved by Rep. Powell, seconded by Rep. Gregory, strike **SB 53** and add **HB 2296** with new language for Section 1 (a) and (b) (Attachment 2). Motion carried.

Moved by Rep. Powell, seconded by Rep. Gregory, **SB 53** be passed favorably as amended. Motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, ROOM 519-S Statehouse, at 9:00 a.m. on April 1, 1997.

SB 184 - Authorization for Labette county cities to impose sales tax for economic initiative purposes

HB 2474 - Sales tax exemption for purchases of volunteer fire-fighting organizations

Moved by Rep. Mays, seconded by Rep. Larkin , amend **SB 184** to include Cowley County. Motion carried.

Moved by Rep. Tanner, seconded by Rep. Vickery, amend **HB 2474** into **SB 184**. Motion carried.

Moved by Rep. Tanner, seconded by Rep. Powell, **SB 184** be passed favorably as amended. Motion carried.

HCR 5004 - Constitutional amendment allowing exemption of certain oil and gas properties.

Moved by Rep. Larkin, seconded by Rep. Shore, **HCR 5004** be passed favorably.. Motion carried.

The next meeting is scheduled on call.

Adjournment.

Attachments - 2

79-1108**TAXATION**

*of the Kansas taxable income
of shareholders as defined
in K.S.A. 79-32, 139 and
amendments thereto*

of national banking associations and state banks. The state of Kansas hereby adopts the method numbered (4) authorized by the act of March 25, 1926, amending section 5219 of the revised statutes of the United States (12 U.S.C.A. 548), relating to the manner and place of taxing national banking associations located within its limits.

History: L. 1963, ch. 463, § 2; L. 1968, ch. 142, § 1; L. 1970, ch. 382, § 1; L. 1972, ch. 359, § 1; L. 1979, ch. 314, § 1; L. 1987, ch. 374, § 1; July 1.

Source or prior law:
79-1101, 79-1101c.

Cross References to Related Sections:
Tax credit for investment in stock of Kansas Venture Capital, Inc., see 74-8205.

Research and Practice Aids:
Taxation ⇐ 980, 1061.
C.J.S. Taxation §§ 1096, 1101.

Attorney General's Opinions:
Tangible personal property of bank is not exempt from taxation. 87-32.

79-1108. Trust companies and savings and loan associations; tax imposed; rate. Every trust company and savings and loan association located or doing business within the state shall pay to the state for the privilege of doing business within the state a tax according to or measured by its net income for the next preceding taxable year to be computed as provided in this act. Such tax shall consist of a normal tax and a surtax and shall be computed as follows:

(a) The normal tax on every trust company and savings and loan association shall be an amount equal to 4½% of such net income; and

(b) the surtax on every trust company and savings and loan association shall be an amount equal to 2¼% of such net income in excess of \$25,000.

The tax levied shall be in lieu of ad valorem taxes which might otherwise be imposed by the state or political subdivision thereof upon shares of capital stock or other intangible assets of trust companies and savings and loan associations.

History: L. 1963, ch. 463, § 3; L. 1968, ch. 142, § 2; L. 1970, ch. 382, § 2; L. 1972, ch. 359, § 2; L. 1987, ch. 374, § 2; July 1.

Source or prior law:
79-325a, 79-1101, 79-1101c.

Cross References to Related Sections:
Tax credit for investment in stock of Kansas Venture Capital, Inc., see 74-8205.

Research and Practice Aids:
Taxation ⇐ 980, 1061.
C.J.S. Taxation §§ 1096, 1101.

79-1108a.

History: L. 1968, ch. 142, § 3; L. 1972, ch. 342, § 89; Repealed, L. 1987, ch. 374, § 4; July 1.

79-1109. "Net income" defined; deductions. As used in this act "net income" shall mean the Kansas taxable income of corporations as defined in K.S.A. 79-32, 138, and amendments thereto, plus income received from obligations or securities of the United States or any authority, commission or instrumentality of the United States and its possessions to the extent not included in Kansas taxable income of a corporation and income received from obligations of this state or a political subdivision thereof which is exempt from income tax under the laws of this state; less dividends received from stock issued by Kansas Venture Capital, Inc. to the extent such dividends are included in the Kansas taxable income of a corporation, interest paid on time deposits or borrowed money and dividends paid on withdrawable shares of savings and loan associations to the extent not deducted in arriving at Kansas taxable income of a corporation.

Savings and loan associations shall be allowed as a deduction from net income, as hereinbefore defined, a reserve established for the sole purpose of meeting or absorbing losses, in the amount of 5% of such net income determined without benefit of such deduction, but no further deduction shall be allowed for losses when actually sustained and charged against such reserve, unless such reserve shall have been fully absorbed thereby; or, in the alternative, a reasonable addition to a reserve for losses based on past experience, under such rules and regulations as the secretary of revenue may prescribe.

History: L. 1963, ch. 463, § 4; L. 1967, ch. 488, § 1; L. 1972, ch. 359, § 3; L. 1979, ch. 314, § 2; L. 1986, ch. 332, § 7; L. 1987, ch. 374, § 3; July 1.

Cross References to Related Sections:
Investment in Kansas Venture Capital, Inc., see 74-8203.

Research and Practice Aids:
Taxation ⇐ 980, 1031, 1047.
C.J.S. Taxation §§ 1096, 1098, 1099.

79-1109a. Application of 79-1107 and 79-1109. The provisions of K.S.A. 79-1107 and 79-1109 shall be applicable to all taxable years commencing after December 31, 1979.

1 the right to receive the income or gain, or to a trust or estate from which
2 the taxpayer received the income or gain.

3 (v) The amount of any refund or credit for overpayment of taxes on
4 or measured by income or fees or payments in lieu of income taxes im-
5 posed by this state, or any taxing jurisdiction, to the extent included in
6 gross income for federal income tax purposes.

7 (vi) Accumulation distributions received by a taxpayer as a beneficiary
8 of a trust to the extent that the same are included in federal adjusted
9 gross income.

10 (vii) Amounts received as annuities under the federal civil service
11 retirement system from the civil service retirement and disability fund
12 and other amounts received as retirement benefits in whatever form
13 which were earned for being employed by the federal government or for
14 service in the armed forces of the United States.

15 (viii) Amounts received by retired railroad employees as a supple-
16 mental annuity under the provisions of 45 U.S.C. 228b (a) and 228c (a)(1)
17 *et seq.*

18 (ix) Amounts received by retired employees of a city and by retired
19 employees of any board of such city as retirement allowances pursuant to
20 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
21 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
22 amendments thereto.

23 (x) For taxable years beginning after December 31, 1976, the amount
24 of the federal tentative jobs tax credit disallowance under the provisions
25 of 26 U.S.C. 280 C. For taxable years ending after December 31, 1978,
26 the amount of the targeted jobs tax credit and work incentive credit dis-
27 allowances under 26 U.S.C. 280 C.

28 (xi) For taxable years beginning after December 31, 1986, dividend
29 income on stock issued by Kansas Venture Capital, Inc.

30 (xii) For taxable years beginning after December 31, 1989, amounts
31 received by retired employees of a board of public utilities as pension and
32 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249
33 and amendments thereto.

34 (xiii) For taxable years beginning after December 31, 1993, the
35 amount of income earned on contributions deposited to an individual
36 development account under K.S.A. 1996 Supp. 79-32,117h, and amend-
37 ments thereto.

38 (xiv) *For all taxable years commencing after December 31, 1996, that*
39 *portion of any income of a bank organized under the laws of this state or*
40 *any other state, or a national banking association organized under the*
41 *laws of the United States, for which an election as an S corporation under*
42 *subchapter S of the federal internal revenue code is in effect, which ac-*
43 *crues to the taxpayer who is a stockholder of such corporation and which*

1-2

an association organized under the savings and
loan code of this state or any other state, or a
federal savings association organized under the
laws of the United States,

HOUSE BILL No. 2296

By Representative Wagle

2-11

House Taxation
4-1-97
Attachment 2-1

9 AN ACT concerning municipalities; relating to statutory debt limitations;
10 amending K.S.A. 79-5037 and repealing the existing section.

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

13 ~~Section 1. K.S.A. 79-5037 is hereby amended to read as follows: 79-~~
14 ~~5037. (a) Except as provided by subsection (b), upon implementation for~~
15 ~~purposes of levying taxes of valuations for real property derived under~~
16 ~~the program of statewide reappraisal, all existing statutory debt limitations~~
17 ~~computed on the basis of a percentage of assessed valuation are hereby~~
18 ~~suspended. In such year of implementation and in all years thereafter any~~
19 ~~indebtedness of a taxing district governed by such statutory limitations~~
20 ~~shall be limited to a percentage of assessed valuation, which percentage~~
21 ~~is determined by dividing the amount of indebtedness authorized for such~~
22 ~~taxing district in the year before implementation of such valuations by the~~
23 ~~assessed valuation in the year of implementation.~~

24 ~~(b) The provisions of subsection (a) shall not apply to the city of Au-~~
25 ~~stover, Kansas.~~

26 Sec. 2. K.S.A. 79-5037 is hereby repealed.

27 Sec. 3. This act shall take effect and be in force from and after its
28 publication in the Kansas register.

STRIKE

New Section 1. (a) The governing body of any taxing subdivision may elect to have the bonded indebtedness limitation of the taxing subdivision computed on the basis of a percentage of assessed valuation, which percentage is determined by dividing the amount of indebtedness authorized for such taxing district in 1988 by the assessed valuation of all tangible taxable property in the taxing subdivision in 1989.

(b) The board of trustees of any community college also may elect to have the bonded indebtedness limit of the district exceeded by the amount of any general obligation bonded indebtedness approved by a majority of the voters of the district prior to the effective date of this act.

Explanation: This approach will repeal K.S.A. 79-5037, reviving all existing statutory debt limits suspended when K.S.A. 79-5037 was enacted. It also preserves the flexibility for taxing subdivisions (particularly those that lost valuation as a result of reappraisal in 1989), and allows Seward County Community College (and other community colleges) to issue all of the bonds approved by the voters in any bond issue prior to the effective date of this act. **Note:** Under K.S.A. 71-201(c), community college districts with valuations under \$90 million and Johnson County Community College have 5% debt limits. Those over \$90 million, have a 3% debt limit.