Approved:________________________
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Chairperson Phill Kline at 9:00 a.m. on January 29, 1998 in Room 519-S of the Capitol.

All members were present except: Rep. Powell
Rep. Howell

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

Conferees appearing before the committee:
Dan Hermes, Director of Governmental Relations
Rochelle Chronister, Secretary of SRS
Carol Smith, United Community Services of Johnson County
Mary Becker, Kansans Respond
Sister Therese Bangert, Ks. Catholic Conference
Nancy Shockey, concerned Citizen
Representative Ted Powers
Bob Corkins, KCCI
Rep. Lloyd Stone
Terry Lambert, Newman Memorial Hospital, Emporia

Others attending: See attached list

Chairman Kline opened the meeting and expressed his and the committees' sympathy to Don Hayworth whose father in law had died. Due to other meetings at which Chair Kline's presence was requjred, he turned the meeting over to Rep. Bruce Larkin, ranking minority member.

Rep. Larkin opened hearing on:

HB 2708 - Income tax relief act of 1998

Proponents:
Dan Hermes, Director of Governmental Relations (Attachment 1)
Rochelle Chronister, Secretary of SRS (Attachment 2)
Carol Smith, United Community Services of Johnson County (Attachment 3)
Mary Becker, Kansans Respond (Attachment 4)
Sister Therese Bangert, Ks. Catholic Conference (Attachment 5)
Nancy Shockey, concerned Citizen (Attachment 6)
Rep. Ted Powers

Written testimony by Robyn Locke (Attachment 7)

Neutral:
Bob Corkins, KCC I (Attachment 8)

Closed hearing on **HB 2708.**

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.

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, ROOM 519-S Statehouse, at 9:00 a.m. on January 29, 1998.

Chair opened hearings on:

HB 2684 - Political subdivision property tax exemption, office space of psychologist

Proponents:
Rep. Lloyd Stone
Terry Lambert, Hospital administrator, Newman Memorial Hospital, Emporia (Attachment 9)

Chair closed hearing on **HB 2684**.

The next meeting is scheduled for January 30, 1998.

Adjournment.

Attachments - 9

TAXATION COMMITTEE GUEST LIST

DATE: JANUARY 29, 1998

NAME	REPRESENTING
Rochelle Chronister	SRS
Candy Shively	SRS
Sister Therese Bangert	Kansas Catholic Conference
Nancy Shockey	Concerned Citizen
Mary Becker	Kansans Respond
Carol Smith	United Community Services of Jo Co.
PHIL STEVENSON	INTERN - REP. GARNER
George Petersen	Ks Taxpayers Network
Don Hermes	GOV'S OFFICE
Dave Holthaus	Western Resources
Heather Randall	Whitney Damron, P.A.
Kelly Kultala	City of Overland Park
Ashley Sherard	Overland Park Chamber of Commerce
Lee Eisenhauer	Propane Marketers Assoc of KS
Blaine Finch	Intern / Rep Ralph Tanner
BUD GRANT	KCCI

TAXATION COMMITTEE GUEST LIST

DATE: **JANUARY 29, 1998**

NAME	REPRESENTING
Steve Stotts	Rev.
Bob Corkins	KCCI
[illegible]	New Boeqm Hal Cor P.A.
Terry R. Lambert	Newman Memorial County Hospital
Ted Pawley	
John Garlinger	SRS
Ann Durkes	DOB
Bill Jarrell	Boeing
Greg Tugman	DOB

STATE OF KANSAS

BILL GRAVES, *Governor*
State Capitol, 2nd Floor
Topeka, Kansas 66612-1590

(913) 296-3232
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FAX: (913) 296-7973

OFFICE OF THE GOVERNOR

LEGISLATIVE TESTIMONY

TO:	Chairman Phill Kline and Members of the House Committee on Taxation
FROM:	Dan Hermes, Director of Governmental Affairs
DATE:	January 29, 1998
BILL:	HB 2708 -- Income Tax Reduction Act

Mr. Chairman and members of the committee, thank you for the opportunity to appear today in support of this portion of the Governor's tax relief package for the 1998 Legislative Session.

Income tax reductions are a major component of that package. The Governor's recommendation for income tax relief has four components. Together, the income tax relief proposals will provide for a balanced package to provide relief of $73.4 million in FY 1999 to all Kansans:

Single filer rate inequity

Immediate equalization of the rates paid by married and single income tax payers is recommended. Tax justice was phased-in over four years last session. There is no need to wait, we have the resources and it is time for us to end this discrimination now — with an equal rate in tax year 1998.

Increase in the standard deduction

An increase in the standard deduction is recommended. Single taxpayers would be increased from $3,000 to $3,200, head of households would be increased from $4,400 to $4,400 and married filers would be increased from $5,000 to $5,600 under this proposal. These deductions have not been adjusted since 1988.

House Taxation
1-29-98
Attachment 1-1

Increase in the personal exemption

Similar to the standard deduction, this reduction allowed against taxable income for all Kansans who pay income taxes has not been increased since the late 1980s. This recommendation would increase the exemption by $100, from $2,000 to $2,100.

Earned income tax credit

An earned income tax credit of 10 percent of the amount allowed under the federal tax code is recommended. We do not need to impose income tax on our citizens that have income less that the federal definition of poverty. This recommendation -- in most cases -- eliminates the Kansas income tax on our working poor.

Thank for the opportunity to appear on behalf of the Governor. I would be happy to answer any questions.

State of Kansas
Department of Social & Rehabilitation Services

Rochelle Chronister, Secretary
Janet Schalansky, Deputy Secretary

For additional information, contact:

SRS Office of Research
Suzanne Woods, Director
915 SW Harrison Street, Sixth Floor
Topeka, Kansas 66612-1570
☎785.296.3329 / Fax 785.296.4685

For fiscal information, contact:

SRS Finance Office
Diane Duffy, CFO
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Topeka, Kansas 66612-1570
☎785.296.6216 / Fax 785.296.4676

House Tax Committee
Thursday, January 29, 1998

Testimony: State Earned Income Tax Credit

Income Maintenance/Employment Preparation Services
Candy Shively, Commissioner
785.296.6750

Kansas Department of Social and Rehabilitation Services
Rochelle Chronister, Secretary

House Tax Committee

State Earned Income Tax Credit
January 29, 1998

Mr. Chairman and Members of the committee, thank you for the opportunity to appear before you today. I am here today because we fully support the Governor's proposal for a state earned income tax credit which will increase the income of the working poor.

A full-time working parent no longer guarantees that a family will be able to live above poverty. Even with the recent increase in the federal minimum wage to $5.15 per hour, a Kansan working 40 hours per week at the minimum wage will make $10,630 annually which is only 80% of the federal poverty income for a family of three ($13,330) and 66% of the poverty income for a family of four ($16,050). This means that children may grow up poor even when parents are trying very hard to make a living.

One strategy to make work pay enough to lift a family out of poverty is an earned income tax credit (EITC). A federal earned income tax credit was created by Congress in 1975 to help low and moderate income families. It has been designed to:

- offset the social security payroll tax burden;
- supplement the earnings of workers with low wages, including those making the transition from welfare to work.

How the Federal EITC Works

The federal EITC is a refundable credit that is administered through the federal tax system. The tax credit is determined by a family's earnings and the number of children in the family. The credit amount for persons without a qualifying child is based solely on earnings.

A family or individual receives the full amount of the credit, even if the credit amount is greater than the income tax liability. The amount of the credit which exceeds taxes owed is paid as a refund. If an individual or family has no tax liability, the entire EITC is paid as a refund.

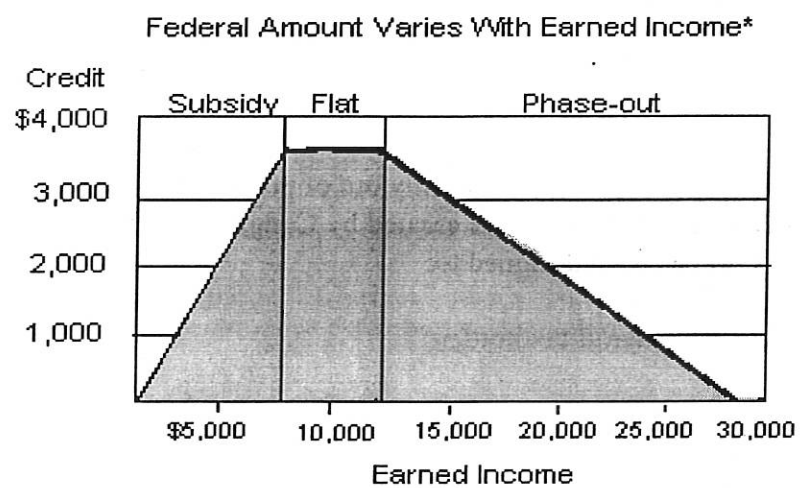
- For families with one child, the amount of the credit increases with family earnings until earnings reach $6,500. Families with earnings between $6,500 and $11,950 receive the maximum credit, which is $2,210 in tax year 1997. The maximum credit then phases down slowly as income rises until the credit vanishes at $25,750 of income.

2-2

- Families with two or more children receive an EITC benefit that rises with earnings until earnings reach $9,100. The maximum credit is $3,656 for families with earnings between $9,100 and $11,950. The credit amount gradually diminishes until income reaches $29,290.

- For workers between the ages of 25 and 64 without a qualifying child, the credit in 1997 rises gradually with the first $4,300 of earnings to a maximum credit of $332 for earnings from $4,300 to $5,450. The credit is fully phased out when income reaches $9,750.

As the chart below indicates, the federal EITC has three distinct ranges, depending on the income of the worker. In the *subsidy range* ($1 - $9,100), as workers with two or more children earn an additional dollar of income, their credit increases by 40 cents. In the *flat range* ($9,100 - $11,950) workers receive the maximum credit, and in the *phase-out range* ($11,950 - $29,290), the credit is gradually reduced as workers' earnings increase.



*Example is for a family with two or more children. Amounts shown are for 1997.

Approximately 86% of all persons eligible for the federal EITC apply for it. Last year 117,312 Kansas residents applied for the federal EITC.

State Earned Income Tax Credits

Even with continued expansion of the federal EITC and the recent increase in the federal minimum wage, many families working at minimum wage remain in poverty. State EITCs can help fill the gap and contribute significantly to the goal of making work pay. Seven states – Iowa, Maryland, Minnesota, New York, Rhode Island, Vermont, and Wisconsin – have their own EITCs. All of the state EITCs use the federal eligibility rules and express the state credit as a percentage of the federal credit. The existing state EITCs range from 6.5% to 50% of the federal EITC.

- As a reward for work, an earned income credit can help bring the wages of poor families closer to the poverty level. By doing this, an earned income credit can enhance state efforts to decrease reliance on welfare.
- As a pro-family policy, the earned income credit for families with children rewards low-income working parents who live with and care for their children.

State EITCs build on the strengths of the federal EITC by providing a wage supplement that reduces barriers to work for welfare recipients. It helps working families who are not on welfare meet the ongoing costs of work as well as the unforseen costs that sometimes drive families back onto public assistance. State EITCs are a cost-effective strategy for reaching the broader goals of welfare reform and the alleviation of child poverty. Refundable state EITCs also can help relieve the burden of state and local sales taxes and excise taxes on low-income working families.

A Kansas Earned Income Tax Credit

A 10% state EITC as proposed by Governor Graves for Kansas would provide a maximum state tax credit of $221 for a family with one child; $366 for a family with two or more children; and $33 for low-income workers without qualifying children (based on federal EITC maximum credits for 1997). All working welfare recipients would be eligible for this tax credit as would many low and moderate income families not on welfare. A state EITC would complement other welfare reform strategies which are helping to move people from welfare to work by promoting work and providing an earnings supplement for low-income families which would help them meet the expenses of working, such as transportation and child care.

Critical to the success of a Kansas EITC is a good outreach campaign. The department currently promotes the federal EITC with all welfare recipients and this could easily be expanded to include a state EITC. Low-income working families not on welfare may be alerted to file for benefits through other service programs, in stores where they shop, in businesses where they work, and through the media. Taxpayer assistance programs, informational material, and hotlines may help families make the necessary computations.

In sum, state EITCs should be viewed as an important part of tax reform, as a policy for promoting work and assisting all low- and moderate-income families with an earnings supplement, and as an additional strategy for helping families make the transition from welfare to work.

2-4

FEDERAL EITC TABLE (State EITC Would Be 10% Of This Amount)

1997 Earned Income Credit (EIC) Table

Caution: *This is not a tax table.*

To find your credit: First, read down the "At least — But less than" columns and find the line that includes the amount you entered on line 6 or line 8 of the **Earned Income Credit Worksheet** on page 23. Next, read across to the column that includes the number of qualifying children you have. Then, enter the credit from that column on line 7 or line 9 of that worksheet, whichever applies.

If the amount on line 6 or line 8 of the worksheet on page 23 is—		And you have—		
At least	But less than	No children	One child	Two children
		Your credit is—		
$1	$50	$2	$9	$10
50	100	6	26	30
100	150	10	43	50
150	200	13	60	70
200	250	17	77	90
250	300	21	94	110
300	350	25	111	130
350	400	29	128	150
400	450	33	145	170
450	500	36	162	190
500	550	40	179	210
550	600	44	196	230
600	650	48	213	250
650	700	52	230	270
700	750	55	247	290
750	800	59	264	310
800	850	63	281	330
850	900	67	298	350
900	950	71	315	370
950	1,000	75	332	390
1,000	1,050	78	349	410
1,050	1,100	82	366	430
1,100	1,150	86	383	450
1,150	1,200	90	400	470
1,200	1,250	94	417	490
1,250	1,300	98	434	510
1,300	1,350	101	451	530
1,350	1,400	105	468	550
1,400	1,450	109	485	570
1,450	1,500	113	502	590
1,500	1,550	117	519	610
1,550	1,600	120	536	630
1,600	1,650	124	553	650
1,650	1,700	128	570	670
1,700	1,750	132	587	690
1,750	1,800	136	604	710
1,800	1,850	140	621	730
1,850	1,900	143	638	750
1,900	1,950	147	655	770
1,950	2,000	151	672	790
2,000	2,050	155	689	810
2,050	2,100	159	706	830
2,100	2,150	163	723	850
2,150	2,200	166	740	870
2,200	2,250	170	757	890
2,250	2,300	174	774	910
2,300	2,350	178	791	930
2,350	2,400	182	808	950
2,400	2,450	186	825	970
2,450	2,500	189	842	990
2,500	2,550	193	859	1,010
2,550	2,600	197	876	1,030
2,600	2,650	201	893	1,050
2,650	2,700	205	910	1,070
2,700	2,750	208	927	1,090
2,750	2,800	212	944	1,110
2,800	2,850	216	961	1,130
2,850	2,900	220	978	1,150
2,900	2,950	224	995	1,170
2,950	3,000	228	1,012	1,190
3,000	3,050	231	1,029	1,210
3,050	3,100	235	1,046	1,230
3,100	3,150	239	1,063	1,250
3,150	3,200	243	1,080	1,270

If the amount on line 6 or line 8 of the worksheet on page 23 is—		And you have—		
At least	But less than	No children	One child	Two children
		Your credit is—		
3,200	3,250	247	1,097	1,290
3,250	3,300	251	1,114	1,310
3,300	3,350	254	1,131	1,330
3,350	3,400	258	1,148	1,350
3,400	3,450	262	1,165	1,370
3,450	3,500	266	1,182	1,390
3,500	3,550	270	1,199	1,410
3,550	3,600	273	1,216	1,430
3,600	3,650	277	1,233	1,450
3,650	3,700	281	1,250	1,470
3,700	3,750	285	1,267	1,490
3,750	3,800	289	1,284	1,510
3,800	3,850	293	1,301	1,530
3,850	3,900	296	1,318	1,550
3,900	3,950	300	1,335	1,570
3,950	4,000	304	1,352	1,590
4,000	4,050	308	1,369	1,610
4,050	4,100	312	1,386	1,630
4,100	4,150	316	1,403	1,650
4,150	4,200	319	1,420	1,670
4,200	4,250	323	1,437	1,690
4,250	4,300	327	1,454	1,710
4,300	4,350	332	1,471	1,730
4,350	4,400	332	1,488	1,750
4,400	4,450	332	1,505	1,770
4,450	4,500	332	1,522	1,790
4,500	4,550	332	1,539	1,810
4,550	4,600	332	1,556	1,830
4,600	4,650	332	1,573	1,850
4,650	4,700	332	1,590	1,870
4,700	4,750	332	1,607	1,890
4,750	4,800	332	1,624	1,910
4,800	4,850	332	1,641	1,930
4,850	4,900	332	1,658	1,950
4,900	4,950	332	1,675	1,970
4,950	5,000	332	1,692	1,990
5,000	5,050	332	1,709	2,010
5,050	5,100	332	1,726	2,030
5,100	5,150	332	1,743	2,050
5,150	5,200	332	1,760	2,070
5,200	5,250	332	1,777	2,090
5,250	5,300	332	1,794	2,110
5,300	5,350	332	1,811	2,130
5,350	5,400	332	1,828	2,150
5,400	5,450	332	1,845	2,170
5,450	5,500	329	1,862	2,190
5,500	5,550	325	1,879	2,210
5,550	5,600	321	1,896	2,230
5,600	5,650	317	1,913	2,250
5,650	5,700	313	1,930	2,270
5,700	5,750	309	1,947	2,290
5,750	5,800	306	1,964	2,310
5,800	5,850	302	1,981	2,330
5,850	5,900	298	1,998	2,350
5,900	5,950	294	2,015	2,370
5,950	6,000	290	2,032	2,390
6,000	6,050	286	2,049	2,410
6,050	6,100	283	2,066	2,430
6,100	6,150	279	2,083	2,450
6,150	6,200	275	2,100	2,470
6,200	6,250	271	2,117	2,490
6,250	6,300	267	2,134	2,510
6,300	6,350	264	2,151	2,530
6,350	6,400	260	2,168	2,550

If the amount on line 6 or line 8 of the worksheet on page 23 is—		And you have—		
At least	But less than	No children	One child	Two children
		Your credit is—		
6,400	6,450	256	2,185	2,570
6,450	6,500	252	2,202	2,590
6,500	6,550	248	2,210	2,610
6,550	6,600	244	2,210	2,630
6,600	6,650	241	2,210	2,650
6,650	6,700	237	2,210	2,670
6,700	6,750	233	2,210	2,690
6,750	6,800	229	2,210	2,710
6,800	6,850	225	2,210	2,730
6,850	6,900	221	2,210	2,750
6,900	6,950	218	2,210	2,770
6,950	7,000	214	2,210	2,790
7,000	7,050	210	2,210	2,810
7,050	7,100	206	2,210	2,830
7,100	7,150	202	2,210	2,850
7,150	7,200	199	2,210	2,870
7,200	7,250	195	2,210	2,890
7,250	7,300	191	2,210	2,910
7,300	7,350	187	2,210	2,930
7,350	7,400	183	2,210	2,950
7,400	7,450	179	2,210	2,970
7,450	7,500	176	2,210	2,990
7,500	7,550	172	2,210	3,010
7,550	7,600	168	2,210	3,030
7,600	7,650	164	2,210	3,050
7,650	7,700	160	2,210	3,070
7,700	7,750	156	2,210	3,090
7,750	7,800	153	2,210	3,110
7,800	7,850	149	2,210	3,130
7,850	7,900	145	2,210	3,150
7,900	7,950	141	2,210	3,170
7,950	8,000	137	2,210	3,190
8,000	8,050	133	2,210	3,210
8,050	8,100	130	2,210	3,230
8,100	8,150	126	2,210	3,250
8,150	8,200	122	2,210	3,270
8,200	8,250	118	2,210	3,290
8,250	8,300	114	2,210	3,310
8,300	8,350	111	2,210	3,330
8,350	8,400	107	2,210	3,350
8,400	8,450	103	2,210	3,370
8,450	8,500	99	2,210	3,390
8,500	8,550	95	2,210	3,410
8,550	8,600	91	2,210	3,430
8,600	8,650	88	2,210	3,450
8,650	8,700	84	2,210	3,470
8,700	8,750	80	2,210	3,490
8,750	8,800	76	2,210	3,510
8,800	8,850	72	2,210	3,530
8,850	8,900	68	2,210	3,550
8,900	8,950	65	2,210	3,570
8,950	9,000	61	2,210	3,590
9,000	9,050	57	2,210	3,610
9,050	9,100	53	2,210	3,630
9,100	9,150	49	2,210	3,656
9,150	9,200	46	2,210	3,656
9,200	9,250	42	2,210	3,656
9,250	9,300	38	2,210	3,656
9,300	9,350	34	2,210	3,656
9,350	9,400	30	2,210	3,656
9,400	9,450	26	2,210	3,656
9,450	9,500	23	2,210	3,656
9,500	9,550	19	2,210	3,656
9,550	9,600	15	2,210	3,656

If the amount on line 6 or line 8 of the worksheet on page 23 is—		And you have—		
At least	But less than	No children	One child	Two children
		Your credit is—		
9,600	9,650	11	2,210	3,656
9,650	9,700	7	2,210	3,656
9,700	9,750	3	2,210	3,656
9,750	9,800	*	2,210	3,656
9,800	11,950	0	2,210	3,656
11,950	12,000	0	2,203	3,647
12,000	12,050	0	2,195	3,636
12,050	12,100	0	2,187	3,625
12,100	12,150	0	2,179	3,615
12,150	12,200	0	2,171	3,604
12,200	12,250	0	2,163	3,594
12,250	12,300	0	2,155	3,583
12,300	12,350	0	2,147	3,573
12,350	12,400	0	2,139	3,562
12,400	12,450	0	2,131	3,552
12,450	12,500	0	2,123	3,541
12,500	12,550	0	2,115	3,531
12,550	12,600	0	2,107	3,520
12,600	12,650	0	2,099	3,510
12,650	12,700	0	2,091	3,499
12,700	12,750	0	2,083	3,489
12,750	12,800	0	2,075	3,478
12,800	12,850	0	2,067	3,468
12,850	12,900	0	2,059	3,457
12,900	12,950	0	2,051	3,446
12,950	13,000	0	2,043	3,436
13,000	13,050	0	2,035	3,425
13,050	13,100	0	2,027	3,415
13,100	13,150	0	2,019	3,404
13,150	13,200	0	2,011	3,394
13,200	13,250	0	2,003	3,383
13,250	13,300	0	1,995	3,373
13,300	13,350	0	1,987	3,362
13,350	13,400	0	1,979	3,352
13,400	13,450	0	1,971	3,341
13,450	13,500	0	1,963	3,331
13,500	13,550	0	1,955	3,320
13,550	13,600	0	1,947	3,310
13,600	13,650	0	1,939	3,299
13,650	13,700	0	1,931	3,289
13,700	13,750	0	1,923	3,278
13,750	13,800	0	1,915	3,267
13,800	13,850	0	1,907	3,257
13,850	13,900	0	1,899	3,246
13,900	13,950	0	1,891	3,236
13,950	14,000	0	1,883	3,225
14,000	14,050	0	1,875	3,215
14,050	14,100	0	1,867	3,204
14,100	14,150	0	1,859	3,194
14,150	14,200	0	1,851	3,183
14,200	14,250	0	1,843	3,173
14,250	14,300	0	1,835	3,162
14,300	14,350	0	1,827	3,152
14,350	14,400	0	1,819	3,141
14,400	14,450	0	1,811	3,131
14,450	14,500	0	1,803	3,120
14,500	14,550	0	1,795	3,109
14,550	14,600	0	1,787	3,099
14,600	14,650	0	1,779	3,088
14,650	14,700	0	1,771	3,078
14,700	14,750	0	1,763	3,067
14,750	14,800	0	1,755	3,057
14,800	14,850	0	1,747	3,046
14,850	14,900	0	1,739	3,036

* If the amount on line 6 or line 8 of the worksheet is at least $9,750 but less than $9,770, your credit is $1. Otherwise, you cannot take the credit.

(Continued)

2-5

1997 Earned Income Credit (EIC) Table *Continued* (Caution: *This is not a tax table.*)

If the amount on line 6 or line 8 of the worksheet on page 23 is—		And you have—		
At least	But less than	No children	One child	Two children
		Your credit is—		
14,900	14,950	0	1,731	3,025
14,950	15,000	0	1,723	3,015
15,000	15,050	0	1,715	3,004
15,050	15,100	0	1,707	2,994
15,100	15,150	0	1,699	2,983
15,150	15,200	0	1,691	2,973
15,200	15,250	0	1,683	2,962
15,250	15,300	0	1,675	2,952
15,300	15,350	0	1,667	2,941
15,350	15,400	0	1,659	2,930
15,400	15,450	0	1,651	2,920
15,450	15,500	0	1,644	2,909
15,500	15,550	0	1,636	2,899
15,550	15,600	0	1,628	2,888
15,600	15,650	0	1,620	2,878
15,650	15,700	0	1,612	2,867
15,700	15,750	0	1,604	2,857
15,750	15,800	0	1,596	2,846
15,800	15,850	0	1,588	2,836
15,850	15,900	0	1,580	2,825
15,900	15,950	0	1,572	2,815
15,950	16,000	0	1,564	2,804
16,000	16,050	0	1,556	2,794
16,050	16,100	0	1,548	2,783
16,100	16,150	0	1,540	2,773
16,150	16,200	0	1,532	2,762
16,200	16,250	0	1,524	2,751
16,250	16,300	0	1,516	2,741
16,300	16,350	0	1,508	2,730
16,350	16,400	0	1,500	2,720
16,400	16,450	0	1,492	2,709
16,450	16,500	0	1,484	2,699
16,500	16,550	0	1,476	2,688
16,550	16,600	0	1,468	2,678
16,600	16,650	0	1,460	2,667
16,650	16,700	0	1,452	2,657
16,700	16,750	0	1,444	2,646
16,750	16,800	0	1,436	2,636
16,800	16,850	0	1,428	2,625
16,850	16,900	0	1,420	2,615
16,900	16,950	0	1,412	2,604
16,950	17,000	0	1,404	2,594
17,000	17,050	0	1,396	2,583
17,050	17,100	0	1,388	2,572
17,100	17,150	0	1,380	2,562
17,150	17,200	0	1,372	2,551
17,200	17,250	0	1,364	2,541
17,250	17,300	0	1,356	2,530
17,300	17,350	0	1,348	2,520
17,350	17,400	0	1,340	2,509
17,400	17,450	0	1,332	2,499
17,450	17,500	0	1,324	2,488
17,500	17,550	0	1,316	2,478
17,550	17,600	0	1,308	2,467
17,600	17,650	0	1,300	2,457
17,650	17,700	0	1,292	2,446
17,700	17,750	0	1,284	2,436
17,750	17,800	0	1,276	2,425
17,800	17,850	0	1,268	2,415
17,850	17,900	0	1,260	2,404
17,900	17,950	0	1,252	2,393
17,950	18,000	0	1,244	2,383
18,000	18,050	0	1,236	2,372
18,050	18,100	0	1,228	2,362
18,100	18,150	0	1,220	2,351
18,150	18,200	0	1,212	2,341
18,200	18,250	0	1,204	2,330
18,250	18,300	0	1,196	2,320
18,300	18,350	0	1,188	2,309
18,350	18,400	0	1,180	2,299
18,400	18,450	0	1,172	2,288
18,450	18,500	0	1,164	2,278

If the amount on line 6 or line 8 of the worksheet on page 23 is—		And you have—		
At least	But less than	No children	One child	Two children
		Your credit is—		
18,500	18,550	0	1,156	2,267
18,550	18,600	0	1,148	2,257
18,600	18,650	0	1,140	2,246
18,650	18,700	0	1,132	2,236
18,700	18,750	0	1,124	2,225
18,750	18,800	0	1,116	2,214
18,800	18,850	0	1,108	2,204
18,850	18,900	0	1,100	2,193
18,900	18,950	0	1,092	2,183
18,950	19,000	0	1,084	2,172
19,000	19,050	0	1,076	2,162
19,050	19,100	0	1,068	2,151
19,100	19,150	0	1,060	2,141
19,150	19,200	0	1,052	2,130
19,200	19,250	0	1,044	2,120
19,250	19,300	0	1,036	2,109
19,300	19,350	0	1,028	2,099
19,350	19,400	0	1,020	2,088
19,400	19,450	0	1,012	2,078
19,450	19,500	0	1,004	2,067
19,500	19,550	0	996	2,056
19,550	19,600	0	988	2,046
19,600	19,650	0	980	2,035
19,650	19,700	0	972	2,025
19,700	19,750	0	964	2,014
19,750	19,800	0	956	2,004
19,800	19,850	0	948	1,993
19,850	19,900	0	940	1,983
19,900	19,950	0	932	1,972
19,950	20,000	0	924	1,962
20,000	20,050	0	916	1,951
20,050	20,100	0	908	1,941
20,100	20,150	0	900	1,930
20,150	20,200	0	892	1,920
20,200	20,250	0	884	1,909
20,250	20,300	0	876	1,899
20,300	20,350	0	868	1,888
20,350	20,400	0	860	1,877
20,400	20,450	0	852	1,867
20,450	20,500	0	845	1,856
20,500	20,550	0	837	1,846
20,550	20,600	0	829	1,835
20,600	20,650	0	821	1,825
20,650	20,700	0	813	1,814
20,700	20,750	0	805	1,804
20,750	20,800	0	797	1,793
20,800	20,850	0	789	1,783
20,850	20,900	0	781	1,772
20,900	20,950	0	773	1,762
20,950	21,000	0	765	1,751
21,000	21,050	0	757	1,741
21,050	21,100	0	749	1,730
21,100	21,150	0	741	1,720
21,150	21,200	0	733	1,709
21,200	21,250	0	725	1,698
21,250	21,300	0	717	1,688
21,300	21,350	0	709	1,677
21,350	21,400	0	701	1,667
21,400	21,450	0	693	1,656
21,450	21,500	0	685	1,646
21,500	21,550	0	677	1,635
21,550	21,600	0	669	1,625
21,600	21,650	0	661	1,614
21,650	21,700	0	653	1,604
21,700	21,750	0	645	1,593
21,750	21,800	0	637	1,583
21,800	21,850	0	629	1,572
21,850	21,900	0	621	1,562
21,900	21,950	0	613	1,551
21,950	22,000	0	605	1,541
22,000	22,050	0	597	1,530
22,050	22,100	0	589	1,519

If the amount on line 6 or line 8 of the worksheet on page 23 is—		And you have—		
At least	But less than	No children	One child	Two children
		Your credit is—		
22,100	22,150	0	581	1,509
22,150	22,200	0	573	1,498
22,200	22,250	0	565	1,488
22,250	22,300	0	557	1,477
22,300	22,350	0	549	1,467
22,350	22,400	0	541	1,456
22,400	22,450	0	533	1,446
22,450	22,500	0	525	1,435
22,500	22,550	0	517	1,425
22,550	22,600	0	509	1,414
22,600	22,650	0	501	1,404
22,650	22,700	0	493	1,393
22,700	22,750	0	485	1,383
22,750	22,800	0	477	1,372
22,800	22,850	0	469	1,362
22,850	22,900	0	461	1,351
22,900	22,950	0	453	1,340
22,950	23,000	0	445	1,330
23,000	23,050	0	437	1,319
23,050	23,100	0	429	1,309
23,100	23,150	0	421	1,298
23,150	23,200	0	413	1,288
23,200	23,250	0	405	1,277
23,250	23,300	0	397	1,267
23,300	23,350	0	389	1,256
23,350	23,400	0	381	1,246
23,400	23,450	0	373	1,235
23,450	23,500	0	365	1,225
23,500	23,550	0	357	1,214
23,550	23,600	0	349	1,204
23,600	23,650	0	341	1,193
23,650	23,700	0	333	1,183
23,700	23,750	0	325	1,172
23,750	23,800	0	317	1,161
23,800	23,850	0	309	1,151
23,850	23,900	0	301	1,140
23,900	23,950	0	293	1,130
23,950	24,000	0	285	1,119
24,000	24,050	0	277	1,109
24,050	24,100	0	269	1,098
24,100	24,150	0	261	1,088
24,150	24,200	0	253	1,077
24,200	24,250	0	245	1,067
24,250	24,300	0	237	1,056
24,300	24,350	0	229	1,046
24,350	24,400	0	221	1,035
24,400	24,450	0	213	1,025
24,450	24,500	0	205	1,014
24,500	24,550	0	197	1,003
24,550	24,600	0	189	993
24,600	24,650	0	181	982
24,650	24,700	0	173	972
24,700	24,750	0	165	961
24,750	24,800	0	157	951
24,800	24,850	0	149	940
24,850	24,900	0	141	930
24,900	24,950	0	133	919
24,950	25,000	0	125	909
25,000	25,050	0	117	898
25,050	25,100	0	109	888
25,100	25,150	0	101	877
25,150	25,200	0	93	867
25,200	25,250	0	85	856
25,250	25,300	0	77	846
25,300	25,350	0	69	835
25,350	25,400	0	61	824
25,400	25,450	0	53	814
25,450	25,500	0	46	803
25,500	25,550	0	38	793
25,550	25,600	0	30	782
25,600	25,650	0	22	772
25,650	25,700	0	14	761

If the amount on line 6 or line 8 of the worksheet on page 23 is—		And you have—		
At least	But less than	No children	One child	Two children
		Your credit is—		
25,700	25,750	0	6	751
25,750	25,800	0	**	740
25,800	25,850	0	0	730
25,850	25,900	0	0	719
25,900	25,950	0	0	709
25,950	26,000	0	0	698
26,000	26,050	0	0	688
26,050	26,100	0	0	677
26,100	26,150	0	0	667
26,150	26,200	0	0	656
26,200	26,250	0	0	645
26,250	26,300	0	0	635
26,300	26,350	0	0	624
26,350	26,400	0	0	614
26,400	26,450	0	0	603
26,450	26,500	0	0	593
26,500	26,550	0	0	582
26,550	26,600	0	0	572
26,600	26,650	0	0	561
26,650	26,700	0	0	551
26,700	26,750	0	0	540
26,750	26,800	0	0	530
26,800	26,850	0	0	519
26,850	26,900	0	0	509
26,900	26,950	0	0	498
26,950	27,000	0	0	488
27,000	27,050	0	0	477
27,050	27,100	0	0	466
27,100	27,150	0	0	456
27,150	27,200	0	0	445
27,200	27,250	0	0	435
27,250	27,300	0	0	424
27,300	27,350	0	0	414
27,350	27,400	0	0	403
27,400	27,450	0	0	393
27,450	27,500	0	0	382
27,500	27,550	0	0	372
27,550	27,600	0	0	361
27,600	27,650	0	0	351
27,650	27,700	0	0	340
27,700	27,750	0	0	330
27,750	27,800	0	0	319
27,800	27,850	0	0	309
27,850	27,900	0	0	298
27,900	27,950	0	0	287
27,950	28,000	0	0	277
28,000	28,050	0	0	266
28,050	28,100	0	0	256
28,100	28,150	0	0	245
28,150	28,200	0	0	235
28,200	28,250	0	0	224
28,250	28,300	0	0	214
28,300	28,350	0	0	203
28,350	28,400	0	0	193
28,400	28,450	0	0	182
28,450	28,500	0	0	172
28,500	28,550	0	0	161
28,550	28,600	0	0	151
28,600	28,650	0	0	140
28,650	28,700	0	0	130
28,700	28,750	0	0	119
28,750	28,800	0	0	108
28,800	28,850	0	0	98
28,850	28,900	0	0	87
28,900	28,950	0	0	77
28,950	29,000	0	0	66
29,000	29,050	0	0	56
29,050	29,100	0	0	45
29,100	29,150	0	0	35
29,150	29,200	0	0	24
29,200	29,250	0	0	14
29,250	29,290	0	0	4
29,290 or more		0	0	0

**If the amount on line 6 or line 8 of the worksheet is at least $25,750 but less than $25,760, your credit is $1. Otherwise, you cannot take the credit.

United Community Services
of Johnson County, Inc.

TESTIMONY

House Taxation Committee

January 29, 1998

Good morning. My name is Carol Smith. As their research director, I am here to speak to you this morning on behalf of United Community Services of Johnson County (UCS). UCS is United Way's planning partner in Johnson County and monitors the Kansas Legislature for the United Way Association of Kansas.

UCS's number one priority for the 1998 legislative session is the creation of a state earned income tax credit. Kansas is one of 24 states with a state income tax that taxes families living below the federal poverty level. A state earned income tax credit is a pro-family policy that reduces the tax burden for a significant number of young Kansas families with children.

The reasons to support the credit are many. A state earned income tax credit is an efficient way to keep the tax code from taxing families deeper into poverty. It is also a targeted way to offset other state and local taxes, such as the sales tax on food. UCS chose to support an earned income tax credit because it can provide tax relief to working low- and moderate-income families without creating large revenue losses that must be made up in other parts of the tax system. Secondly, most of the tax cuts granted in the last several years have not been targeted toward the working poor, but rather towards property owners and those of a more affluent status. Finally, for a relatively modest amount of money, this policy can take place.

UCS believes one of the most attractive reasons to support a state earned income tax credit is because it is a proven tool to reduce welfare dependency. Last month, UCS released a report on the impact of welfare reform in Johnson County. The trends

House Taxation
1-29-98
Attachment 3-1

United Way's Planning Partner in Johnson County ▪ Funded by Heart of America Unite

United Way

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observed hold implications for welfare reform statewide. Caseloads for cash assistance are dropping in record numbers across the state. UCS found that in Johnson County, the number of children and their families receiving cash assistance dropped in half from 1996 to 1997. Statewide, the number of Kansans receiving cash assistance dropped by a third during the same time period. Clearly, increasing numbers of poor families across Kansas are depending upon earned income to cover basic living expenses.

The UCS welfare reform report also found that former welfare participants most often receive wages that leave them in poverty. In 1997, a two-parent family with two children and one wage earner making $7.75 per hour would still live below the federal poverty level ($16,050 for a family of four). S.R.S. documents that the average hourly wage of former cash assistance recipients in Johnson County is $6.33 per hour for full-time work and $5.75 for part-time work. The earned income tax credit is a policy option that helps to ensure that families succeed at work, not cycle back on public assistance. For families leaving welfare for work at earnings below the poverty level, it is critical that the earned income tax credit be refundable.

It is equally important to note that this policy would help thousands of working families who do not live below the poverty level. Kansas had between 40,000 and 50,000 families with children living below the poverty line during the 1990's. In 1996, 151,000 Kansas families and individuals claimed an average federal EITC of $1,245. Clearly, the federal EITC is well-used by thousands of Kansas families with both poverty- to moderate-level incomes. The federal EITC is phased-in for low-wage or part-time working families, serving as an incentive to expand work. It is phased-out as family income increases. In 1997, the federal EITC phases-out for one child families at $25,760 and at $29,290 for families with two or more children.

Before closing, I would like to comment briefly on the Governor's proposal to expand the existing Kansas rebate for sales tax on food. The existing policy has been little used, primarily because it is invisible and unknown to the people who might benefit. If outreach for the food sales tax rebate was tied to outreach for a state earned income tax credit, you could be assured that many thousands of the families which should be able to benefit from this policy would at least know that it existed. The earned income tax credit would provide an inexpensive, customer-friendly way to do outreach on the food sales tax rebate.

In closing, thank you for your time this morning. At UCS, we realize that you are faced during this Session with many competing tax cuts. We hope you will give the earned income tax credit the attention that it deserves, as a very effective tool to target tax relief to a group of Kansans who need our help. If you have questions or would like additional information about anything in this testimony, we welcome the opportunity for continued dialogue.

###

1998 Kansas Legislature
COMPARISONS OF TAX REDUCTION PROPOSALS:
IMPACT ON THE WORKING POOR

	Current Law *	Governor Graves' Plan**	Senate Bill 500**
Single Parent with One Child - *Living at 100% of Federal Poverty Level* $11,440 Annual Income ($5.50 Hourly Wages)	KS Income Tax Owed = $125 TAX OWED = $125	KS Income Tax Owed = $85 Minus State Earned Income Tax Credit CREDIT = $ 136	KS Income Tax Owed = $ 82 TAX OWED = $ 82
Single Parent with Two Children - *Living at 100% of Federal Poverty Level* $13,500 Annual Income ($6.50 Hourly Wages)	KS Income Tax Owed = $128 TAX OWED = $128	KS Income Tax Owed = $85 Minus State Earned Income Tax Credit CREDIT = $264	KS Income Tax Owed = $72 TAX OWED = $72
Married Couple with Two Children - *Living at 100% of Federal Poverty Level* $16,120 Annual Income ($7.75 Hourly Wages)	KS Income Tax Owed = $109 TAX OWED = $109	KS Income Tax Owed = $74 Minus State Earned Income Tax Credit CREDIT = $187	KS Income Tax Owed = $60 TAX OWED = $60

* Based on 1997 Kansas tax code.

** Based on proposals for 1998 tax year.

United Community Services of Johnson County - ***January 1998***

PRESENTATION TO THE

HOUSE TAXATION COMMITTEE

JANUARY 29, 1998

KANSANS RESPOND

MARY BECKER
DIRECTOR

P. O. BOX 2234
TOPEKA, KS 66601
785-232-8663

IN SUPPORT OF A STATE EARNED INCOME TAX CREDIT

My name is Mary Becker. I am the director of Kansans Respond, an organization that is reaching out to low income people and their allies across the state to involve them in the decisions that are being made as the state redesigns its welfare policies. Before starting Kansans Respond, I was the coordinator of a program here in Topeka called Mother to Mother. In that position I worked intimately with low income families. I came to see the realities and effects of poverty on families and I became involved in advocacy.

Federal welfare legislation enacted in 1996 and recent state welfare reform efforts have focused on encouraging parents to make the transition from welfare to work. The success of these efforts depends on the ability of parents to support their families through work. Yet figures show that 78% of the poor children in Kansas in the mid-90's lived in households where at least one parent worked. The average length of time that parent worked was ten months of the year. That is a substantial work effort on the part of the majority of poor families. During the same time period, there were approximately 139,000 families with children in our state who were living at or near poverty. This represents roughly one third of all families with children in the state. 89% of these poor and near-poor families were working families. Projected employment trends show that job growth in the near future will be concentrated in low-paying industries, which will add to the difficulty in helping families find work that can support a family. Welfare changes have undoubtedly swelled the ranks of the working poor since most recipients who find work remain poor.

At one time, a job was the solution for poverty in the U. S. What has happened to create this disturbing problem of poverty among working people?

Falling Wages

Since 1973, wages for young parents (under the age of 30) have fallen by 32%, when adjusted for inflation. High paying manufacturing jobs have moved to foreign countries, leaving retail and service jobs to fill the void. These two industries, service and retail, are the fastest growing industries in Kansas and they provide the lowest average pay. Minimum wage has been allowed to stagnate and does not have the value today it did during the 1960's.

Loss of Full Time Jobs

There has been a trend in recent years for employers to restructure full time jobs to part time jobs.

Loss of Health Care Coverage

As costs of health care have risen, employers have eliminated it as a benefit for employees. In Kansas, we are at an eight year low in employment based health coverage. What this means is that low wage workers cannot afford the high cost of health care and they cannot afford the insurance premiums that would pay for the health care.

Together, these economic and employment trends have, over the last twenty to thirty years, combined to create a crisis for large numbers of families in the state, especially those families headed by parents with limited education and job skills. And despite the current economic prosperity, the situation is not getting any better for them. In fact, it is getting worse.

The October 26th edition of the Kansas City Star carried an article entitled, U.S. prosperity hasn't spread to everyone. "...the United States, which wrote the idea of equality into its Declaration of Independence, is now by far the most unequal society in the industrialized world." The article goes on to say that the median household income actually fell last year in the Midwest. Yet this is "the longest recovery in the nation's postwar history, a mammoth boom that has sent stock prices, corporate profits and executive pay through the roof. Real wealth is being created, but, six years into the boom, the median worker is still 5 percent worse off than when it began. That wealth, like grease, is rising to the top." The most recent Census figures show that the rich are, indeed, still getting richer, the poor are getting poorer, and the middle class is shrinking. This phenomenon is simply not occurring anywhere else in the world. "In other countries, minimum-wage laws, more social protection and still-vigorous trade unions have blunted" the impact of globalization.

An article in the Topeka Capitol-Journal on January 5th of this year carried the headline, *Hunger in America is on the rise, charities say.* "Evidence is mounting of a large increase in the number of people who can't get enough to eat without help. The U.S. Conference of Mayors released a survey last month that reported average 1997 increases of 16 percent in request for emergency food."

Many families in our state are poor, even though they are working at the best jobs they can find. They are being disadvantaged by national and global trends they have no control over. They simply cannot support their families adequately on what they are able to earn. They need whatever help the state can give them in reducing their taxes and increasing their economic security. I ask you to implement a state earned income tax credit.

Kansas Catholic Conference

6301 ANTIOCH • MERRIAM, KANSAS 66202 • 913-722-6633

TESTIMONY FOR HOUSE TAXATION COMMITTEE

JANUARY 29, 1998
Sister Therese Bangert
Kansas Catholic Conference

Kansas Catholic Conference is the voice of the four Roman Catholic Bishops of the state of Kansas. Because of the concerns that they have heard from the directors of Catholic Charities across the state of Kansas, they are asking you to pass legislation that will enact a state Earned Income Tax Credit. This is part of their legislative agenda for 1998 as outlined in their brochure and I am privileged to speak for them today.

Kansas has the distinct luxury of having an abundance of revenue. You will make decisions on tax reductions this legislative session. Should not low-income working families share in the abundance?

- **FAIRNESS:** low-income working families should receive a part of the tax relief that is being debated in this legislative body
- **WELFARE REFORM:** Parents, rightfully, are being asked to work to support their families. However, four out of five children who live in poverty in this state are in households where the main income is from work. The State Earned Income Tax Credit is a way to add to their low incomes and enable families to take care of the extras involved in car repair, car insurance, utility costs, medical bills, etc.

House Taxation
1-29-98
Attachment 5-1

- **MONEY PUT BACK IN KANSAS ECONOMY:** Money received in this credit will be spent on necessities and thus it will be put back into the Kansas economy.
- **EFFICIENT:** Governor Graves speaks of looking for efficiency in government. If this tax credit is set up according to 10% of the Federal Earned Income Tax credit, it will easier to administrate for our state.
- **FOOD SALES TAX REBATE:** The proposed expanded food sales tax rebate tied in with the application for the state EITC would be another efficient way to support low-income working families.
- **STANDARD OF NEED:** The standard of needs study that SRS asked K-State to do in 1995 concluded that a household of one adult and two children should have $1,173 a month of take home pay which would provide an "adequate but austere" meeting of basic needs.
- **MINIMUM WAGE:** A full time minimum wage job with standard deductions provides around $750 a month take home pay. A parent of two children, by the K-State standard, does not have enough income to meet basic needs. A State EITC would help fill in some of this gap.

The Kansas Catholic Conference urges you to pass the State Earned Income Tax Credit as proposed by the Governor for the tax relief of working families in Kansas.

MS NANCY SHOCKEY
512 S. Central
Olathe, KS 66061

TESTIMONY
House Taxation Committee
January 29, 1998

Good Morning. My name is Nancy Shockey. I am here to testify that a state earned income tax credit is good idea for families like mine. The federal earned income tax credit currently provides important income for my family. But first, let me tell you a little about my family.

I am a single, divorced mother with three children, ages Sixteen, Thirteen, and Ten. I work full-time for USD #231 / Gardner-Edgerton Schools. As of this month, I have been working there for 3 3/4 years as a Night Custodian. At present, my hourly wage is $7.50 per hour. This is only $1.25 per hour more than when I was hired in May of 1994. My family makeup is one person less since divorcing my husband in November 1996, however, I have been the only wage earning support of my family since 1992.

My family has had a difficult time with issues that normally follow a divorce. My children receive no Child Support from their father and, due to an abusive relationship with my children's father, we have had to move out of the Section 8 Housing Complex we were living in as my children's father is living in that same complex. Rent in our Section 8 Housing was $ 340 per month. The home we rent now is not subsidized and our rent is $ 425 per month.

From time to time in the past years, we have had to rely on food pantries and charities to make ends meet. Lately, I am having to ask for help with food, with clothing, with fuel costs, and with utilities on a monthly basis. We receive Food Stamps based on the income I receive per month so the amount fluctuates monthly. We currently have no Child Care expenses but that situation changes in the summer.

The federal earned income tax credit makes an important contribution to my family's income. In 1996, we received over two thousand dollars from the federal earned income tax credit. We were able to make some car repairs, pay utility bills, and purchase some clothes and shoes. These are expenses we normally have to keep putting off until they affect us so adversely they can no longer be put off.

Governor Graves proposal is for a ten percent Kansas earned income tax credit. Ten percent of my 1997 federal earned income tax credit would be ninety-eight dollars. With this credit my family might have one of these options:

- Make a payment on a winter utility bill.
- Pay for one child to go to Summer School (1997 expense: $ 90.00)
- Make a payment on a K. U. Medical Center bill.
- Buy shoes for everyone in the family.
- Partially pay for car tires and a wheel alignment we desperately need for safety.

The ability to pay some of these expenses would be, for my family, a very tremendous help.

In closing, I ask that you remember families like mine in your decisions. I work very hard to take care of my children to ensure that they become self-sufficient. The Governor's plan for a state earned income tax credit would be dignified help for families like mine. Please consider giving your support for a state earned income tax credit.

Robyn Locke
1027 S. Payne
Olathe, Kansas 66061

TESTIMONY
House Taxation Committee
January 29, 1998

My name is Robyn Locke. I would like to offer this written testimony in support of Governor Grave's proposal to create a state earned income tax credit. I am unable to attend the meeting today because of my job. My family benefits from the federal earned income tax credit. Kansas could help many families if a state earned income tax credit became available.

Just a little about my family. I am a single mother of three children, ages 10, nine and five. I work part-time (30 hours a week) and try to be home when the children are out of school. I have one child in day care. I make $962.40 per month.

My family benefits from the federal earned income tax credit. In 1997, we received $2,990 from the federal earned income tax credit. I was able to put a down payment on a more reliable care. Without this car, it would have been difficult to make it to work every day. I was also able to put some into savings. We are hoping to move into a three bedroom duplex and a Kansas earned income tax credit would help make that more possible.

In closing, I just ask that Kansas not forget the families like mine who are struggling to keep caught up and out of the Welfare system. That was a goal of mine that I was able to meet just six months ago. The Governor's plan for a state earned income tax credit would be a big help to my family and other like mine. I ask you for your support for a state earned income tax credit.

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LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

835 SW Topeka Blvd. Topeka, KS 66612-1671 (785) 357-6321 FAX (785) 357-4732 e-mail: kcci@kspress.com

HB 2708 January 29, 1998

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

House Taxation Committee

by
Bob Corkins
Director of Taxation

Honorable Chair and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry, and I am pleased to have this opportunity to express our members' views regarding the subject of state income tax reform.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 46% of KCCI's members having less than 25 employees, and 77% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

We encourage the legislature to consider alternatives to the idea of boosting personal exemption levels and/or the standard deduction. Our research indicates that although Kansas' scope of these tax "offsets" is significantly lower than those allowed for federal income tax, Kansas is quite competitive -- if not generous -- in the size of standard deduction and personal exemptions which it currently provides. In fact, the attached list compiled by the Federation of Tax Administrators identifies only 14 states which extend larger personal exemptions (or relevant tax credits as the case may be) than does Kansas.

You will also see attached my regional comparison of these income tax features. The last two columns in each of the three income examples again illustrates the very competitive posture that Kansas has taken with its tax offsets. I have had two certified public accountants independently review this data to verify its accuracy.

KCCI suggests two other options for reforming the state income tax. One would be to simply cut the rates. Providing the same aggregate level of income tax relief as that proposed by HB 2708, the rates for each current income bracket could be lowered to provide roughly a three percent reduction for each tax filer. This is just a crude estimate, but one upon which I am certain the Revenue Department can elaborate.

The second option would be for Kansas to return to its practice of allowing a deduction for federal taxes paid. It is a common provision in other states and it would eliminate the inequitable impact of charging taxes on your taxes. While allowing the deduction of 100% of federal taxes is not a realistic option for Kansas right now (perhaps over $400 million fiscal note), we could implement it (as does Missouri) with restrictions: you could deduct a specified percentage of your federal taxes with the maximum deduction set at a given dollar amount.

Of course, I would be remiss if I didn't note that HB 2708 does nothing to relieve the excessive burden of this state's corporate income taxes. KCCI continues to support a reduction in Kansas' corporate income tax rates and changes to our apportionment formula that would stimulate corporate and industrial growth here.

We hope that you'll take this information and the KCCI recommendations into account as the legislature continues to debate income tax reform this year. Thank you for your time and consideration.

8-2

STATE INDIVIDUAL INCOME TAXES

(Tax rates for tax year 1997 -- as of January 1, 1997)

	TAX RATE RANGE (in percents) Low	High	Number of Brackets	INCOME BRACKETS Lowest	Highest	PERSONAL EXEMPTIONS Single	Married	Dependents	FEDERAL INCOME TAX DEDUCTIBLE
ALABAMA	2.0 -	5.0	3	500 (b) -	3,000 (b)	1,500	3,000	300	*
ALASKA	No State Income Tax								
ARIZONA	3.0 -	5.6	5	10,000 (b) -	150,000 (b)	2,100	4,200	2,300	
ARKANSAS	1.0 -	7.0 (e)	6	2,999 -	25,000	20 (c)	40 (c)	20 (c)	
CALIFORNIA (a)	1.0 -	9.3	6	4,908 (b) -	223,390 (b)	67 (c)	134 (c)	37 (c)	
COLORADO	5.0		1	----Flat rate----		----------None----------			
CONNECTICUT	3.0 -	4.5	2	2,250 (b) -	2,250 (b)	12,000 (f)	24,000 (f)	0	
DELAWARE	0.0 -	6.9	7	4,500 -	30,000	100 (c)	200 (c)	100 (c)	
FLORIDA	No State Income Tax								
GEORGIA	1.0 -	6.0	6	750 (g) -	7,000 (g)	1,500	3,000	1,500	
HAWAII	2.0 -	10.0	8	1,500 (b) -	20,500 (b)	1,040	2,080	1,040	
IDAHO	2.0 -	8.2	8	1,000 (g) -	20,000 (g)	2,650 (d)	5,300 (d)	2,650 (d)	
ILLINOIS	3.0		1	----Flat rate----		1,000	2,000	1,000	
INDIANA	3.4		1	----Flat rate----		1,000	2,000	1,000	
IOWA (a)	0.4 -	9.98	9	1,112 -	50,040	20 (c)	40 (c)	40 (c)	*
KANSAS	4.4 -	7.75	3	20,000 (i) -	30,000 (i)	2,000	4,000	2,000	
KENTUCKY	2.0 -	6.0	5	3,000 -	8,000	20 (c)	40 (c)	20 (c)	
LOUISIANA	2.0 -	6.0	3	10,000 (b) -	50,000 (b)	4,500 (j)	9,000 (j)	1,000 (j)	*
MAINE (a)	2.0 -	8.5	4	4,150 (b) -	16,500 (b)	2,100	4,200	2,100	
MARYLAND	2.0 -	5.0	4	1,000 -	3,000	1,200	2,400	1,200	
MASSACHUSETTS	5.95 (k)		1	----Flat rate----		2,200	4,400	1,000	
MICHIGAN (a)	4.4		1	----Flat rate----		2,500	5,000	2,500	
MINNESOTA (a)	6.0 -	8.5	3	16,510 (l) -	54,250 (l)	2,650 (d)	5,300 (d)	2,650 (d)	
MISSISSIPPI	3.0 -	5.0	3	5,000 -	10,000	6,000	9,500	1,500	
MISSOURI	1.5 -	6.0	10	1,000 -	9,000	1,200	2,400	400	* (m)
MONTANA (a)	2.0 -	11.0	10	1,900 -	66,399	1,520	3,040	1,520	*
NEBRASKA (a)	2.62 -	6.99	4	2,400 (n) -	26,500 (n)	69 (c)	138 (c)	69 (c)	
NEVADA	No State Income Tax								
NEW HAMPSHIRE	State Income Tax is Limited to Dividends and Interest Income Only								
NEW JERSEY	1.4 -	6.37	6	20,000 (o) -	75,000 (o)	1,000	2,000	1,500	
NEW MEXICO	1.7 -	8.5	7	5,500 (p) -	65,000 (p)	2,650 (d)	5,300 (d)	2,650 (d)	
NEW YORK	4.0 -	6.85	4	8,000 (b) -	20,000 (b)	0	0	1,000	
NORTH CAROLINA	6.0 -	7.75	3	12,750 (q) -	60,000 (q)	2,500 (d)	5,000 (d)	2,500 (d)	
NORTH DAKOTA	2.67 -	12.0 (r)	8	3,000 -	50,000	2,651 (d)	5,301 (d)	2,651 (d)	* (s)
OHIO (y)	0.693 -	7.004	9	5,000 -	200,000	850 (s)	1,700 (s)	850 (s)	
OKLAHOMA	0.5 -	7.0 (t)	8	1,000 -	10,000	1,000	2,000	1,000	* (t)
OREGON (a)	5.0 -	9.0	3	2,200 (b) -	5,550 (b)	124 (c)	248 (c)	124 (c)	* (u)
PENNSYLVANIA	2.8		1	----Flat rate----		----------None----------			
RHODE ISLAND	27.5% Federal tax liability				---	---	---	---	
SOUTH CAROLINA (a)	2.5 -	7.0	6	2,280 -	11,400	2,650 (d)	5,300 (d)	2,650 (d)	
SOUTH DAKOTA	No State Income Tax								
TENNESSEE	State Income Tax is Limited to Dividends and Interest Income Only								
TEXAS	No State Income Tax								
UTAH	2.3 -	7.0	6	750 (b) -	3,750 (b)	1,988 (d)	3,975 (d)	1,988 (d)	* (v)
VERMONT	25% Federal tax liability (w)				---	---	---	---	
VIRGINIA	2.0 -	5.75	4	3,000 -	17,000	800	1,600	800	
WASHINGTON	No State Income Tax								
WEST VIRGINIA	3.0 -	6.5	5	10,000 (b) -	60,000 (b)	2,000	4,000	2,000	
WISCONSIN	4.9 -	6.93 (x)	3	7,500 -	15,000	0	0	50 (c)	
WYOMING	No State Income Tax								
DIST. OF COLUMBIA	6.0 -	9.5	3	10,000 -	20,000	1,370	2,740	1,370	

8-3

STATE INDIVIDUAL INCOME TAXES (footnotes)

Source: The Federation of Tax Administrators from various sources

(a) Seven states have statutory provision for automatic adjustment of tax brackets, personal exemption or standard deductions to the rate of inflation. Nebraska indexes the personal exemption amounts only.

(b) For joint returns, the tax is twice the tax imposed on half the income.

(c) tax credits.

(d) These states allow personal exemption or standard deductions as provided in the IRC. Utah allows a personal exemption equal to three-fourths the federal exemptions. Amounts reported include the 1996 index adjustment.

(e) A special tax table is available for low income taxpayers reducing their tax payments.

(f) Combined personal exemptions and standard deduction. An additional tax credit is allowed ranging from 75% to 0% based on state adjusted gross income. Exemption amounts are phased out for higher income taxpayers until they are eliminated for households earning over $71,000. For tax years beginning after 1996, the tax bracket amount increases to $4,500.

(g) The tax brackets reported are for single individuals and married households filing jointly. For married households filing separately, the same rates apply to income brackets ranging from $500 to $5,000.

(h) For joint returns, the tax is twice the tax imposed on half the income. A $10 filing fee is charge for each return and a $15 credit is allowed for each exemption.

(i) The tax brackets reported are for single individual and married households filing separately. For married household filing jointly, the rates range from 3.5% for income under $30,000 to 6.45% for income over $60,000.

(j) Combined personal exemption and standard deduction.

(k) A 12% tax rate applies to interest, dividends and capital gains.

(l) The tax brackets reported are for single individuals. For married taxpayers filing jointly, the same rates apply to income brackets ranging from $24,140 to $95,920. An addition 0.5% tax is applied to certain income levels.

(m) Limited to $10,000 for joint returns and $5,000 for individuals.

(n) The tax brackets reported are for single individual. For married couples, the tax rates range from 2.62% for income under $4,000 to 6.99% over $46,750.

(o) The tax brackets reported are for single individuals. A separate schedule is provided for married households filing jointly which ranges from 1.4% under $20,000 to 6.37% for income over $150,000.

(p) The tax brackets reported are for single individuals. For married individuals filing jointly, the rate ranges from 1.7 under $8,000 to 8.5% over $100,000. Married households filing separately pay the tax imposed on half the income.

(q) The tax brackets reported are for single individuals. For married taxpayers, the same rates apply to income brackets ranging from $21,250 to $100,000. An additional middle income tax credit is allowed.

(r) Taxpayers have the option of paying 14% of the adjusted federal income tax liability, without a deduction of federal taxes. And additional $300 personal exemption is allowed for joint returns or unmarried head of households.

(s) Plus an additional $20 per exemption tax credit.

(t) The rate range reported is for single persons not deducting federal income tax. For married persons filing jointly, the same rates apply to income brackets ranging from $2,000 to $21,000. Separate schedules, with rates ranging from 0.5% to 10%, apply to taxpayers deducting federal income taxes.

(u) Limited to $3,000.

(v) One half of the federal income taxes are deductible.

(w) If Vermont tax liability for any taxable year exceeds the tax liability determinable under federal tax law in effect on December 31, 1994, the taxpayer will be entitled to a credit of 106% of the excess tax.

(x) The tax brackets reported are for single individuals. For married taxpayers, the same rates apply to income brackets ranging from $10,000 to $20,000.

(y) Tax Rates are temporarily adjusted downward for tax years 1996 and 1997 based on the amount of revenue in the general fund. Rates reported are adjusted for 1996. Statutory rates range from 0.743 to 7.5 percent with the same income brackets.

6-8

REGIONAL COMPARISON
OF
STATE PERSONAL INCOME TAX FEATURES

Tax Year 1997 comparison
Married Couple, filing jointly
Two dependent children

	Adjusted Gross Income	Standard Deduction	Personal Exemptions	Taxable Income	Tax	Credit	Actual Liability	Liability w/o Offsets	Liability Savings of Offsets	% Liability Savings
Arkansas	25,000	2,000	[see credit]	23,000	960	80	880	1,080	200	19%
Colorado	25,000	6,900	10,600	7,500	375		375	1,250	875	70%
Iowa	25,000	3,480	[see credit]	21,520	1,154	120	1,034	1,414	380	27%
Kansas	25,000	5,000	8,000	12,000	420		420	875	455	52%
Missouri	25,000	6,900	3,200	14,900	669		669	1,275	606	48%
Nebraska	25,000	6,900	[see credit]	18,100	592	344	248	833	585	70%
Oklahoma	25,000	2,000	4,000	19,000	635		635	1,035	400	39%

	Adjusted Gross Income	Standard Deduction	Personal Exemptions	Taxable Income	Tax	Credit	Actual Liability	Liability w/o Offsets	Liability Savings of Offsets	% Liability Savings
Arkansas	40,000	2,000	[see credit]	38,000	1,990	80	1,910	2,130	220	10%
Colorado	40,000	6,900	10,600	22,500	1,125		1,125	2,000	875	44%
Iowa	40,000	3,480	[see credit]	36,520	2,324	120	2,204	2,630	426	16%
Kansas	40,000	5,000	8,000	27,000	945		945	1,675	730	44%
Missouri	40,000	6,900	3,200	29,900	1,569		1,569	2,175	606	28%
Nebraska	40,000	6,900	[see credit]	33,100	1,163	344	819	1,509	690	46%
Oklahoma	40,000	2,000	4,000	34,000	1,665		1,665	2,085	420	20%

	Adjusted Gross Income	Standard Deduction	Personal Exemptions	Taxable Income	Tax	Credit	Actual Liability	Liability w/o Offsets	Liability Savings of Offsets	% Liability Savings
Arkansas	60,000	2,000	[see credit]	58,000	3,390	80	3,310	3,530	220	6%
Colorado	60,000	6,900	10,600	42,500	2,125		2,125	3,000	875	29%
Iowa	60,000	3,480	[see credit]	56,520	4,160	120	4,040	4,507	467	10%
Kansas	60,000	5,000	8,000	47,000	2,113		2,113	2,925	812	28%
Missouri	60,000	6,900	3,200	49,900	2,769		2,769	3,375	606	18%
Nebraska	60,000	6,900	[see credit]	53,100	1,927	344	1,927	2,732	805	29%
Oklahoma	60,000	2,000	4,000	54,000	3,065		3,065	3,485	420	12%

Applicable Rates & Offsets for 1997

Arkansas $1,080 + 7% of excess over $25,000; Std deduct $1,000/spouse; Tax credit of $40/couple, $20/dependent.

Colorado 5% of Federal taxable income; Std deduct $6,900 (same as fed); Personal exemptions $2,650/person (same as fed).

Iowa $2,042 + 8.8% of excess over $33,320 (9.98% of excess over $50,040); Std deduct $3,480; Tax credit of $40/couple, $40/dependent.

Kansas $1,050 + 6.25% of excess over $30,000 (6.45% of excess over $60,000); Std deduct $5,000; Personal exemptions $4,000/couple, $2,000/dependent.

Missouri $315 + 6% of excess over $9,000; Std deduct $6,900 (same as fed); Personal exemptions $2,400/couple, $400/dependent.

Nebraska $1,008 + 5.01% of excess over $30,000 (6.68% of excess over $46,750); Std deduct $6,900 (same as fed); Tax credit of $172/couple, $86/dependent.

Oklahoma $755 + 7% of excess over $21,000; Std deduct 15% of adjusted gross income, capped at $2,000; Personal exemptions $2,000/couple, $1,000/dependent.

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MEMORIAL COUNTY
HOSPITAL

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YEARS OF EXCELLENCE
NEWMAN MEMORIAL COUNTY HOSPITAL

TO: TAXATION COMMITTEE **JANUARY 26, 1998**

FROM: TERRY R. LAMBERT, CEO
NEWMAN MEMORIAL COUNTY HOSPITAL

This is in support of H.B. 2684 regarding the inclusion of licensed psychologists to the list of approved providers allowed to occupy space in medical office buildings owned by a governmental subset such as a county hospital.

For many years, rentals were limited to M.D.'s or O.D.'s licensed by the Kansas Board of Healing Arts. A recent amendment included Optometrists, Dentists and Podiatrists. In Emporia, we have a need to include licensed psychologists. We are currently working with New Beginnings Healthcare of Topeka (formerly Topeka Psychiatric) to recruit and place a full-time Psychiatrist in Emporia. They would like very much to rent space in our recently built medical office building adjacent to the Hospital. This sounds well and good; however, one of the principal partners in the New Beginnings corporation is a licensed psychologist. As a result, according to our local attorney's interpretation, along with an Attorney General's opinion, we are not allowed to legally rent space to the Corporation. This decision is solely because one of the partners is not an M.D. or D.O.

At this time, New Beginnings rents space from a private company, but they have been given notice to vacate the area due to the company's expansion. We do not want to risk losing the service provided to our Hospital and community by New Beginnings. Also, we do not want to hamper our recruitment efforts.

It is very important for the Hospital to have psychological services nearby. With a Psychiatrist next door in our Medical Office Building, the Hospital could be well-served for inpatient and acute outpatient emergencies.

Access to needed health care would be enhanced by the passage of this bill, not only in Emporia but also throughout the State.