Approved: January 18, 2007
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:40 A.M. on January 16, 2007 in Room 519-S of the Capitol.

All members were present except:
Les Donovan- excused

Committee staff present:
Chris Courtwright, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Jason Thompson, Office of Revisor of Statutes
Judy Swanson, Committee Assistant

Conferees appearing before the committee:
Jonathan Mitchell, City Administrator, City of Ellsworth
Kim Winn, Kansas League of Municipalities
Senator Peggy Palmer
Karl Peterjohn, Kansas Taxpayers Network
Jim Snyder, Silver Haired Legislature

Others attending:
See attached list.

Chairman Allen moved to introduce a bill for a specialty automobile license plate to benefit breast cancer research. Senator Schmidt seconded the motion, and the motion passed.

Chairman Allen moved to introduce an income tax credit bill for individual taxpayers who make donations to fee-funded public school activities and programs. Senator Schmidt seconded the motion, and the motion passed.

SB 34: Additional projects that qualify pursuant to the transportation development district act

Jonathan Mitchell, City Administrator of Ellsworth, addressed the committee as a proponent of the bill. (Attachment 1) He reviewed projects the City of Ellsworth has undertaken in the past few years in order to keep the city growing, even though the population is declining. A new approach is necessary for Ellsworth to enhance its downtown, therefore the city's support of this bill. The bill would clarify Transportation Development Districts (TDD) to include streetscapes and facades, which would enable Ellsworth to make its improvements through a TDD.

Written testimony in favor of **SB 34** was received from Linda Mowery-Denning, Editor-Publisher, Ellsworth County Independent-Reporter. (Attachment 2)

Kimberly Winn, League of Kansas Municipalities, testified in favor of **SB 34**. (Attachment 3) She said the bill simply clarifies the current law to allow this project to go forward.

Written testimony from Matt Shatto, Assistant City Administrator of City of Lenexa, in favor of **SB 34** was received. (Attachment 4)

During Committee discussion, Senator Jordan expressed concern as to "facade" pertaining to new buildings also. Ms. Winn said that was not the intent of the bill, and the bill should be limited to existing buildings. Senator Lee concurred with Senator Jordan, and said she would like the bill to be tied to historical buildings only. Senators Jordan and Lee will work with Staff on clarifying the language in the bill, and will bring it back to the Committee for further discussion.

Mr. Mitchell said the City of Ellsworth is hoping to be listed on the State Register of Historic Districts sometime in February.

Hearing was closed.

SB29: Exclusion of social security benefits from Kansas adjusted gross income for income tax liability purposes

State Senator Peggy Palmer gave the history of why she introduced **SB 29**. (Attachment 5) This legislation exempting Social Security benefits from state income tax will provide consistency and equity, and will provide equity regarding Kansas policy for retirement benefits. It is a positive growth policy. House Research from Minnesota House of Representatives was attached to Senator Palmer's testimony. Missouri has a similar bill this session for the same exemption. Census shows that in the year 2030, one in every five citizens in the State of Kansas will be over the age of 65.

Karl Peterjohn, Kansas Taxpayers Network, testified **SB 29** would correct a significant flaw in Kansas personal income tax laws. (Attachment 6) He said Oklahoma will be reducing its rate on all income taxes for the third consecutive year. He felt this tax cut is needed for equity reasons.

Jim Snyder, Silver Haired Legislature, testified in favor of **SB 29**. (Attachment 7) He gave personal examples about his tax experience and how this bill would benefit retirees in his situation. Social Security recipients might not have any taxes on social security monies upon retirement, but if they have any deferred income, they might get hit later in life.

Written testimony in favor of **SB 29** was received from Citizen Paul Fleenor. (Attachment 8)

The AARP Policy Statement was received stating it had no position on this legislation. (Attachment 9)

A memo from Chris Courtwright, Legislative Research, to Senator Lee was discussed. (Attachment 10) Not all states treat social security income the same, so it is difficult to make comparisons. If SB 29 were enacted, it would affect approximately 115,000 Kansans, for an average of $164 tax cut per return.

Being no further business the meeting adjourned at 11:40 a.m. The next meeting will be held on January 17.

SENATE
ASSESSMENT & TAXATION COMMITTEE

GUEST LIST

DATE: 01-16-07

NAME	REPRESENTING
Kim Winn	LKM
Jonathan Mitchell	City of Ellsworth
David R. Corbin	KDOR
BRANDON BOHNING	(DAMRON)
Matt Bryant	Dick Carter
Derek Hein	Hein Law Firm
Ted Worner	Huffles Govt Consulting
Mark Tallman	KASB
ROBYN HORTON	KS MOTOR CARRIERS ASSOC.
Rachael Logan	Topeka Capital-Journal
ALAN COBB	Americans for Prosperity
Karl Peterjohn	KS Taxpayers Network
Bill Brady	Capitol Strategies
BRAD HARRELSON	KFB
MIKE REECHT	GACHES BRADEN
April Holman	Kansas Action for Children
Whitney Damron	KS Gas Service

City of Ellsworth

Ellsworth, Kansas

CITY HALL – 121 WEST 1ST STREET
P.O. BOX 163 – 67439
(785) 472 – 5566
(785) 472 – 4145 Fax

January 16, 2007

Dear Madame Chairwoman and Members of the Assessment and Taxation Committee:

First of all, I would like to thank you for allowing me the opportunity to testify in support of Senate Bill 34. The proposed legislation would enable Ellsworth to address a problem many rural communities face.

Ellsworth, like many rural communities across the state and country, is battling a problem of population decline. Census estimates have placed Ellsworth's population growth from 2000 to 2005 at negative 78 or negative 2.6 percent. This is a disheartening number and a significant reason why it is essential for Ellsworth to be progressive in its development. In the past ten years our community has done a great deal of things that few people would associate with a small community. In 1999, we opened a new rural health center that draws in people from all over our region. In 1998, we renovated our municipal pool to include a water slide, mushroom fountain and aesthetic improvements. Since 2001, we have built a new water treatment plant, fire station, street shop, airport terminal building and golf course clubhouse. We have offered aggressive incentives to attract businesses and have even offered free land to entice families to relocate to our county. All of these efforts and ideas have helped us retain a fairly steady level of population but as a community we realize we must do more.

Recently, Ellsworth led the charge to enhance our county's economic development efforts. Over the past several years, a half-time contract director was responsible for oversight of the county's economic development and free land program. In December of 2006, Ellsworth worked with all of the municipalities within Ellsworth County to create a new structure that would allow for the creation and financing of a full-time economic development director. The Ellsworth community has a lot to gain from reaching out to others within our region. Thinking outside the box has greatly benefited Ellsworth.

Thinking outside the box in early 2006 allowed Ellsworth to become the smallest community in the state to utilize a Transportation Development District (TDD). By utilizing an increment of excise tax from 12 businesses, Ellsworth was able to finance a $1.2 million road project that would not have otherwise been possible. While most TDDs have been used to fund a parking area or access road for a big box store, we used it to rebuild two roads, improve drainage and lighting for a business district that could not afford assessments. Transportation Development Districts provide a valuable avenue for financing projects within commercial districts. While many communities would simply raise the mill levy or asses the project to the business owners, this is not an option in Ellsworth. Our mill levy for the city alone is more than 73 mills and many of the businesses are struggling to make ends meet.

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In September 2006, Ellsworth was host to more than 6,000 people that witnessed a herd of longhorns making their way through downtown Ellsworth. As the crowd, that more than doubled Ellsworth's population, watched the cattle and drovers make their way through the downtown corridor they probably did not see the vibrant and prosperous community we have come to know. Many of them probably did not realize that they were walking the same streets that were once full of prominent individuals like Bat Masterson, Wyatt Earp and Buffalo Bill Cody. While many communities have run from their pasts, Ellsworth has clearly embraced it. In fact, Ellsworth has tried to build on it. In the past three years, the community has received Historic Preservation Funds from the Kansas State Historical Society, completed a historical reconnaissance survey, submitted a state and federal nomination for historic register placement, received two grants from FHL Bank of Topeka for historic preservation and downtown master plan documents, and has submitted applications for Heritage Trust Funds from the Kansas State Historical Society. The National Drovers Hall of Fame has also been working to make downtown improvements and has raised thousands of dollars in an effort to preserve and restore Ellsworth's signature Insurance Building. In the next several months, a local dentist will spend several hundred thousand dollars to restore two buildings to their historic splendor. The businessman will relocate his office to the restored buildings and will give his building to the Arts Council for their gallery and exhibit space. These improvements, as well as anticipated improvements to the signature Insurance Building, will only increase the urgency of the need for consistency in our downtown. As a master plan is being completed for our downtown, it is going to become increasingly clear that our downtown needs to improve. Inconsistent facades and structural shortcomings are abundant within our downtown and few merchants have the wherewithal of the aforementioned dentist. A new approach is necessary for our community to enhance its downtown. That is why we support Senate Bill 34.

By utilizing a financing mechanism like the Transportation Development District, it may be feasible for our downtown to improve its façades and create some uniformity in the district. Preliminary discussions and research have led us to believe that if legislation were passed to allow façade or streetscape improvements as part of a TDD, we could make our downtown reflect the prosperity of our community. By granting all of the businesses with the opportunity to create such a district we feel that the master plan vision could become a reality. Sales tax contributing entities would be able to contribute through the new increment of sales tax and non-sales tax contributors can contribute through a payment in lieu of taxes (PILOT) agreement. Concerns about public dollars going to private improvements would be addressed through the creation of façade easements. With façade easements, property owners within the benefit district would essentially deed their façade to the City of Ellsworth until the district financing was retired. Under current statutory requirements, this period of debt-service is limited to 22 years and 100 percent of property owners must consent to the district creation. We feel like this is very feasible. While it will take a lot of work to get 83 property owners to sign façade easements and voluntarily assume an incremental increase in sales tax, preliminary discussions with members of this district have increased our confidence that it's attainable.

About six months ago, we talked with two attorneys about using a TDD to assist with improvements for the downtown. One attorney suggested that we go ahead with the

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improvements but the other had concerns about us proceeding with the project definition as it is written. So, after some discussion with community leaders, legislators and others around the state, we worked with Senator Emler to draft Senate Bill 34. This bill, if passed, will provide clarification regarding the TDD and may help us to make improvements necessary for our survival.

In closing, I would like to thank you again for the opportunity to voice my support for Senate Bill 34 and solicit your assistance in allowing a small Kansas community to be innovative and enduring.

Sincerely,

Jonathan Mitchell
City Administrator
City of Ellsworth

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ELLSWORTH COUNTY
INDEPENDENT/REPORTER

Jan. 15, 2007

Chairwoman Allen and members of the Senate Taxation Committee:

Thank you for giving me the opportunity to voice my support for this legislation, which would amend the state's Transportation Development District act to include "streetscapes and facades."

Over the years, as publisher of the Ellsworth County Independent-Reporter, I have written many times about the benefits Ellsworth has as a community. With the Ellsworth Correctional Facility, Cashco and other businesses, we have a solid employment base. In addition, we have recreational and health care facilities other rural communities our size can only dream about. Our golf course was built using a course from Scotland as a model. Our rural health center is relatively new, opening in 1999. Both attract business from beyond our county.

Obviously, all of these things are huge benefits to Ellsworth. However, if you were to drive through our downtown, it's doubtful you would think of Ellsworth as a particularly prosperous community. Many of our storefronts are the product of the urban renewal era of three decades ago, when old was out and metal eggshell fronts were considered chic.

Behind those facades is the history of a town with roots in the Great American West. Thousands of head of cattle passed through Ellsworth on their way to the east. Wild Bill walked our streets, as did other western legends.

Again, that is not something a visitor would know by driving through our downtown.

There are efforts underway to change that. The city has a beautification committee working to improve our town's appearance. In addition, we recently finished a survey we hope will lead to downtown receiving state designation as a historic district.

I serve as a director of the National Drovers Hall of Fame Association, which was organized to raise the money to restore downtown Ellsworth's signature Insurance Building. The building, which has housed banks and other landmark businesses over the years, has fallen into ill repair, yet it remains the most distinctive building on our main street.

Part of the effort to reach our goal of restoration has been the sponsorship of the Great American Cattle Drive. Our first drive in 2006 brought more than 6,000 people to Ellsworth — and Kansas. Included were 17 riders from across the United States who each paid $1,000 to spend three days on the trail drive.

These efforts give us great hope about the future of Ellsworth and its downtown. Unfortunately, we are not entirely free of the economic malady that affects many towns outside of the regional retail centers, in our case Salina.

As part owner of a small rural newspaper, I can tell you it becomes more difficult all the time to maintain a profit. The Indy is housed in downtown Ellsworth, in a historic building that has been restored by the owner, a contractor. Frankly, if the newspaper owned the building, I'm not sure that would have happened.

Other business owners have the same limitations. Building renovation is not necessarily in their budgets.

For that reason, we are asking that the project definition in the state's Transportation Development District act be amended to include "streetscapes and facades." In Ellsworth, we think such a change would help enable us to make improvements to the downtown that might not be happen otherwise.

Again, thank for your time and for allowing me to voice my support for this legislation.

Sincerely

Linda Denning

Linda Mowery-Denning
Editor-Publisher
Ellsworth County Independent-Reporter

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LKM
League of Kansas Municipalities

300 SW 8th ..ue
Topeka, Kansas 66603-3912
Phone: (785) 354-9565
Fax: (785) 354-4186

To: Senate Assessment & Taxation Committee
From: Kimberly Winn, Director of Policy Development & Communications
Date: January 16, 2007
Re: Support for SB 34

On behalf of the 576 member cities of the League of Kansas Municipalities, I am pleased to offer comments today in support of SB 34. The need for this legislation became apparent during discussions with the City of Ellsworth regarding a proposed downtown revitalization effort.

Under the current statutory language, it is unclear whether a "streetscape" or "facade" project would be appropriate as a Transportation Development District project. We believe that the project proposed by the City of Ellsworth is laudable and within the original intent of this legislation. SB 34 simply clarifies the current law to allow this exciting project to go forward.

Many of the cities in central and western Kansas are losing population and retail activity. City leaders are looking for creative and practical solutions to the difficult task of revitalizing the downtowns which are the heart of our Kansas communities. Each community is different and each community must find its own unique solution. SB 34 offers a simple statutory fix so that the City of Ellsworth can set into motion an exciting plan to revitalize their downtown. For this reason, we respectfully request that you report SB 34 favorably for passage.

We thank you in advance for you consideration of this legislation. I would be happy to answer questions at the appropriate time.

Lenexa
K A N S A S

TESTIMONY IN SUPPORT OF SB 34

To: Honorable Barbara Allen, Chair
Members of Senate Assessment and Taxation Committee

From: Matt Shatto, Assistant City Administrator, on behalf of the City of Lenexa Governing Body

Date: January 11, 2007

Subject: SB 34 – Written Only Testimony

Thank you for the opportunity to present testimony regarding SB 34. The City of Lenexa recognizes the importance of this proposed legislation as it will provide further flexibility in the utilization of Transportation Development Districts. Transportation Development Districts currently provide municipalities around the State with a great opportunity for transportation enhancements and aid in efforts for economic development.

The City of Lenexa fully supports SB 34 and any other statewide legislation that would increase the flexibility associated with this economic development tool. Please do not hesitate to contact me should you have any questions or if the City of Lenexa can provide you with additional information.

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State of Kansas

Senate Chamber

PEGGY R. PALMER
Sixteenth District

Date: January 16, 2007

Testimony Supporting Senate Bill No. 29
Exempting Social Security Benefits from State Income Taxation

Chairperson Allen and members of the committee, thank you for your attention to this important issue for Kansas retirees.

I am State Senator Peggy Palmer, representative for the 16th District of Kansas, and I introduced this legislation after researching what other states are doing to help retirees on fixed incomes.

This legislation will change Kansas law to exempt Social Security benefits from Kansas income taxes.

Currently, Kansas is one of only eight states that apply the state income tax to Social Security benefits that are taxable at the federal level. Under current law, up to 85 percent of Social Security benefits are subject to federal and state income tax, depending on the taxpayer's income. Retirees already face federal taxes on their Social Security, and Kansas currently imposes an additional state income tax on those benefits. This tax takes place automatically because Kansas statute requires Social Security benefits to follow the federal tax.

There are only eight states that apply the state income tax to Social Security benefits that are taxable at the federal level. They are Kansas, Minnesota, Missouri, Nebraska, New Mexico, North Dakota, Rhode Island, and Vermont. Note: Missouri has introduced legislation similar to SB 29.

If you would please refer to the attached documents, twenty-seven states with an income tax exempt Social Security benefits from taxation.

There are relevant precedents for excluding retirement benefits from Kansas income tax:

> Currently Kansas exempts retirement income taxes for military, civil service, state and local governments (KPERS), railroad pensions and the TWIA Regents

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retirement plan. Social Security benefits are no different than other retirement exemptions, and Social Security benefits should be treated equally.

This legislation exempting Social Security benefits from state income tax will provide consistency and equity.

Here are some facts to consider that illustrate the need to give Kansas' retired citizens a fair shake:

- Some states tax state government pensions, KANSAS DOES NOT.
- Some states DO NOT tax out-of-state and Roth IRAs. KANSAS DOES.
- Kansas fully taxes private pensions and out-of-state government pensions.
- Gasoline taxes are second highest in the region and 50% higher than Oklahoma and Missouri.
- Kansas property taxes are the second highest in comparison with our neighboring states.
- Kansas ranks 44th with a D+ grade in Friendliness toward Retirees.

It is not a healthy state policy to penalize retirees after they have worked hard all their lives, paid taxes, and contributed to the state economy.

This legislation will provide equity regarding Kansas policy for retirement benefits. It is simple and will provide some tax relief for those on fixed incomes. This will allow seniors to keep more of their own money and help pay for the increasing cost of medicines, gasoline, energy, and property taxes. Seniors have worked hard, raised families, paid taxes, and played by the rules their entire lives. As they enter their golden years, they have earned and deserve this help.

Eliminating the state income tax on Social Security benefits is a positive growth policy and is good public policy for the State of Kansas. This additional income will give retired citizens continued independence, help to cover ever-increasing inflation costs, and allow them to reinvest and continue to give back to the communities in which they are a vital part.

Thank you.

Senator Peggy Palmer
16th District

See Attachment

Taxation of Social Security Benefits

How are Social Security benefits taxed?

Under current law, up to 85 percent of Social Security benefits are subject to federal and state income tax, depending on the taxpayer's income. For taxpayers with provisional incomes less than $25,000 ($32,000 for married joint taxpayers), all Social Security benefits are excluded from taxable income. For provisional incomes between $25,000 and $34,000 ($32,000 and $44,000 for married joint taxpayers), up to 50 percent of Social Security benefits may be subject to tax. For those with provisional incomes over $34,000 ($44,000 for married joint taxpayers), up to 85 percent of Social Security benefits maybe included in taxable income.

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What is provisional income?

In determining the amount of Social Security benefits included in taxable income, the provisional income measure used is adjusted gross income excluding Social Security benefits, plus one-half of Social Security benefits. Tax-exempt interest (e.g., from municipal bonds) is also included in provisional income.

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What is the monthly average benefit for retired workers?

The average monthly benefit for retired workers in 2006 is $1,002, and the average for couples both receiving benefits is $1,648. This works out to $19,776 per year for a retired couple at the average benefit level. For single recipients the average monthly benefit is $967 or $11,604 annually.

The following table shows income levels at which Social Security would be fully exempt, subject to inclusion in taxable income at the 50 percent rate, and subject to inclusion in taxable income at the 85 percent rate for an example couple and single retiree with the average level of benefits. Total income refers to the combination of taxable source income and Social Security.

Taxation of Social Security Benefits, Tax Year 2006		
	Retired married couple	Retired single worker
	Annual Social Security income:	Annual Social Security income:

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	$19,776	$11,604
Social Security exempt	Total income less than $41,888	Total income less than $30,802
Social Security included in taxable income at 50% rate	Total income between $41,888 and $53,888	Total income between $30,802 and $39,802
Social Security included in taxable income at 85% rate	Total income between $53,888 and $66,605	Total income between $39,802 and $46,112
Social Security subject to full 85% inclusion in taxable income	Total income over $66,605	Total income over $46,112

The table shows that a married couple that receives the average Social Security benefit of $19,776 and has total income from all sources of less than $41,888 is not subject to tax on any Social Security benefits, while a couple with average benefits and total income over $66,605 must include 85 percent of the Social Security, or $16,810, in taxable income. Social Security income included in taxable income is taxed at the same rate as other kinds of income---5.35 percent, 7.05 percent, or 7.85 percent, depending on the total amount of taxable income. [More information on income tax brackets]

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How much does it cost the state to forego revenues from taxing Social Security benefits?

Minnesota conforms to federal law in excluding all or part of Social Security benefits from income tax. The Minnesota Department of Revenue's *Tax Expenditure Budget for 2006-2009* shows an estimated cost of $153.5 million in foregone tax revenues in fiscal year 2006 as a result of conforming to federal tax treatment of Social Security benefits.

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What is the tax treatment of Social Security benefits in other states?

- Nine states do not have an income tax or have a tax limited to specific kinds of unearned income.
- Twenty-seven states with an income tax exempt Social Security benefits from taxation.
- Three states exclude a portion of Social Security benefits that are subject to tax at the federal level.
- Three states provide a general retirement income exclusion that may result in the exclusion from taxation of part or all of Social Security benefits.
- One state subjects Social Security benefits to income tax on the same basis as the federal government, but uses a slightly different income measure to determine the amount of benefits subject to tax.
- Eight states apply the state income tax to Social Security benefits that are taxable at the federal level.

Nine states **do not have an income tax** or **have a tax limited to specific kinds of unearned income**. The nine states: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming.

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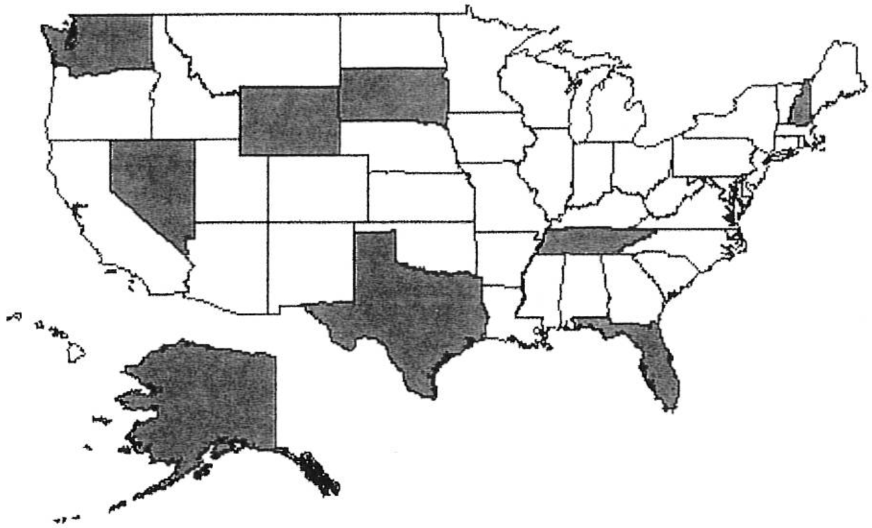
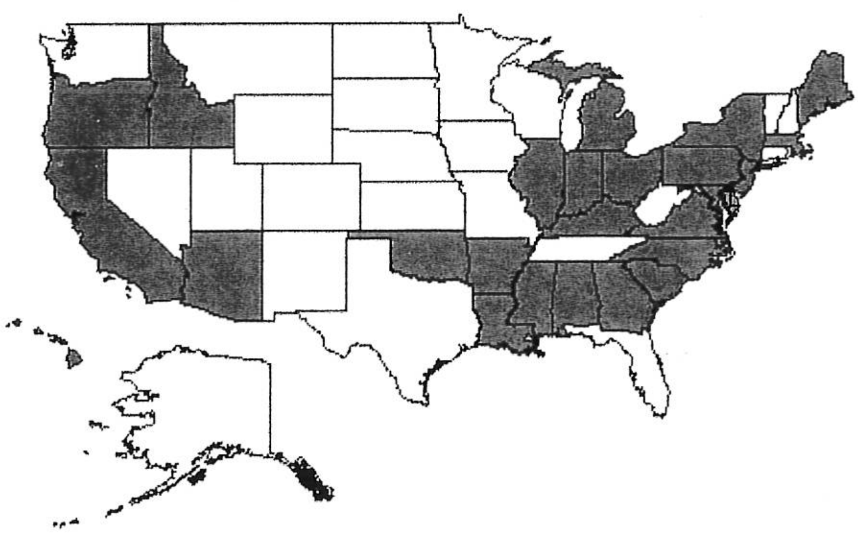


Twenty-seven states with an income tax **exempt Social Security benefits from taxation**. The 27 states: Alabama, Arizona, Arkansas, California, Delaware, District of Columbia, Georgia, Hawaii, Idaho, Illinois, Indiana, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, and Virginia. Wisconsin will also fully exempt Social Security benefits from taxation beginning in tax year 2008.



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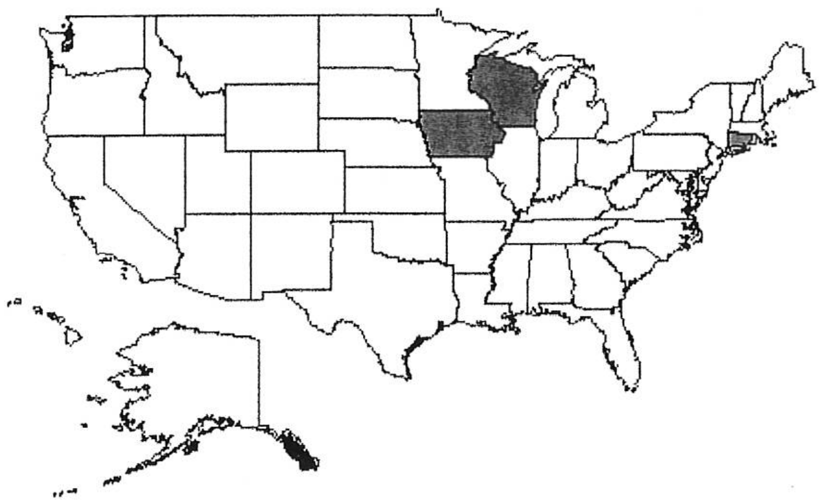
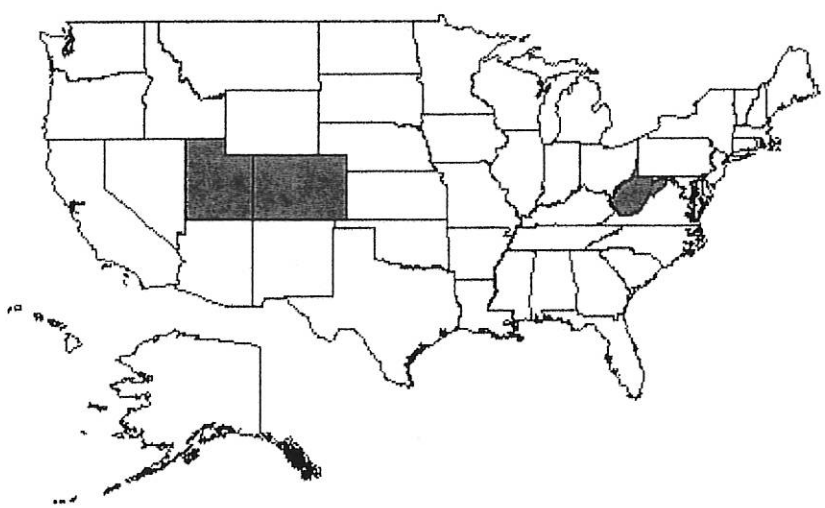
Three states **exclude a portion of Social Security benefits** that are subject to tax at the federal level. The three states: Connecticut, Iowa, and Wisconsin. The amount excluded in Wisconsin will increase in tax year 2007, and in tax year 2008, Wisconsin will fully exempt Social Security benefits from taxation.



Three states **provide a general retirement income exclusion** that may result in the exclusion from taxation of part or all of Social Security benefits. Three states: Colorado, Utah, and West Virginia.



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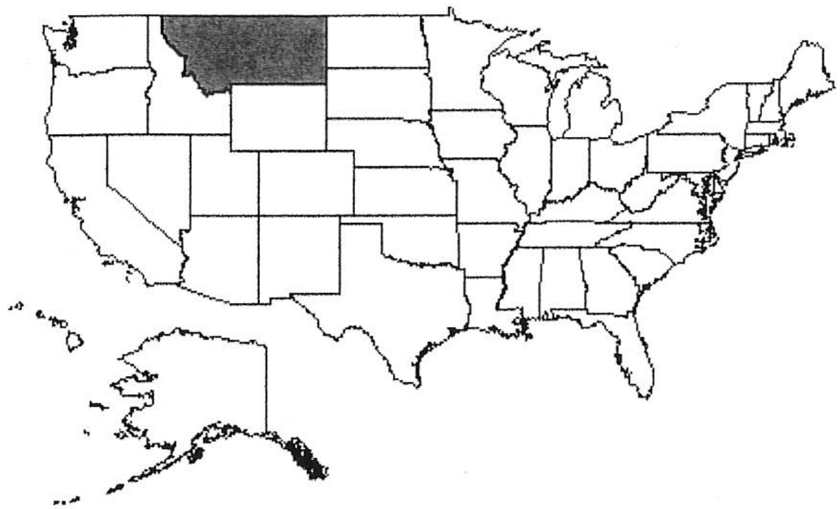
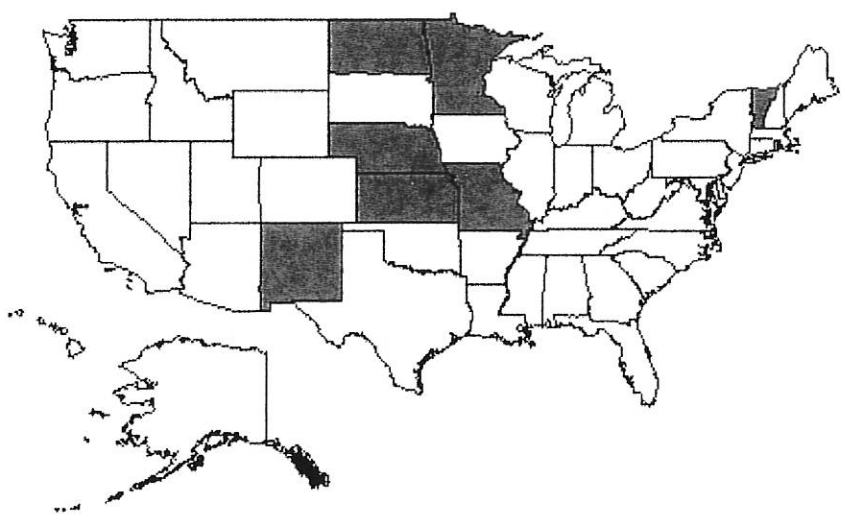
Attachment # 5-6

One state, Montana, **subjects Social Security benefits to income tax** on the same basis as the federal government, but uses a slightly different income measure to determine the amount of benefits subject to tax.



Eight states **apply the state income tax to Social Security benefits** that are taxable at the federal level. The eight states: Kansas, Minnesota, Missouri, Nebraska, New Mexico, North Dakota, Rhode Island, and Vermont.



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KANSAS TAXPAYERS NETWORK
P.O. Box 20050
Wichita, KS 67208
web:www.kansastaxpayers.com
316-684-0082
Fax 316-684-7527
January 16, 2007

Testimony Supporting SB 29

By Karl Peterjohn, Executive Director

SB 29 would correct a significant flaw that has existed for quite a while in Kansas personal income tax laws. Public pensions from the federal and state/local levels are not taxed in our state. Social security payments are taxed as personal income. This is unfair.

This discriminates against folks who spend their careers working in the private sector and do not receive a government pension from the federal government or KPERS. Why should one type of pension receive preferential treatment? I will state this again: this is unfair. SB 29 would correct the social security segment of this problem. SB 29 would also correct some statutory language concerning the state's 529 programs.

There is a long history in the way that Kansas got to the point where both federal and state pensions became excluded from the Kansas personal income tax. This was an extended dispute that ended up in litigation and provided a long legal battle before it was finally resolved. A person with a longer institutional memory is needed to provide this committee with the specific details.

This tax cut is needed for equity reasons. Income taxes are an achievement tax that is placed upon the people in Kansas. That has a marginal tendency to push people with incomes elsewhere. There are nine states that do not tax income. The Census Department's 2005 figures show that these nine states without personal income taxes are enjoying population growth that is more than twice the percentage of the 41 states that do tax incomes. Taxing achievement has a negative demographic impact.

Let me point for a minute to our neighbor to the south. Oklahoma will be reducing their rate on all income taxes again this year. This is the third year that they are doing so and is part of a multi-year effort that will reduce the maximum rate of their state income tax down from 6.65 percent in 2005 that will eventually reduce their maximum rate to 5.25 percent. This bipartisan effort to reduce the maximum rate of their state income tax received support from Oklahoma's Democratic governor and Republic house speaker when the second year of this phase down was enacted last year. A major cause of this Oklahoma tax reduction effort is the economic impact that personal income tax free, and neighboring Texas is having on Oklahoma's economy.

Former Oklahoma Governor Ray Keating had proposed abolishing their state income tax in an effort to become more tax competitive with their larger neighbor to the south. Seniors who are geographically flexible are able to save significantly on their taxes by relocating south of Kansas. SB 29 will not completely correct this problem, but this bill is a good starting point.

SENATE BILL 29
SENATE ASSESSMENT & TAXATION COMMITTEE
JANUARY 16, 2007

Madame Chair, members of the Committee, I am Jim Snyder and I am in favor of passage of Senate Bill 29. It would be easy just to say that anyone who is benefiting from Social Security Payments definitely are in favor of ANYTHING which might preclude these from any type of taxation. But that's really not the whole story.

For instance, I paid into Social Security for 51 years before I drew one penny from it. I worked all that time and even was fortunate enough to pay my bills, pay into Social Security and also build up my IRA and 401K programs as well. So, when I retired in 1999, I had Social Security and a small amount with KPERS (having worked my final 8 years with the State), along with some dividends. So, I had a fair income when I retired....especially since my home was paid for and I had no other long-term debts.

I might add, though, that since then, my property taxes have increased 38 percent, my utilities have gone up somewhat, my Plan 65 medical insurance has increased 50 percent and my Medicare has gone up 35 percent....that's just in 7 years. The only increase I have seen in income between age 65 and age 70 1/2 was about $50 per month from Social Security.

Then, I reached the magical age of 70 1/2. So, suddenly my income increased--because of the mandatory payout--so that now my federal income tax began to require taxation on a portion of my social security benefits....and naturally, this filtered down to the State Income Tax as well.

What this means is, that Social Security recipients might not have any taxes on social security monies upon retirement, but if they have any deferred income, they might get hit later in life. So, if Senate Bill 29 is passed, you will have helped stop at least the State's part of this.

I thank you for your consideration.

KANSAS FACTS

City	Population	% >65 yrs	No. > 65
Dodge City	26,000	10,0%	2,609
Emporia	27,000	11.8%	3,186
Garden City	27,000	8.1%	1,377
Hutchinson	40,000	16.9%	6,736
KC, KS	146,000	11.6%	16,936
Manhattan	45,000	7.8%	3,510
Lawrence	82,000	7.2%	5,904
Leavenworth	35,000	9.7%	3,395
Leawood	28,000	12.6%	3,528
Lenexa	42,000	8.6%	3,612
Olathe	106,000	5.2%	5,512
Overland Park	161,000	16.1%	25,921
Salina	46,000	14.3%	6,578
Shawnee	55,000	8.5%	4,675
Topeka	122,000	15.1%	18,422

KDOA Data: Jan. 15, 2007

Estimated there are 358,171 Kansans aged 65 or older. (KDOA)

2005, Estimated Kansas population total = 2,744,687 (KS Facts)

2005, Estimated Johnson Co. Pop total = 506,562 (KS Facts)

2005, Estimated Sedgwick Co Pop total = 354,617 (KS Facts)

2005, Estimated Shawnee Co Pop total = 172,365 (KS Facts)

2005, Estimated # Households in KS = 1,196,211 (KS Facts)

2005, Estimated Persons below poverty level .. 10.4% (KS Facts)

2005, # persons per household >age 65 .... 2.51

wad/code: Kansas Facts

Tuesday, 16 January 2007

TO: Senator Barbara P. Allen, Chairperson,
Senate Committee on Assessment and Taxation

FROM: Paul E. Fleener, Citizen of Kansas and
Recipient, Social Security Benefits

SUBJ: Senate Bill No. 29

Senator Allen and Members of the Committee:

Thank you for the opportunity to share brief written testimony with you today concerning S.B. 29. I also want to publicly thank Sen. Peggy Palmer, each of the Co-Sponsors and all Members of the Assessment and Taxation Committee for focusing on this important and very timely tax-fairness issue.

My statement is that of a proponent of the legislation.

Kansas is one of only a handful of States that tax Social Security benefits, or some portion thereof. I am confident the Legislative Research Staff, and/or the Department of Revenue will advise - or has already shared with you - the small number of states that still impose this tax. Likewise, they will be able to list those states that exempt from taxation the modest benefits paid by Social Security.

There will be a fiscal note for this bill and it will be a modest amount, just as Social Security benefits are quite modest The important point on which I will conclude is this: **Favorable action on S.B. 29 by your Committee, by the full Senate and by the House of Representatives, will be a clear indication the Kansas Legislature intends to provide appropriate, and in some instances significant relief for many Kansans living on a fixed income.**

Thank you for your favorable consideration of my testimony.

Paul E. Fleener
728 Brierwood Dr.
Manhattan, Kansas 66502
Tel: 785-537-047

Peggy Palmer - FW: Emailing: SB 29

From: "Kutzley, Ernest"
To:
Date: 1/12/2007 2:19 PM
Subject: FW: Emailing: SB 29

Senator Palmer.

First my apologies for not being able to meet with you in person concerning SB29. I am involved in an AARP retreat that has requires my full participation.

I did follow up on your request for support on SB29. I reviewed AARP policies and was able to discuss the bill with our senior legislation representative for policies and taxes to see if we had policy to support your issue. Unfortunately we do not. At one time we did have policy that would have supported this effort however over time that policy has evolved and we no longer have that policy in place. When the policy was developed many years ago, people on SS were disproportionately lower-to-moderate income. That is no longer so true. Our position is that no one source of income should be given special treatment by the income tax; it is total income that should be the determining factor.

Without policy support in place we cannot take a position on any legislation.

I am truly sorry that we can not be supportive. I will be happy to meet with you and discuss this issue and/or work with you on other issues that you may have.

Again my apologies.

Respectfully,

Ernie Kutzley

Below please information on how AARP policies are created and updated.

HOW AARP LEGISLATIVE POLICY IS MADE

The process for determining AARP's legislative policy is highly developed and takes place on an ongoing basis. AARP tracks members' communication (calls, letters, faxes, e-mails) to keep informed of members' concerns and issues. AARP conducts surveys of members and the general public throughout the year on a broad range of age-related, legislative and regulatory issues. This information combined with policy analysis forms the foundation of policy recommendations by the National Legislative Council (NLC).

The NLC consist of 25 at-large volunteers from around the country with backgrounds in public policy issues. The NLC makes recommendations on specific policies to the association's Board of Directors. The recommendations the Board approves become AARP public policy and guide the legislative and regulatory activities of the staff and volunteers.

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Ernie Kutzley | Advocacy Director | AARP KS

555 S. Kansas Avenue | Ste 201 | Topeka, KS 66603

Office: 785-234-1363 | Cell: 785-221-2827

Fax: 785-232-8259 | www.aarp.org/ks

Assessment & Taxation
Date 1-16-07
Attachment # 9-2

Draft MEMORANDUM January 15, 2007

To: Senator Janis Lee
From: Chris W. Courtwright, Principal Economist
Re: Taxability of Social Security Benefits

This memorandum is in response to your request for information on the extent to which social security benefits are taxable at the federal and state levels.

Federal Law

Since the mid 1980s, a portion of Social Security benefits has been subject to the federal income tax under certain limited circumstances. For most taxpayers receiving only Social Security benefits, there is no tax liability. Beginning at certain threshold levels, up to 50 percent of the benefits received are subject to taxation. The maximum amount of benefits that can be subject to taxation under any circumstances is 85 percent.

Social security benefits subject to tax include monthly survivor and disability benefits. They do not include supplemental security income (SSI) payments, which are not taxable.

If "provisional income" (which includes adjusted gross income (AGI), one half of the Social Security benefits, certain tax-exempt interest, employer-provided adoption benefits, and certain foreign income and housing benefits) is less than the "base" amounts in the following table, then the Social Security benefits are exempt from tax. If provisional income is between the "base" amount and the "additional" amount, the lesser of 50 percent of the excess over the base amount or 50 percent of the Social Security benefits must be included within federal AGI and is subject to taxation. To the extent that any provisional income is over the "additional" amount, the lesser of 85 percent of that excess or 85 percent of the Social Security benefits is subject to taxation and must be added to federal AGI.

Filing Status	Base	Additional
Single	$25,000	$34,000
Head of Household	$25,000	$34,000
Married Filing Jointly	$32,000	$44,000
Married Filing Separately	$0	$0
Qualifying Widow(er)	$25,000	$34,000

Kansas and Other States

Kansas, like most states with an individual income tax, relies fairly heavily on federal law to determine its state tax structure. Federal AGI is utilized as the starting point before certain additions and subtractions are made to arrive at Kansas AGI. Since a specific subtraction was not authorized for Social Security benefits, to the extent that a portion of those benefits began flowing into federal AGI in the mid 1980s, they also began flowing into Kansas AGI.

According to the AARP, some 28 states with income taxes do decouple completely from the federal tax treatment and fully exempt all Social Security benefits. Kansas is among 12 states that adhere directly to the federal tax treatment (the others are Iowa, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Rhode Island, Utah, Vermont, and West Virginia). The other states either do not utilize a federal starting point for their taxes; do not impose income taxes at all; or only partially decouple from the federal tax treatment of Social Security benefits. (See attached table)

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Sample Taxpayers

Taxpayer A

The IRS notes in Tax Tip 2006-30: "Generally, if Social Security benefits were your only income, your benefits are not taxable and you probably do not need to file a federal income tax return."

A taxpayer with no federal liability on Social Security benefits also would have no state liability.

A local CPA here in Topeka confirmed that many of her clients who receive Social Security in fact do not pay any federal or state taxes on the benefits, including those with Social Security and a small-to-medium pension.

Taxpayer B

For an example of a taxpayer subject to taxation of a portion of Social Security benefits, consider a married couple filing jointly with a total of $30,000 of AGI and tax-exempt interest from a municipal bond portfolio and receiving $7,200 in Social Security benefits. This couple would then need to add one-half of the benefits, or $3,600, to arrive at provisional income of $33,600. Since this amount is greater than the base amount of $32,000, they would compare one-half of the $1,600 excess, or $800, with one half of their Social Security benefits, or $3,600. The lesser of these two amounts, $800 would then be included in their AGI. (In this example, slightly more than 11 percent of their Social Security benefits ended up being subject to taxation.) Assuming this taxpayer is in the 15 percent marginal federal bracket, the federal tax liability on the additional income (which includes some Social Security benefits) would be $120. If the same $800 flows through to Kansas AGI and the taxpayer is in the 3.5% marginal Kansas bracket, the state tax liability is $28.

Taxpayer C

Consider another couple with provisional income of $53,600 and receiving $11,500 of Social Security benefits. The first computation would take 85 percent of the $9,600 excess over the base amount of $44,000, or $8,160. This amount then would be added to the lesser of (i) 50 percent of the Social Security benefits, or $5,750; or (ii) $6,000 for a married couple filing jointly in these circumstances. Since the $5,750 is the lesser amount, it would be added to the $8,160 to get a figure of $13,910. This latter figure then would be compared to 85 percent of the Social Security benefits, or $9,775. The lesser amount (the $9,775) then would be included in AGI. (In this example, the maximum of 85 percent of Social Security benefits ended up being subject to taxation.) Assuming this taxpayer is in the 25 percent marginal federal bracket, the federal tax liability on the additional income (which includes Social Security benefits) would be $2,444. If the additional $9,775 also flows through to Kansas AGI and the taxpayer is in the 6.25 percent marginal bracket, the state tax liability is $611.

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Fiscal Impact

According to the Department of Revenue, the enactment of SB 29 would reduce SGF receipts by the following amounts:

($ in millions)

FY 2008	-$18.9
FY 2009	-20.8
FY 2010	-22.9
FY 2011	-25.2
FY 2012	-27.7
5 yr-total	-115.4

According to the Department of Revenue, the most recent federal data show about 115,000 Kansas filers had some portion of their Social Security benefits included in federal AGI. Based on that number and the $18.9 million fiscal note for FY 2008, the average tax cut for each affected taxpayer would be about $164. About 8.7 percent of all individual income tax returns filed currently have some taxable Social Security benefits.

Kansas Department of Revenue
Individual Income Tax

Tax Year 2007
Changes: Exempt Taxable Social Security Benefits

KAGI Brackets		Total Returns	Est Returns with Taxable Soc Security	Pct Returns with Taxable Soc Security	Dollar Chng in Thousands	Avg Dollar Chng per Return	Avg Dollar Chng per Affected Rtn
$ 0	$ 30,000	682,900	24,546	3.59%	$ (1,775)	(2.60)	$ (72.29)
$ 30,000	$ 50,000	254,000	36,235	14.27%	$ (4,754)	(18.72)	$ (131.21)
$ 50,000	$ 75,000	194,900	26,897	13.80%	$ (6,925)	(35.53)	$ (257.47)
$ 75,000	$ 100,000	99,700	13,292	13.33%	$ (2,111)	(21.18)	$ (158.83)
$ 100,000	$ 200,000	65,900	10,608	16.10%	$ (2,141)	(32.49)	$ (201.84)
$ 200,000	Over	22,400	3,413	15.24%	$ (1,167)	(52.09)	$ (341.87)
Total		1,319,800	114,991	8.71%	$ (18,873)	(14.30)	$ (164.13)

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TABLE 2: TREATMENT OF SOCIAL SECURITY INCOME	
	Exemption
Alabama	Full
Alaska	NA
Arizona	Full
Arkansas	Full
California	Full
Colorado	Partial (see note)
Connecticut	Full if income below $50,000/$60,000
Delaware	Full
District of Columbia	Full
Florida	NA
Georgia	Full
Hawaii	Full
Idaho	Full
Illinois	Full
Indiana	Full
Iowa	Partial (Same as federal except that only 50% is taxable at all income levels)
Kansas	Same as federal
Kentucky	Full
Louisiana	Full
Maine	Full
Maryland	Full
Massachusetts	Full
Michigan	Full
Minnesota	Partial (Same as federal)
Mississippi	Full
Missouri	Partial (Same as federal)
Montana	Partial (Same as federal)
Nebraska	Partial (Same as federal)
Nevada	NA
New Hampshire	NA
New Jersey	Full
New Mexico	Partial (Same as federal)
New York	Full
North Carolina	Full
North Dakota	Partial (Same as federal)
Ohio	Full
Oklahoma	Full
Oregon	Full
Pennsylvania	Full
Rhode Island	Partial (Same as federal)
South Carolina	Full
South Dakota	NA
Tennessee	NA
Texas	NA
Utah	Partial (Same as federal)
Vermont	Partial (Same as federal)
Virginia	Full
Washington	NA
West Virginia	Partial (Same as federal)
Wisconsin	Partial (Same as federal except that only 50% is taxable at all income levels)
Wyoming	NA

Source: David Baer, "*State Handbook of Economic, Demographic & Fiscal Indicators,*" AARP Public Policy Institute, 2003. Updated 2005 by CBPP.

Notes: Colorado: Pension exemption applies to all pensions combined including social security. Wisconsin: Will be full starting in 2008.

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U.S. Social Security Administration
Office of Policy

Monthly Statistical Snapshot, November 2006

On this page:

- Table 1. Number of people receiving Social Security, Supplemental Security Income, or both, November 2006
- Table 2. Social Security benefits, November 2006
- Table 3. Supplemental Security Income benefits, November 2006

Additional details may be found in the OASDI Monthly Statistics and the SSI Monthly Statistics.

Table 1.
Number of people receiving Social Security, Supplemental Security Income, or both, November 2006 (in thousands)

Type of beneficiary	Total	Social Security only	SSI only	Both Social Security and SSI
All beneficiaries	53,788	46,545	4,697	2,546
Aged 65 or older	35,311	33,299	860	1,152
Disabled, under age 65 [a]	11,359	6,128	3,837	1,394
Other [b]	7,118	7,118	. . .	. . .

SOURCE: Social Security Administration, Master Beneficiary Record, 100 percent data. Social Security Administration, Supplemental Security Record, 100 percent data.

NOTES: Data are for the end of the specified month. Only Social Security beneficiaries in current-payment status are included.

. . . = not applicable.

a. Includes children receiving SSI on the basis of their own disability.

b. Social Security beneficiaries who are neither aged nor disabled (for example, early retirees, young survivors).

CONTACT: Art Kahn (410) 965-0186 for further information.

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Table 2.
Social Security benefits, November 2006

Type of beneficiary	Beneficiaries: Number (thousands)	Beneficiaries: Percent	Total monthly benefits (millions of dollars)	Average monthly benefit (dollars)
All beneficiaries [a]	49,091	100.0	45,392	924.70
Old-Age Insurance				
Retired workers	30,959	63.1	31,286	1,010.60
Spouses	2,483	5.1	1,244	501.10
Children	488	1.0	244	500.70
Survivors Insurance				
Widow(er)s and parents [b]	4,503	9.2	4,310	957.10
Widowed mothers and fathers [c]	172	0.4	126	733.70
Children	1,890	3.8	1,249	661.10
Disability Insurance				
Disabled workers	6,796	13.8	6,432	946.40
Spouses	156	0.3	39	249.10
Children	1,644	3.3	462	280.80

SOURCE: Social Security Administration, Master Beneficiary Record, 100 percent data.

NOTES: Data are for the end of the specified month. Only beneficiaries in current-payment status are included.

Some Social Security beneficiaries are entitled to more than one type of benefit. In most cases, they are dually entitled to a worker benefit and a higher spouse or widow(er) benefit. If both benefits are financed from the same trust fund, the beneficiary is usually counted only once in the statistics, as a retired-worker or a disabled-worker beneficiary, and the benefit amount recorded is the larger amount associated with the auxiliary benefit. If the benefits are paid from different trust funds the beneficiary is counted twice, and the respective benefit amounts are recorded for each type of benefit.

a. Includes special age-72 beneficiaries.

b. Includes nondisabled widow(er)s aged 60 or older, disabled widow(er)s aged 50 or older, and dependent parents of deceased workers aged 62 or older.

c. A widow(er) or surviving divorced parent caring for the entitled child of a deceased worker who is under age 16 or is disabled.

CONTACT: Rona Blumenthal (410) 965-0163 for further information.

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Table 3.
Supplemental Security Income recipients, November 2006

Age	Recipients		Total payments [a] (millions of dollars)	Average monthly payment (dollars)
	Number (thousands)	Percent		
All recipients	7,243	100.0	3,392	452.40
Under 18	1,078	14.9	590	536.50
18–64	4,153	57.3	2,049	468.70
65 or older	2,012	27.8	753	373.80

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for the end of the specified month.

a. Total includes retroactive payments.

CONTACT: Art Kahn (410) 965-0186 for further information.

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for business purposes includes business and personal flights, the excess of the value of all the actual flights over the value of the flights that would have been taken if there had been no personal flights is included in income. If the trip is primarily personal, the value of the personal flights that would have been taken if there had been no business flights is included in income (Reg. § 1.61-21(g)(4)).

No amount is included in income if the employee takes a personal trip on a noncommercial aircraft and at least one-half of the aircraft's seating capacity is occupied by employees whose flights are primarily business related and excludable from income (Reg. § 1.61-21(g)(12)).

Golden parachute payments. Golden parachute payments are includible benefits (see ¶ 907).

Moving expense reimbursement. Moving expense reimbursements are excludable as a qualified fringe benefit (see ¶ 1076).

Vacation and club expenses. That portion of an employee's vacation, athletic club, or health resort expenses that is paid by the employer is also taxable to the employee.[35]

Cafeteria Plans. Employer contributions under written "cafeteria" plans are excludable from the income of participants to the extent that they choose qualified benefits. See ¶ 861.

Occupational Disability or Insurance Benefit. Compensation received under a workers' compensation act for personal injuries or sickness and amounts received by a taxpayer under a policy of accident and health insurance are excluded from gross income (Code Sec. 104(a)(1); Reg. § 1.104-1). See ¶ 851.

714. Compensation of Federal or State Employee. The salaries of all employees or officials of the United States government are taxed the same as those of other individuals (Code Sec. 3401(c)). This is also true for state and local government employees.[36]

715. Treatment of Excessive Salaries. Although an employer is denied a deduction for compensation paid to the extent that the payment is unreasonable, the full amount of the payment is included in the recipient's income. In the case of an employee-shareholder, excessive compensation may be treated as dividend income. Excessive salaries are taxed only to the extent of the gain if the excess amounts are determined to be payments to the recipient for property rather than compensation (Reg. § 1.162-8).[37]

716. Social Security and Equivalent Railroad Retirement Benefits. A portion of a taxpayer's social security benefits or an equivalent portion of tier 1 railroad retirement benefits may be taxable (Code Sec. 86). The includible amount is the lesser of one-half of the annual benefits received or one-half of the excess of the taxpayer's provisional income over a specified base amount, at lower provisional income levels. However, at higher provisional income levels, up to 85% of the social security benefits may be included (see *"85-Percent Inclusion,"* below). The Form 1040 instructions contain a worksheet for computing the taxable amount.

Provisional income is the taxpayer's modified adjusted gross income plus one-half of the social security or tier 1 railroad retirement benefits. Modified adjusted gross income is the taxpayer's adjusted gross income plus (a) any tax-exempt interest, including interest earned on savings bonds used to finance higher education, and (b) amounts excluded under an employer's adoption assistance program (¶ 1306), deducted for interest on education loans (¶ 1082) or as a qualified tuition expense (¶ 1082), or earned in a foreign country, a U.S. possession, or Puerto Rico and excluded from gross income (¶ 2401–¶ 2415). The base amount is: (a) $32,000 for joint filers, (b) $0 if married filing separately and the taxpayer lived with his or her spouse at any time during the year, and (c) $25,000 married individuals filing separately who live apart from their spouse for the entire year and individuals filing as single or head-of-household (Code Sec. 86(c)).[38]

Example 1: John and Jane Mapes have an adjusted gross income of $24,000 for 2006. John, who is retired, receives social security benefits of $7,200 per year.

Footnote references are to paragraphs of the 2007 Standard Federal Tax Reports.

[35] ¶ 5507.47
[36] ¶ 5507.043, ¶ 5507.044
[37] ¶ 8639, ¶ 8640.01
[38] ¶ 6420, ¶ 6421.03

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The couple also receives $6,000 a year from a mutual fund that invests solely in tax-exempt municipal bonds. On their joint return for 2006, the Mapes would make the following computation to determine how much (if any) of John's social security benefits must be included in their gross income:

(1) Adjusted gross income	$24,000
(2) Plus: All tax-exempt interest	6,000
(3) Modified adjusted gross income	$30,000
(4) Plus: One-half of social security benefits	3,600
(5) "Provisional income"	$33,600
(6) Less: Base amount	32,000
(7) Excess above base amount	$1,600
(8) One-half of excess above base amount	$800
(9) One-half of social security benefits	3,600
(10) Amount includible in gross income (lesser of (8) or (9))	$800

Although tier 2 railroad retirement benefits are not taken into account under the above rules, such benefits are taxed in the same manner as benefits paid under private employer retirement plans (Code Sec. 72(r)).[39]

85-Percent Inclusion. Up to 85 percent of an individual's social security benefits may be included in gross income. The rules affect married taxpayers filing jointly with provisional income in excess of $44,000, married taxpayers filing separately and not living apart the entire year with provisional income in excess of $0, and all other taxpayers with provisional income in excess of $34,000 (Code Sec. 86).[40]

Those who exceed the higher threshold "adjusted base" amounts must include in income the lesser of: (a) 85 percent of social security benefits or (b) 85 percent of the excess of provisional income over the threshold amount, plus the smaller of (i) the amount that would otherwise be includible if the second threshold did not apply (i.e., the amount calculated under the 50-percent rules discussed above) or (ii) $4,500 ($6,000 for joint filers).

Example 2: Assume the same facts as above, except that the Mapes' provisional income is increased from $33,600 to $53,600. The includible amount is determined as follows:

(1) Provisional income	$53,600
(2) Adjusted base amount	44,000
(3) Excess of (1) over (2)	$9,600
(4) 85% of amount in (3)	$8,160
(5) Amount otherwise includible (½ of benefits in the Mapes' case)	$3,600
(6) Base amount for joint filers	$6,000
(7) Lesser of (5) or (6)	$3,600
(8) Sum of amounts in (4) and (7)	$11,760
(9) 85% of social security benefits	6,120
(10) Amount includible in gross income (lesser of (8) or (9))	$6,120

Supplemental security income (SSI) payments are *not* treated as social security benefits that may be partially includible in gross income.[41]

IRA Contributions. Employed individuals who are covered by a retirement plan and who are receiving social security benefits must make a special computation to determine the amount of an allowable IRA deduction. See ¶ 2170.

717. Tips. Tips received by cab drivers, waiters, barbers, hotel, railroad and cruise ship employees, etc., are taxable.[42] In the absence of proof of the actual amount of tips received, tip income may be reconstructed on the basis of average tips in a given locality for a given type of service.[43]

Footnote references are to paragraphs of the 2007 Standard Federal Tax Reports.

[39] ¶ 6102, ¶ 6140.046
[40] ¶ 6420, ¶ 6421.03
[41] ¶ 5507.034
[42] ¶ 5507.023
[43] ¶ 5507.023, ¶ 5507.4651 and following

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