

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on January 23, 2008 in Room 519-S of the Capitol.

All members were present except: Representative Kinzer - Excused

Committee staff present:

Chris Courtwright, Legislative Research Department  
Gordon Self, Office of Revisor of Statutes  
Ryan Hoffman, Legislative Research Department  
Richard Cram, Department of Revenue  
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Representative Bob Bethell  
Karl Peterjohn, Kansas Taxpayers Network  
Representative Stan Frownfelter  
Robert Vancrum, Greater Kansas City Chamber of Commerce

Others attending:

See attached list.

The following bill introductions were requested:

Representative Bob Bethell requested a bill be introduced regarding vehicles that are deemed, by insurance companies, as totaled and then re-built, and put back on the market. The bill would drop the taxable amount two levels, one time. Representative Wilk moved the request, seconded by Representative Owens. The motion carried.

Karl Peterjohn, Kansas Taxpayers Network, requested a bill introduction that is based on a limitation of revenue growth on property taxes program, currently used in Massachusetts, called "Proposition Two & One/Half". Representative Wilk moved the motion, seconded by Representative Owen. The motion carried.

Representative Stan Frownfelter requested a bill introduction regarding the Homestead Act. His bill would change the calculation formula for social security for anyone on disability insurance prior to being eligible for social security. Representative Goyle moved the motion, seconded by Representative King. The motion carried.

Representative Wilk made a motion to introduce a cigarette tax as proposed by the Kansas Health Policy authority. Representative Holland seconded the motion. The motion carried.

**HB 2641 - Nondeduction of property taxes paid by certain nonresident taxpayers subject to Kansas income tax liability.**

Chris Courtwright reminded members that one itemized deduction the federal government authorizes, for the individual taxpayers, is for property taxes paid. Kansas also allows that same deduction, as does Missouri. Last year Missouri passed a bill that had an impact on Kansas taxpayers. They drafted legislation prohibiting any nonresident from deducting property taxes against Missouri income tax liability. He explained that their bill, in essence, transfers money from the Kansas State General Fund to Missouri's State General Fund. **HB 2641** is a reciprocity bill wherein Kansas would allow the deduction to only those nonresidents whose state of residence allows it to Kansas state residents. The estimated loss of revenue could be as much as \$5 to \$7 million FY 2007. Richard Cram explained the fiscal impact as well as the process that would take place if the bill were enacted. Gordon Self advised the Committee there may be constitutional questions on both Missouri and Kansas legislation pertaining to differing treatment.

The Chairman explained that they are currently working with friends in Missouri, and anticipating a amicable resolution to this issue. While **HB 2641** addresses the policy question, the issue of money is also an important one. Their legislation is retroactive to January 1, 2007 and they took no action to repeal or

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an important one. Their legislation is retroactive to January 1, 2007 and they took no action to repeal or change it, thus Kansas's loss is estimated to be \$5 million. He stated that there is a clear expectation that Missouri is going to make this refundable and retroactive and not keep the money generated during the 2007 tax year. Discussion followed regarding further actions if Missouri takes no action.

The Chairman opened the public hearing on **HB 2641**.

Robert Vancrum, Greater Kansas City Chamber of Commerce said the new Missouri law was a result of a longstanding refusal of Illinois to allow Missouri residents to deduct property taxes paid in Missouri against their Illinois taxes. He said they are working with the Missouri Legislation to advance changes in the law and resolve this issue (Attachment 1). After discussion, the Chairman closed the public hearing.

The Chairman closed the public hearing and advised the Committee that they would return to the bill on Friday and possibly take action.

The Chairman advised the Committee that the minutes are being sent electronically, with an approval date given. Any questions or changes should be directed to Rose Marie before the deadline. After that all minutes will be considered approved as written. Minutes will be sent to all legislators and their secretaries.

The meeting was adjourned at 9:45 a.m. The next meeting is January 24, 2008.



**Testimony in Support of HB 2641 –  
Reciprocity Concerning Deductibility of Property Expenditures by  
Nonresident Income Taxpayers**

**Chairman Wilk and Other Honorable Representatives:**

I am here representing the Greater Kansas City Chamber of Commerce, an organization with about three thousand members in Kansas. Because our membership straddles the state line, we are naturally deeply concerned about the interaction of commerce and taxes in the Greater Kansas City area. Last year as most of you know, the Missouri legislature, apparently driven by the longstanding refusal of Illinois to allow Missouri residents to deduct property taxes paid in Missouri against their Illinois taxes, passed legislation prohibiting ANY nonresident from deducting property taxes against Missouri income tax liability.

Our Chamber, at the request of your Chairman, and with the assistance of the Kansas and Missouri Revenue Secretaries and the staffs of the legislature and the Governor's office in both states has helped facilitate a solution, and is promoting it in both state capitols. The solution is to adopt a position of reciprocity- that Kansas will allow the deduction to only those nonresidents whose state of residence would allow it to our state's residents. I'm happy to report that the legislation has been well received in the Missouri House and has broad enough support to pass this session. Although it is very hard to predict what will happen in any legislature, it seems possible that it will also pass the Missouri Senate rapidly and go to the Governor, who has promised to sign it.

We can put our full support behind this bill.