

SESSION OF 2002

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2009

As Amended by Senate Committee of the Whole

Brief*

HB 2009, as amended, would provide a number of revenue enhancements from which the new revenues would be deposited in the State General Fund (SGF).

- ! **Sales Tax.** The state sales and compensating (use) tax rate would be increased from 4.9 to 5.3 percent, effective June 1, 2002. The rates would then be reduced to 5.2 percent on June 1, 2004; and to 5.0 percent on June 1, 2005.
- ! **Cigarette Tax.** The cigarette tax would be increased from 24 cents per pack to \$1.00 per pack, effective June 1, 2002. A "floor" or inventory tax equivalent to the 76-cent increase also would be imposed and would be due in equal installments on June 1, September 30, and December 30, 2002. An adjustment would be made to the dealers' discount percentage to assure that all new revenues would be deposited in the SGF.
- ! **Liquor Gallonage Taxes.** Various liquor gallonage tax rates would be increased on June 1, 2002. The major provisions include increases in the beer tax from 18 to 25 cents per gallon; the alcohol and spirits tax from \$2.50 to \$3.30 per gallon; the light wine tax from 30 to 45 cents per gallon; and the fortified wine tax from 75 cents to \$1.25 per gallon. Floor taxes again would be imposed, and a statutory disposition of revenue percentage would be adjusted to assure that all new revenues would be deposited in the SGF.
- ! **Class C Inheritance Tax Reimposition.** For estates of decedents dying on or after the effective date of this section (publication

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org/cgi-bin/fulltext/bills.cgi>

in the Kansas Register), an inheritance tax would be imposed on interests received by "class c" beneficiaries (generally, persons other than lineal ascendants or descendants and brothers and sisters) at rates ranging from 10 to 15 percent. These provisions would effectively reenact part of the inheritance tax act repealed in 1998.

- ! **Food Sales Tax Rebates.** The food sales tax rebate program would be expanded beginning in tax year 2002 by indexing the qualifying income thresholds for inflation. (Under current law, refunds of \$60 per person are available for taxpayers with qualifying income of \$0 to \$12,500; and refunds of \$30 are available for those with income of \$12,501 to \$25,000. Based on the inflation assumptions used by the Department of Revenue, refunds of \$60 per person would be available for those with qualifying income of \$0 to \$12,800; and refunds of \$30 per person would be available for those with income of \$12,801 to \$25,600.)

- ! **Sales Tax "Holiday".** A new state sales tax exemption would be provided for the first weekend in August in 2002 through 2004 for certain articles of clothing or footwear with a sales price of less than \$500; and for certain computers, printers, printer supplies, and computer software with a sales price of less than \$500. Local sales taxes would continue to apply to such purchases.

Background

HB 2009, as it passed the House during the 2001 Session, related to a property tax exemption for real and personal property used exclusively in the production of biodiesel.

The Senate Assessment and Taxation Committee on April 11, 2002, removed all of those provisions and inserted a Revenue enhancement package of \$334.9 million for FY 2003 that included income, corporation franchise, tobacco products, cigarette, sales, liquor drink, liquor enforcement, liquor gallonage, inheritance, food sales tax rebate, and earned income tax credit (EITC) provisions.

The Senate Committee of the Whole on May 8 removed the income, corporation franchise, liquor drink, liquor enforcement, tobacco products, and EITC provisions. Senate COW amendments modified

sales, food sales tax rebate, cigarette, liquor gallonage, and inheritance tax provisions. Finally, the Senate COW added the sales tax holiday language which is similar to that in SB 106.

Based on the latest fiscal information available from the Department of Revenue and Division of the Budget, the bill would be expected to produce the following amounts of additional Revenue:

(\$ in millions)

	Sales/Use to 5.3% 6/1/02 to 5.2% 6/1/04 and to 5.0% 6/1/05	Index FS Rebates starting in TY 2002	(SGF Share) August sales tax holiday for clothing, computers, shoes	Class C Inheritance Tax Reimposition Effective KS Register	Cigs 76 cent hike to \$1/pack on 6/1/02	June 1, 2002 Liquor Gallonage Increases	Total This Package
FY 2003	\$152.981	\$(0.650)	\$(6.905)	\$15.000	\$126.300	\$6.732	\$293.458
FY 2004	\$158.365	\$(1.300)	\$(7.130)	\$20.600	\$137.100	\$6.999	\$314.634
FY 2005	\$123.206	\$(2.000)	\$(7.233)	\$21.218	\$137.100	\$7.247	\$279.538
FY 2006	\$42.690	\$(2.700)	---	\$21.855	\$137.100	\$7.505	\$206.450
FY 2007	\$44.376	\$(3.500)	---	\$22.510	\$137.100	\$7.770	\$208.257
5-Yr Total	\$521.619	\$(10.150)	\$(21.268)	\$101.183	\$674.700	\$36.253	\$1,302.337