

SESSION OF 2002

## SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2714

As Amended by House Committee of the Whole

### **Brief\***

HB 2714, as amended, would expand the income, privilege, and premiums tax credits pursuant to KSA 2001 Supp. 79-32,206 that offset a portion of property taxes actually and timely paid on business machinery by increasing the percentage of such taxes eligible for the credit from 15 to 18 percent for property tax year 2003; to 22 percent for property tax year 2004; to 25 percent for property tax year 2005; to 30 percent for property tax year 2006; to 35 percent for property tax year 2007; and to 40 percent for property tax year 2008 and thereafter.

The bill also would expand the property tax exemption in KSA 2001 Supp. 79-201w for certain items of machinery, equipment, materials, and supplies with original retail cost when new of \$250 or less to include such items with original retail cost when new of \$500 or less in tax years 2003 and 2004; and to include such items with original retail cost when new of \$1,000 or less for all tax years beginning in tax year 2005.

The bill also would amend KSA 79-301 to clarify that taxpayers need not comply with requests of county or district appraisers to list property which is not subject to taxation.

### **Background**

The original bill dealt only with the tax credit expansion provisions in KSA 2001 Supp. 79-32,206. The House Taxation Committee amended the bill to include the provisions of HB 2091 as amended by the House Committee of the Whole during the 2001 Session. The House Taxation Committee later amended the bill on March 12, 2002,

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\*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>

to increase the proposed income tax credit expansion to 40 percent and to decelerate by one year the effective date of the proposed property tax exemption expansions in KSA 2001 Supp. 79-201w. The House Committee of the Whole amended the bill to decelerate by one year the phase in of the proposed credit expansion.

The tax credit expansion would reduce State General Fund receipts, and the expanded exemption would reduce statewide assessed valuation and thus the amount raised by state building fund levies as well as local effort for purposes of the school finance formula. The Department of Revenue has recently amended the fiscal note associated with the tax credit expansion provisions. Based on the very latest information available, the bill would have the following impact:

(\$ in millions)

	Tax Credit Expansion	School Finance Local Effort	State Building Funds	Total Impact
FY 2003	--	--	--	--
FY 2004	(\$5.324)	(\$0.250)	(\$0.019)	(\$5.593)
FY 2005	(\$13.665)	(\$0.435)	(\$0.033)	(\$14.133)
FY 2006	(\$21.473)	(\$1.029)	(\$0.077)	(\$22.579)
FY 2007	(\$35.431)	(\$1.480)	(\$0.111)	(\$37.022)
5-Yr Total	(\$75.894)	(\$3.194)	(\$0.240)	(\$79.328)