

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Vice Chairperson Les Donovan at 10:40 a.m. on January 15, 2003, in Room 519-S of the Capitol.

All members were present except: Sen. Corbin – Excused

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Gordon Self, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Richard Cram, Kansas Department of Revenue

Others attending: See attached list.

Senator Donovan called upon Chris Courtwright, Kansas Legislative Research Department, for a review of the 2002 Supplement to the Seventh Edition of *Kansas Tax Facts*. (Attachment 1) Mr. Courtwright informed the Committee that more detailed information on any tax can be found in the Seventh Edition of *Kansas Tax Facts* which was published in December of 2000. He then proceeded to summarize the highlights of the Supplement as outlined on page two and went on to discuss the tables relating to state and local tax revenues and the 50-state tax burden ranking of Kansas and surrounding states. He pointed out that the final pages of the Supplement include a summary of tax law changes for the last two legislative sessions and several tables relating to local and state tax revenues. In addition, he called attention to copies of statistics relating to Census Bureau regions and divisions with state FIPS codes published by the U.S. Census Bureau after the 2002 Supplement was completed. (Attachment 2)

Senator Donovan called the Committee's attention to copies of a sales tax exemption summary prepared by the Kansas Department of Revenue. (Attachment 3) He pointed out that the overall cost of the exemptions to the state ranges from almost \$3 million for fiscal year 2002 to almost \$4 million for fiscal year 2006.

Mr. Courtwright presented information regarding the possibility of the State of Kansas decoupling from a portion of the new federal tax law relating to a special "bonus" depreciation of 30 percent for certain business property acquired between September 11, 2001, and September 11, 2004. He pointed out that the new federal tax treatment will also affect Kansas income tax liability because of the extent to which much of the state's income tax structure piggybacks and uses the federal law as a starting point. (Attachment 4)

Richard Cram, Kansas Department of Revenue, discussed the fiscal impact of President Bush's January 7 tax stimulus proposal. He reported that the Federation of Tax Administrators estimate that the total negative fiscal impact to the states would be \$4.098 billion per year, with \$40 million of the impact falling upon Kansas individual income tax receipts. However, the Center on Budget and Policy Priorities (CBPP) estimates the total negative fiscal impact on the states at \$4.5 billion, with \$51 million of the impact falling

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on Kansas. According to CBPP, the increased small business “expensing” proposal would result in a negative \$2 million in Kansas spread across both individual income tax and corporate income tax. An estimate of the capital gains exclusion related to retained earnings already taxed is not yet available. (Attachment 5)

Senator Oleen requested that Mr. Cram provide the Committee with a list of sales tax exemptions passed in the last ten years which could be collected without a lot of new software. Mr. Cram agreed to do so in the near future.

Senator Donovan announced that the update on the Streamlined Sales Tax by the Department of Revenue scheduled for January 16 was rescheduled for next week. He suggested that a conceptual bill on the Streamlined Sales Tax proposal be prepared so that the Committee can begin working on the proposal next week.

Senator Taddiken moved to introduce a conceptual bill dealing with the Streamlined Sales Tax, seconded by Senator Lee. The motion carried.

The meeting was adjourned at 11:35 a.m.

The next meeting is scheduled for January 22, 2003.