

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson David Corbin at 10:50 a.m. on March 13, 2003, in Room 519-S of the Capitol.

All members were present except:

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: Marlee Carpenter, Kansas Chamber of Commerce & Industry
Mike Beam, Kansas Livestock Association
Jim Weisgerber, Kansas Department of Revenue

Others attending: See attached list.

Continued hearing on: **SB 148–Enacting the Kansas Estate Tax Act**

Marlee Carpenter, Kansas Chamber of Commerce and Industry, testified in opposition to **SB 148**, noting that the Chamber has a long-standing policy of opposing any type of death tax. She explained that the Chamber is concerned that the rate schedule suggested by the Department of Revenue would increase the top rate for estate tax to 21 percent as opposed to 16 percent for the current “pick up” tax. As a compromise, she suggested enacting the penalty provisions for the Kansas “pick up” tax. In addition, she noted that the Chamber supports the passage of **SB 94**, the repeal of the inheritance tax. In her opinion, the concept of a stand-alone Kansas estate tax should be assigned to an interim committee for further study. (Attachment 1)

Mike Beam, Kansas Livestock Association, testified in opposition to **SB 148**. The Association supports **SB 94** and the proposed amendment which would provide a way to collect revenue for the state without a net tax increase to the taxpayer. He urged the Committee to refrain from passing **SB 148** until it can be more thoroughly reviewed. He pointed out that, if federal and state definitions are not consistent, survivors paying the tax will incur confusion and additional costs of compliance. If the Committee should chose to proceed with the bill, he suggested that the federal provisions outlined by Nancy Roush at the February 19 meeting be included, particularly, the provision concerning special use valuation for farm and ranch real estate. In addition, he suggested that the bill include a provision recognizing the use of conservation easements in estate planning, a tool widely supported by conservation groups and agriculture producers. (Attachment 2)

Senator Corbin called the Committee’s attention to written testimony submitted by Leslie Kaufman, Kansas Farm Bureau, supporting the repeal of the succession tax through the passage of **SB 94** and suggesting that substantive changes in the Kansas estate tax be left for more in depth examination in the interim. (Attachment 3)

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:50 a.m. on March 13, 2003, in Room 519-S of the Capitol.

Senator Corbin commented that the first objective is to clean up the problem created last year with regard to Class C inheritance tax as proposed in **SB 94** with a suggested enforcement amendment. Senator Oleen commented that taxpayers have been advised not to send payment until the issue is resolved. She requested that the Department of Revenue supply information as to the number of people affected.

Senator Clark requested an explanation of the amendments contained in the proposed **Substitute for SB 148** which was distributed to the Committee by staff on March 12. (Attachment 4) Gordon Self, Revisor of Statutes Office, explained that the proposed substitute bill simply incorporates the Department of Revenue's recommendations to amend **SB 148** to establish a stand alone estate tax offered at the first hearing on the bill. Jim Weisgerber, Kansas Department of Revenue, clarified further that, **SB 148**, as introduced, was the product of a working group of attorneys and the Department. In response to Committee questions at the first hearing, the working group later provided a comparison of the provisions in the bill with federal law on February 19. In addition, the group suggested specific proposals for language changes in **SB 148**. The proposed substitute version of the bill is the original version of **SB 148** with the recommended changes inserted. He explained that the changes regard minor corrections to language and the insertion of a rate structure which is exactly the same as the current "pick up" tax law. Other amendments include: (1) adjustments to the filing level, (2) deletion of a section that gave a deduction for federal estate tax, which was necessary with the rate structure insertion, and (3) insertion of new Sections 8 and 9 concerning the valuation of property providing that, if there is a special use valuation election on the federal level, it would be recognized for state purposes.

Mr. Weisgerber went on to explain that a proposed amendment not yet drafted would, essentially, take the administrative provisions from **SB 148** and amend them into **SB 94**. He explained that, because the state "pick up" tax was simply intended to follow federal law, there were no administrative provisions. He noted that, if the Committee does nothing, the estate tax and succession tax will remain. If the succession tax is repealed, the "pick up" tax will remain. If left with the "pick up" tax, the Department needs, at a minimum, administrative provisions for enforcement. He noted that the rates in **SB 148** are identical to current law for the "pick up" tax. As to the definitions, he explained that most are the same as federal law; however, there are some minor differences. Some definitions were deleted because they are very complex and have been used only at the federal level.

Senator Pugh raised questions concerning the accuracy of the new rate schedule starting on page four of the proposed **Substitute for SB 148**. Following further discussion, Mr. Weisgerber agreed to investigate the rate schedule further and report back to the Committee.

Senator Corbin called attention to the minutes of the March 6 and 12 meetings.

Senator Clark moved to approve the minutes of the March 6 and 12, 2003, meetings, seconded by Senator Donovan. The motion carried.

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

The next meeting is scheduled for March 18, 2003.