

SESSION OF 2015

**FIFTH CONFERENCE COMMITTEE REPORT BRIEF
HOUSE SUBSTITUTE FOR SENATE BILL NO. 270**

As Agreed to June 11, 2015

Brief*

House Sub. for SB 270 would make a number of changes in yet-to-be-enacted law in anticipation of enactment of the latest conference committee report on Senate Sub. for HB 2109. (House Sub. for SB 270 would become effective only if Senate Sub. for HB 2109 also were to be enacted.)

Individual Income Tax Provisions

Low Income Tax Exclusion Provision

A special low-income exclusion provision would become applicable in tax year 2016 that generally would eliminate all positive income tax liability for single filers with taxable income of \$5,000 or less; and for married taxpayers filing jointly with taxable income of \$12,500 or less.

Rate Reduction Formula Modifications

A provision that could provide future formulaic income tax rate relief under certain circumstances, based on the extent to which revenue from a specified group of State General Fund (SGF) tax sources has increased over the previous fiscal year, would be revised by House Sub. for SB

*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. Conference committee report briefs may be accessed on the Internet at <http://www.kslegislature.org/kldr>

270 to allow for 2.5 percent growth rather than the 3.0 percent growth in SGF receipts as provided by Senate Sub. for HB 2109, as well as allowing for further adjustments based upon growth in the Kansas Public Employees Retirement System spending only. (Senate Sub. for HB 2109 would have allowed for Medicaid growth, as well.) Additionally, current law requires any rate adjustments be rounded down to the nearest 0.1 percent. The revised formula would require rate adjustments be rounded down to the nearest 0.01 percent.

The provision would begin taking effect in tax year 2019, as was previously provided for in Senate Sub. for HB 2109.

Sales Tax Provisions

Sales Tax Rate

House Sub. for SB 270 would set the sales tax rate for all transactions at 6.50 percent on July 1, 2015. Current law is 6.15 percent, which Senate Sub. for HB 2109 had proposed to increase to the rate of 6.55 percent before allowing a future reduction in the rate on food.

Food Sales Tax Rebate Restored

Senate Sub. for HB 2109 proposes the retroactive repeal (to the start of tax year 2015) of the income tax credit allowed for certain individuals to offset the amount of sales tax paid on food. House Sub. for SB 270 would instead repeal that provision of Senate Sub. for HB 2109, effectively restoring the program.

Sales Tax Exemptions and Joint Committee on Tax Exemptions and Income Tax Credits

All sales tax exemptions which are proposed to be sunset under Senate Sub. for HB 2109 would be retained by House Sub. for SB 270. The Joint Committee on Tax Exemptions and Income Tax Credits (Joint Committee) created by Senate Sub. for HB 2109 also would be repealed by House Sub. for SB 270.

Property Tax Provisions

A provision in Senate Sub. for HB 2109 would, beginning in 2018, prohibit cities and counties from adopting, absent mandatory elections, portions of their budgets funded with revenues from certain property tax increases. (That restriction would be relaxed in House Sub. for SB 270.) Beyond those increases allowed at the level of the rate of inflation plus other exemptions provided in Senate Sub. for HB 2109, House Sub. for SB 270 would add a number of other purposes for which property taxes could be increased before the mandatory election requirement would be triggered, including costs associated with new infrastructure; certain property taxes levied for bonds and interest; certain road construction costs; special assessments; costs associated with federal or state mandates; and payment of judgments.

Conference Committee Action

The fifth Conference Committee on June 11, agreed to revise certain provisions contained in Senate Sub. for HB 2109 by including a low income tax provision, modifying the rate reduction formula, decreasing the sales tax rate, taxing food at the same rate, restoring the Food Sales Tax Rebate Program, striking the sunset on sales tax exemptions, repealing the creation of the Joint Committee, and providing exceptions to mandatory property tax elections.

Background

The original bill would have made several changes to the Tax Credit for Low Income Students Scholarship Program Act. The House Taxation Committee, on May 13, struck the bill's original provisions; recommended a substitute bill be created; inserted various new provisions, including the tax amnesty provisions; and advanced the new substitute bill for further consideration without recommendation. The House Committee of the Whole, on May 15, adopted a minor technical amendment. On May 29, the House amended the bill on final action to remove the contents of the substitute bill, other than the amnesty provisions, and add provisions regarding a tax credit for individual development account contributions, the Rural Opportunity Zone tax exemptions, local sales tax authority, and fire district levy authority (provisions now included in Senate Sub. for HB 2109).

Based on the latest information available from the Department of Revenue, the net combined effect of the Conference Committee Report for House Sub. for SB 270, as it would amend House Sub. for SB 2109, would have the following impact on SGF receipts:

(\$ in millions)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Tax on Guaranteed Payments	\$ 23.700	\$ 19.200	\$ 20.100
Sales and Use Tax Changes	164.200	186.700	193.700
Itemized Deduction Changes	97.000	78.600	78.700
Tax Amnesty	30.000	0.000	0.000
Social Security Number Requirement	3.000	3.000	3.000
50-cent cigarette tax increase with e-cigarette tax	40.390	38.400	38.000
IDA Credit Reinstatement	(0.300)	(0.300)	(0.300)
Low Income Exclusion	0.000	(19.400)	(19.900)
ROZ Sunset Extension	0.000	0.000	(0.560)
Ind. Inc. Tax Rate Changes	26.400	98.600	232.500
TOTAL	<u>\$ 384.390</u>	<u>\$ 404.800</u>	<u>\$ 545.240</u>

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