Approved: 3-27-2007
Date

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 7, 2007 in Room 519-S of the Capitol.

All members were present except:
Representative Davis - E

Committee staff present:
Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Richard Cram, Department of Revenue
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:
Representative Judy Morrison
Senator Peggy Palmer
Representative Mario Goico
Jim Snyder, Senior Advocate
Karl Peterjohn, KS Taxpayers Network
Paul Fleener, Citizen of Kansas (written only)
Richard Cram, KDOR
Mark Tallman, KS Association of School Boards
Mark Desetti, KNEA (written only)
Alan Cobb, Americans For Prosperity

Others attending:
See attached list.

It was noted that the minutes from the January 19, 23, 24, and 25, 2007 were sent electronically to the Committee on January 30 and, by consensus, approved on February 6, 2007.

HB 2264 - Exclusion of social security benefits from Kansas adjusted gross income for income tax liability purposes.

Chris Courtwright, Legislative Research Department, Since the mid 1980's a portion of social security benefits has been subject to the federal income tax, under certain circumstances (Attachment 1). For many taxpayers, there is not liability, but beginning at a certain threshold level, up to 50% of the benefits received are subject to taxation, and under other circumstances up to 85% of social security flow through to the tax base and are subject to taxes at the federal level. This federally adjusted gross income is important, to the extent which social security benefits may not flow into that, because Kansas, like most states, starts calculation of KS income tax with the federal. The federal adjusted gross income in Kansas is adjusted, and Kansas makes its own subtractions, modifications and adjustments, after which the Kansas tax is computed. States have made their own policy to tax or exclude from the federal figure. Twenty-seven states have opted to exclude this from their state base, 9 states do not tax because they do not have an income tax, however, there are 8 states, including Kansas, that fully tax this amount. **HB 2264** would eliminate taxing the income received by seniors from social security benefits. The fiscal note would reduce receipts FY08 by $18.9 million and would affect approximately 115,000 Kansas filers, which would provide an average tax cut of $164.00.

The Chairman opened the public hearing.

PROPONENTS:

Representative Judy Morrison, appeared in support of **HB 2264** . She said this bill is the brainchild of Senator Peggy Palmer and it was her pleasure to join Representative Goico in introducing this house bill (No written testimony).

Senator Peggy Palmer said **HB 2264** is identical to **SB 29**. She reiterated the details of the bill and stated that this bill would provide a consistent, fair and simple income tax program for Kansas seniors. It would provide a positive growth policy, and a balance for Kansas' high property and gasoline taxes. Kansas is currently ranked 44th with a D+ Grade in friendliness toward retirees and this bill would be a move toward changing that perception (Attachment 2).

Representative Mario Goico, rose in support of **HB 2264**. He reviewed the background on social security benefits and its original intent. He said that there are inequalities in the current state income tax. He gave several examples of discrimination against citizens who spent their careers working in the private sector. He concluded by stating that this bill would not completely correct all the stated problems, but it is a good start. He urged passage of the bill (Attachment 3).

Jim Snyder, Senior Advocate, testified in favor of passage of **HB 2264**. He related his experiences as a senior dealing with social security benefits and mandatory investment payout of deferred income at the age of 70 ½. This bill stops at least one tax payment currently required of seniors, who in many cases, are the least able to pay (Attachment 4). Included in his testimony was a list of counties that reflected their 2005 population and the percent and numbers of people over 65.

Karl Peterjohn, KS Taxpayers Network, said that **HB 2264** would correct a significant flaw that has existed for quite a while in Kansas personal income tax laws and a tax cut is needed for equity reasons. He explained that Oklahoma has recently lowered their rate on all income taxes again this year and the economic effect it has had on their state (Attachment 5). The Chairman asked if there were models for dynamic scoring that rate various state tax policies. He responded that there were several models nationally, and Beacon Hill Institute had done one in the past.

It was noted that written testimony, from Paul Fleener, Citizen of Kansas, in support of **HB 2264**, was received and distributed (Attachment 6).

OPPONENTS:

Richard Cram, KDOR, testified that this proposal would have a significant negative fiscal impact against the Sate of $18.9 million in FY 08, with the impact growing in out years (Attachment 7). He called attention and explained data on the filing status, base income and additional amounts on page 2 and the spreadsheet on KAGI brackets, total number of returns/estimated returns on page 4.

Mark Tallman, KS Association of School Boards, rose in opposition to **HB 2264** (Attachment 8). He called attention to the written testimony of Mark Desetti, KNEA, that raised concerns over the bill. He said that they do not oppose this particular bill, however, once again, raise concern over the decline of non-property revenue sources.

Alan Cobb, Americans For Prosperity, suggested that one way to control tax shift, if the Legislature would control spending. It is important for the Committee to establish dynamic tax model for both tax cuts and tax increases. He recommended the Committee read a memorandum by Chris Courtwright, posted on the Legislative Research website, that addressed the question of why it would be, if you increase state sales tax by 1 cent, it does not raise the same amount as an earlier 1 cent increase (**No written testimony**).

The Chairman requested more information on tools or dynamic models currently being used in other states. Mr. Cobb suggested Dr. Hall would be a good resource for those examples.

The Chairman closed the hearing on **HB 2264.**

The meeting was adjourned at 10:25 a.m. The next meeting is February 8, 2007.