

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:45 A.M. on February 21, 2005 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research
Martha Dorsey, Kansas Legislative Research
Gordon Self, Revisor of Statutes Office
Nancy Kirkwood, Secretary

Conferees appearing before the committee:

Others attending:

See attached list.

Chairperson Allen called the Committee meeting to order. She stated it would be working three bills today. The Committee would not work **SB 192** today, as a request of the Committee to work the bill tomorrow has been made. Brad Smoot informed the Chair he had given the information needed to the Revisor for an amendment to be presented when **SB 192** is worked.

Final action on:

SB 256 - Income tax exemption for amounts received for recruitment and student loan repayments by members of military

Chairperson Allen called for discussion and final action on **SB 256**, which was introduced in Committee by Senator Taddiken, relating to income tax exemptions for military bonuses and student loan repayments. The Chair had requested information from KDOR for the regular Army, as to a fiscal note. As the Committee had not received such information, she said the Committee could limit **SB 256** to the National Guard only. KDOR estimated the fiscal impact to be \$140,000 in this form. However, the Chair expressed concern about limiting **SB 256** to the National Guard only. Kansas would be the first state to exempt military bonuses and student loan repayments, although some states exempt military pay. At the federal level the military bonuses would be taxable, as the feds do not exempt anyone unless they are in combat.

After brief clarification by the Chair, Senator Apple made a motion to limit **SB 256** to only the Kansas Army and Air National Guard. Senator Donovan seconded the motion. The motion carried.

Senator Schmidt made a motion to pass **SB 256** out favorably as amended. Senator Donovan seconded the motion. The motion carried.

SB 156 - Tax and revenue assessment report by secretary of revenue to legislature

SB 159 - Report by secretary of revenue to legislature on tax incidence impact analysis

Chairperson Allen called for discussion and final action on **SB 156** and **SB 159**. She said the two bills had been brought to the Committee by Fiscal Focus, and these two bills could be put in one bill. She explained **SB 156** would require the Secretary of Revenue to report to the Legislature and the Governor on the effect of exemptions, credits, and exclusions relating to state sales and use taxes, and individual and corporation income and privilege taxes. The Committee was told by KDOR it is producing this report already. However, April Holman, Kansas Action for Children, stated she would like this report to become a statutory requirement.

HB 2010, currently in the House Eco. Devo. Comm., addresses the other half of the issue raised in **SB 156**. **HB 2010** addresses the "benefit" side of income tax credits and sales tax exemptions, while **SB 156** addresses the "expenditure" side of income tax credits and sales tax exemptions. The Chair suggested the

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Committee could amend **HB 2010** into **SB 156**.

Re **SB 159**, Chairperson Allen explained the bill would require KDOR to provide a Tax Incidence report on Kansas taxes. The bill would require the Secretary of Revenue to report to the Legislature on the overall incidence of individual income, sales, use, and property taxes. The report would be presented on or before March 1, every 3 years.

Secretary Wagnon stated KDOR has a good start on corporate data, and plans to keep adding to the corporate database this summer. That is where expending through the tax credit and various subsidies would otherwise be tax dollars for the General Fund. In order to fulfill the mandate of **SB 159**, the Secretary stated the Tax Incidence study would need to be outsourced. KDOR would need to hire an economist that specializes in the collection of this type of data; the estimated cost to prepare the report would be \$20,000 from the State General Fund every three years.

Chairperson Allen requested KDOR to furnish the Committee with copies of the Tax Expenditure Report.

No action was taken on **SB 156** and **SB 159**. The Chair asked the Committee to go over **HB 2010**, and it would again look at working the bills tomorrow.

The meeting adjourned at 11:30 a.m. The next meeting is scheduled for Tuesday, February 22, 2005.