

Approved On: \_\_\_\_\_

Minutes of the House Committee on Assessment and Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on March 7, 1986 in room 519 South at the Capitol of the State of Kansas.

All members of the Committee were present.

Committee staff present:

Tom Severn, Legislative Research  
Melinda Hanson, Legislative Research  
Don Hayward, Reviser of Statutes  
Millie Foose, Committee Secretary

Representative Rolfs presented a report showing the State General Fund Demands for FY 1987 assuming the lowest probable level of spending, taking into account possible reductions in receipts due to the drop in oil prices. (Attachment 1)

HB-3001, an act amending the Kansas retailers' sales tax act, relating to the taxation of telephone services, was discussed. Representative Erne said this would be an added burden to the people in his district and would send negative signals. Representative Aylward moved, second by Representative that the bill be reported favorable. The motion failed 9-10.

HB-3067, an act relating to income taxation; concerning itemized deductions of an individual; concerning the rate imposed upon individuals, was considered next. Representative Rolfs explained the rule for tax exemptions as they relate to works of art. The federal rule allows exemption for cost of material only. (Attachment 1) Representative Vancrum presented some facts and figures comparing Kansas with other states. He also explained marginal tax rates and their possible effects on business location decisions. He believes this bill would be damaging to Kansas' image and would not be neutral in impact. (Attachment 2)

Representative Patterson moved, second by Representative Lowther, that HB-3067 be reported favorably. Representative Wagnon moved, second by Representative Schmidt, that the bill be amended to conform with federal itemized deductions, maintain present tax rates, conform with federal zero bracket deductions, eliminate the personal exemption and create a \$55 tax credit in lieu thereof and provide for a 25% child care tax credit for credits allowed on the federal return. She said it was in total conformity with the federal rule and is revenue neutral but redistributes tax burden at the \$35,000 KAGI level. (Attachment 3)

After committee discussion, the chairman adjourned the meeting at 10:00 and announced the committee would reconvene on adjournment of the House.

At 12:30, the Chairman reconvened the meeting following the adjournment of the House.

Committee discussion resumed on the substitute motion of Representative Wagnon. The motion passed.

Representative Leach moved, second by Representative Fry, that HB-3067 be reported favorably. Representative Wunsch moved, second by Representative Spaniol, that HB-3067 be tabled as the committee had not had sufficient time to study all the details of the bill. The motion failed 9-10.

Representative Fox questioned child support credit or deductions on HB-3067. Representative Fox moved, second by Representative Erne, that a deduction of \$2400 or actual child support payment, whichever is less, per child for annual child support payments be authorized as a non-conforming Kansas Income Tax deduction. The motion carried.

Representative Wunsch moved, second by Representative Lowther, that the paragraph referring to art work be reinstated. Representative Leach moved, second by Representative Wunsch, that the bill be amended to the original version, removing all amendments. The motion carried.

Representative Vancrum moved, second by Representative Lowther, that HB-3067 be amended to change only conformity with the federal government on medical and gasoline tax. Representative Wunsch proposed a substitute motion, second by Representative Reardon, to restore the original language of the bill and leave the art deductions as they are.

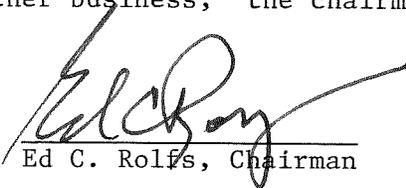
Representative Crowell said there were too many unanswered questions about the bill and he believes the committee does not have enough information to act responsibly on it. He also stated that there appeared to be no consensus on the committee to address our revenue questions. Representative Crowell moved, second by Representative Moomaw, that HB-3067 be tabled. The motion carried.

HB-3069, an act relating to taxes and fees imposed on oil and gas production; providing requirements for filing returns and payment of such taxes and fees, was considered. Representative Lowther moved, second by Representative Aylward, that HB-3069 be reported favorably. The motion carried.

Representative Leach moved, second by Representative Fry, that HB-3002 be reported adversely. The chairman stated that HB-3002 was not under consideration at the time and ruled the motion out of order.

The minutes of March 6 were approved by the committee.

There being no further business, the chairman adjourned the meeting.

  
Ed C. Rolfs, Chairman

The lowest common denominator

ENDING FY 87 Balance

Gov. Basic Budget 74.0

Downward Revision - Oil + Gas

From \$22 BBL to \$13 BBL (9 x 8.0) - 72.0

Est. Revised Ending Balance FY 87 2.0 2.0

Additions to Basic Budget

Education (SDEA, Tran, SE) 20.0

Reappraisal / Ag 10.0

- 30.0

CUTS TO THE BASIC BUDGET

TRAVEL, MOTOR POOL, 7+7 12.0

Ways & Means CUTS 5.0

FFDC 10.0

+ 27.0

FY 87 Ending Balance

- 1.0

FY 86 Ending Balance when we adjourned  
last year was around \$120.0m

**STATE RANKINGS FOR SELECTED REVENUE ITEMS, PER CAPITA AND AS A PERCENTAGE  
OF STATE PERSONAL INCOME, FISCAL YEAR 1984 (STATE AND LOCAL GOVERNMENT REVENUE)**

**All State-Local Tax Revenue**

State	Per Capita	State	As a Percent of Personal Income	Rank
AK	\$4,704	AK	28.6	1
WY	2,504	WY	20.9	2
DC	2,300	NY	16.5	3
NY	2,130	DC	14.6	4
MN	1,706	MN	14.4	5
CT	1,655	MI	13.7	6
NJ	1,637	WI	13.7	7
MI	1,575	HI	12.9	8
WI	1,556	MT	12.9	9
MA	1,549	UT	12.9	10
HI	1,543	VT	12.9	11
CA	1,503	NM	12.6	12
MD	1,503	ME	12.6	13
WA	1,416	OR	12.4	14
IL	1,405	RI	12.1	15
RI	1,403	WV	12.1	16
DE	1,400	AZ	12.0	17
NV	1,353	IA	11.9	18
CO	1,339	WA	11.8	19
ND	1,334	MA	11.7	20
OR	1,321	MD	11.7	21
PA	1,309	NJ	11.7	22
MT	1,275	CA	11.5	23
IA	1,273	ND	11.5	24
VT	1,271	PA	11.4	25
KS	1,260	IL	11.3	26
AZ	1,246	DE	11.2	27
OH	1,246	CT	11.2	28
NE	1,232	OH	11.1	29
ME	1,229	NV	11.1	30
VA	1,210	NE	11.0	31
NM	1,194	LA	10.9	32
OK	1,159	MS	10.8	33
UT	1,133	SC	10.8	34
TX	1,115	NC	10.6	35
LA	1,114	CO	10.6	36
WV	1,113	OK	10.6	37
IN	1,093	GA	10.5	38
NH	1,092	IN	10.5	39
GA	1,073	KS	10.3	40
FL	1,073	KY	10.2	41
NC	1,027	VA	10.1	42
MO	1,012	ID	10.1	43
SC	981	SD	10.0	44
SD	978	AL	10.0	45
KY	955	AR	9.7	46
ID	953	TX	9.7	47
AL	916	FL	9.5	48
TN	878	MO	9.3	49
MS	871	NH	9.3	50
AR	866	TN	9.3	51
US	\$1,356	US	11.7	

**State-Local Property Tax Revenue**

Rank	State	Per Capita	State	As a Percent of Personal Income
1	WY	\$1,100	WY	9.2
2	AK	873	MT	6.0
3	NJ	680	NH	5.6
4	CT	668	OR	5.3
5	NH	666	AK	5.3
6	NY	650	MI	5.2
7	DC	638	NY	5.0
8	MI	601	VT	5.0
9	MT	589	NJ	4.8
10	OR	571	RI	4.8
11	RI	561	IA	4.6
12	MA	534	NE	4.5
13	IL	514	ME	4.5
14	WI	510	CT	4.5
15	NE	507	WI	4.5
16	IA	493	SD	4.2
17	VT	490	IL	4.2
18	KS	468	DC	4.1
19	MN	466	MA	4.0
20	CO	445	MN	3.9
21	ME	442	KS	3.8
22	TX	418	TX	3.6
23	SD	406	UT	3.6
24	WA	395	CO	3.5
25	CA	385	AZ	3.4
26	MD	380	OH	3.3
27	OH	371	WA	3.3
28	AZ	350	IN	3.3
29	FL	350	FL	3.1
30	PA	345	PA	3.0
31	VA	343	CA	3.0
32	IN	342	MD	3.0
33	ND	327	VA	2.9
34	UT	316	ND	2.8
35	NV	298	GA	2.8
36	GA	285	ID	2.7
37	HI	278	SC	2.6
38	ID	256	NV	2.4
39	SC	240	NC	2.4
40	MO	234	MS	2.3
41	NC	229	HI	2.3
42	TN	213	TN	2.2
43	OK	200	MO	2.1
44	DE	197	WV	2.1
45	WV	191	AR	1.9
46	MS	189	KY	1.8
47	KY	173	OK	1.8
48	AR	170	LA	1.6
49	LA	166	DE	1.6
50	NM	148	NM	1.6
51	AL	111	AL	1.2
	US	\$408	US	3.5

Source: Computed on ACIR Government Finance Spreadsheet Diskettes for FY 84. These diskettes contain data supplied via magnetic tape by U.S. Bureau of the Census.

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**STATE RANKINGS FOR SELECTED REVENUE ITEMS, PER CAPITA AND AS A PERCENTAGE OF STATE PERSONAL INCOME, FISCAL YEAR 1984 (STATE AND LOCAL GOVERNMENT REVENUE). Cont'd.**

State-Local Individual Income Tax Revenue				State-Local General Sales Tax Revenue				
State	Per Capita	State	As a Percent of Personal Income	Rank	State	Per Capita	State	As a Percent of Personal Income
DC	\$771	DC	4.9	1	WA	\$696	WA	5.78
NY	616	NY	4.8	2	HI	615	HI	5.16
DE	587	MN	4.7	3	DC	477	NM	4.90
MN	557	DE	4.7	4	NM	464	WV	4.37
MD	542	OR	4.3	5	NV	452	AZ	4.36
MA	481	MD	4.2	6	AZ	450	UT	4.33
WI	458	WI	4.0	7	CA	426	MS	4.14
OR	455	MA	3.6	8	CT	425	LA	4.03
MI	407	MI	3.6	9	CO	422	TN	4.03
HI	388	HI	3.2	10	LA	411	NV	3.71
CA	361	NC	3.0	11	WY	407	IN	3.43
OH	335	OH	3.0	12	NY	404	WY	3.40
VA	312	CA	2.8	13	WV	403	CO	3.35
PA	301	SC	2.7	14	UT	382	CA	3.27
RI	296	UT	2.7	15	TN	382	FL	3.22
NC	290	PA	2.6	16	FL	363	MO	3.13
IA	271	VA	2.6	17	IN	358	NY	3.12
IL	257	RI	2.6	18	MO	341	DC	3.03
GA	251	IA	2.5	19	MS	333	SD	3.02
VT	249	VT	2.5	20	IL	315	AR	2.89
SC	241	KY	2.5	21	MN	301	CT	2.87
CO	240	GA	2.5	22	ND	298	GA	2.84
IN	236	ID	2.4	23	SD	295	AL	2.84
NJ	235	ME	2.3	24	GA	289	ME	2.80
UT	234	IN	2.3	25	WI	288	SC	2.66
KS	233	WV	2.2	26	TX	284	ND	2.57
KY	232	MT	2.1	27	NJ	273	ID	2.56
ID	228	AR	2.1	28	ME	273	WI	2.55
ME	227	IL	2.1	29	OK	267	IL	2.54
MO	208	KS	1.9	30	NE	267	MN	2.54
MT	207	MO	1.9	31	OH	265	TX	2.47
WV	202	CO	1.9	32	AL	260	OK	2.44
OK	199	OK	1.8	33	RI	258	NE	2.40
NE	189	AL	1.8	34	AR	257	IA	2.37
AR	185	NE	1.7	35	IA	253	OH	2.36
AZ	173	NJ	1.7	36	MI	250	RI	2.22
AL	166	AZ	1.7	37	KS	248	NC	2.20
ND	108	MS	1.2	38	SC	242	MI	2.19
MS	100	ND	0.9	39	ID	242	KY	2.16
LA	91	LA	0.9	40	PA	229	KS	2.03
CT	88	CT	0.6	41	MD	227	PA	2.00
NM	53	NM	0.6	42	MA	215	NJ	1.95
NH	23	NH	0.2	43	NC	212	MD	1.77
TN	12	TN	0.1	44	KY	203	VA	1.66
AK	2	AK	*	45	VA	199	MA	1.63
FL	0	FL	0.0	46	VT	153	VT	1.55
NV	0	NV	0.0	47	AK	117	AK	0.71
SD	0	SD	0.0	48	DE	0	DE	0.00
TX	0	TX	0.0	49	MT	0	MT	0.00
WA	0	WA	0.0	50	NH	0	NH	0.00
WY	0	WY	0.0	51	OR	0	OR	0.00
US	\$274	US	2.4		US	\$318	US	2.75

\*less than 0.05%

Source: Computed on ACIR Government Finance Spreadsheet Diskettes for FY 84. These diskettes contain data supplied via magnetic tape by U.S. Bureau of the Census.

## Proposed amendment to HB 3067

On page 3, after line 91, by inserting the following:

"(i) The federal income tax liability under chapter 1 of the internal revenue code for the same taxable year for which the Kansas return is being filed after reduction for all credits thereon, except credits for federal withholding and payments on estimates of federal income tax, credits for gasoline and lubricating oil tax, and for foreign tax credits in an amount as hereinafter provided. If, in any year to which this act relates, the taxpayer pays federal income tax pertaining to a prior year's federal income tax liability, such taxpayer may deduct such payment in the year such payment is made if, on the Kansas income tax return for such prior year, such taxpayer computed the federal income tax deduction on the basis of federal income tax paid in such prior year, rather than as accrued. The deduction for federal income tax liability for any year shall be determined by multiplying the federal income tax liability for such year by a fraction the numerator of which is the Kansas adjusted gross income for such year and the denominator of which is the federal adjusted gross income for the same year.";

by relettering items (i) and (ii) as items (ii) and (iii), respectively;

Also, on page 3, by striking all in lines 107 to 110, inclusive;

On page 4, by striking all in lines 125 to 166, inclusive;

On page 5, by striking all in lines 167 to 179, inclusive; after line 179, by inserting three new sections to read as follows:

"Sec. 2. K.S.A. 79-32,111a is hereby amended to read as follows: 79-32,111a. (a) There shall be allowed as a credit against the tax liability of a resident individual under article 32 of chapter 79 of the Kansas Statutes Annotated and acts

amendatory thereof and supplemental thereto a ~~portion~~ an amount equal to 25% of the amount of the credit allowed against said such taxpayer's federal income tax liability pursuant to 26 U.S.C. 44A for the taxable year in which said such credit was claimed against the taxpayer's federal income tax liability. Said ~~portion--shall-be-the-applicable-percentage-of-said-credit-as-set forth-in-the-following-schedule:~~

Taxpayers-Kansas-Adjusted

Gross-income	%-of-Federal-Credit
\$0-to-\$5,000	100
5,000.01-to--6,000	90
6,000.01-to--7,000	80
7,000.01-to--8,000	70
8,000.01-to--9,000	60
9,000.01-to--10,000	50
10,000.01-to--11,000	40
11,000.01-to--12,000	30
12,000.01-to--13,000	20
13,000.01-to--14,000	10
14,000.01-and-ever	0

(b) The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by K.S.A. 79-32,110, and amendments thereto, reduced by the sum of any other credits allowable pursuant to law.

"Sec. 3. K.S.A. 79-32,119 is hereby amended to read as follows: 79-32,119. The Kansas standard deduction of an individual, ~~including a husband and wife who are either both residents or who file a joint return as if both were residents,~~ shall be the sum of (a) ~~the standard deduction allowable to such individual or to such husband and wife under the internal revenue code of 1954, as amended, and in effect on December 31, 1976,~~ except, ~~however,~~ that any limitation ~~on such federal standard deduction expressed in terms of a percentage of the federal~~

~~adjusted-gross-income-shall-be-applied-to-Kansas--adjusted--gross  
income (1) \$3,670 for a married individual filing a joint Kansas  
income tax return; or (2) \$2,480 for a single individual, or an  
individual filing a return under the status of head of household;  
or (3) \$1,835 for a married individual filing a separate Kansas  
income tax return; and (b) the deduction for federal income tax  
as defined in K.S.A. 79-32,120. For purposes of the foregoing,  
the federal standard deduction allowable to a husband and wife  
filing separate Kansas income tax returns shall be determined on  
the basis that separate federal returns were filed, and the  
federal standard deduction of a husband and wife filing a joint  
Kansas income tax return shall be determined on the basis that a  
joint federal income tax return was filed.~~

"New Sec. 4. (a) There shall be allowed as a credit against the tax liability of an individual imposed under the Kansas income tax act an amount equal to \$55 for each personal exemption for which such individual is entitled to a deduction for the taxable year for federal income tax purposes. In addition, an individual filing a federal income tax return under the status of head of household, shall be allowed an additional credit in an amount equal to \$55.

(b) The credit allowed by subsection (a) shall not exceed the amount of the tax imposed under the Kansas income tax act, reduced by the sum of any other credits allowable pursuant to law.";

By renumbering existing sections 4 to 6, inclusive, as sections 5 to 7, respectively;

Also, on page 5, in line 182, by striking "79-32,119 and 79-32,120" and inserting "79-32,111a, 79-32,119, 79-32,120 and 79-32,121";

In the title, in line 17, after "concerning" by inserting "the standard and"; in line 18, by striking all after the semicolon; in line 19, by striking "individuals" and inserting "allowing certain credits therefrom"; in line 19, after

"79-32,110," by inserting "79-32,111a,"; in line 20, before the period by inserting "; also repealing K.S.A. 79-32,121"



**A STATEMENT OF THE KANSAS ARTS COMMISSION ON  
CERTAIN PROVISIONS OF HB 3067**

**John Carlin**  
Governor of Kansas

House Bill 3067 would repeal that portion of the Kansas Tax Law which allows artists to donate their own work to a museum or library and deduct from their Kansas taxes the fair market value of their work. This is of great concern to the Kansas Arts Commission.

Kansas has produced many fine artists, some of whom still are living. To these individuals, their work is their inventory. By not allowing them to take fair market value deductions, we are discriminating against them vis-a-vis other businessmen, such as shoe manufacturers, who are allowed such a deduction when they contribute from their inventory. An artist's estate has the same problem. A spouse and child would not be able to benefit from an artist's life-work in the event of his or her untimely death. And, Kansas would not be the home of major collections of its native artists should the bill pass. For Kansas universities to lose collections from its famous playwrights, actors, painters, and other artists would be a tragedy for the future of the arts and scholarship in this state.

**Leah Ann Anderson**  
President  
*Lindsborg*

**Raunda Ryan**  
Vice President  
*Wichita*

**Robert E. Ault**  
Secretary/Treasurer  
*Topeka*

**John Johntz, Jr.**  
*Shawnee Mission*

**Robert Quinn Rohde**  
*Neodesha*

**Margaret Steineger**  
*Kansas City*

**Sherry Soelter**  
*Abilene*

**John M. Lindner**  
*Garden City*

**Tish Rogers**  
*Russell*

**Janet Frieden**  
*Topeka*

**Martha Gannon**  
*Goodland*

**Janet Wigglesworth**  
*Fairway*

**John Austin Carey**  
Executive Director

is (more or less) net neutral.

3067

SIMULATIONS NO. 6064: ELIMINATION OF THE FEDERAL TAX DEDUCTION, CONFORMITY TO FEDERAL ITEMIZED DEDUCTIONS LESS STATE, COUNTY AND CITY INCOME TAXES, AND NEW KANSAS TAX RATES

Kansas Department Of Revenue

Individual Income Tax In Tax Year 1986  
Resident Taxpayers  
Impact By Bracket

SIMULATION NO. 6064: ELIMINATION OF THE FED TAX DEDUCTION, CONFORMITY ON FED ITEMIZED AND NEW KANSAS TAX BRACKETS

K.A.G.I. Bracket	Married					Single					Total Residents				
	No. Of Returns	Percent Increase	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Increase	Liability	Percent Of Total	Effective Rate	No. Of Returns	Percent Increase	Liability	Percent Of Total	Effective Rate
No K.A.G.I.	12,526	0.0%	\$0.00	0.0%	0.0%	6,211	0.0%	\$0.00	0.0%	0.0%	10,737	0.0%	\$0.00	0.0%	0.0%
\$0 \$5,000	15,895	-37.1%	(\$5,000.00)	0.1%	0.0%	103,053	-32.3%	(\$300,102.04)	4.2%	0.2%	110,947	-32.4%	(\$305,102.04)	4.2%	0.2%
\$5,000 \$15,000	75,474	-25.1%	(\$1,662,428.57)	23.1%	0.6%	166,105	-20.0%	(\$5,033,469.39)	81.2%	1.4%	241,579	-21.7%	(\$7,495,897.96)	104.3%	1.1%
\$15,000 \$25,000	97,368	-15.0%	(\$4,782,854.00)	66.5%	1.4%	84,316	-13.9%	(\$6,430,508.16)	89.5%	2.4%	181,604	-14.4%	(\$11,213,362.24)	156.0%	1.9%
\$25,000 \$35,000	107,789	-7.2%	(\$5,131,433.67)	71.4%	2.0%	36,842	-0.2%	(\$2,040,096.94)	39.5%	2.9%	144,632	-7.6%	(\$7,971,530.61)	110.9%	2.3%
\$35,000 \$50,000	125,263	-0.1%	(\$151,226.33)	2.1%	2.5%	15,263	-0.1%	(\$17,959.10)	0.2%	3.2%	140,526	-0.1%	(\$169,105.71)	2.4%	2.6%
\$50,000 \$100,000	71,158	7.9%	\$9,567,142.86	-133.1%	2.9%	6,632	5.0%	\$815,816.33	-11.4%	4.0%	77,789	7.6%	\$10,382,959.18	-144.5%	3.0%
\$100,000 Over	9,053	10.3%	\$5,905,727.55	-82.2%	3.7%	1,368	27.1%	\$3,678,775.51	-51.2%	4.0%	10,421	13.5%	\$9,504,503.06	-133.3%	3.9%
Total	514,526	0.9%	\$3,739,927.55	-52.0%	2.4%	419,709	-6.9%	(\$10,927,543.88)	152.0%	2.5%	934,316	-1.2%	(\$7,187,616.33)	100.00%	2.4%
Fiscal Impact:			\$3,739,927.55					(\$10,927,543.88)					(\$7,187,616.33)		
All Taxpayers:			(\$7,375,819.39)			Non-Resident:		(\$100,203.06)							

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