

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:12 a.m. on February 24, 1993 in Room 519-S of the Capitol.

Members present: Senator Langworthy, Senator Tiahrt, Senator Martin, Senator Bond, Senator Corbin, Senator Feleciano Jr., Senator Hardenburger, Senator Lee, Senator Reynolds, Senator Sallee, Senator Wisdom

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Bill Edds, Revisor of Statutes
Don Hayward, Revisor of Statutes
Elizabeth Carlson, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

Action on bills previously heard

SB 250--Electronic funds transfer of property tax

The discussion of **SB 250** was opened by suggesting some amendments to the bill.

Senator Martin moved to amend **SB 250** in line 26 after the word "payments" to add "except that, the governing body of a county may waive interest and penalty if it is found that the taxpayer acted in good faith to make such timely payment". The motion was seconded by Senator Bond. Motion carried.

Senator Bond moved to amend **SB 250** in line 20 by striking all after the period; by striking all in line 21, and in line 22 by striking all before "failure", also in line 23, by striking all after "funds" and in line 24, by striking all before "shall". The motion was seconded by Senator Martin. The motion carried.

Senator Bond moved to amend **SB 250** in line 18 after "established" by inserting "jointly" and in line 19, after the word "body" by inserting "and the taxpayer.". The motion was seconded by Senator Lee. The motion carried.

Senator Bond moved to pass **SB 250** favorably as amended. The motion was seconded by Senator Feleciano. The motion carried with Senator Sallee voting no.

SB 230--Kansas community assistance act

Tom Severn, Department of Research, gave a review of **SB 230**. (Attachment 1) He explained the effect of this bill and how it would affect the taxpayer.

There was discussion from the committee concerning how many years it would take to get this assistance act going. Senator Langworthy said Missouri has been using a similar bill for 10 years and it takes sometime to get approval of the program and to get the corporations interested. She said not much will happen during the first year of the bill and it would take a minimum of 5 years to approach the cap on the credit that can be given.

Senator Bond told of his experience in trying to raise money from corporations for abused children and runaway children. He said the first question he got when he contacted the corporations was if Kansas has the Cap program. He said Kansas charities are being discriminated against because of the lack of this provision.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:12 a.m. on February 24, 1993.

Senator Bond moved to amend **SB 230** on page 3, line 5 to include after "department of commerce" the words "and housing" and to pass the bill favorably. The motion was seconded by Senator Wisdom. The motion carried.

SB 258--Amending real estate ratio study act; excluding certain sales

Senator Martin moved to amend **SB 258** in line 18 by adding the word "use" after "subject to" and striking the words "under use value guidelines" and also to strike the word "above " in line 20 and insert "from". The motion was seconded by Senator Bond. The motion carried.

Senator Lee moved to pass the **SB 258** favorably as amended. The motion was seconded by Senator Bond. The motion carried.

SB 324--Contents of property appraisal rolls submitted by county appraiser to county clerk

Senator Lee made a motion to amend **SB 324** on page 2, in line 7, before "that" by inserting "appraisals completed by the county or district appraiser on personal property"; also, in line 7 after "taxation" by inserting "and required to be listed with the county or district appraiser." and by striking all in lines 9 to 14, inclusive. The motion was seconded by Senator Martin. The motion carried.

Senator Bond made a motion to pass **SB 324** favorably as amended. The motion was seconded by Senator Lee. The motion carried.

SB 193--Property tax procedure; hearings with county appraiser

Senator Martin moved to pass **SB 193** favorably. The motion was seconded by Senator Reynolds. The motion carried.

The meeting was adjourned at 11:50.

The next meeting is scheduled for February 25, 1993.

DATE: February 24, 1993

[illegible]

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

**300 S.W. 10th Avenue
Room 545-N – Statehouse**

Phone 296-3181

February 24, 1993

TO: Senator Audrey Langworthy

Office No. 143-N

RE: S.B. 230 -- Community Improvement Grants

This memorandum is in response to your request for an explanation of S.B. 230. The bill would authorize credits for contributions by business firms to community service organizations for the purpose of conducting approved community assistance, job training, community services, or crime prevention in Kansas.

Community Service Organizations. S.B. 230 defines a community service organization as an organization performing community services in Kansas that meets any of these conditions:

1. exempt under 501(c)(3);
2. chartered as a nonstock, nonprofit corporation;
3. designated as such by the federal government; or
4. chartered by the U.S. Congress.

Community Services. Community services is defined by the bill to mean activity which meets a demonstrated community need and which improve the physical, mental, social, cultural, or spiritual welfare of others or the relief, comfort or assistance of persons in distress or any combination of these. Examples include health and recreation services, childcare, individual and family counseling, employment and training programs for handicapped persons, and meals or feeding programs.

Approval of Programs. The Director of the Division of Community Development would approve programs, but to be approved programs would need the endorsement of an agency of local government that has adopted an overall community or neighborhood development plan.

Charitable Contributions – Current Law. Contributions to organizations qualifying under Section 501(c)(3) are deductible in arriving at taxable income. For corporations, charitable

*Senate Assessment + Taxation
February 24, 1993
attachment 1-1*

contributions are subject to a limitation of 10 percent of taxable income, computed without regard to the contributions, preferred stock dividends of utilities, and loss carrybacks. Excess contributions may not be claimed in the current year but may be carried forward for up to five years, although each year is subject to the 10 percent limitation.

Charitable Contributions for State Income Taxes. For both Missouri and Kansas the tax computation begins with federal taxable income, and no modification is made for ordinary charitable contributions. Thus, the federal treatment carries over to the state level.

Credit. The credit granted a contributor could not exceed 50 percent of the amount contributed to the community service organization, or 70 percent of the amount contributed to a rural community service organization. The contribution would be deductible at the federal level, but not at the state level. This treatment is accomplished by adding the amount of the contribution to federal taxable income in computing Kansas taxable income for corporations, or adding the amount of the contribution to federal adjusted gross income in computing Kansas adjusted gross income for individuals.

Missouri Law. Under Missouri law, the amount of the contribution is not added back; thus, the taxpayer is allowed both a credit and a deduction for the same contribution.

Hypothetical Example. The attached tables compare the tax treatment a hypothetical taxpayer in Missouri and Kansas who makes no contribution, an ordinary contribution, and a contribution under S.B. 230 or Missouri's Neighborhood Assistance Program. For each, the federal income tax and state income tax is calculated. A simplifying assumption is that the firm knows and prepays its state tax liability and thus deducts the same amount for federal income tax purposes that it subsequently calculates on the state return. This assumption avoids questions about the timing of the deduction taken for state and federal income taxes and permits us to concentrate on the effect of the contribution. The example assumes a 50 percent credit. The corporation has income of \$1,000,000 before taxes and before a contribution of \$10,000. An ordinary contribution costs the firm \$6,115 in Kansas and \$6,379 in Missouri. A contribution under S.B. 230 or the NAP would cost the firm \$3,300 in Kansas and \$3,021 in Missouri.

I hope this information is useful to you. If you have further questions please contact me.



Tom Severn
Principal Analyst

Attachments

Kansas Sample Computation (1992 Rates)

	No Contribution	Normal Charitable Contribution	NAP Contribution
Facts			
Taxable Income before Contribution	\$1,000,000	\$1,000,000	\$1,000,000
Contribution	0	10,000	10,000
Federal Income Tax			
Gross Taxable Income	\$1,000,000	\$1,000,000	\$1,000,000
less: Contribution Deduction	0	10,000	10,000
less: Kansas Income Tax	71,825	71,090	66,825
Federal Taxable Income	\$928,175	\$918,910	\$923,175
Federal Income Tax	\$315,580	\$312,429	\$313,880
Kansas Income Tax			
Federal Taxable Income	\$928,175	\$918,910	\$923,175
add: Contribution Deduction	---	---	10,000
add: Kansas Income Tax	71,825	71,090	66,825
Kansas Taxable Income	\$1,000,000	\$990,000	\$1,000,000
Kansas Corporate Tax	\$71,825	\$71,090	\$71,825
NAP Credit per SB230	0	0	5,000
Net Kansas Income Tax	\$71,825	\$71,090	\$66,825
Cash Requirements			
Contributions	none	\$10,000	\$10,000
Federal Income Tax	\$315,580	312,429	313,880
Kansas Income Tax	71,825	71,090	66,825
Total	\$387,405	\$393,519	\$390,705
Cost of Contribution			
Kansas Tax Benefit	NA	\$735	\$5,000
Federal Tax Benefit	NA	3,150	1,700
After-Tax Cost	NA	6,115	3,300
Total	NA	\$10,000	\$10,000

Missouri Sample Computation (1992 Rates)

Facts	No Contribution	Normal Charitable Contribution	NAP Contribution
Taxable Income before Contribution	\$1,000,000	\$1,000,000	\$1,000,000
Contribution	0	10,000	10,000
Federal Income Tax			
Gross Taxable Income	\$1,000,000	\$1,000,000	\$1,000,000
Contribution Deduction	0	10,000	10,000
Missouri Income Tax	33,571	33,235	28,149
Federal Taxable Income	\$966,429	\$956,765	\$961,851
Federal Income Tax	\$328,586	\$325,300	\$327,029
Missouri Income Tax			
Federal Taxable Income	\$966,429	\$956,765	\$961,851
less: Federal Income Tax	328,586	325,300	327,029
add: Missouri Income Tax	33,571	33,235	28,149
Missouri Taxable Income	671,414	664,700	662,971
Missouri Corporate Tax	\$33,571	\$33,235	\$33,149
NAP Credit	0	0	5,000
Net Missouri Tax	\$33,571	\$33,235	\$28,149
Cash Requirements			
Contributions	none	\$10,000	\$10,000
Federal Tax	\$328,586	325,300	327,029
Missouri Tax	33,571	33,235	28,149
Total	\$362,157	\$368,535	\$365,178
Cost of Contribution			
Missouri Tax Benefit	NA	336	5,422
Federal Tax Benefit	NA	3,286	1,557
After-Tax Cost	NA	6,379	3,021
Total	NA	\$10,000	\$10,000