

SESSION OF 2013

**SECOND CONFERENCE COMMITTEE REPORT BRIEF
HOUSE SUBSTITUTE FOR SENATE BILL NO. 84**

As Agreed to May 28, 2013

Brief*

House Sub. for SB 84 would make a number of adjustments to sales and income tax law.

Sales Tax Provisions

The bill would set the sales and use tax rate at 6.0 percent on July 1, 2013. The rate currently being levied is 6.3 percent (but is scheduled under current law to be reduced to 5.7 percent on July 1, 2013).

Sales and use tax disposition of revenue provisions would be adjusted, based on information provided by the Department of Revenue, to provide that the net of additional revenues in excess of 5.7 percent would be deposited exclusively into the State General Fund (SGF).

Income Tax Provisions

Relative to the individual income tax, a number of changes would be enacted to Kansas itemized deductions. The deduction for certain gambling losses would be repealed altogether. All other itemized deductions would be reduced by 25 percent in tax year 2013; 30 percent in tax year 2014; 35 percent in tax year 2015; 40 percent in tax year 2016; 45

*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>

percent in tax year 2017; and 50 percent in tax years 2018 and thereafter.

Kansas standard deduction levels for married taxpayers filing jointly and for single heads-of-household would be set at \$6,500 and \$5,000 respectively, beginning in tax year 2013. Legislation enacted in 2012 had raised both standard deduction levels (from \$6,000 for married joint and \$4,500 for heads of household) to \$9,000.

A new series of individual income tax rate cuts would be provided beginning in tax year 2014, when the current bottom bracket of 3.0 percent would be reduced to 2.7 percent. In tax year 2015, the current top bracket of 4.9 percent would be reduced to 4.8 percent. The two rate brackets would be set at 2.4 and 4.75 percent, respectively, in tax year 2016; 2.3 and 4.75 in tax year 2017; and 2.3 and 3.5 percent in tax year 2018.

Future formulaic income tax rate relief would be provided under certain circumstances beginning as early as tax year 2019 based on the extent to which a specified group of SGF tax sources had increased over the previous fiscal year. Generally, rate relief would be triggered under the formula once that group of taxes had exceeded the previous fiscal year's levels (beginning with FY 2018 growth over FY 2017) by 2.0 percent or more.

Additional language would partially restore the food sales tax rebate program, which had been repealed altogether by 2012 law. The income tax credits that could be claimed by eligible households would now be nonrefundable, whereas under prior law (before the repeal) the credits had been refundable.

Conference Committee Action

The second Conference Committee on May 28 agreed to remove many of the provisions of the bill, as amended by

the House Committee of the Whole, and insert the tax plan which was a House offer made on May 24. This tax reform plan removed a number of provisions of the bill addressing various technical adjustments to income and severance tax laws enacted in 2012, as many of those issues were contained in another piece of 2013 legislation already signed into law (House Sub. for SB 83). Additional sales and income tax provisions previously adopted by the Senate Committee of the Whole were modified to reflect the new series of policy proposals from the Conference Committee.

Background

SB 84, as introduced, dealt with “click-thru” nexus provisions relating to sales and use tax and was requested for introduction and supported by the Kansas Chamber. The Senate Assessment and Taxation Committee amendment was technical.

The House Taxation Committee, on March 12, voted to strike the original provisions of the bill in their entirety; insert a number of tax plan provisions at the suggestion of Chairperson Carlson dealing with various income tax changes and the disposition of sales tax revenues; and recommend a substitute bill be created.

The House Committee of the Whole on March 20 struck disposition of revenue provisions that would have deposited a greater share of sales and use tax receipts in the State General Fund.

Based on the latest information available from the Department of Revenue, the Conference Committee Report would have the following impact on SGF receipts:

sales tax, income tax

ccrb_sb84_01_my28.odt

**Disaggregated Details of House Sub. for SB 84, Conference Committee Action
(\$ in millions)**

	Sales Tax Provisions	Income Tax Provisions					Total
	6.00% Sales Tax	Item. Ded. Haircut	Changes Std. Ded.	Rate Cuts	Food Rebates	Inc. Tax Net	
FY 2014	\$ 128.8	\$ 123.9	\$ 81.7	\$ (22.7)	\$ (20.0)	\$ 162.9	\$ 291.7
FY 2015	145.8	119.3	85.8	(89.9)	(21.0)	94.2	240.0
FY 2016	151.3	143.8	90.1	(156.8)	(22.1)	55.1	206.3
FY 2017	157.0	170.5	94.6	(247.8)	(23.2)	(5.9)	151.1
FY 2018	162.9	199.5	99.3	(469.6)	(24.3)	(195.1)	(32.3)
5 year-total	\$ 745.7	\$ 757.0	\$ 451.5	\$ (986.8)	\$ (110.5)	\$ 111.2	\$ 856.8

* Note: Totals may not add due to rounding