

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Vice Chairman Richard Carlson at 9:00 A.M. on January 24, 2007 in Room 519-S of the Capitol.

All members were present except:

Representative Paul Davis
Representative Virgil Peck
Representative Kenny Wilk

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:

Stuart Little, Little Government Relations

Others attending:

See attached list.

The Vice Chairman called for bill introductions.

Stuart Little, appeared on behalf of the Johnson County Government, to requested a bill introduction regarding taxable convertible land in Johnson County. Representative Owens moved the introduction. Representative Worley seconded. The motion carried.

The Vice Chair called for the continuation of Interim Reports

2006 Interim Reports

“Truth Taxation” Local Budget Law

Chris Courtwright, Legislative Research Department, briefed the committee on the background of the Property Tax Lid, explaining its rationale and formula. He explained “Truth in Taxation Lid”, a new mechanism put in effect in 1999 whose provisions have not been modified since enacted.

He gave an overview of Committee activities, and reviewed their conclusions and recommendations. The Committee: 1) Finds that the decision made in 1999 to abolish the *Property Tax Lid* in favor of the *Truth in Taxation Lid* represented an appropriate choice of no longer seeking to micro-manage local units of governments; 2) Further notes that no report surfaced of any local unit having violated the *Truth in Taxation* provisions; 3) Encourages DOR to establish a comprehensive *Truth in Taxation* website with a variety of tax information available to taxpayers (Attachment 1).

State and Local Tax Policy

Chris Courtwright, Legislative Research Department, gave the background of the 2005 Special Committee on Assessment and Taxation, including their recommendations related to: State and local tax policy linkage; Long-run growth and the SGF; and Business taxes. He reviewed Committee activities and gave a brief overview of presentations by Dr. John Wong; Dr. Glenn Fisher, and Dr. Bart Hildreth. He summarized Secretary Wagnon’s recommendations, made at the October meeting, followed by suggestions expressed by conferees (Attachment 2).

He reviewed the Committee’s Conclusions and Recommendations: 1) Withholding tax, no longer be allowed to be diverted away from the SGF; 2) Specific questions relating to justification of any new exemptions must be answered by all parties before exemptions are given; 3) Leadership should develop rules that would prohibit advancement of any exemption until specific questions have been answered; 4) Encourage the 2007 legislature to consider multiple changes pertaining to corporation

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on January 24, 2006 in Room 519-S of the Capitol.

Income and Franchise taxes; 5) Recommended that PVD conduct a study of townships regarding property tax issues; 6) Repeal any statutory barriers and impediments to local government restructuring; 7) Develop tools and models to evaluate the possibility of multi-jurisdictional service-delivery systems by quantifying potential property tax savings and budget reductions associated with such entities.

Tax Incidence and Tax Base Erosion

Chris Courtwright, Legislative Research Department, explained this subject is closely related to the last topic, and called attention to page 2-31 in the Interim Report booklet ([Attachment 3](#)). He briefly described the studies of Dr. John Wong and Dr. Glenn Fisher on Tax Incidence and Tax Base Erosion. He reviewed Secretary Wagnon's criteria that she believed should be considered before any tax exemption be granted. He reviewed the Committee's Conclusions and Recommendations; 1) Specific questions relating to justification of any new exemptions must be answered by all parties before it is given; 2) Leadership should develop a set of rules that would prohibit advancement of any exemption until specific questions have been answered; 3) Standing Tax committees should consider tax incidence and progressivity-regressivity issues with respect to all major state and local tax policy changes.

Staff was requested to provide the dollar amounts of tax exemptions for profit, non-profit and not-for-profit groups and the lists of tax exemptions used by Dr. Wong and the Department of Revenue.

Richard Cram, Department of Revenue, returned to the podium to brief the Committee on the topic of the Individual Income Tax Structure. He distributed and explained a matrix summary on *State Sales Tax Exemptions* which addressed several of the Committee's previous questions ([Attachment 4](#)).

He explained the various areas where Kansas does and does not conform to the federal guidelines and explained Kansas deductions, tax brackets and credits ([Attachment 5](#)). He called attention to Schedule S in the Income Tax Booklet ([copy on file in the Department of Revenue](#)). He explained a memo from the Tax Expenditure Report, previously distributed, from KDOR's annual report regarding: 1) Individual Income Tax amount to the SGF after refunds for years 2001- 2006; 2) Income Tax by Adjusted Gross Income Bracket for 2004; 3) Individual Income Tax by County for 2004; and 4) Top twelve Kansas counties with highest average tax liability per return for 2004 ([Attachment 6](#)).

There was a request of staff to provide information on how Kansas income tax rates compare to those in surrounding states and how Kansas child credits compare to Federal credits.

The meeting was adjourned at 10:20 a.m. The next meeting is January 25, 2007.