

State of Kansas



Kansas House of Representatives

The House strongly believes in the Governor's vision to grow the Kansas economy, create more jobs and ensure our state is one of the most competitive in the region. Last year the House led with tax reform legislation to strengthen the economy and protect low-income Kansans.

- The House is focused on comprehensive tax reform that is specifically directed at growing the private sector economic base creating more private sector jobs while not increasing the tax burden on lower-income Kansans.
- **While meeting the states' obligations and needs, a 2 percent growth factor, similar to the Governor's proposal, will be built into the plan and all increased revenue over the 2 percent will be used to first reduce the individual income tax brackets, with an emphasis on reducing the low and moderate tax brackets on an accelerated basis.**
- The House Plan keeps the elimination of individual income tax on non-wage business income for LLCs, S-corps and sole proprietorships, however, the elimination will be capped at \$100,00 in FY13-15, \$250,00 for FY16-17 and no cap thereafter on non-wage income
- The House vision of growth will include a modified Governor's small business provision, allowing small businesses to retain non-wage profits and to reinvest that investment capital back into the small business and the creation of new jobs throughout Kansas.
- Utilizing the tax reform package the House led with and passed last session, the House is incorporating many of the Governor's pro-growth, pro-jobs provisions to restart and expand the Kansas economy.
 - The House plan will keep the three tax brackets but will reduce each
- The new House version will keep in place the current statutory tax deductions, credits and exemptions, including the food sales tax refund, historic tax credits and mortgage deduction.
 - **The House plan will assist low income Kansans by keeping the EITC until 2014 when it is reduced to 9% which is the average for our surrounding states**
 - **The plan would lower the tax liability of the zero to \$25 thousand tax bracket to paying \$11 less while the Governor's plan has the lower tax bracket paying \$156 more in income taxes**
 - **A list of the deduction, credit and modifications which would be eliminated in the Governor's plan is listed below***
- The House plan keeps **the current statutory sunset of the sales tax**

- One of the provisions of the House plan would delay the increase to sales tax funds from KDOT until FY2016.
 - In the remainder of the 10 year plan, the House plan would pay back the amount pulled from FY14-15
 - By delaying the increase from 11 percent to 18 percent, the House will be able to buy down the income tax rate which will immediately help the pocketbooks of Kansans
 - **In the tenure of KDOT's T-Works project, the House plan will not eliminate any of their funding.**

- The House vision will focus on growth and job creation while ensuring a healthy ending cash balance to keep our state on a sound fiscal basis. Our ending balance will exceed the Governor's plan

- The House will endorse the Governor's plan to accelerate the severance tax collection on new wells

- This plan proposes expansion of the successful ROZ (Rural Opportunity Zone) program to include 21 more counties

Counties with no growth and less than 25,000 populations include:

Grant, Haskell, Meade, Ellsworth, Rice, Ottawa, Clay, Marshall, Morris, Chase, Nemaha, Brown, Doniphan, Osage, Coffey, Anderson, Allen, Bourbon, Neosho, Labette, Cherokee

***Itemized Deductions – Eliminate**

Taxes – Property, Sales
 Mortgage Interest
 Charitable Contributions
 Casualty and Theft
 Travel Expenses
 Entertainment Expenses
 Medical Expenses

***State Credits – Eliminate**

EITC
 Food Sales Rebate Credits
 Abandoned Well Plugging
 Adoption
 Agritourism
 Alt Fuel
 Angel Investor
 Assistive Technology
 Child and Dependent Care
 Child Day Care

Community Service Contrib
 Disabled Access
 Environmental Compliance
 Historic Preservation
 Individual Dvlpmnt Accounts
 Law Enf Training Center
 Nat Guard Employer Health Ins
 Research and Development
 Port Authority
 Small Emp health Ben Plans
 Swine Facility Improvement
 Telecomm Prop Tax
 Temp Assist to Families
 Venture Capital

***Modifications – Eliminate**

Learning Quest
 Qualified Long-Term Care
 Homestead/Renters

The below chart from Research shows what would happen to the sales and use tax portion for KDOT. Keep in mind, KDOT would not received extra T-Works funds if the 1 percent sales tax had not passed into law. The 18.421 percent of sales and use tax to KDOT in the 2010 legislation will be delayed for two years until fiscal year 2016. They will stay at their current levels of funding, \$320 million, for two years, than they will increase to the current statutory levels as provided for in the 2010 legislation.

Sales/Use Tax Money to State Highway Fund

(\$ in thousands)

	Current <u>Law</u>	House <u>Plan</u>	Fiscal <u>Note</u>
FY 2012	\$306,433	\$306,433	\$0
FY 2013	\$320,791	\$320,791	\$0
FY 2014	\$480,396	\$320,794	\$159,602
FY 2015	\$512,330	\$320,815	\$191,515
FY 2016	\$531,543	\$581,703	\$50,160
FY 2017	\$551,476	\$601,636	\$50,160
FY 2018	\$572,156	\$622,316	\$50,160
FY 2019	\$593,612	\$643,772	\$50,160
FY 2020	\$615,873	\$666,033	\$50,160
FY 2021	\$638,968	\$689,128	\$50,160
FY 2022	\$662,929	\$713,089	\$50,160
FY 2023	\$687,789	\$687,789	\$0
FY 2024	\$713,581	\$713,581	\$0
FY 2025	\$740,340	\$740,340	\$0
FY 2026	\$768,103	\$768,103	\$0
FY 2027	\$796,907	\$796,907	\$0
Total	\$9,493,226	\$9,493,229	\$3

Individual Income Tax Provisions

	Governor's Plan		New Proposal		Current Law
Exemption of Certain Non-Wage Bus Income for LLCs, Sub S, Sole Proprietors	Yes		Entities <\$100k AGI tx yrs 13-15; <\$250k tx yrs 16-17; all ty 18		No
Elimination of Certain Itemized Deductions	Yes		No		No
Elimination of Certain Subtraction Mods	Yes		No		No
Elimination of Certain Tax Credits for Indiv	Yes		No, but EITC reduced to 9% in TY 2014		No
Incr Head Household St Ded to \$9,000	Yes		Yes starting in TY 2014		No
Tax Year 2013 Rates (Joint Filers)	\$0-30k 3.00% \$30k+ 4.90%		\$0-30k 3.34% \$30k-60k 5.99% \$60k+ 6.21%		3.50% 6.25% 6.45%
Earmark Growth Above 2% for Future Rate Cuts	Yes, starts in FY 15 & end bal prerequisite; All SGF receipts; rate cuts to indiv & corp; top brackets only		Yes, immediate & no end bal prerequisite; Selected SGF tax receipts only; rate cuts to all indiv brac; bigger cut to bottom and smaller to top		No
Tax Year 2014 Rates	\$0-30k 3.00% \$30k+ 4.90%		\$0-30k 3.24% \$30k-60k 5.85% \$60k+ 6.10%		3.50% 6.25% 6.45%
Further ROZ Expansion	No		Yes		No

Severance Tax Provisions

	Governor's Plan	New Proposal	Current Law
Repeal New Pool Severance Tax Exemption	Yes	Yes	No

Sales Tax Provisions

	Governor's Plan	New Proposal	Current Law
Maintain 6.3% Sales Tax Rate w Add'l \$ to SGF	Yes	No (allow sunset to 5.7 as current law)	No
KDOT Sales/Use in FY 14	Growth to \$480.4 m	Freeze at FY 13 level	Growth to \$480.4 m
KDOT Sales/Use in FY 15	Growth to \$512.3 m	Freeze at FY 13 level	Growth to \$512.3 m
KDOT Sales/Use FY 16-22		FY14-15 cuts restored	

Fiscal Note

(\$ in millions)	Governor's Plan		New Proposal		Current Law
FY 13 Total	-\$89.9		FY 13 Total	-\$41.7	\$0.0
Indiv Inc	-\$106.0		Indiv Inc	-\$57.8	
Severance	\$16.1		Severance	\$16.1	
Sales/Use	\$0.0		Sales/Use	\$0.0	
FY 14 Total	-\$99.0		FY 14 Total	-\$34.4	\$0.0
Indiv Inc	-\$368.8		Indiv Inc	-\$212.8	
Severance	\$18.8		Severance	\$18.8	
Sales/Use	\$251.0		Sales/Use	\$159.6	
FY 15 Total	-\$60.8		FY 15 Total	-\$37.8	\$0.0
Indiv Inc	-\$380.7		Indiv Inc	-\$262.1	
Severance	\$32.8		Severance	\$32.8	
Sales/Use	\$287.1		Sales/Use	\$191.5	

Top Rate of 4.9%
Bottom rate of 3.0%

GOVERNOR
Kansas Department of Revenue
Individual Income Tax
Tax Year 2009 2013

Allowing the Credit for Taxes Paid to Other States, No Itemized Deductions
All Taxpayers

KAGI	Returns	Current Liability	Proposed Liability	Dollar Change	Percent Change	Average
\$0 - \$25,000	564,328	\$ (1,728,433)	\$ 86,467,933	\$ 88,196,366	5102.7%	\$ 156.29
\$25,000 - \$50,000	354,148	\$ 323,202,872	\$ 277,157,093	\$ (46,045,779)	-14.2%	\$ (130.02)
\$50,000 - \$75,000	185,692	\$ 376,734,927	\$ 324,205,437	\$ (52,529,490)	-13.9%	\$ (282.89)
\$75,000 - \$100,000	120,111	\$ 383,163,634	\$ 331,691,226	\$ (51,472,408)	-13.4%	\$ (428.54)
\$100,000 - \$250,000	137,853	\$ 783,070,026	\$ 660,443,834	\$ (122,626,192)	-15.7%	\$ (889.54)
\$250,000 - Over	21,158	\$ 598,685,501	\$ 487,837,536	\$ (110,847,965)	-18.5%	\$ (5,239.06)
	1,383,290	\$ 2,463,128,527	\$ 2,167,803,059	\$ (295,325,468)	-12.0%	\$ (213.49)

Top Rate of 6.21%
 Bottom rate of 3.34%

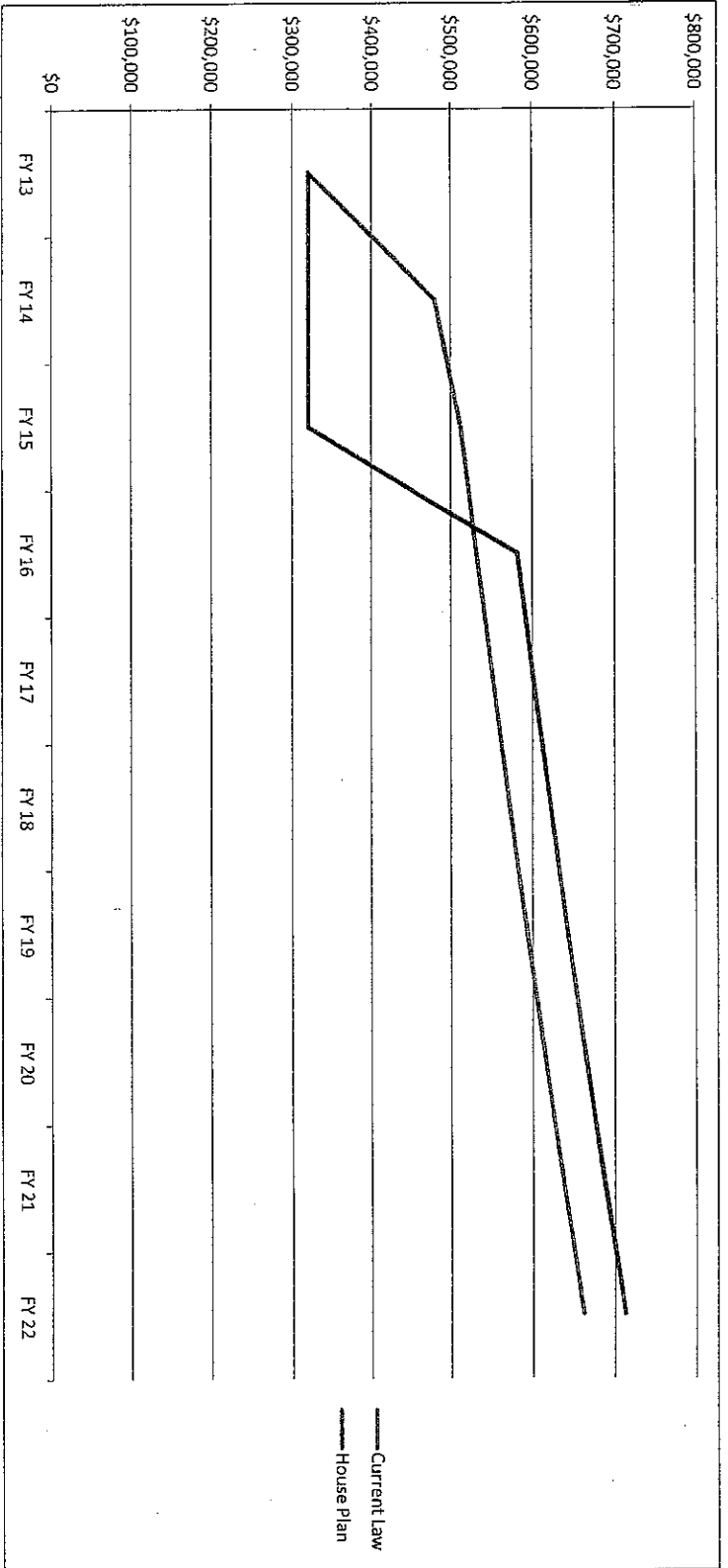
HOUSE BILL 2747
 Kansas Department of Revenue
 Individual Income Tax
 Tax Year ~~2009~~ 2013
 Exempt Business Income Below \$100,000 KAGI
 All Taxpayers

KAGI	Returns	Current Liability	Proposed Liability	Dollar Change	Percent Change	Average
\$0 - \$25,000	564,328	\$ (1,728,433)	\$ (8,296,992)	\$ (6,568,559)	-380.0%	\$ (11.64)
\$25,000 - \$50,000	354,148	\$ 323,202,872	\$ 268,843,341	\$ (54,359,531)	-16.8%	\$ (153.49)
\$50,000 - \$75,000	185,692	\$ 376,734,927	\$ 351,850,712	\$ (24,884,215)	-6.6%	\$ (134.01)
\$75,000 - \$100,000	120,111	\$ 383,163,634	\$ 357,204,162	\$ (25,959,472)	-6.8%	\$ (216.13)
\$100,000 - \$250,000	137,853	\$ 783,070,026	\$ 750,650,636	\$ (32,419,390)	-4.1%	\$ (235.17)
\$250,000 - Over	21,158	\$ 598,685,501	\$ 569,244,485	\$ (29,441,016)	-4.9%	\$ (1,391.48)
	1,383,290	\$ 2,463,128,527	\$ 2,289,496,344	\$ (173,632,183)	-7.0%	\$ (125.52)

The attached table disaggregates the fiscal notes by tax source
(\$ in millions)

	Total	Income	Sales/Use	Severance
FY 2013	-\$41.7	-\$57.8	\$0.0	\$16.1
FY 2014	-\$34.4	-\$212.8	\$159.6	\$18.8
FY 2015	-\$37.8	-\$262.1	\$191.5	\$32.8

Sales and Use Taxes F earmarked for Deposit in SHF



(\$ in thousands)

	Current Law	House Plan
FY 13	\$320,791	\$320,791
FY 14	\$480,396	\$320,794
FY 15	\$512,330	\$320,815
FY 16	\$531,543	\$581,703
FY 17	\$551,476	\$601,636
FY 18	\$572,156	\$622,316
FY 19	\$593,612	\$643,772
FY 20	\$615,873	\$666,033
FY 21	\$638,968	\$689,128
FY 22	\$662,929	\$713,089
10-yr total	\$5,480,073	\$5,480,076