

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on January 27, 2005 in Room 519-S of the Capitol.

All members were present except:

Representative Lana Gordon- excused
Representative Bruce Larkin- excused

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Representative Kinzer, Legislator
Representative Thull, Legislator
Representative Powers, Legislator
Representative Brunk, Legislator
Steve Stotts, Director of Taxation, Department of Revenue
Gary Centlivre, Manager, Electronic Commerce & Taxation, Department of Revenue

Others attending:

See attached list

The Chairman opened the floor for bill introductions.

Representative Kinzer requested that a committee bill be introduced that would amend K.S.A. 12-2536, Kansas/Missouri Metropolitan Cultural District Compact. Representative Siegfroid seconded the motion. The motion carried.

Representative Thull made a motion to introduce a bill that would create a tax exemption for cleaning and reconditioning drums used in the petroleum industry. Representative Treaster seconded the motion. The motion carried.

Representative Powers requested a bill be introduced concerning property tax classification for non-profits. Representative Carlin moved the request be introduced as a committee bill. Representative Carlin seconded the motion. The motion carried.

Representative Brunk moved that a bill be introduced relating to estate tax. Representative Siegfroid seconded the motion. The motion carried.

Copies of the *2003 State Tax Revenue*, from the U.S. Bureau of the Census and Bureau of Economic Analysis, were distributed (Attachment 1).

The Chairman welcomed Steve Stotts, Director of Taxation, who briefed the committee on "Individual Income Tax Structure" (Attachment 2).

Mr. Stotts reviewed the areas in which Kansas conformed and does not conform to federal tax laws and how that impacted Kansas tax liability.

Key points of his briefing included the Federal Adjusted Gross Income and Kansas Adjusted Gross Income (KAGI).

He explained charts relating to:

- ▶ Kansas Individual Income Tax by Adjusted Gross Income Bracket
- ▶ Taxable Income as a Percent of KAGI
- ▶ Effective Tax Rate by KAGI Bracket
- ▶ Resident Returns by KAGI Bracket
- ▶ Resident Returns as a Percent of Total

CONTINUATION SHEET

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- ▶ Returns and Liability as a Percent of Total
- ▶ Individual Income Tax for Tax Year 2002 by County and the Fiscal Impact of the Economic Growth Tax Relief Reconciliation Act of 2001.

Discussion followed regarding the processes in which taxes are paid/withheld from KPERS and the 1993 lawsuit relating to military exemptions.

In response to questions Mr. Stotts agreed to provide additional information on KPERS taxes.

Chairman Wilk requested a table that would reflect the income, property and sales tax by county. Mr. Stotts agreed to provide that data. The consequences of de-coupling from federal tax laws were discussed.

Gary Centlivre, Manager, Electronic Commerce & Taxation gave a brief overview of paper filed returns used by Kansans. That was followed by a power point demonstration on electronic filing. Electronic filing gives the Department the capability to make it easier for taxpayers to file their tax returns. The number of individual 2004 income tax returns received by the state was 1,405,613 (45% - electronically and 51% paper filed returns). He estimated that 53% would file electronically in 2005. Access to forms for electronic remittance are available at: www.Ks.revenue.org or www.AccessKs.org. The individual's social security number is their password, and a PIN number is either their previous refund/amount due number or a newly assigned number. He described various software programs available for use by the public. Discussion followed regarding security issues that protected individuals and the system.

In response to a question regarding electronic filing for homestead tax relief Secretary Wagnon explained that currently the paper form for filing is still required due to the complexities related to issue of rental properties. They are currently working toward its inclusion for electronic filing.

The meeting was adjourned at 10:20 a.m. The next meeting is February 1, 2005.