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May 1, 2015

Legislators returned this week to the Statehouse following a three-week break. The 90<sup>th</sup> day of session is scheduled to be May 16. However, some legislators are hoping to be finished before then. The two things that must still be done are a final budget and a tax plan that generates enough revenue for that budget.

The Senate Tax Committee met on Thursday to go over bills and discuss how they are going to proceed in crafting a tax increase package to fill the more than \$400 million budget hole. They will meet again on Tuesday to begin crafting a tax package and see what gains the necessary votes in the committee. They will put their package into a House Bill so that the House can concur on the Senate Tax package.

Items that will be considered by the committee and could be inserted in the tax package:

- SB 233—Governors Cigarette and Alcohol Tax Increase package. Senator Donovan will bring an amendment that reduces the \$1.50 per pack increase to \$1.00 as well as an amendment to reduce the increase to \$0.50 per pack to see what gains approval in the committee.
- SB 234—Governor's Income Tax Rate and Tax Amnesty Package. This bill freezes the income tax rate exempt for the lower bracket, accelerates the phase out of the deductions and provides for a tax amnesty program.
- SB 251—Makes changes to the Earned Income Tax Credit program—reduce from 13% to 8% and make the credit non-refundable.
- SB 258—Eliminate the property tax exemption for the first 20 mills of residential property tax. Senator Donovan will bring an amendment to only have this apply to homes over \$100,000 in value.
- SB 259—Reduce the assessment rate on motor vehicles and phase back in the 20 mills of property tax over 5 years.
- SB 260—Remove the exemption for passive income tax
- SB 261—Remove the sales tax exemption on residential utilities.
- SB 286—Require the use of social security numbers for individuals to be eligible for tax credits.
- SB 287—Make all refundable tax credits non-refundable.
- SB 296—Make tax rates permanent as of 2015 tax rates and eliminates the step down of the rate for the lower bracket as proposed in the Governor's Income Tax bill.

Senator Tax Chair Donovan also has some additional ideas he will bring to the Committee on Tuesday. He also stated that changes to the Ag Use Value will not be considered this year. Senator Melcher did request introduction of a bill that would impose an excise tax of \$3 for every acre of land in Kansas.

Kansas revenues were slightly short of estimates for the month of April, falling \$4.4 million below estimates that were updated April 20 by the Consensus Revenue Estimating group. The April figures show the \$511.4 million received—\$4.4 million below the fresh estimate of \$515.9 million—is \$26 million less than last April's receipts. Individual income taxes were up about \$4 million from last year, corporate income taxes were down \$24 million from last April, and oil and gas severance taxes were down nearly \$7 million from last year. The adjusted fiscal year-to-date figures show the same \$4.4 million shortfall and \$81.6 million less in receipts than the same time period last year. Major shortfalls compared to last fiscal year at this time were \$81.6 million in individual income taxes and \$18.3 million in motor carrier taxes, but sales tax receipts to date are \$34 million ahead of last fiscal year and use (sales tax paid on out of state purchases) is up \$10.5 million over last year.

The Department of Revenue said the April revenues might be a little less than actual because it is still processing paperwork on tax filings from the April 15 filing deadline, but didn't say how many filings that might include. Revenue generally adds those un-counted tax dollars to the ensuing month's report.

In budget news, the Legislature continues to work toward finalizing a budget. It is anticipated that there will be a budget assembled by late next week with relatively hard numbers for needed revenues for the next two years.

The Senate did take final action and send to the Governor SB 154, which proposes several Unemployment Insurance reforms sought by the Kansas business community including a cap on the calculation of maximum weekly benefits, a fixed methodology for the assessment of employer contributions, and the administration of the system. Advocates for the bill believe it will bring more predictability and equity to the system. SB 154 passed the House on a vote of 85-36 and the Senate 29-11. The bill is on its way to the Governor who is expected to sign the bill.

Discussions continued on SB 117, the Transportation Network Company (TNC) bill the Governor Vetoed last week. The bill includes insurance provisions as well as background check provisions for drivers in Kansas. The key is a provision, inserted on a floor amendment and supported by the Kansas Bankers Association, would require comprehensive and collision coverage if an individual has a loan on the vehicle and is a TNC driver. The bankers and Uber have been negotiating and hope to reach a compromise. If no compromise is reached, a Veto Override vote may occur in the Senate and the House next week to ensure that there are no gaps in insurance coverage when TNC drivers operate in Kansas.

Looking ahead to next week: A three-judge panel will meet on May 7 for hearings on the school finance lawsuit, which now includes the provisions of the K-12 block grant budget bill. The Kansas Supreme Court rejected appeals by the state that it take over from a three-judge panel deliberations on the adequacy of state funding for K-12 education. The attorney

general had sought moving the case to the Supreme Court, and that motion was rejected by Supreme Court Chief Justice Lawton Nuss.

Both chambers went in at 8 a.m. allowing many legislators an early departure for their weekend. They will return on Monday to begin in earnest putting together the budget and tax bills, which are the roadblocks to a final adjournment for the 2015 Session.