

SESSION OF 2013

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

As Agreed to May 30, 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 freeze the current sales and use tax rate at 6.3 percent on July 1, 2013. The rate currently is scheduled to be reduced to 5.7 percent on that date, but a new separate rate of 4.9 percent would apply on October 1, 2013, for certain food, food ingredients, and food purchased through vending machines. Specifically excluded from the new lower rate of certain food purchases would be “prepared” food, generally defined to include food sold in a heated state, two or more food ingredients mixed or combined by sellers for sale as a single item, and food sold with eating utensils provided by sellers.

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 beyond the amount anticipated under current law would be deposited exclusively into the State General Fund (SGF).

*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/klrd>

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 The deduction for certain gambling losses would be repealed altogether.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 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 filing jointly 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 2013, when the current bottom bracket of 3.0 percent would be reduced to 2.9 percent and the current top bracket of 4.9 percent would be reduced to 4.8 percent. The two brackets would be set at 2.8 percent and 4.6 percent, respectively, in tax year 2014; 2.7 percent and 4.5 percent in tax year 2015; 2.6 percent and 4.4 percent in tax year 2016; 2.5 percent and 4.2 percent in tax year 2017; and 2.5 percent and 3.5 percent in tax year 2018 and thereafter.

The bill would be in effect upon publication in the *Kansas Register*.

Conference Committee Action

The fourth Conference Committee on May 30 agreed to remove many of the prior provisions of the bill and insert the aforementioned tax plan (which was a House offer).

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, this May 30 Conference Committee Report impact on SGF receipts is shown in the following table.

sales tax, income tax, revenue

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Disaggregated Details of This Proposal
(\$ in millions)

	Sales Tax Provisions	Income Tax Provisions				Total
	<u>All to SGF Net Change</u>	<u>Item Ded. Haircut</u>	<u>Changes Std. Ded.</u>	<u>Rate Cuts</u>	<u>Net Inc. Tax Provisions</u>	
FY 2014	\$ 200.8	\$ 123.9	\$ 81.7	\$ (115.9)	\$ 89.7	\$ 290.5
FY 2015	203.1	119.3	85.8	(198.4)	6.7	209.8
FY 2016	210.8	143.8	90.1	(279.5)	(45.6)	165.2
FY 2017	218.7	170.5	94.6	(382.4)	(117.3)	101.4
FY 2018	226.9	199.5	99.3	(594.9)	(296.1)	(69.2)
5 yr-total	\$ 1,060.3	\$ 757.0	\$ 451.5	\$ (1,571.1)	\$ (362.6)	\$ 697.7