

SESSION OF 2006

**CONFERENCE COMMITTEE REPORT BRIEF
SENATE BILL NO. 365**

As Agreed to May 5, 2006

Brief*

SB 365 would create a stand-alone Kansas estate tax no longer tied directly to federal law, effective for the estates of decedents dying on and after January 1, 2007. A set of brackets designed to be revenue-neutral relative to current law would be provided for tax years 2007-2009, with an estates valued at \$1 million and below exempt from the tax. For tax year 2007, rates would range from 3 to 10 percent. For tax year 2008, rates would range from 1 to 7 percent. For tax year 2009, rates would range from 0.5 to 3 percent.

The tax would sunset, effective for the estates of decedents dying on and after January 1, 2010.

Conference Committee Action

The Conference Committee on May 5 agreed that the House would receded from its amendments.

Background

The original bill would have created a stand-alone estate tax that would have sought to maintain an ongoing revenue stream of \$52 million per year, the current estimate for FY 2007.

The current Kansas estate tax is tied mainly to a now-defunct version of the federal law which had been in effect on December 31, 1997. But receipts from the current tax are expected to decrease to zero by FY 2012 as a result of a provision adopted in Kansas in 2002. According to the Department of Revenue, estate tax receipts are expected at the following levels:

*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>

(\$ in millions)

FY 2007	\$	52.0
FY 2008	\$	43.0
FY 2009	\$	32.0
FY 2010	\$	15.0
FY 2011	\$	5.0
FY 2012 and thereafter	\$	0.0

The Senate Assessment and Taxation Committee amended the bill at the recommendation of a subcommittee chaired by Senator Bruce to replace the proposed bracket system in the original bill with a set of brackets and rates that would provide the same amount of revenue as anticipated under current law; to change the effective date of the bill from July 1, 2006 to January 1, 2007; and to clarify that the Kansas Estate Tax Act would expire, effective for estates of decedents dying on and after January 1, 2010.

Senator Vratil and other conferees spoke during the public hearing about the administrative complexities associated with current law and its relationship with the 1997 federal law. Senator Bruce and the Department of Revenue observed that creating a stand-alone tax, which would decouple Kansas from the federal law, would make the law far easier for both tax practitioners and the department during tax years 2007-2009.

The Kansas Livestock Association supported the provision in section 6 which would provide that for resident decedents, the valuation of land devoted to agricultural use for property tax purposes also would be utilized for estate tax purposes.

The House Tax Committee had amended the bill to set the Kansas estate tax exemption threshold at the same level provided in current federal law. That amendment would have been expected to reduce receipts by \$7 million in FY 2008; \$4 million in FY 2009; and \$2 million in FY 2010.

The House Tax Committee also amended the bill to include most machinery and equipment property tax exemption provisions of HB 2619 as amended by the House Committee of the Whole, with the exception of a floor amendment that would have expanded the school finance "homestead" exemption from \$20,000 to \$30,000; and the provisions of Sub HB 2525 as amended by the House Committee of the Whole.

Taxation