

SESSION OF 2007

**CONFERENCE COMMITTEE REPORT BRIEF
SENATE SUBSTITUTE FOR HOUSE BILL NO. 2031**

As Agreed to April 2, 2007

Brief*

Senate Sub. for HB 2031 would make a number of changes in the individual income tax, effective beginning in tax year 2007. The bill would expand the state earned income tax credit (EITC); provide a subtraction modification for certain Social Security benefits; clarify withholding requirements for certain partnerships; and authorize the Secretary of Revenue to waive an electronic-filing requirement for withholding tax information.

Expansion of EITC

The Kansas EITC would be expanded from 15 to 17 percent of the federal credit, effective for tax year 2007.

Social Security Benefits

The bill also would provide for tax year 2007 a subtraction modification from federal adjusted gross income (FAGI) prior to the determination of Kansas adjusted gross income of the amount of Social Security benefits included in FAGI for only those taxpayers with FAGI of \$50,000 or less. (The subtraction modification would have the effect of exempting Social Security benefits received by Kansans with FAGI of \$50,000 or less from the Kansas income tax.) For tax year 2008 and thereafter, the subtraction modification would be increased such that taxpayers with FAGI of \$75,000 or less would be exempt from any state tax on their benefits.

*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/kldr>

Publicly Traded Partnerships

Additional language would clarify that certain publicly traded partnerships established pursuant to section 7704 of the federal Internal Revenue Code would be exempt from individual income tax withholding requirements.

Electronic-Filing Requirement

The Secretary of Revenue would be authorized, upon a finding of hardship to waive an electronic-filing requirement for employers reporting income tax withholding information (W-2 forms) for 51 or more employees.

Conference Committee Action

The original bill dealt with corporation franchise tax relief. The Conference Committee on April 2 agreed to strike the bill's original provisions and incorporate the aforementioned income tax provisions. The partnership provision was originally contained in HB 2529, and the electronic-filing issue was originally part of SB 347. The House originally had addressed the Social Security and EITC issues in HB 2264. The Senate had addressed the Social Security issue in Senate Sub. for HB 2031.

Background

The bill would be expected to reduce SGF receipts as follows:

(\$ in millions)

	expand EITC from 15 to 17%	exclusion of certain Soc Sec benefits	total
FY 08	-\$7.5	-\$5.4	-\$12.9
FY 09	-\$8.3	-\$11.1	-\$19.4
FY 10	-\$9.1	-\$12.2	-\$21.3
FY 11	-\$10.0	-\$13.4	-\$23.4
FY 12	-\$11.0	-\$14.8	-\$25.8
5 yr-total	-\$45.9	-\$56.9	-\$102.8

The partnership and electronic-filing issues are not expected to have a significant fiscal impact.

income tax; EITC; Social Security