

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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February 11, 2009

To: Senator Anthony Hensley
From: Chris W. Courtwright, Principal Economist
Re: Tax Changes Supported by Business

At the request of Alan Conroy, I have assembled a list of some of the tax policy changes enacted since the 2000 session, along with the bill numbers. Generally, the fiscal notes we have at this point in time still associated with legislation prior to 2005 are sketchy at best.

What I have done, however, is assemble a table to briefly quantify certain tax cuts which have been enacted over the last four years. This table includes the 2008 omnibus tax bill, which is actually slightly revenue-positive.

I should point out that while the fiscal note associated with the machinery and equipment property tax exemption enacted in 2006 is generally associated only with the loss of revenue to the state's 21.5 mills and the partial ("slider") replacement revenues, a much larger tax cut will in fact result from a reduction in local property taxes for the owners of this subclass of property. It is anticipated that almost all of the property taxes paid by business machinery and equipment owners, which was \$234 million in tax year 2005, will be gone from the tax base within a period of years once most of the property has been replaced.

Another observation perhaps worthy of mention is the fact that by choosing to not decouple in 2008, the Kansas Legislature effectively agreed to an additional \$87 million in state tax cuts that, by virtue of our conformity to federal tax law, were enacted by the U. S. Congress. The attached table does not reflect this reduction in state revenue.

The table indicates that the estimated amount of tax cuts enacted over the last four sessions for FY 2009, the current fiscal year, is already over \$143 million. For FY 2010, the amount is expected to be over \$180 million, absent any further changes in law. From a cumulative standpoint, tax cuts enacted the last four years are about \$1.135 billion thru FY 2013.

Selected Tax Changes Since 2000

Sales tax exemption for grain storage extended – SB 59 (2000);
"Telephonestead" income tax credits – SB 226 (2000);
Use of farm net operating loss carrybacks expanded – SB 226 (2000);
"Integrated plant" sales tax exemption codified, refunds provided – HB 2011 (2000);
Tax incentives for independent power producers – HB 2266 (2001);
Tax exemption for eligible electric generation facilities – HB 2245 (2001);
Income tax credit for abandoned-well plugging made permanent – SB 45 (2001);

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Property tax exemption expansion for farm storage and drying equipment – SB 138 (2001);
Expansion of Job Investment Credit Act – SB 146 (2001);
Income tax credit for business research and development – HB 2055 (2001);
Income tax credit for historic preservation – HB 2128 (2001);
Certified capital formation company tax credits – HB 2505 (2002);
Business machinery and equipment tax credits expanded – SB 39 (2002);
Tax credits made available to railroads for first time – SB 39 (2002);
Special apportionment formula for investment funds service corporations – SB 39 (2002);
Diversion of tire manufacturer employee withholding tax – SB 39 (2002);
Low cost (\$250 to \$400) exemption expansion for business machinery – SB 39 (2002);
Agricultural land capitalization rate change lowers property tax value – SB 39 (2002);
Increase in sales tax from 4.9 to 5.3 percent – SB 39 (2002);
Increase in cigarette tax from 24 to 79 cents per pack – SB 39 (2002);
Reimposition of succession/inheritance tax on certain heirs – SB 39 (2002);
Historic preservation credits expanded – SB 39 (2002);
Various taxpayer fairness provisions – SB 39 (2002);
IMPACT program expanded yet again – SB 565 (2002);
Tax credit for port authority debt retirement – HB 2586 (2002);
Motor fuel tax increase 2 cents per gallon – HB 3011 (2002);
Sales tax rate of 5.3 made permanent – SB 265 (2003);
Statewide STAR bond (sales tax diversion) authority expansion – Sub HB 2208 (2003);
Employee withholding tax diversion (bonds) for major manufacturers – SB 281 (2003);
Tax amnesty – HB 2005 (2003);
Streamlined sales tax compliance provisions – HB 2005 (2003);
Succession tax repealed retroactive to enactment – HB 2005 (2003);
Estate tax filing exemption threshold to mirror federal in 2007 – HB 2005 (2003);
Retailers given temporary choice re sourcing (streamlined) – Sub SB 147 (2004);
Increase in franchise tax – Sub SB 147 (2004);
Imposition of presumptive sales tax on certain private car sales – Sub SB 147 (2004);
Diversion of revenues authorized for biosciences industry – HB 2647 (2004);
Further expansion of IMPACT program – HB 2647 (2004);
Rural business development tax credit – HB 2647 (2004);
Angel investor tax credit – HB 2647 (2004);
Sales tax exemption for computer software customization services – Sub SB 147 (2004);
Decelerated sales tax remittance schedule for certain retailers – Sub SB 147 (2004);
Repeal of presumptive sales tax on private care sales – SB 23 (2005);
Tax credits for employment of math/science teachers – SB 138 (2005);
Qualified manufacturer act authorizes diversion/return of withholding tax – HB 2265 (2005);
Further expansion of IMPACT program – HB 2265 (2005);
Six-year extension of sales tax exemption associated with enterprise zones – HB 2164 (2005);
Expansion of rural business and community entrepreneurship tax credits – SB 324 (2006);
Reaffirming phase-out of estate tax – SB 365 (2006);
Tax credit for employment of ex-military personnel – SB 432 (2006);
Property tax exemption for business machinery and equipment – HB 2583 (2006);
Extend rural business development tax credit sunset by five years – HB 2004 (2007);
Tax credit for certain film production activities – HB 2004 (2007);
Expansion of angel investor tax credit act – HB 2004 (2007);

Extend sunset on STAR bond authority by five years – HB 2005 (2007);
Phase out and ultimate repeal of corporation franchise tax – HB 2264 and SB 215 (2007)
Income tax exemption for certain social security benefits – HB 2031 (2007);
Single-factor apportionment formula for certain manufacturers – SB 240 (2007) ;
Homestead program expansion – Sub HB 2476 (2007);
Earned income tax credit expansion – HB 2031 (2007);
Property tax exemption for nuclear generation facilities – HB 2038 (2007)
Income tax incentives for biofuels – HB 2038 (2007)
Income tax incentives for renewable electric cogeneration – HB 2038 (2007)
Property and income tax incentives for waste heat utilization systems – HB 2038 (2007)
Expansion of certain incentives to all biomass-to-energy plants – HB 2038 (2007)
Sales tax exemption for certain storm-damaged business purchases – HB 2240 (2007)
Corporate rate cut and various apportionment provisions – S Sub HB 2434 (2008)
Disaster relief income tax credits for business investments – S Sub HB 2434 (2008)
Safe Senior Property Tax Credits – S Sub HB 2434 (2008)
Disaster-related sales tax exemptions – S Sub HB 2434 (2008)

I hope this information is useful to you. If you have any further questions, please let me know.

Regards,

Chris W. Courtwright
Principal Economist

attachments

Estimated Fiscal Notes for Selected Tax Cuts Enacted Since 2005													
(\$ in millions)													
Session	Bill #	Brief Description	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	thru FY 13	
2005	SB 256	Inc Tax Exemption - Military Recruitment Bonuses	\$0.000	-\$0.587	-\$0.622	-\$0.660	-\$0.699	-\$0.741	-\$0.786	-\$0.833	-\$0.883	-\$5.810	
2005	SB 133	Homestead Program - Indexation	\$0.000	\$0.000	-\$0.025	-\$0.050	-\$0.075	-\$0.100	-\$0.125	-\$0.150	-\$0.175	-\$0.700	
2005	SB 23	Repeal of "Clunker" Sales Tax on Used Vehicles	-\$5.000	-\$5.175	-\$5.356	-\$5.544	-\$5.738	-\$5.939	-\$6.147	-\$6.362	-\$6.584	-\$51.845	
2005	SB 138	Certain Tax Credits	-\$0.500	-\$0.500	-\$0.500	-\$0.500	-\$0.500	-\$0.500	-\$0.500	-\$0.500	-\$0.500	-\$4.500	
2005	HB 2040	Sales Tax Ex - Hearing Aid Repair	\$0.000	-\$0.093	-\$0.096	-\$0.100	-\$0.103	-\$0.107	-\$0.110	-\$0.114	-\$0.118	-\$0.842	
2005	HB 2222	Indiv Dvlpment Account Program	-\$0.503	-\$0.503	-\$0.503	-\$0.503	-\$0.503	-\$0.503	-\$0.503	-\$0.503	-\$0.503	-\$4.527	
2006	SB 365	Phasing Out of Estate Tax	\$0.000	\$0.000	\$0.000	-\$9.000	-\$20.000	-\$37.000	-\$47.000	-\$52.000	-\$52.000	-\$217.000	
2006	SB 404	Numerous Sales Tax Exemptions	\$0.000	\$0.000	-\$12.702	-\$15.448	-\$17.291	-\$8.173	-\$8.630	-\$10.087	-\$11.546	-\$89.877	
2006	HB 2583	M and E	\$0.000	\$0.000	-\$3.500	-\$27.162	-\$42.737	-\$58.905	-\$63.698	-\$62.729	-\$68.869	-\$327.600	
2007	HB 2031	Soc Sec Exemption and EITC Expansion	\$0.000	\$0.000	\$0.000	-\$12.900	-\$19.400	-\$21.300	-\$23.400	-\$25.800	-\$26.135	-\$128.935	
2007	HB 2171	Sales Tax Exemptions - Various	\$0.000	\$0.000	\$0.000	-\$0.650	-\$0.673	-\$0.696	-\$0.721	-\$0.746	-\$0.772	-\$4.258	
2007	HB 2240	Sales Tax Ex - Repair of Transmission Lines	\$0.000	\$0.000	\$0.000	-\$3.000	-\$3.387	-\$3.506	-\$3.629	-\$3.756	-\$3.887	-\$21.165	
2007	HB 2405	Historic Preservation Tax Credits	\$0.000	\$0.000	\$0.000	-\$0.575	-\$0.575	-\$0.575	-\$0.575	-\$0.575	-\$0.575	-\$3.450	
2007	HB 2476	Homestead Program Expansion	\$0.000	\$0.000	\$0.000	-\$10.500	-\$11.000	-\$11.600	-\$12.200	-\$12.800	-\$13.500	-\$71.600	
2007	HB 2264	Franchise Tax Phase Out	\$0.000	\$0.000	\$0.000	-\$7.000	-\$16.500	-\$26.500	-\$37.000	-\$48.000	-\$50.000	-\$185.000	
2007	HB 2004	Various Tax Credits	\$0.000	\$0.000	\$0.000	-\$4.100	-\$4.100	-\$4.100	-\$4.100	-\$4.100	-\$4.100	-\$24.600	
2007	HB 2540	Business Disaster Sales Tax Relief	\$0.000	\$0.000	-\$0.400	-\$1.600	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	-\$2.000	
2008	HB 2434	Omnibus Tax Bill Includes Corporate Rate Cut	\$0.000	-\$0.000	\$0.000	\$0.000	\$0.141	\$0.141	\$0.139	\$1.079	\$1.078	\$2.578	
		Total These Bills	-\$6.003	-\$6.858	-\$23.704	-\$99.291	-\$143.140	-\$180.104	-\$208.985	-\$227.975	-\$239.070	-\$1,135.131	