LEAGUE OF WOMEN VOTERS® OF KANSAS

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Ernestine Krehbiel — **Issue No. 6**

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(Includes additions and comments from President Krehbiel)

2013 LEAGUE OF WOMEN VOTERS OF KANSAS E-REPORT #6

February 15, 2013 – Paul Johnson

TAX BATTLES – PART III

The tax battle continues on slowly. The Senate Taxation committee voted out an amended version of the Governor's Tax plan – SB 78. The House Taxation committee debated the Governor's tax plan for several days but no consensus could be found on maintaining the state sales tax at 6.3% or the elimination of the mortgage interest deduction; thus no House version has made it out of committee. The Senate will debate SB 78 on the floor of the Senate next week with multiple amendments expected. It is unclear what version has the 21 votes necessary for passage.

The political games on tax policy may well last the whole session. The 'mega-tax' bill that passed last year had a few technical errors and unintended consequences. The full House passed HB 2059 to clean up the errors and eliminate an unintended tax on banks. The fiscal note on this bill is the loss of $10 million in revenue to Kansas. The Senate has now decided to move HB 2059 to the Senate Taxation committee as a back-up plan if the House will not pass any version of the Governor's tax plan. HB 2059 could be amended with tax revenues and sent back to the House for an up or down vote if the Speaker of the House would allow such a vote. Right now the Governor's tax plan raises $550 million in new revenues over two years but reduces income taxes by only $170 million. Several House members are determined to fix the budget deficit solely with spending reductions. The survivability of essential state services will hang in the balance.

BUDGET DELIBERATIONS ON 'SPEED DIAL'

With a stark budget deficit facing the Governor – given the excessive income tax reductions – an arbitrary 10% reduction to most state programs was mandated to pay for the tax cuts. The word 'efficiency' is constantly thrown around but there is no debate on 'adequate staffing or program support'. At what point does constant and relentless program cutting render key state services or programs unworkable? There are no accompanying measures of performance to see if Kansans are getting competent or adequate services? The Legislature is compounding this miserable budgetary review by rushing the process in 80 days instead of 90 days.

These arbitrary budgetary reductions are numerous. While Kansas is facing the worst drought in 60 years and water conservation/planning is desperately needed, the Kansas Water Office budget is in free fall. From a budget of $10.1 million in 2012, the Governor recommends a budget of only $6.8 million in 2015 – a 37% reduction. The State Water Plan fund has lost the $6 million transfer from the State General Fund and now has lost $2 million from lottery funds. Ten years ago, Kansas had a $25 million State water plan whereas by 2015 this plan is down to $12.5 million. What quality of life is lost with less monitoring of water pollution or few programs to slow soil sedimentation into critical reservoirs that store water for downstream municipalities? The same budgetary pressure exists on the Kansas Department of Agriculture (KDA). The number of employees has been reduced from 353 in 2012 to 274 in 2015. KDA's Conservation division is reduced from $10.9 million in 2012 to $9.5 million as the State Water Plan funds continue to decline. As these budgets are rushed through, thoughtful discussions on individual program performance is neglected. Can KDA adequately inspect and monitor the 90 small meat plants left in our state? With a simple goal of just cutting government period, why worry over the quality and adequacy of state services?

MOVE SPRING ELECTIONS TO THE FALL?

The Kansas House Elections committee will hold a hearing on HB 2271 next Wednesday – February 20 – at 1:30 pm in Room 281-N. HB 2271 will move municipal and local elections to the fall in even-numbered years and make all of these elections partisan.

RENEWABLE ENERGY PORTFOLIO STANDARDS

In 2009, Kansas adopted a renewable energy portfolio standard (RPS) of 10% of installed electric generation by 2011, 15% by 2016 and 20% by 2020. SB 82 would delay these standards by two years. SB 82 has passed out of Senate Utilities and may be debated on the Senate floor next week. HB 2241 delays the 15% standard for three years and eliminates the 20% standard all together. HB 2241 is being debated in the House Energy and Environment committee and will be voted on in the committee next Thursday – February 21 at 9 a.m. in Room 582-N.

By the end of 2013, Kansas will have more than 2,800 megawatts of installed wind energy at 19 wind farms equaling approximately $7 Billion in investment since 2001. More than 13,000 jobs have been created by the wind industry since the first utility scale wind farm was built in Kansas in 2001. Kansas landowners receive $13 million in annual payments while counties receive more than $10 million annually. The Kansas Corporation Commission has reported that the RPS has had a minimal impact on rates of less than 1.7%. Utilities are signing power purchase agreements (PPA) and pay for only the wind power generated. Cost of these PPA's at a fixed cost for 20 years is $35 per megawatt hour (MWh) while new natural gas is $45.63/MWh. Infinity Wind Power has plans for 3,500 MW in western Kansas to export power to markets further east. If Kansas slows or eliminates the RPS several planned wind farms will not be built.

LEGISLATIVE NOTES

There have now been 355 bills filed in the Kansas House and 208 bills filed in the Kansas Senate. http://www.kslegislature.org/li/b2013_14/measures/bills/

SB 193 – regulation of "fracking" by the Kansas Corporation Commission

SB 191 – repealing corporate farming restrictions in Kansas

SB 146 – on farm sales of raw milk in Kansas

SB 147 – regulation of anhydrous ammonia

HB 2354 – governmental ethics commission: increase in fees

HB 2332 – regulation of 'fracking' by Kansas Corporation Commission

HB 2292 – nuisance lawsuits and agricultural practices

Committee Hearings: February 18 – 22

Senate Agriculture – Tuesday February 19 at 8:30 am in Room 159-S:
SB 120 – Enacting the Kansas farmers' market promotion act

Senate Commerce – Wednesday February 20 at 8:30 am in Room 548-S:
SB 149—Drug screening for recipients of cash and unemployment benefits

Senate Judiciary – Thursday February 21 at 10:30 am in Room 346-S:
SB 123 & 124 – Amending the Kansas Restraint of Trade Act

Senate Ways & Means – Monday February 18 at 10:30 am in Room 548-S:
Subcommittee budget report on: Regent Institutions –- Wednesday February 20 – Subcommittee report on KDH&E – Health; Department of Aging & Disability Services

House Appropriations – Monday February 18 at 9 am in Room 112-N:
Subcommittee report on: Department of Education

House Federal and State Affairs – Wednesday February 20 at 9 am in Room 346-S:
HB 2253 – Abortion; prohibiting funding for abortion services; amending late-term abortions and women's right-to-know statutes

House Elections – Monday February 18 at 1:30 pm in Room 281-N:
HB 2296 – Campaign finance; permitted uses of campaign funds

House Social Services Budget – Monday and Tuesday Feb. 18 & 19 at 3:30 pm in Room 144-S:
Department of Children and Families overview and public testimony

House Taxation – Thursday February 21 at 3:30 pm in Room 582-S:
HB 2285 – Defining "commercial and industrial machinery and equipment"

From President Ernestine Krehbiel

The Good Old Days (from the Docking Blog by Jill Docking)

Jan 31, 2013

by Martin Dickinson, Professor at the KU School of Law

There is no doubt that all Kansans will benefit if businesses expand in or relocate to our state. But government doesn't happen in a vacuum. We need to balance a business-friendly environment with our obligations to the neediest Kansans, as well as to the middle-income families who will bear the burden of this tax shift. The theory is that reducing the income tax to zero will encourage business growth, but tough luck to those families trying to thrive in Kansas who are not the beneficiaries of this government largess.

The policies rushed through the legislature last year and this will affect the lives of all Kansans for years to come. Unfortunately, most people glaze over when listening to the intricacies of tax policy. Martin Dickinson has written an easily understood summary of the major shift of tax burden in Kansas.

To those practicing tax law in Kansas, Martin Dickinson needs no introduction. In addition to practicing law in Lawrence, Martin has been active in tax policy debates over several decades. An advisor to both Republican and Democratic leaders, he writes and lectures extensively on national and state tax issues.

Dickinson has served on the KU Law School faculty for 45 years. The views he expresses are his own and do not represent either KU or the Law School.

I am grateful to him for contributing this article to our blog. – JD

In 18th-century France, before the Revolution, the peasants and workers paid all the taxes. Aristocrats were exempt. Governor Brownback and Conservative Republicans have succeeded in returning 21st-century Kansas to those "good old days."

Under the 2012 Kansas Tax Act, all employees are subject to Kansas income tax, while owners of partnerships, S corporations, and limited liability companies are exempt from tax on operating income. In a law firm, for example, the lawyers pay no tax, while their clerical employees remain fully taxed. Likewise, physicians in a partnership pay no tax, while the nurses and lab technicians are subject to tax. Government employees who are essential to our safety and to our children's future, such as firefighters, police, and teachers, remain on the tax rolls.

Although the 2012 Act was promoted as benefiting small business, there is no size limitation. The owners of any partnership, S corporation, or limited liability company are exempt, regardless of the size of the enterprise. As a result, the owners of many of the largest businesses in Kansas will no longer pay income tax.

Farm income is exempt. This is true not only for farm operators, but also for investors who passively rent land to farmers. Hired farm laborers, however, continue to pay tax.

Like the French aristocrats of yore, many of Kansas' wealthiest investors will be free of tax. Income from rental real estate, regardless of amount, is exempt. Likewise, mineral royalties, regardless of amount, are exempt. Patent and copyright royalties are exempt.

The investments typically available to moderate income Kansans, however, remain subject to tax. Interest, dividends, and capital gains are all taxed.

Meanwhile, the 2012 Act increases the tax burden on many low-income Kansans. For many years, Kansas law has provided tax credits for low-income Kansans who are elderly, disabled, or who house a dependent under the age of 18. These credits have been available to offset a portion of sales taxes paid on food, as well as a portion of rent payments. The 2012 Act repealed both these credits. Now only three states –Mississippi, Alabama, and Kansas – tax sales of food while providing no relief for those who have low incomes, or who are elderly or disabled.

While increasing the burden on low-income, elderly, and disabled Kansans, the 2012 Act creates a tax exempt aristocracy – an elite group that doubtless includes many of Kansas' most prosperous citizens.

Governor Brownback and the Conservative Republicans have achieved a remarkable feat. Without a time machine, they have restored the "good old days" of 18th-century France – right here in 21st-century Kansas.

http://www.dockingblog.com/the-good-old-days/