

## News from Senator

# BOB DOLE



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### KANSANS WILL SEE \$4.9-BILLION CUT IN INDIVIDUAL TAX RATES, DOLE SAYS

WASHINGTON -- Senate Finance Committee Chairman Bob Dole (R-Kan.) announced today that individual Kansans will receive approximately \$4.9 billion in tax relief over the next five years from the tax cut recently passed by Congress.

Additionally, Dole released figures showing that the state of Kansas will receive close to \$8.4 billion in total tax relief, including individual cuts and reductions in business rates, windfall profits tax changes, marriage penalty relief, estate and gift tax changes and other miscellaneous provisions.

These approximations are based on information compiled by the Senate Finance Committee staff from the Joint Committee on Taxation, the United States Treasury and the Internal Revenue Service. The computations were made by the Senate Finance Committee. These estimates are not official, Dole said.

"This tax cut will mean welcome relief for thousands of Kansas taxpayers," Dole said. "Not only will this signal a change in the individual tax rates of Kansans, but it will mean a significant stimulus for Kansas businesses, including farmers.

"The business cuts alone will reach somewhere near \$1.7 billion over the next six years, most of that in the form of accelerated capital cost recovery rates for plant and equipment. This should widely alter the pattern of business investment within our state.

"One of the changes I am most excited about, however, is the raising of the limit for exemptions from the estate tax. This will prove to be one of the most important pieces of farm legislation in recent history. Under this bill, between 1983 and 1986, Kansas should get about \$198 million in estate and gift tax relief. By 1986, estates valued at up to \$600,000 will be exempt from the estate tax, thus ensuring that family farms and small businesses can be passed on from generation to generation.

"There are other important provisions for Kansas in this bill, not the least of which is the windfall profits tax relief for royalty owners and independent oil producers. In all, Kansas royalty owners should see a \$141-million break from the windfall tax over the next five years. Also, stripper oil production by independent producers will be exempt from the windfall tax beginning in 1983, resulting in a tax savings for those Kansas independents of \$408 million. This will hopefully lead to increased stripper production, and a longer phase-out period for marginal wells.

"In all, this tax bill is a boon for the state of Kansas, both its individuals and businesses. I am gratified to have played a part in its passage."

Attached is a description of the tax benefits Kansans should expect to receive over the next five years from the tax cut recently passed by Congress. These approximations are based on information compiled by the Senate Finance Committee staff from the Joint Committee on Taxation, the United States Treasury, and the Internal Revenue Service. The computations were made by the Senate Finance Committee. The estimates are not official.

## Tax Cut Benefit for Kansas Taxpayers

### Individual Reductions

The tax cut legislation just approved by Congress provides significant benefits for Kansas taxpayers. Based on the percentage of all individual income taxes paid by Kansas taxpayers in 1978, Kansans can expect the following tax relief over the next 5 years:

- In fiscal year 1982, it is estimated that Kansans will save \$276 million in taxes because of the 25 percent cut in individual rates proposed by President Reagan and passed by the Congress. In fiscal year 1983, the saving will be about \$703 million; in fiscal year 1984, about \$1.1 billion; in fiscal year 1985, about \$1.3 billion; in fiscal year 1986, about \$1.5 billion.
- Kansans will also benefit substantially from the provision in the tax bill that indexes individual income taxes beginning in 1985. In 1985, it is estimated Kansans will save \$138 million in taxes that would otherwise be due, and in 1986 that saving will increase to about \$384 million. This provision will also protect Kansans from any further tax increases that might be induced by 'bracket creep'.
- Relief from the marriage penalty provided in the tax bill also helps Kansas. It is estimated Kansas taxpayers will have taxes reduced by \$4.5 million in fiscal 1982 because of this provision. In 1983 the reduction is about \$47 million; in 1984, \$97 million; in 1985, \$117 million; and in 1986, \$135 million.
- Over the next five years Kansas will receive about \$4.9 billion in tax relief from the 25 percent across the board individual tax rate reductions, about \$522 million from tax indexing, and about \$401 million in marriage penalty relief. This makes a total of over \$5.8 billion in tax relief for individual taxpayers in Kansas.

### Windfall Profit Tax Relief

Kansas will benefit from relief provided in the tax bill for royalty owners, stripper oil producers, and the reduced tax rate on newly-discovered oil. (The windfall profit tax estimates are based on historical data on new oil production in Kansas, and estimates of the share of royalties paid on Kansas production. Obviously, these figures could change. For example, if stripper production or new oil production in Kansas should increase or fall relative to historical experience, there would be a change in figures.)

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- Stripper oil production by independent producers will be exempt from the windfall tax beginning in 1983. The resulting tax relief in fiscal 1983 is estimated to be \$76.5 million; in fiscal 1984, \$105 million; in 1985, \$111 million; in 1986, \$116 million.
- The tax rate on newly-discovered oil will drop to 15 percent by 1986. The reduction is estimated to benefit Kansas in the amount of \$3.6 million in fiscal 1982; \$12.2 million in 1983; \$25 million in 1984; \$41.6 million in 1985; and \$73.3 million in 1986.
- Royalty owners will receive a \$2,500 credit in 1981, followed by a two-barrel-a-day exemption, increasing to three barrels in 1985. It is estimated that Kansas royalty owners should save about \$30.5 million in fiscal 1982 because of the change; \$23.7 million in 1983; \$24.7 million in 1984; \$29.8 million in 1985; and \$32 million in 1986.
- Altogether, these changes in the windfall profit tax should save Kansans an estimated \$34 million in fiscal year 1982; \$112 million in 1983; \$155 million in 1984; \$182 million in 1985; and about \$221 million in 1986. The grand total is a savings of about \$705 million for Kansas over the 5-year period. (This breaks down into about \$141 million for royalty owner relief, \$156 million for relief on new oil, and \$408 million for tax relief on stripper oil.)

### Business Tax Relief

Kansas will get considerable benefits from the corporate income tax changes in the tax bill, including the provisions for accelerated capital cost recovery. Based on corporate income tax receipts collected through the Wichita regional office in 1980, Kansas business should get roughly the following relief:

- In fiscal year 1981, Kansas business should receive an estimated \$17 million in federal tax relief.
- In 1982, Kansas business should have federal taxes reduced by about \$118 million. In 1983, the figure is estimated to be about \$206 million; in 1984, \$313 million; in 1985, \$435 million; in 1986, about \$603 million.
- Altogether, over a 6-year period Kansas business should receive an estimated \$1.7 billion in tax relief under the new tax bill.

(The above figures could, of course, change depending on the response of business in Kansas to the investment incentives included in the tax bill.)

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### Estate Tax Relief

Based on Kansas' share of the estate and gift tax burden in 1980, the state should benefit as follows from the new provisions governing estate and gift taxes:

- In fiscal 1983, it is estimated that Kansas should receive about \$28 million in estate and gift tax relief.
- In 1984, the figure is \$42 million; in 1985, about \$55 million; in 1986, about \$73 million.
- Altogether between 1983 and 1986, Kansas should get about \$198 million in estate and gift tax relief.

### Miscellaneous

Kansas will benefit from a variety of other tax changes included in the new tax bill, although it is harder to estimate a dollar amount for such benefits to the State. Among the other significant tax provisions that will help Kansans are:

- A limited "above-the-line" deduction for charitable contributions for people who do not itemize their personal deductions, but rather file a short-form tax return.
- An increase from \$100,000 to \$125,000 of the maximum amount of capital gain on personal residence that a taxpayer age 55 or older can exclude from income.
- An increase from \$1,500 to \$2,000 of the maximum amount a person can put into an Individual Retirement Account (IRA). Also, the eligibility standards are expanded so that everyone can set up an IRA, even those who already participate in a qualified pension plan. (Previously, only individuals not in pension plans could set up IRA's).
- An exclusion of up to \$1,000 (\$2,000 for a joint return) of interest in qualified "all-savers" certificates between October 1, 1981 and December 31, 1982.
- An increase in the maximum annual contributions to a self-employed retirement plan (KEOGH plan) from \$7,000 to \$15,000.

Summary

In conclusion, it is estimated that Kansans can expect to receive approximately \$8.4 billion in total tax relief over the next five years. That can be roughly broken down into the following categories:

<u>TAX REDUCTIONS</u>	<u>AMOUNT</u>
Individual Cuts (over a 5-yr. period) . . . . .	\$5.800 billion
Business Cuts (over a 6-yr. period) . . . . .	1.700 billion
Windfall Profits Tax Changes (over a 5-yr. period) . . . . .	.705 billion
Estate & Gift Tax Recisions (over a 3-yr. period) . . . . .	.198 billion
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TOTAL	\$8.403 billion
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As these approximate figures indicate, provisions in the new tax package enacted by Congress bring welcome relief to the Kansas taxpayer.

(There are other beneficial provisions in the bill, not stated above, of which the revenue effects are difficult to estimate).