

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman David Corbin at 10:45 a.m. on February 24, 2004, in Room 519-S of the Capitol.

All members were present except:  
Senator Pugh

Committee staff present:  
Chris Courtwright, Legislative Research Department  
Martha Dorsey, Legislative Research Department  
Gordon Self, Revisor of Statutes Office  
Shirley Higgins, Committee Secretary

Conferees appearing before the committee:  
Ron Hein, Kansas Cooperatives  
Senator Chris Steineger

Others attending:  
See Attached List.

**SB 493—Property tax exemptions for certain not-for-profit cooperative housing**

Ron Hein, representing Kansas Cooperatives, testified in support of **SB 493**. He explained that the bill would amend the law which provides a property tax exemption for a group of restricted income cooperative housing projects administered by HUD. For the Committee's information, Mr. Hein called attention to a list of the twelve HUD Kansas projects attached to his written testimony. He went on to explain that the projects are currently exempt from property tax pursuant to K.S.A. 79-201b. However, at the direction of Congress, HUD is utilizing a voucher system rather than continuing to use direct HUD subsidized interest financing on the projects. As the projects pay off their initial HUD financing over the next ten years, the property tax exemption will be lost unless the statute is slightly reworded. **SB 493** permits the projects to retain their property tax exemption as long as they continue to operate in compliance with the HUD affordability income guidelines established by the National Housing Act. Mr. Hein pointed out that the bill would not extend this exemption to any facility other than the twelve HUD approved projects currently in Kansas and that there would be no fiscal cost to the state since the projects are already exempt. (Attachment 1)

David Owen, Homeless Come Home, stood to encourage the Committee to include a provision in the bill to suggest the use of the family as a first resource for homeless applicants for nonprofit housing. In his opinion, nonprofit organizations seeking tax exemptions should be asked how many times they include a homeless person's own family as a possible resource for housing. (Attachment 2)

There being no others wishing to testify, the hearing on **SB 493** was closed.

Senator Corbin opened a discussion on a previously heard bill, **SB 521**, concerning property tax exemptions for business aircraft. He reminded the Committee that conferees suggested that it be amended by including language from a similar bill, **HB 2551**.

Senator Steineger distributed copies of the proposed amendments to **SB 521**. (Attachment 3) He noted that his original bill exempted airplanes from property taxation only until July 1, 2004. The amendment exempts all airplanes built before and after July 1, 2004. He noted that the amendments would restore the state to the pre-court rulings on taxability of small private airplanes, and he confirmed that the amendments incorporate provisions from **HB 2551**. Committee discussion followed regarding the difference between parts one and two of the definition of "predominantly."

Senator Donovan moved to amend **SB 521** as shown in the balloon presented by Senator Steineger, seconded by Senator Taddiken. The motion carried.

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Senator Donovan moved to recommend **SB 521** favorably for passage as amended, seconded by Senator Journey. The motion carried.

Senator Corbin opened a discussion on another previously heard bill, **SB 369** concerning mineral severance tax exemptions. Staff recalled that the Department of Revenue requested the introduction of the bill. Richard Cram, Kansas Department of Corrections, explained that **SB 369** would increase the minimum production exemption period from one to two years. At the hearing, the Kansas Independent Oil and Gas Association suggested that the bill be amended to reflect the provisions in **HB 2651** and to reflect the minimum exemption for natural gas as 60 MCF. Senator Oleen commented that more information is needed on the fiscal note before the Committee acts on the bill. Due to the time constraint, she requested that **SB 369** be “blessed” to allow time to fully consider the proposed amendments.

With regard to **SB 493**, Senator Oleen suggested that it be amended into **SB 521** because both bills deal with property tax exemptions, and blending the bills would allow both issues to be debated on the floor at the same time.

Senator Buhler moved to reconsider the Committee’s action on **SB 521**, seconded by Senator Goodwin. The motion carried.

Senator Oleen moved to amend **SB 493** into **SB 521** and to report **SB 521** favorably for passage as amended, seconded by Senator Goodwin. The motion carried.

Senator Corbin called the Committee’s attention to three previously heard bills requested for introduction by the Department of Revenue, **SB 411**, **SB 412**, and **SB 413**.

Mr. Cram noted that **SB 411** concerns changing the process on taxation on marijuana and controlled substances cases to an informal conference. He confirmed that the Department collects a substantial amount on those cases. Using the informal conference process makes it simpler to delay the appeal until the criminal case is completed in court.

Senator Lee moved to recommend **SB 411** favorably for passage, seconded by Senator Oleen. The motion carried.

With regard to **SB 412**, Mr. Cram noted that it extends a tax lien to personal property as well as real property, thus helping the Department considerably in the context of a bankruptcy. With the bill, the Department would be given a secured creditor status in a bankruptcy instead of the unsecured status under current law. Senator Journey noted that many bankruptcies are caused by a personal tragedy such as substantial medical expenses without health insurance or the loss of employment. Due to the possibility of a sweeping adverse effect on Kansas citizens who file for bankruptcy, he suggested that the bill be referred to a summer interim committee for further study. In his opinion, the bill would extend the same legal rights to the state on personal property that is normally exempt from bankruptcy seizure. Senator Donovan commented that his notes on the hearing indicate that the bankrupt’s home, car, and tools of trade would not be affected by the bill, but agreed that it should be referred to an interim committee. Senator Corbin agreed to request that **SB 412** be the topic of the taxation interim committee.

With regard to **SB 413**, Mr. Cram explained that it requires that all tax exempt organizations obtain a registration number from the Department by January 1, 2005, to be used on their exemption certificate when they claim sales tax exemptions on their purchases. He noted that the registration process was recommended by the Streamlined Sales Tax Project as a means to track exempt organizations’ sales tax exemption claims. He pointed out that the bill increases retailers’ certainty that they are dealing with a legitimate organization exempt from sales tax. In addition, the Department has an opportunity to make sure that the organization fits within the exemption.

Senator Lee moved to recommend **SB 413** favorably for passage, seconded by Senator Goodwin. The motion carried.

Senator Corbin began a discussion of a bill which was requested by Senator Vratil, **SB 390** concerning the

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amount of refunds of homestead property tax. Staff explained that the bill would modify the Homestead Property Tax Refund Program to keep up the inflation rate and would provide for prospective indexation for each year after that. The fiscal note is \$96,000.

Senator Goodwin moved to recommend **SB 390** favorably for passage, seconded by Senator Haley.

Senator Taddiken offered a substitute motion to remove the indexing portion of **SB 390** by striking paragraph (d) on page 1, lines 37 through 42, seconded by Senator Donovan.

The Chair ruled that the substitute motion carried. Senator Haley called for a division. The substitute motion failed.

On a call for a vote on Senator Goodwin's motion, the motion carried.

Upon request by Senator Buhler, Senator Corbin agreed to consider committee action on **SB 313** concerning a countywide retailer's sales tax in Douglas County. Senator Buhler commented that he would like the bill to reach the Senate floor for further discussion.

Senator Buhler moved that **SB 313** be passed without recommendation, seconded by Senator Allen. The motion carried with Senators Haley and Lee voting "No."

Senator Corbin announced that he plans to request that **SB 308**, **SCR 1615**, and **SB 369** be "blessed" so that they can be discussed after "turn around."

Senator Donovan moved to approve the minutes of the February 19, 2004, meeting, seconded by Senator Lee. The motion carried.

The meeting was adjourned at 11:55 a.m.

The next meeting date is to be announced.