Approved: March 14, 2006
Date

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 21, 2006 in Room 519-S of the Capitol.

All members were present except:
Representative Steve Brunk- excused

Committee staff present
Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:
Representative Lee Tafanelli
Representative Ed O'Malley
Matthew Goddard, Heartland Community Bankers Association

Others attending:
See attached list.

HB 2816 - Providing property tax deferrals on certain property owned by persons 65 years of age or older.

The Chairman opened the public hearing on **HB 2816.**

Representative Lee Tafanelli provided the background on the bill. He spoke of the importance of the issue to the elderly regarding the uncertainty and tremendous rise in property tax, that results in hard decisions about whether they could continue to live in their homes or would be forced to move. He gave several examples when seniors were forced to move to assisted living or nursing homes, not due to ill health, but because they could not afford to stay in their homes. **HB 2816** is another alternative that would help seniors by deferring property tax until their death or when the deed is transferred. This bill would work within the framework of the existing tax policy and would be tested on a pilot basis of three years to provide stability and relief for Kansas' most vulnerable citizens. (No written testimony).

Representative Ed O'Malley said that as of 2002, twenty-four states and the District of Columbia had some sort of property tax deferral program. This bill does not require a Constitutional amendment and would not give property tax relief to every senior. It is a targeted program designed to give relief to those seniors who need it most. He delineated five key components of **HB 2816:**

- Seniors who qualify could elect to defer payment of property taxes until after their death or after the deed is transferred.
- To qualify, a home must be at or below the median home value for the county.
- To ensure local units of government would not be adversely affected, the state treasurer will pay to the county treasurer the amount of taxes deferred.
- Upon the death of the taxpayer or the sale/transfer of the home, the deferred taxes will be paid in whole to the state.
- Because this is a pilot program, it gives great latitude to the state treasurer to develop rules and regulations for the implementation of this proposal.

He concluded that this bill does not shift the tax burden to any other type of tax payer and there is no pain to the local units of government, since they continue to receive their tax revenue from the state. His testimony included topics covered under each section (Attachment 1). He added that they were prepared to offer a balloon amendment clarifying that this bill would not apply to homes that have a mortgage.

Matthew Goddard, Heartland Community Bankers Association, explained the process of reverse mortgages, wherein the homeowner receives a monthly check that enables them to stay in their home until their death, at which time their home belongs to the lender. In the case where the homeowner has a mortgage, in most cases the lender is already escrowing property tax, which causes practical application problems at the time the senior qualifies for the program.

Discussion followed regarding the criteria and process required for the program, valuation methodology, justification of 8% interest rate, fiscal impact of the bill and possibility of a tax lien certificate process.

Representative Brown requested that staff try to determine how many seniors would qualify for the program, using a wide variety of assumptions. Representative Kelly requested information on the average expenditure in Iowa, and interest rate they charged.

Chairman Wilk closed the public hearing on **HB 2816**.

HB 2601 - Sales tax holiday for sales of school supplies, clothing and computers.

Chris Courtwright said that the bill would allow a sales tax holiday three or four days in July, for purchases of certain clothing, school supplies, and computers. Eight to 12 states have some version of this law targeted at back-to-school purchases. The fiscal note was $3.62 million. There were two issues raised by the DOR: 1) compliance with the multi-state, stream-lined sales tax agreement; 2) ability of local units to pick and choose whether to participate in the program.

Representative Peck made a motion to move a balloon amendment, that changed the start date to the first Wednesday in August through midnight of the following Sunday. This date coincides with the Missouri law (Attachment 2). Representative Goico seconded the motion. The motion carried.

Chairman Wilk introduced visitors, members of the Student Council from the Good Shepherd School in Overland Park. He explained the process of amending changes to bills with the use of balloon amendments.

A balloon was distributed that strikes New Section 2, the local component of the bill and strikes the definitions of clothing, personal computers, school supplies, etc. It inserts seven pages of definitions directly from the multi-state stream-lined sales agreement, along with other requirements (Attachment 3).

Richard Cram explained the importance of compliance to the stream-lined sales agreement and necessary changes that will satisfy the business community.

Representative Kirk moved that they amend **HB 2601**, with the balloon by DOR that would bring them into compliance with stream-lined sales tax agreement. Representative Menghini seconded the motion.

Representative Menghini shared an E-mail from DOR stating that Kansas had received over $1 million in voluntary remittances of use tax from individual tax payers on their income tax, in addition to a change of $12 million in remote sales tax. She concluded those figures represented a significant amount that Kansas would lose if they were out of compliance with the stream-lined sales tax agreement.

Gordon Self advised that on page 21 of the amendment, the bottom line is missing and there is an amendment to the effective date. Because of the 60-day required notice, July 1, will not be adequate for a 2006 date, therefore that date was changed to the Kansas Register.

The Chairman advised the Committee that they would return to **HB 2601** at a future date and would start with further discussion on Representative Kirk's motion to amend DOR's balloon. He stated they would observe the standing order of requests for comments from Representatives Siegfreid, Carlson, O'Malley and Kelly.

He explained the schedule for next week and adjourned the meeting at 10:30 A.M. The next meeting is March 1, 2006, a Joint meeting with Utilities, regarding five energy bills, in room 313-S.