

MINUTES OF THE HOUSE TAXATION COMMITTEE

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

All members were present.

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:

Senator Laura Kelly
Sandra Dixon, V.P., Resource Family Services for Kansas Children's Service League
Mike Farmer, Exec. Director, Kansas Catholic Conference
Gary J. Daniels, Secretary, Social and Rehabilitation Services (written only)
Mike Beam, Kansas Livestock Association, presented testimony of Allie Devine
David Hetrick, Lewis, Hooper & Dick Accounting Firm

Others attending:

See attached list

The Chairman recognized Representative Goico for a bill introduction.

Representative Goico made the motion that a bill be introduced regarding a tax credit for businesses that hire reservists and National guards who are returning from active Iraqi deployment. Representative O'Malley seconded the motion. The motion carried.

SB 465 - Increasing income tax credit for adoption of Kansas children

The Chairman opened the public hearing on **SB 465**.

Senator Laura Kelly explained that currently Kansas law provides a tax credit in the amount of 25% (\$2500) of the federal income tax credit to individuals adopting any child. Since 1996 individuals have been eligible for an additional tax credit of \$1500 if the adopted child was in the custody of SRS at the time of the adoption or the child has special needs.

SB 465 would leave all current credits in place and provide an additional 25% credit if the adopted child is a Kansas resident or an additional 50% tax credit if the child is a Kansan with special needs (Attachment 1).

Sandra Dixon, V.P., Resource Family Services for Kansas Children's Service League, said that children for whom they seek adoptive families have entered the state's child welfare system due to abuse or neglect that occurred in their birth family homes. Their parental rights were terminated or relinquished, and no one has stepped forward, willing or able, to provide a permanent home. They are orphans. She provided demographics of over 500 children and gave the definition of a "special need" child (Attachment 2). Attached is a flyer, profiling eight children who need adoptive parents or foster families. She urged passage of the bill that would encourage and aid more families to consider adopting Kansas children.

Mike Farmer, Exec. Director, Kansas Catholic Conference, said that the ability to place children with special needs is more difficult and comes with greater expense and **SB 465** is a means toward helping adoptive parents allay some of the financial challenges associated with adoption. He quoted Pope John Paul II who insists "*We are all really responsible for all.*" He urged passage of the bill (Attachment 3).

Gary J. Daniels, Secretary, Social and Rehabilitation Services, provided written testimony in support of **SB 465**. He stated the decision to adopt is not driven by financial considerations but rather a desire to help a child in need or a desire to raise a family. Adoption tax credits honor the

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 9, 2006 in Room 519-S of the Capitol.

choice to bring a child into a family through adoption and recognizes and honors the benefits for everyone when a Kansas child is adopted (Attachment 4).

Discussion followed regarding definitions, adoption costs, possible discrimination of other children that live outside of Kansas.

The Chairman closed the hearing on **SB 465**.

SB 444 - Net operating loss carry back or carry forward for income tax purposes.

Chris Courtwright briefed the Committee on the bill.

The Chairman opened the public hearing on **SB 444**.

Mike Beam presented testimony of Allie Devine, VP and General Counsel, Kansas Livestock Association, stated that they had asked for the introduction of **SB 444**. They concurred with Mr. Hetrick comments (Attachment 5).

David Hetrick, Lewis, Hooper & Dick Accounting Firm, explained the process that occurred when an individual recognized a net operating loss within an income tax system. He provided the background on Kansas Statute Ann. 79-32,143 regarding net operating losses (Attachment 6).

He said the law should allow a taxpayer to carry forward the overpayment resulting from the carry back of a net operating farm loss and to apply that overpayment against the income tax liabilities in the succeeding years in a manner that would offset the income tax liability for that year and provide a refund of no more than \$1,500.

He encouraged the Committee to approve **SB 444**. They stated that the added language provides a mechanism which places farmers with large losses in a position similar to non-farm taxpayers.

There being no other conferees, the Chairman closed the hearing on **SB 444**.

HB 2023 - Classes of cities for sales tax purposes; uniformity

The Chairman directed attention back to **HB 2023** and advised the Committee that they would resume the discussion from yesterday's meeting. He said that they were currently on **Sub for HB 2023** and yielded the floor to Representative Siegfroid.

Representative Siegfroid said that statements made at yesterday's meeting were different than those he understood regarding the agreement and the direction they were headed. He spoke about a November 2005 meeting, in Lenexa, Kansas, which, in his opinion, resulted in an agreement that all parties would honor. It had just come to his attention that one of the major parties of that group has now stated they are not party to that agreement.

He described a second situation regarding whether or not excise taxes contributed to uniformity. Previously, he understood that they did contribute to uniformity and they proceeded on that assumption. Now he has been told that excise taxes do not contribute in anyway to the uniformity issue which totally changes the complexion of the problem that they face.

He said that as they proceed with **Sub for HB 2023**, he understands that there will be amendments offered for the Committee's consideration. In any event, he plans to offer a second bill, that will allow the Committee to make a policy decision directly on excise taxes. Hopefully both bills will go to the floor and allow the body's wisdom to prevail.

He explained his second bill deals with the excise tax, and puts into law a list of the present cities that have excise tax. It adds that future cities wanting excise taxes, must go through the election process; thus giving the cities a right that they did not previously have under 12-194. An important component is that in the event the existing cities, which are grandfathered in, want to increase their

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 9, 2006 in Room 519-S of the Capitol.

rates, they have to have an election to do so.

The Chairman explained the difference in the two bills and opened the floor for discussion.

Representative Owens stressed that they need to make sure that they are not in noncompliance with the streamlined sales tax agreement. The excise taxes complicate the issue and should not be included with the streamlined sales tax question. It is a policy question that needs to be addressed when they look at excise taxes, impact fees and any other thing that relates to how cities are able to fund their specific needs for infrastructure and city growth.

To that end, he offered several options for the Committee's consideration; 1) Adopt Representative Siegfried's recommendation for a second bill; 2) Delete paragraph #4, and move forward with the bill; 3) Retain or change the rate for any development excise tax in existence, as of January 1, 2006, which would allow the cities the ability to continue with their program.

Representative Owens made the motion to strike section 3, page 14 of **HB 2023**. Representative Carlin seconded the motion.

A copy of the 12-194 statute was distributed (Attachment 7).

Discussion followed regarding pros and cons of various options.

Representative Owens said that the direction of the discussion confirms the need for additional dialogue concerning excise taxes, however it should not cloud the issue of bringing the streamlined sales tax act into compliance. He closed his motion. The motion carried.

The Committee now have an amended **Substitute bill for HB 2023**, which they will continue discussion at tomorrow's meeting.

The meeting was adjourned at 10:30 A.M. The next meeting will be by March 10, upon adjournment of the House.