

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 26, 2008 in Room 519-S of the Capitol.

All members were present except: Representative Davis

Committee staff present:

Chris Courtwright, Legislative Research Department  
Gordon Self, Office of Revisor of Statutes  
Ryan Hoffman, Legislative Research Department  
Richard Cram, Department of Revenue  
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Aubrey Abbott Patterson  
Denise Unruh, President, South-central Community Foundation; Tom Fryer, Board President, Manhattan Community Foundation; and Ann Gallagher, Senior Research Associate, Center for Economic Development and Business Research at Wichita State University.

Others attending:

See attached list.

**HB 2500 - Property tax exemption for certain housing for certain low income mothers.**

Gordon Self, Office of the Revisor of Statutes, explained that the original **HB 2500** would add a property tax exemption for all real property and tangible personal property actually and regularly used exclusively for housing for limited or low income, single-parent mothers in need of financial assistance. The original bill has been amended and the language on page 4, lines 31-39, has been struck. The Department of Revenue estimates that the loss of revenue from the passage of **HB 2500** would be insignificant.

Gordon Self distributed a balloon amendment on **HB 2500** (Attachment 1). He explained the history of the BOTA decision that denied the exemption for the temporary housing for limited or low income single-parent families in need of financial assistance, which is operated by a charitable or religious organization. He explained the need to separate *housing for the elderly and handicapped persons* from the *temporary housing for limited or low income single-parent families*. To do so the following changes were made:

- Page 3, line 7, *housing* is struck, and *:(a) Housing* is inserted
- Page 3, line 14, after corporation the following language should be inserted *:and (b) temporary housing for limited or low income single-parent families in need of financial assistance*
- Gordon said they need to weave an effective date into the language, and Chairman Wilk suggested they use 2007, the date in the original bill.

Gordon Self answered committee questions regarding: number of other organizations that may fall in this category; need of additional language in the bill and definition of “temporary,” that is not defined in the bill.

Representative Siegfried made a motion to amend the balloon amendment, listed on page 3, of **HB 2500** into **SB 444**, as well as change the effective date to 2007. Representative Carlson seconded. The motion passed.

Representative Worley made a motion that *24 months or less* be inserted following “temporary housing”, on page 3, line 15. Representative Treaster seconded. The motion carried.

Representative Brown made the motion to reinsert “*who are enrolled in a program to receive life training skills*”, after the word assistance, on second balloon on page 3. Representative Kinzer seconded the motion. The motion carried.

Representative Siegfried made the motion to move **SB 444**, as amended, favorable for passage. Representative Brown seconded the motion. The motion carried.

## CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 26, 2008 in Room 519-S of the Capitol.

The Chairman advised the Committee that he first heard about this subject - **Transfer of Wealth**, during a meeting of an advisory group last summer, and said that it was quite fascinating and a issue that they should all pay attention to in the years to come. He introduced Aubrey Abbott Patterson, President, Hutchinson Community Foundation, who thanked the Chairman for the opportunity to present information on the subject.

She introduced members of the Kansas Association of Community Foundations, who participated in the power point presentation: Denise Unruh, President, South-Central Community Foundation; Tom Fryer, Board President, Manhattan Community Foundation; and Ann Gallagher, Senior Research Associate, Center for Economic Development and Business Research at Wichita State University.

Ms. Patterson said there are sixty Community Associations in Kansas and it was their hope that the information presented today will make excellent rationale for a new tax credit for Community Foundations in Kansas. She presented a Power Point presentation (Attachment 2) that explained what *Transfer of Wealth*” is and why Legislators should care about it. Keys points of the presentation included:

- The largest mass of wealth in history will transfer in the next 50 years.
- \$41 trillion is the conservative estimate of the wealth transfer in the U.S.
- Urgency of capturing a portion of this transfer to benefit Kansas

Ms. Gallagher explained the Transfer of Wealth Estimation Process that was conducted by the Center for Economic Development and Business Research, Wichita State University. They used the Boston college model of *Wealth Analysis*, to determine an estimated \$545 billion in net worth across the state as of 2004, which was then allocated to all 105 counties as a starting point. Those figures were adjusted, according to things they know affect the new worth of a family. They used data, such as: population, variables, demographic measures, property valuation and developed another six measures that provided a balanced picture of the wealth holdings of each county. The county-by-county report is due April 30, and they agreed to provide copies to the Legislature.

Ms. Patterson explained in the next 50-year (2060), \$598 Billion will change hands through the Transfer of Wealth in Kansas. In the next 12-years, (2020), \$66 Billion will change hands. They have determined that the peak for transfers in Kansas is 12 years, so that means the planning for those estates is being or has been made. Therefore the urgency to start this new *EndowKansas*, through education and conversations regarding how to secure the future of Kansas. Their objective is to capture 5% of the \$3.3 billion transfer of wealth across the state for the endowment funds. The principal would not be touched, so it will continue to grow, paying out 5% to the local communities on an annual basis. That payout would result in \$165 million annually for community foundations.

Denise Unruh said the Kansas endowment proposal before them is an effective model in developing an estate endowment campaign. They project the results will be dramatic and described positive results from utilizing endowment funds in Michigan, Iowa, Montana, and Nebraska. *EndowKansas* is a proposal in which the Legislature would provide an incentive, through a 70% tax credit to a donor, who has chosen to participate in a charitable gift annuity, one of many trusts, or one of the irrevocable many estate planning tools that is charitable. It would include a \$100,000 cap per year, per donor for the tax credit, which may be taken over a five year period. They believe there is a great opportunity, that has been successful in other states, and she concluded by asking them to consider the difference they can make for Kansans.

A period of questions and answers followed. Chairman Wilk requested that in addition to the county-by-county report, a map be included listing the names and locations of the sixty Community Foundations. Additional requests: List of qualifications for Community Foundations and which foundations would and would not qualify and Data on whether tax credits are refundable in the other states program.

The Chairman thanked Ms. Patterson and her colleagues for the presentation. The meeting adjourned at 10:25 A.M. No further meetings were scheduled.