

Approved On: _____

Minutes of the House Committee on Assessment and Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on March 6, 1985 in room 519 South at the Capitol of the State of Kansas.

All members of the Committee were present.

Committee staff present:

Tom Severn, Legislative Research
Melinda Hanson, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

Representative Kathryn Sughrue testified as a sponsor for HB-2350, an act relating to income taxation providing for a credit therefrom for in-home elderly dependent care. (Attachment 1)

Representative Kerry Patrick testified as a sponsor for HB-2368, an act relating to taxation, providing property tax relief for farmers, increasing the personal exemption amount for individuals; decreasing the tax rate imposed upon corporations; granting income tax credits to consumers of electricity produced by certain generating facilities. (Attachment 2)

Anita R. Favors, Commissioner of Adult Services, Social and Rehabilitation Services, testified as a proponent for HB-2350. (Attachment 3)

Guy E. Gibson, member of the Kansas State Legislative Committee of AARP, spoke as a proponent of HB-2350. (Attachment 4)

Mary Jane Hamilton, representing the Kansas Silver Haired Legislature, testified as a proponent for HB-2350. (Attachment 5)


Hattie Norman, Vice-Chairperson, Kansas State Advisory Council on Aging, reported that her organization strongly endorses the concept of supporting care-givers as a way of increasing the quality of long-term care and reducing both public and private sector expenditures on long-term care. (Attachment 6)

Ray Petty, legislative liaison for Kansas Advisory Council on Employment of the Handicapped, also spoke as a proponent of HB-2350, and this concluded the public hearing on the bill.

Representative LeRoy Fry spoke as a proponent of HB-2356, an act relating to income taxation, concerning withholding of tax from armed forces retirees, amending K.S.A. 79-3296. (Attachment 7) Representative Vancrum moved, second by Representative Reardon, that HB-2356 be conceptually amended to explicitly state that withholding would be at the option of the taxpayer. The motion carried. Representative Leach moved, second by Representative Schmidt, that HB-2356 be reported favorably as amended. The motion carried.

The minutes for the meetings of March 1, March 4 and March 5 were distributed to the committee. There being no corrections, they were approved as presented.

There being no further business, the meeting was adjourned.



Ed C. Rolfs Chairman

KATHRYN SUGHRUE
 REPRESENTATIVE, 116TH DISTRICT
 FORD COUNTY
 1809 LA MESA DRIVE
 DODGE CITY, KANSAS 67801



TOPEKA

HOUSE OF
 REPRESENTATIVES

March 6, 1985

COMMITTEE ASSIGNMENTS
 MEMBER FEDERAL AND STATE AFFAIRS
 ENERGY AND NATURAL RESOURCES
 GOVERNMENTAL ORGANIZATION

Mr. Chairman - Members of Assessment Taxation Committee

H.B. 2350 relates to income taxation providing for a credit for in home elderly dependent care.

Any resident taxpayer who provides in-home care for a dependent who is 65 years of age or older and is eligible for state financial assistance shall be entitled to claim a tax credit of \$1,000. The elderly person would otherwise be in an adult care home.

We are concerned about cost to the state. With costs for care in an adult care home ranging from \$1,000 to \$1,200 a month, a tax credit of \$1,000 would amount to a saving for the state.

Kansas' older population is growing in numbers and in average age.

The Kansas Census 1980 shows there are 132,852 people 75 and older. 17,847 of these are in adult care homes, $\frac{1}{2}$ of those in adult care homes are on medicare. It is estimated that 35,694 are house restricted elderly. The role of the family in providing care for the frail elderly is of extreme importance. A survey shows that "care needs" to be provided for 1 to 5 years.

Without effective alternatives the nursing home population is expected to increase by 80% by the turn of the century.

The use of tax credits for families caring for the needy elderly is being studied by the U.S. Congress. States having a plan for either deduction or credit are, Michigan, Idaho, Iowa, N. Carolina and Oregon

3/6/85

ATTACHMENT 1

Page 2

Very little attention has been given to the needs of family "care-givers" in our society. Yet they provide 80% of all the care the frail elders receive. Support groups of caregivers assistance is needed.

We must explore and implement all alternatives to provide long term care now and not wait for a crisis. This bill provides an economic incentive.

Our choice as a state is whether we will continue with our current strong institutional emphasis in meeting our needs or whether we will have more of a balance of alternatives for care of the elderly.

By this legislation just another way we encourage families to provide long term care for the elderly.

I urge your favorable consideration of H. B. 2350.

To: House Assessment and Taxation Committee

Re: HB 2368

From: Kerry Patrick

I. Introduction

I would first of all like to take this opportunity to thank the Committee Chairmen and its members for having a hearing on this bill. I'll proceed to discuss this bill on a section by section basis.

II. Section One

1. PROPERTY TAX RELIEF FOR FARMERS

Introduction: The key component of our economy the farm sector is struggling and there will not be the help forthcoming from Washington. For the purposes of this proposal from KSU Farm Management studies it is assumed 40,000 farmers would qualify for \$500 payment

Proposal: FOR ONE YEAR That the state pay a sum of up to \$500 to each farmer who is a resident of the state who meets the following test;

1. At least 80% of his/her gross income comes from farming and files the farming schedule on their federal tax return
2. No mortgage foreclosure or debtor/creditor suits filed against them or any ABC made in the past 2 years .
3. Payment made on against property taxes on land situated in Kansas.
4. Farmer makes his/her first half property taxes by 12/21/85
5. After filing his/her 1985 income tax return attach copy of 2nd half 1985 property tax payments due and owing and state makes check out to farmer and county treasurer ; send to farmer and farmer then sends it over to the county treasurer
6. State makes check out in an amount up to \$500 or the amount of land property taxes whichever is less.

MAXIMUM COST TO THE STATE \$20 MILLION DOLLARS -FY86

II. Section 2

2.CORPORATE INCOME TAX RATE CUT OF 1/2% this would truly stimulate economic growth in the state and its cost from a static point of view, would be reduced. Merit of reducing the overall rate is that all business' would be treated equally and not just those who are capital intensive as many critics have suggested of Reaganomics.

TOTAL 2 YEAR COST TO THE STATE \$20 MILLION DOLLARS

III. Section Three

3.INCOME TAX RELIEF FOR INDIVIDUALS

Proposal: 1. Increase each personal exemption permitted to be taken by an individual taxpayer by \$100. This would insure that everyone would get a tax cut and it is an approach that is skewed to benefitting proportionally speaking the lower income taxpayers to a greater extent.

TOTAL 2 YEAR COST TO THE STATE \$25 MILLION DOLLARS

Note: There is a printers error in line 121 for there should be a comma after the word individual and in line 123 the amount should read \$100 not \$1000.

IV. Section Four

4. WOLFCREEK AND HOLCOMB ELECTRIC RATE RELIEF

Introduction: Don't forget about WolfCreek and Holcomb and the big electrical rate increase that will be commencing in the early months of 1986. There will be tremendous pressure put on us to do something to relieve the rate shock. The 1985 session is the time to deal with this measure before emolions become to volatile and perhaps cloud our judgement on this issue.

Proposal: Following the approach taken by Nebraska and Minnesota, each individual income taxpayer who submits proof that he/she has in use an electrical meter will get a utility tax credit of \$ 50 per year for the 1986 year and \$25 for the 1987 tax year upon which the program will sunset.

TOTAL 2 YEAR COST TO THE STATE \$69 MILLION DOLLARS

Note: There is a revisors error in line 125&126 of the bill for I intended that the credit should be granted only under the circumstances that someone provides proof that he/she has a residential electric meter and files a tax return. This excludes any married couple from filing separate returns and qualifying for two credits. Also the bill is intended to provide the credit to ALL individuals who can meet this test not just those ratepayers in the KCPL,KGE,KEPCO and SUNFLOWER areas and needs to be amended accordingly.

V. Economic growth and lessening fiscal impact

Reviewing the bill from a static economic point of view this bill costs the general fund of the state \$134 million. However using the economic models of Dr. Jarvin Emerson and Dr. Darwin Daicoff we can assume that tax cut of this magnitude will through the multiplier effect increase the gross state product by at least \$525 million over the next two years. This amount of economic growth will generate an additional tax revenues of at least \$25 million so the real cost to the state general fund should be around \$109 million and I believe that I am using there models in an conservative fashion so the net revenue lost to the general fund is probably even less.

Kansas Department of
Social and Rehabilitation Services
Adult Services Commission
March 6, 1985

House Bill 2350

An Act relating to income taxation; providing for a credit therefrom for in-home elderly dependent care.

Purpose

House Bill 2350 establishes a tax credit for individual taxpayers who are 65 years of age and who meet certain income eligibility requirements.

Background Data

In-home care for other than the most severely impaired elderly is much less expensive than institutional care. The average Medicaid reimbursement per year per client to an adult care home is \$7,359. The home and community based services program, wherein providers are paid to provide service on an in-home basis to eligible clients, has an annual cost per client of approximately \$2,960. Additionally, many families may prefer to care for their elderly relatives but need some financial assistance in doing so. The existing dependent care credit in Kansas and on the federal level makes employment of the claimant a condition for tax relief.

SRS Recommendation

Social and Rehabilitation Services supports the concept of providing a tax credit to taxpayers who have provided in-home care to an elderly individual, however we feel that the bill requires some additional work. Specifically:

- 1 In-home services should be specifically defined.
- 2 Other administrative details such as whether or not multiple claims by the same claimant will be allowed, whether or not care for portions of a year will be allowed, or whether partial year claims by more than one claimant for the same elderly person will be allowed, should be considered.
- 3 Must dependent be 65 years of age for the entire year in which the credit is being claimed?
- 4 Should there be a limitation on the claimant's annual income?

Presented by:
Anita R. Favors
Commissioner of Adult Services

For:
Robert C. Harder
Secretary of Social and
Rehabilitation Services

(9707B)

34

HOUSE ASSESSMENT AND TAXATION COMMITTEE
H.B. 2350

TESTIMONY BY GUY E. GIBSON
MEMBER KANSAS STATE LEGISLATIVE COMMITTEE OF THE
AMERICAN ASSOCIATION OF RETIRED PERSONS

In Kansas, nearly 218,000 individuals belong to the American Association of Retired Persons. Annually the AARP's State Legislative Committee in Kansas selects legislative priorities based on the needs of the state's residents. One of the principal legislative priorities for 1985 is the expansion and coordination of community-based and in-home services offering cost-effective, quality alternatives to institutional care.

In-home care is much less costly than institutional care and elderly persons prefer to remain in their own home or the home of their caregiver. Although it is not precisely known how much direct funding families provide, it is certain that extensive care is provided to many dependent elderly persons by their families and friends. Family caregivers should be supported in their role to provide for their elderly dependents.

The Kansas Chapter of the American Association of Retired Persons is supportive of H.B. 2350 and its support of families who are responsible for and responsive to the needs of their elderly.

5

TESTIMONY ON H.B. 2350
TO HOUSE ASSESSMENT AND TAXATION COMMITTEE
BY MARY JANE HAMILTON
KANSAS SILVER HAIRED LEGISLATURE
MARCH 6, 1985

H.B. 2350 is identical in form to the 1984 Kansas Silver Haired Legislature's Bill No. 103. On November 16, 1984 the Kansas Silver Haired Legislature, by a vote of 102 to 13, passed SHL 103. This legislation, which provides for a credit for in-home care for dependent elderly, is a priority concern of the "Senior" Legislature and a concern of all elderly Kansans.

Families provide extensive care to their dependent relatives, both in the form of direct financial outlays and services. The information that is available is inadequate to make a complete assessment of the financial costs of in-home care. However, we of the Kansas Silver Haired Legislature are aware that the costs are not minimal.

H.B. 2350 would provide for a much needed tax credit of \$1,000 to aid families in the costs of caring for their dependent elderly. The Kansas Silver Haired Legislature supports H.B. 2350.

3/6/85

H.B. 2350

TESTIMONY BY HATTIE NORMAN
VICE-CHAIRPERSON, KANSAS STATE ADVISORY
COUNCIL ON AGING

The Kansas State Advisory Council on Aging strongly endorses the concept of supporting care-givers to the frail elderly as a way of increasing the quality of long-term care and reducing both public and private sector expenditures on long-term care.

The role of the family in providing care for the frail elderly has been and will continue to be of extreme importance. Traditionally the family and the community of older persons have comprised a natural helping network which has allowed the vast majority of older persons to avoid being institutionalized.

The passage of H.B. 2350 is encouraged by the State Advisory Council on Aging as a way of providing support to families who care for elderly members.

TESTIMONY ON HB 2356
REP. LE ROY F. FRY
ASSESSMENT AND TAXATION COMMITTEE
MARCH 6, 1985

27

Mr. Chairman and Members of the Committee:

HB 2356 would amend K.S.A. 79-3296 to authorize the Secretary of the Kansas Department of Revenue to enter into an agreement with the Secretary of the Department of Defense to withhold Kansas individual income taxes from the monthly pension checks of retired military personnel.

Historically, state tax withholding has not been done in this manner. Rather, individual retirees with military pensions have simply filed annual returns or quarterly estimated returns covering the pension income.

Public Law 98-525, codified as Section 1045 of Title 10 of the U.S. Code, was passed during the last congressional session. This new federal law permits the federal government (the Department of Defense) to enter into an agreement with any state to withhold state income taxes from the paychecks of persons receiving military retired or retainer pay. The Department of Defense would forward the withheld funds to the state on a quarterly basis.

In response to this new federal law, HB 2356 would provide the enabling legislation that would authorize the Secretary of the Department of Revenue to enter into such an agreement. Kansas could, then, request that the Department of Defense withhold its state income taxes.

Final implementation of the federal-state withholding agreement would not take place unless requested by a retiree. In other words, the new withholding option would be voluntary for the retiree. A retiree would be free either to continue present practice or to have the tax withheld by the federal government