

Approved Tuesday, March 14, 1989

Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Senator Gerald Karr, Acting Chairman at
Chairperson

11:00 a.m./~~p.m.~~ on Friday, February 24, 1989 in room 519-S of the Capitol.

All members were present except:

- Senator Dan Thiessen, Chairman (excused)
- Senator Audrey Langworthy, Vice Chairperson (excused)
- Senator Don Montgomery (excused)

Committee staff present:

- Don Hayward, Revisor's Office
- Tom Severn, Research Department
- Marion Anzek, Committee Secretary

Conferees appearing before the committee:

- Jerry Slaughter-representing The Kansas Medical Society
- Esther Wolf-Kansas Department of Aging
- Chris McKenzie-Douglas County Administrator
- Betty McBride, representing The Kansas County Treasurers' Association
- Senator Gerald Karr, lead sponsor of SB195.

Senator Gerald Karr, Acting Chairman called the meeting to order. He said the Chairman and Vice Chairperson are not available today, and our objective is to address as many bills as possible. He turned attention to SB195.

SB195: AN ACT relating to income taxation; allowing a credit therefrom for the employment of physicians' assistants or nurse practitioners by certain taxpayers.

The Acting Chairman, lead sponsor of SB195 said basically the bill attempts to find a way to improve and provide health care in the under-served rural areas of Kansas. In doing that, we have used the definition in the statute as a focus to provide the opportunity for physicians assistants and advanced registered Nurse Practitioners to join physicians and further enhance the health care provider team.

We have selected an income tax incentive for each doctor that hires an Assistant and, or Practitioner in order to provide additional medical services. (ATTACHMENT 1)

The Acting Chairman told the members they had a handout from Helen Stephens, Kansas Academy of Physician Assistants, and he had visited with some of the nurse practitioners yesterday, and they indicated their support, to him on SB195. (ATTACHMENT 2)

The Acting Chairman recognized Jerry Slaughter, representing The Kansas Medical Society.

Jerry Slaughter said we are not a proponent or opponent of SB195, but we have concerns, we feel are fixable regarding the language.

The tax credit offered in SB195 would go to the employer, in a supervisory position. The language of the law, is called "responsible position". You would be giving the exemption to the physician under the assumption that he or she would then be inclined to employ assistants' or practitioners in rural areas.

There are some areas where physicians may employ assistants, and the area is not considered medically under-served, and he said, he believes this should be addressed. I will provide written testimony to the secretary.

After committee discussion, The Acting Chairman turned attention to SB291 and recognized Esther Wolf, secretary Kansas Department of Aging.

SB291: ACT amending and supplementing the homestead property tax refund act; providing for the assignment of refund claims made thereunder; amending K.S.A. 79-4504 and K.S.A. 1988 Supp. 79-2004 and repealing the existing sections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,
room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Friday, February 24, 1989.

Esther Wolf said the Department of Aging is very concerned about the cash outlays by our seniors, because of the reappraisal.

The new section (1) of SB291 is the one I want to address. After reviewing section (1) she said, the Department of Aging is in support of the bill, and it would allow the taxpayers to assign their property tax refunds from the past year to their county, in order to assist in the payment of current year tax liabilities. (ATTACHMENT 3)

After committee discussion, The Acting Chairman recognized Chris McKenzie, Douglas County Administrator.

Chris McKenzie said he would address the impact of SB291 on Douglas County. Depending on the volume of applicants, this could have an impact on the staff of the County Treasurer's office. (2) We have a computerized tax system, and we do not allow partial payments for the current year, so there would have to be re-programming, and this is costly. (3) There will be an affect financially, if a person pays part of their taxes, we will no longer be able to invest that money and earn interest. (4) New staff means more facilities.

All of these factors lead us to the inescapable conclusion, that implementation of SB291, without a companion payment, could have the effect of raising local property taxes. (ATTACHMENT 4)

Acting Chairman Karr recognized Betty McBride, Cherokee County Treasurer.

Betty McBride said she was representing the Kansas County Treasurers' Association, and she said they do not fully understand the intent of SB291, so we are not in support or opposition of the bill.

We do have a great many concerns. It is our understanding, the County Treasurer's would be required to determine the eligibility of the applicant, but the bill doesn't address the criteria for this.

Also, SB291 allows filing of a certificate in lieu of tax payments up to \$400. and 50% of payment of amount over \$400. Where would the 50% payment be credited? It could not be posted as a tax payment since it is not $\frac{1}{2}$ or full payment as statute requires. (ATTACHMENT 5)

The Acting Chairman turned attention to SB197 and said this bill was filed prior to the conference committee on SB24. He asked staff member Tom Severn to review the bill for the committee.

SB197:AN ACT amending and supplementing the homestead property tax refund act; increasing benefits receivable thereunder; amending K.S.A. 79-4508 and 79-4509 and K.S.A 1988 Supp. 79-4502 and repealing the existing sections.

Tom Severn reviewed and explained the bill to the members, and after committee discussion. The Acting Chairman called upon John Luttjohann, Director of Taxation, Department of Revenue.

John Luttjohann said he was here to testify on the previous bill, and would have his handout on record. (ATTACHMENT 6)

Acting Chairman Karr closed the hearings on the above bills, and adjourned the meeting at 11:55 a.m.

STATE OF KANSAS

ATT 1
2.28.89

GERALD "JERRY" KARR
SENATOR, SEVENTEENTH DISTRICT
CHASE, LYON, MARION, MORRIS,
OSAGE COUNTIES
R. R. 2, BOX 101
EMPORIA, KANSAS 66801



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS

MEMBER: AGRICULTURE
ASSESSMENT AND TAXATION
FINANCIAL INSTITUTIONS AND
INSURANCE
ECONOMIC DEVELOPMENT
EDUCATION
JOINT COMMITTEE ON ADMINISTRATIVE
RULES AND REGULATIONS
LEGISLATIVE EDUCATIONAL PLANNING
COMMITTEE

DATE: February 24, 1989

TESTIMONY: Senate Assessment and Taxation Committee

FROM: Senator Gerald "Jerry" Karr

SUBJECT: SB 195 (An act relating to income taxation; allowing a credit therefrom for the employment of physicians' assistants or nurse practitioners by certain taxpayers)

Thank you for the opportunity to present another concept for consideration as we look at the need to provide health care providers to our underserved rural areas of Kansas.

What I am attempting to do is to use the defined medically underserved areas in Kansas as a focus to further opportunities for Physicians Assistants and advanced registered Nurse Practitioners to join physicians and further enhance the health care provider team.

In order to provide an incentive for that kind of a move I have provided an income tax incentive for each assistant and/or practitioner who would move into underserved areas and join a doctor in a team to provide additional medical services.

As of February 1, 1989, there were a total of 186 Physicians Assistants practicing in Kansas. One hundred thirty-three, or 70%, were located in cities of 40,000 and over. Fifty-three, or 30%, were located in cities of under 40,000.

There is no desire to reduce the quality of health care in rural areas, but my concern is to provide that added incentive for expanding the team serving rural Kansas.

Attachment 1
Senate Assessment and Taxation
Friday, February 24, 1989

A772
2-24-8
Helen Stephens

KANSAS ACADEMY OF PHYSICIAN ASSISTANTS

TO: Senate Committee on Assessment and Taxation

Re: Senate Bill No. 195

Mr. Chairman and Members of the Committee:

We hope to be with you today to make our comments in person, but a previously scheduled meeting with the Board of Healing Arts might preclude our presence.

We do support Senate Bill #195 and believe it would encourage physicians to utilize the services of other health care providers in underserved areas of Kansas.

Physician assistants nor advanced registered nurses can replace the physicians, but they can allow the sponsoring physician to provide more effective medical care by better utilizing his time. This might allow the sponsoring physician to expand his services in the underserved areas.

We ask your support in making this legislation Kansas law and assisting the rural areas in their need for medical assistance.

Thank you for the opportunity to present our views to you.

Attachment 2
Senate Assessment & Taxation
Friday, February 24, 1989

TESTIMONY BEFORE THE SENATE ASSESSMENT AND TAXATION COMMITTEE
On S. B. 291
by
KANSAS DEPARTMENT ON AGING

INTRODUCTION

Thank you Mr. Chairman, and members of the committee, for the opportunity to endorse Senate Bill No. 291, which allows for the assignment of refunds from prior years taxes under the Homestead Property Tax Refund Act to the claimant's home county in order to alleviate all or part of the taxpayer's current year property tax liability.

ANALYSIS

The most substantive part of this legislation is found in New Section One, since Sections Two through Five deal with issues such as when property taxes are due, the accrual of interest on due but unpaid taxes, and the effective date of this bill.

Specifically, New Section One provides that when an individual is eligible for a refund of a portion of a prior year's tax under the act, instead of receiving a check from the State for the amount of the refund, the taxpayer can assign that sum to the county treasurer in order to pay his or her current year property taxes.

New Section One also outlines the procedure to be followed in making such an assignment. It requires the taxpayer to apply to the county treasurer for a certificate of eligibility for the refund. Moreover, at the time of application, the taxpayer must pay 50% of the taxes owing that are in excess of the \$400 refund cap. (As an aside, HB 2051 currently being considered by the House, would increase this cap to \$500.) The county treasurer reviews the application and, if satisfied the applicant taxpayer is eligible, sends a certificate of eligibility, which includes an assignment signed by the applicant of any refund due, to the director of taxation. The director of taxation reviews the certificate and determines its validity. If valid, the director of accounts and reports draws a warrant in the name of the eligible taxpayer's county for the amount. That sum is then applied to pay the taxpayer's property tax liability for the current year. Any amount in excess of current year taxes would be refunded to the taxpayer.

KDOA SUPPORTS SENATE BILL NO. 291

Allowing taxpayers to assign property tax refunds from a past year to their counties in order to assist in the payment of current year tax liabilities is a good thing for all Kansans. As Secretary of Aging, I must say that for Older Kansans it would be particularly helpful. Acknowledging it will create a certain degree of new work for the Department of Revenue and the various

county treasurers' offices, the benefits to the citizens of our State far outweigh any burden imposed. Preparing and paying taxes is an intimidating and often complicated procedure. This bill would eliminate some of the paperwork involved, thereby making the process less overwhelming for Kansas taxpayers. Consequently, the Kansas Department on Aging fully supports this legislation.

CONCLUSION

For the reasons discussed above, the Kansas Department on Aging strongly encourages the Senate Assessment and Taxation Committee to recommend Senate Bill No. 291 for favorable passage.

Thank you.

EVW:CMK:bms

2-24-1989

ATT 21
2-24-

Douglas County

TO: Senate Committee on Assessment and Taxation
FROM: *W* Chris McKenzie, Douglas County Administrator
DATE: February 24, 1989
RE: Senate Bill 291

Thank you for the opportunity to present testimony regarding the impact of Senate Bill 291 on Douglas County. As we understand it, SB 291 would shift major administrative responsibility for the administration of the homestead property tax refund program to county governments; specifically, county treasurers' offices. As you know, the property tax administration responsibilities of the county treasurer's office in many counties are financed through the county general fund. In Douglas County in FY 1989, this amounts to a budgeted expenditure of \$224,315, or almost one (1) mill of property taxes.

Whenever additional responsibilities are assigned to the county treasurer's office, depending upon their significance, the county general fund and the county tax levy are potentially affected. Further, changes in our computerized tax collection system that are necessitated by changes in state law can have a significant fiscal impact as well.

SB 291 may put in place an administrative process that proves to be a more efficient way to administer this important program. It will have some significant fiscal impacts on Douglas County and its taxpayers of which you should be aware. First, depending upon the volume of applicants, it will have a staffing impact on the Treasurer's office that already handles a high volume of motor vehicle and general tax business. Additional tax clerk(s) may be necessary to handle the load.

Second, it will necessitate expensive reprogramming of our computerized tax system--a cost roughly estimated for me this morning by our D.P. director to be \$4,000 conservatively. This programming work alone is necessary since we do not presently take partial payments for the current year or separate the tax liability of a homestead from related real property when tax billings are prepared.

Third, SB 291 could affect the County's interest earnings during the time in which the County awaits the processing and payment of the refund to the County. Through prudent investment by our County Treasurer Douglas County currently realizes approximately \$700,000 in interest revenues for its general fund. These earnings offset the need to levy property taxes. Lower

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Memo to Senate Assessment and Taxation Committee
February 24, 1989

interest earnings will require higher property taxes.

Fourth and finally, additional staff in the Treasurer's office could lead to the need to make additional capital improvements to either acquire new space or remodel existing space. Such expenses are traditionally paid for with property taxes unless some other source of revenue is identified.

All of these factors lead us to the inescapable conclusion that implementation of SB 291 without some companion payment of these costs by the state could have the unfortunate effect of raising local property taxes--precisely the opposite of the objective of the homestead property tax relief program. On behalf of Douglas County and its taxpayers, I strongly recommend that the Committee consider amending the bill to institute some type of system for state reimbursement of these costs to the counties. The counties and the property taxpayers for whom you have implemented this program would appreciate such an amendment.

Thank you.

TESTIMONY

TO: Committee on Assessment and Taxation

RE: Senate Bill 291

FROM: Betty McBride Cherokee County Treasurer

DATE: February 24, 1989

Mr. Chairman, members of the committee. I am Betty McBride Cherokee County Treasurer. I am appearing on behalf of the Kansas County Treasurer's Association and wish to extend our appreciation to this committee for the opportunity to express the County Treasurer's concerns with Senate bill 291.

We do not fully understand the intent of Senate bill 291 but felt we needed to express our concerns with the areas covered by the bill.

It is our understanding that the County Treasurers will be required to determine the eligibility of the applicant to receive a homestead refund. The bill does not address what the criteria would be to determine eligibility?

The bill also allows filing of a certificate in lieu of tax payment up to \$400.00 and 50% payment of any tax amount over \$400.00. The applicant has until October 1 of each year to make application for homestead refund. If a refund was not received by the County Treasurer's Office prior to the October 31st date when tax roll in the county closes, would we be required to show this property delinquent and publish the property owners name as directed by statute? If not, how will County Treasurer's balance their abstracts for the tax year? A question also arises where the 50% payment would be credited. It could not be posted as a tax payment since it is neither half or full payment as statute prescribes.

Budgets for Counties, Cities and School Districts could be affected by the loss of tax revenue to their districts.

We certainly are not against any legislation which would help the elderly but feel there are some concerns with Senate bill 291 which need to be addressed before passage is considered by this committee.

Thank you again for your consideration. I will stand for any questions you might have at this time.

Respectfully,



Betty McBride
Cherokee County Treasurer

Attachment 5
Senate Assessment & Taxation
Friday, February 24, 1989



KANSAS DEPARTMENT OF REVENUE

Division of Taxation

Robert B. Docking State Office Building
Topeka, Kansas 66625-0001

JOHN R. LUTTJOHANN
Director of Taxation

MEMORANDUM

**TO: THE HONORABLE AUDREY H LANGWORTHY, VICE-CHAIRMAN
SENATE COMMITTEE ON ASSESSMENT AND TAXATION**

**FROM : JOHN R. LUTTJOHANN
DIRECTOR OF TAXATION**

RE: SENATE BILL 291

DATE: JANUARY 24, 1989

I appreciate the opportunity to appear before you today on Senate Bill 291.

This bill provides a mechanism whereby a Homestead Property Tax refund claimant would certify his or her eligibility for a Homestead Refund to the County Treasurer and, in essence, direct the State to pay the refund directly to the County.

While we are very sympathetic to the problem which this bill addresses, we are obliged to bring up several administrative problems and comments.

The basis for the certification of eligibility is that the individual will be entitled for a homestead refund in the next succeeding year. There are several factors involved in the determination of eligibility for a refund which are difficult to predetermine. These include income limitations, residency status, and actual physical occupancy requirements of the claimant and possibly of dependents.

Record keeping and necessary information exchange between the county and the state will be relatively complex.

The only option we could recommend for taxpayers who rely on their homestead refund to pay the first half of their property taxes is to file the return early. We certainly do everything in our power to process such claims in a timely fashion.

I would be happy to respond to any questions which you may have.