

Approved March 7, 1991
Date

MINUTES OF THE House COMMITTEE ON Taxation

The meeting was called to order by Joan Wagnon at
Chairperson

9:10 a.m./p.m. on Wednesday, February 20, 1991 in room 519S of the Capitol.

All members were present except:

Committee staff present:

Tom Severn & Chris Courtwright, Legislative Research
Don Hayward & Bill Edds, Revisors
Linda Frey, Committee Secretary

Conferees appearing before the committee:

Chairman Wagnon called the committee to order at 9:10 a.m. for hearings on HB 2276 and HB 2368.

Rep. Elaine Wells testified in support of HB 2276, an act providing property tax deferral for certain elderly persons (attachment 1).

The bill proposed by Rep. Wells and 13 cosponsors is identical to the version which passed the House during the 1990 session. The bill was studied during the 1990 Interim Assessment and Taxation Committee but no action was taken to recommend the bill. Rep. Wells distributed a suggested amendment to address the interim committee's concern (attachment 2). The committee had several questions regarding how the proposed property tax deferral would operate, about priority of liens, and state liability if property value declined.

Rep. Alex Scott testified in support of the bill citing the benefits which would accrue to the elderly if it were passed (attachment 3).

There were no opponents to the bill. The public hearing was closed.

Tom Severn from Legislative Research briefed the committee on the Homestead Property Tax Relief program currently in place and changes proposed under HB 2368. Severn distributed a memorandum dated June 14, 1983 (attachment 4) and a graph of the proposed changes in the refund amount (attachment 5).

Steve Stotts, Director of Taxation for the Dept. of Revenue, distributed the Kansas 1990 Homestead Claims booklet and explained how the program worked. Upon request for additional information, Stotts said he would provide additional data to the committee on utilization of the program and the impact of proposed changes in qualifying income.

Marcia Lessendon of Topeka spoke in opposition to the HB 2276

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation,

room 519-S, Statehouse, at 9:10 a.m./~~p.m.~~ on Wednesday, February 20, 1991

and presented a statement from the Associated Landlords of Kansas (attachment 6). She related a story about a tenant who vacated her rental property with a substantial amount of rent unpaid and yet she subsequently filed for a homestead refund. Lessendon requested that the bill be amended to require that refunds be given only to those who are current with their rent and to require that checks be made on both tenants and the landlords.

Ann Elliott of Junction City testified against allowing welfare recipients to utilize the program (attachment 7).

Hearings were closed on HB 2368.

The committee adjourned at 10:15 a.m.

GUEST LIST

COMMITTEE: _____

Delegation

DATE: _____

2/20/91

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
<i>Glenn Wells</i>		<i>Home</i>
<i>George Goebel</i>	<i>Topeka</i>	<i>AARP CCTF SLC</i>
<i>HAROLD P. FITS</i>	<i>"</i>	<i>AARP-CCTF</i>
<i>Roger D. Kukwood</i>	<i>Topeka</i>	<i>AARP-CCTF</i>
<i>HAREN FRANCE</i>	<i>Topeka</i>	<i>KAR</i>
<i>Juan 17-13-14</i>	<i>Topeka</i>	<i>observer</i>
<i>Marcia Lessenden</i>	<i>Topeka</i>	<i>TALK</i>
<i>Ann Elliott</i>	<i>Junction City</i>	<i>self</i>
<i>BEV BRADLEY</i>	<i>Topeka</i>	<i>KS Assoc of Counties</i>
<i>FRANCES KASTNER</i>	<i>Topeka</i>	<i>KS Food Dealers Assn</i>
<i>ED Elliott</i>	<i>Junction City KS</i>	<i>Self</i>
<i>Rep Alvin Scott</i>	<i>" " "</i>	<i>Boat Co-Sponsor</i>
<i>RG Fry</i>	<i>Topeka</i>	<i>KTHA</i>
<i>Jacque Oakes</i>	<i>Topeka</i>	<i>Ks. Auctioneers</i>
<i>Betty M^c Bride</i>	<i>Columbus</i>	<i>Co. County Treasurers Assoc.</i>
<i>Ken Bahr</i>	<i>Topeka</i>	<i>Beech Aircraft Corp</i>
<i>WALTER ROGERS</i>	<i>NEWTON, KS</i>	<i>WIBA</i>
<i>Delvin Aldeman</i>	<i>WICHITA</i>	<i>"</i>
<i>Unda Ediger</i>	<i>Newton</i>	<i>"</i>
<i>LEON LUNGWITZ</i>	<i>WICHITA</i>	<i>"</i>
<i>Doug Jenkins</i>	<i>Wichita</i>	<i>"</i>
<i>V. J. Bomler</i>	<i>Wichita</i>	<i>✓</i>
<i>D. D. Drans</i>	<i>PCMO</i>	<i>10 (Bn) Dealers</i>
<i>YVAN HOMONKA</i>	<i>WICHITA</i>	<i>WIBA</i>

HOUSE COMMITTEE ON TAXATION
TESTIMONY
ON
PROPERTY TAX DEFERRAL
HB 2276
by
REPRESENTATIVE ELAINE L. WELLS

This bill was introduced last year with thirty-one sponsors. It passed the House and was referred to an interim study committee this past summer. The interim committee discussed the merits of this proposal but did not make a recommendation. The bill this year is drafted as the one that passed the House last year but after receiving the interim committee report I've asked the Revisor's office to draft some amendments which I feel would address any and all concerns with the bill.

Eighteen states currently have a Property Tax Deferral program including California, Colorado, Connecticut, Florida, Georgia, Illinois, Iowa, Maine, Nebraska, New Hampshire, Minnesota, Oregon, Tennessee, Texas, Utah, Virginia, Washington and Wisconsin. HB 2276 is fashioned after the Colorado law.

Most older people own a home and want to remain living in it. While inflation is boosting their homes' value, it is also eroding their already low and moderate incomes. They are becoming increasingly "house-rich and cash-poor". Unless they sell their home and move, most older people will not be able to cash in on their most important long-term investment. They've spent a lifetime acquiring their nest egg of home equity but they can't use it when they need it most unless they give up their home.

Turning home equity into a state-run loan program (home equity conversion) is strongly responsive to creating a new way for older home-owners to pay for but to pay later their property taxes. It is clear that property tax deferral offers the best means of unlocking home equity for most older homeowners.

HOUSE TAXATION
Attachment #1
02/20/91

Each year older homeowners could request the State of Kansas to pay the property taxes they owe their local governments. These annual payments would accrue with interest as a loan from the State to the homeowner, secured by equity in the home. Upon the death of the homeowner or prior sale of the home, the total loan (less any prior voluntary repayments) would be repaid to the State from the proceeds of the estate or sale. In effect, this would allow the elderly to "postpone" or "defer" their tax payments until they cash in on their home equity. Their local taxes would be fully paid each year by the State, and they would repay the State upon the sale of their home or settlement of their estate.

Tax deferral could be wholly financed by the homeowners who choose to do so. The interest rate charged on deferred tax liabilities would cover the cost of state borrowing, administrative expenses, and a loss reserve fund. This approach would require no long-term support from the general revenue fund. This new way to pay property taxes would result in a significant amount of added disposable income for elderly homeowners each year. Tax deferral would give the elderly a simple, flexible, and relatively inexpensive means of cashing in on their lifetime investment in a home--without having to sell or move.

Property tax deferral would reward a lifetime of productive labor by enhancing the utility of the principal asset it has produced. This in turn would let the elderly use more of their own resources to meet their own personally determined needs. If older people do more for themselves, then public resources can be more efficiently targeted to the neediest elderly. Financial self-reliance among the elderly becomes increasingly important but is limited by low to moderate incomes, inflation, and decreased earnings capacity. Also, no part of the elderly's most important financial asset can currently be converted to income without having to sell their homes and move.

It is a fact that most older Kansans hold substantial equity in a real, appreciating asset: their home. Home equity is often the only or most significant asset held by older people. For low income elderly in particular, a home is typically their only substantial asset.

For these reasons, property taxes are a major financial concern of our older citizens. In a survey in Wisconsin when asked what they liked least about owning a home, one in three older homeowners cited property taxes (1980 survey). Nearly 1/3 of

respondents in a 1978 Wisconsin Tax Reform Commission survey of older homeowners said that "all" or "most" of their friends and family had "serious difficulty" paying their property taxes. Another 20% said "about half" were faced with this situation. Over 20% reported having had a property tax payment due but not the funds to pay it.

For most older homeowners, property tax deferral will be the single most efficient, secure, and flexible method of converting home equity into income. Especially for the elderly, tax bills can represent a significant proportion of income. For example, a person with \$7000 income and a \$35,000 home would realize anywhere from an 8% to 16% increase in annual income from tax deferral. Because taxes go up each year, the income supplement from tax deferral would also rise. The greater the rate of tax increase, the faster the income supplement would rise.

Many public policy concerns support the development of a property tax deferral program. Tax deferral would provide a significant annual income supplement to older homeowners from their own resources--at no public cost. The taxpaying public in general is likely to be very supportive of tax deferral. Tax deferral would provide the most simple, efficient, and flexible means of converting home equity into income. For most older homeowners it may be the only acceptable conversion option available to them.

Tax deferral would enhance retirement options and security for current and future generations. It would increase the asset management choices of a group with low to moderate incomes whose principal asset is now frozen.

Tax deferral could be wholly financed by program participants. The interest rate charged on deferred liabilities would cover the cost of state administrative expenses. Older homeowners would not have to fear being forced out of their homes due to property taxes. This element of security will be highly valued by the elderly.

Older homeowners may be the most conscientious and desirable borrowers the state would have. As paid-up homeowners, they have a life history of creditworthiness. Because their life expectancy is shorter than that of younger people, the elderly will be borrowing for a shorter period of time.

Tax deferral would increase the capacity of older homeowners to pay property taxes to support their local governments. This will help preserve the stake that older people have in local government activities. It will also provide a mechanism for easing the burden of local property reassessments. And, it will enhance the ability of local governments to determine and meet local needs at the local level.

As the economic efficiency of households increases due to greater liquidity, there are marginal improvements in the allocative function of the economy. This in turn makes possible increased levels of consumer demand, savings, and potential economic growth. To the degree that these changes promote the health of the economy as a whole, the general public benefits. It is conceivable that these economic factors could produce a net financial gain to the state--a return on the investment of its borrowing power.,

Tax deferral will be one of the few equity conversion plans that will meet the needs of the least profitable market segment--low income households with inexpensive homes. In addition, low-income households tend to prefer flexible plans rather than long-term contracts involving substantial amounts of equity.

Property tax deferral is an innovative tax collection mechanism especially appropriate for the elderly. In most areas, it must be paid in an annual lump sum or two semi-annual installments. This creates a cash flow problem for many older homeowners. Indeed, the overall burden of property tax may have as much to do with the payment method as the absolute amounts involved. Reassessments exacerbate this collection problem for owners and officials.

Taxes on consumption are paid at the point of sale. Income taxes are withheld at the point of wage or salary payment. Property taxes are usually paid by mortgagors on a monthly escrow basis. But, housing transactions are much less divisible once a mortgage is fully paid--and that is the situation of most older homeowners. Coincidentally, these paid-up homeowners are also the property taxpayers with the shortest life expectancy, the longest record of creditworthiness, and the greatest need and capacity to convert home equity into income. In addition, their annual tax bills are less than their annual increase in home value.

All of these factors form the theoretical basis for a new tax payment method; a future cumulative lump sum payment that

coincides with the sale of the house or settlement of the estate. This new way to pay reflects the realities of the older homeowners' situation, and provides a more convenient means for them to meet their civic responsibilities. It reflects the logic of income tax withholding and sales tax collection by relating tax payment to the natural transactions and circumstances which characterize the item being taxed and the taxpayer's situation.

I have attached to my testimony copies of the reports to the Colorado General Assembly from their State Treasurer. After the first year, only 26 applications were received with a total of \$16,391.25 deferred. But after ten years, in 1988, the number of applications per year increased to 458 with a total of \$484,630.42 deferred.

According to the National Association of State Units on Aging, the average rate of participation of eligible homeowners runs about 2% in most states. In Oregon which has the oldest, most liberal and best publicized program, the participation rate is roughly 10%. In Wisconsin 300-320 applications are received each year for the program.

There are safeguards built into the system by requiring the equity in the home to be greater than the mortgage, plus the deferral. This prevents the state from losing money in the program.

Further safeguards which were addressed by the Interim Committee are included in the amendments I've requested.

Offering this alternative of property tax deferral to our older citizens for meeting the demands of paying property taxes when they are already strapped financially is an idea which not only helps our senior Kansans but also is one that benefits the state by not having to fund programs such as the circuit breaker. The taxpayer still pays, but pays later.

I hope you will agree and will recommend HB 2276 for passage. I'll be happy to respond to any questions.

REPORT TO THE GENERAL ASSEMBLY
 CONCERNING PROPERTY TAX DEFERRAL FOR THE ELDERLY
 FOR FISCAL YEAR 1988-89

<u>COUNTY</u>	<u># of Apps</u>	<u>Curr Yr Deferrals</u>	<u>Curr Amts Pd Prior to 5/1/89</u>	<u>Prior Yrs Liens</u>	<u>TOTAL</u>
Adams	52	\$44,650.64		\$117,680.67	\$162,331.31
Arapahoe	75	124,667.34		347,619.55	472,286.89
Boulder	37	41,537.51		129,801.41	171,338.92
Clear Creek	2	1,872.40		13,491.09	15,363.49
Delta	2	1,041.20	629.04	0.00	412.16
Denver	96	85,013.03		278,295.79	363,308.82
Douglas	3	4,082.45		1,599.53	5,681.98
Elbert	1	1,439.28		7,883.63	9,322.91
El Paso	12	10,470.06		85,981.35	96,451.41
Fremont	1	886.94		0.00	886.94
Garfield	2	1,370.43		760.15	2,130.58
Grand	1	627.58		0.00	627.58
Huerfano	1	817.02		967.08	1,784.10
Jefferson	128	129,769.11		350,596.53	480,365.64

COUNTY	# of Apps	Curr Yr Deferrals	Curr Amts Pd Prior to 5/1/88	Prior Yrs Liens	TOTAL
Lake	1	518.52		1,440.23	1,958.75
Larimer	20	17,612.30		61,351.54	78,963.84
Logan	1	468.74		1,325.71	1,794.45
Mesa	4	3,188.29		6,025.96	9,214.25
Montrose	1	794.98		1,824.22	2,619.20
Morgan	3	2,851.47		2,678.45	5,529.92
Park	3	1,977.68		5,501.19	7,478.87
Routt	1	948.41		9,577.71	10,526.12
Summit	2	1,377.26		6,119.70	7,496.96
Teller	2	1,181.92		1,047.62	2,229.54
Weld	7	5,465.86		23,064.56	28,530.42
Yuma	0	0.00		1,242.82	1,242.82
GRAND TOTAL FY 1989	458	\$484,630.42	\$629.04	\$1,455,876.49	\$1,939,877.85

	#	Prev	Int	Amnt of	Total	Prin	Int	Ending
	Apps	Balance	Earned	Taxes Deferred		Payoffs	Payoffs	Balance
1978	26	0.00	0.00	16,391.25	16,391.25	522.96	19.52	15,848.77
1979	45	15,848.77	1,014.29	29,735.08	46,598.14	2,675.93	172.47	43,749.74
1980	60	43,749.74	2,543.49	43,077.41	89,370.64	7,023.93	878.49	81,468.22
1981	62	81,468.22	5,656.68	49,874.32	136,999.21	4,433.33	612.50	131,953.38
1982	68	131,953.38	10,046.76	56,485.82	198,485.96	8,554.59	619.64	189,311.73
1983	129	189,311.73	13,471.83	115,015.23	317,798.79	19,579.89	852.86	297,366.04
1984	280	297,366.04	22,251.28	241,161.85	560,779.17	13,605.20	834.35	546,339.62
1985	315	546,339.62	36,818.52	299,536.53	882,694.67	80,284.14	4,428.37	797,982.16
1986	296	797,982.16	53,155.67	302,158.43	1,153,296.26	88,014.86	5,319.39	1,059,962.01
1987	430	1,059,962.01	68,392.63	459,008.60	1,587,363.24	100,151.23	10,465.76	1,476,746.25
1988	458	1,476,746.25	113,477.85	484,630.42	2,074,854.52	125,350.90	9,625.75	1,939,877.87

FISCAL YEAR 1978-79

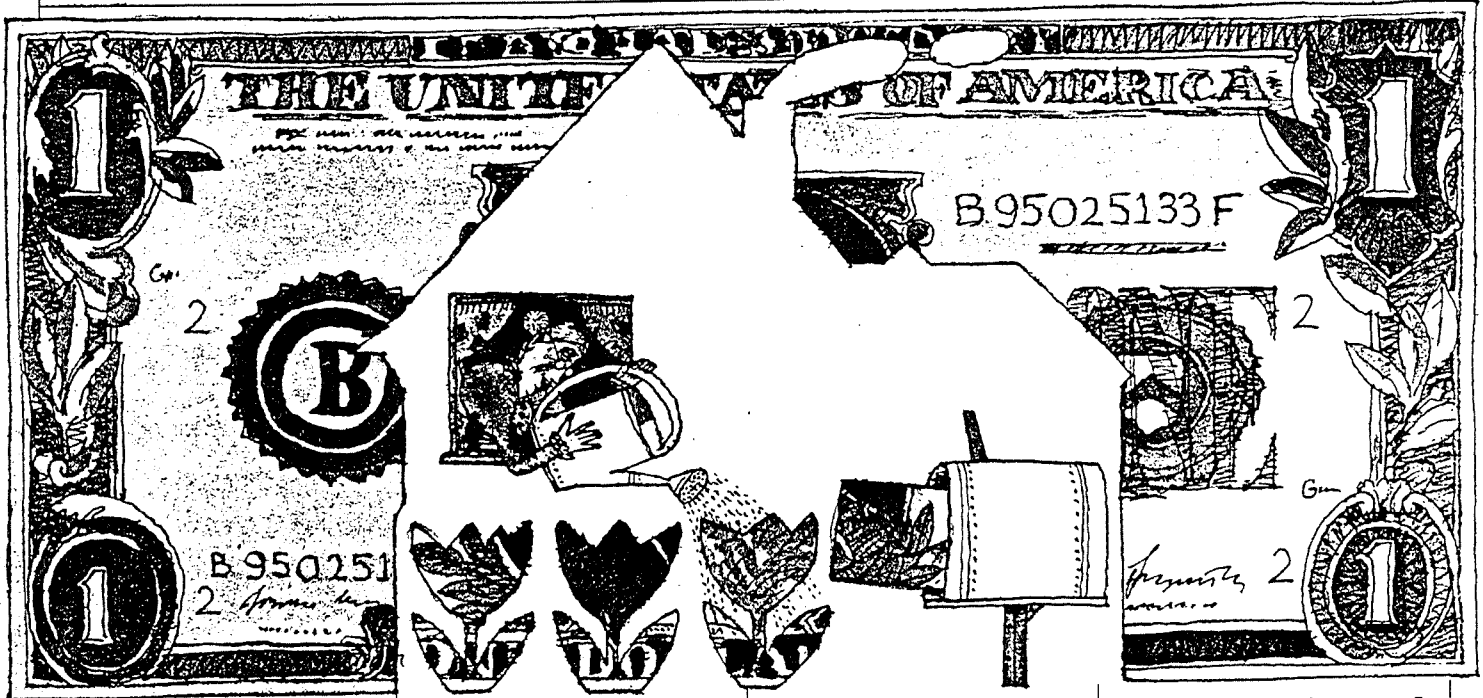
County	Application No.	Amount of Taxes Deferred	Assessor's Actual Value of Property	Value of Outstanding Mortgages, Deeds of Trust, and Liens Against Property	Effective Interest Rate Received by State ¹
Jefferson	1	\$ 540.04	\$ 23,000.00	\$ 8,201.35	12.0%
	2	\$ 922.52	\$ 42,800.00	-0-	12.0%
	3	\$1,405.42	\$ 59,570.00	-0-	12.0%
	4	\$ 409.15	\$ 18,700.00	-0-	12.0%
	5	\$ 868.97	\$ 39,230.00	-0-	12.0%
County Total		<u>\$4,146.10</u>	<u>\$183,300.00</u>	<u>\$ 8,201.35</u>	
Larimer	1	\$1,100.76	\$47,833.33	-0-	12.0%
	2	\$ 987.30	\$40,750.00	-0-	12.0%
	3	\$ 555.58	\$ 7,310.00	-0-	12.0%
County Total		<u>\$2,643.64</u>	<u>\$95,893.33</u>	<u>-0-</u>	
Park	1	\$ 218.33	\$10,360.00	435.86	12.0%
County Total		<u>\$ 218.33</u>	<u>\$10,360.00</u>	<u>435.86</u>	
Summit	1	\$ 256.76	\$15,007.00	-0-	12.0%
County Total		<u>\$ 256.76</u>	<u>\$15,007.00</u>	<u>-0-</u>	
GRAND TOTAL	26	<u>\$16,391.25</u>	<u>\$700,110.33</u>	<u>\$91,614.07</u>	

¹State is to be paid interest from January 1, 1979, though the monies are not to be distributed until May 1, 1979.

²Includes the effect of the \$10.00 filing fee paid by the applicant in calculation of the effective interest rate to the applicant.

³Last half-year taxes

HOUSE-RICH AND CASH-POOR? THEN LET THE BANK PAY YOU



Their home is worth many times what they paid for it, and the mortgage is a distant memory. Yet they live frugally on a fixed income, fretting as medical bills or even property taxes eat away at their savings. Nearly everyone knows somebody in this "house-rich, cash-poor" dilemma.

Until recently, many such homeowners faced the possibility of having to sell the beloved house and move. But lately, an alternative has begun to gain widespread attention: the reverse mortgage.

NO TAXES. A reverse mortgage provides homeowners with a fixed monthly sum for the rest of their lives—and as a loan, the money is tax-free. The borrower lives in the house and maintains it. After his or her death, the estate sells the house and pays off the loan from the proceeds.

American Homestead in Mt. Laurel, N.J., pioneered the reverse-mortgage concept in

the mid-1980s. It now has more than 4,000 reverse-mortgage holders, who receive average monthly checks of \$800. In just the past year, some 800 mortgagees were signed up by two new entrants in the field: Capital Holding in Louisville, which provides loans in seven states, and Providential Corp. in San Francisco, whose Home Income Plan offers them in California. To encourage more lenders, the U.S. Housing & Urban Development Dept. recently agreed to insure 2,500 small reverse mortgages issued by banks nationwide.

Unlike a home equity loan, which gives the homeowner a lump sum to be repaid in monthly installments, a reverse mortgage grows larger with each monthly check. But in theory at least, borrowers needn't worry about paying back the loan and interest, because they won't be around at payback time. That's left to the estate lawyers.

Lenders set the size of the monthly check according to several factors: the borrower's age (usually 62 and up) and life expectancy, the worth of the house now and its projected value at the time of death, and how much equity the owner chooses to give up. The lender's goal is a return

The more equity you put up, the larger your monthly check

of 11.5% on the cash it lays out—more than on an ordinary mortgage.

Lenders work with a higher rate because reverse mortgages are something of a gamble: A borrower might outlive the mortality tables, collecting monthly checks all the while; or if the house fails to appreciate as the lender projects, its sale won't pro-

duce the expected return. In such cases, the actual interest rate paid on the loan can be considerably below the 11.5% figure. "If a person lives long enough, we won't get any interest and could do worse than break even on the deal," says James Burke, chairman of American Homestead.

CUSHIONING. On the other hand, if the borrower dies earlier than expected, or if the house appreciates rapidly, the lender can get an extra return. Upon selling the house, the estate pays back the entire sum of cash doled out plus the lender's share of any appreciation during the loan period.

Giving the lender only a partial share of the house permits borrowers to keep something to bequeath to any heirs. About 75% of Providential Home Income's current mortgagees retain one-third or more of their equity, says President William Texido.

The more equity you put

RE: PROPOSAL NO. 4 -- PROPERTY TAX DEFERRALS

Proposal No. 4 charged the Special Committee to consider whether a property tax deferral program (1990 H.B. 2918) similar to those in effect in other states would be a desirable policy option to reduce the short-term property tax burden on senior citizens. The Committee was to study this topic on a time-available basis.

Background

According to testimony presented by proponents, at least 18 states have some form of property tax deferral for the elderly. Oregon implemented the first such program in 1963.

H.B. 2918, as amended in 1990 by the House Committee of the Whole, would have established a program whereby the state would finance the deferral of qualifying property taxes on the homesteads of qualifying low-income elderly taxpayers. Deferred taxes would constitute a lien on the homestead property of the taxpayer and would accrue interest at the rate of 8 percent. Taxpayers would qualify if they were at least 65 years of age with annual income of less than \$15,000. Properties would qualify if they met all of the following conditions: were the homestead of the taxpayer; were owned in fee simple or were being purchased under a written instrument; were not income-producing; were not subject to a mortgage or deed of trust for less than five years (unless the mortgage holders agree to subordinate the mortgage); had all prior years' taxes paid; and had appraised values greater than the deferred taxes plus other recorded levies and mortgages.

Application would be made to the county treasurer on forms provided by the State Treasurer. The forms would provide for establishing eligibility for the program. When the county treasurer had reviewed and approved the application, a lien would be recorded against the homestead property, or, if the homestead property was a mobile home, a lien would be entered on the title to the mobile home.

Any person holding escrow funds for the payment of property taxes on the homestead would be required to remit those funds to the owner within 30 days of receipt of a certificate certifying that the taxes on that homestead had been deferred.

The State Treasurer would pay to the county treasurer the amount of taxes deferred. The deferred taxes would be owed to the State Treasurer and the associated lien would be vested in the State Treasurer; however, the county treasurer could accept payments of deferred taxes and would then transmit the funds to the State Treasurer.

All deferred taxes, including accrued interest at 8 percent, compounded annually, would become due in 90 days and no further taxes could be deferred whenever any of the following occur: the taxpayer who claimed the deferral died; the property was sold or otherwise transferred; the property ceased to be the owner's homestead (except when due to ill health); the homestead property ceased to qualify as described above; or the property (if a mobile home) was moved. The county treasurer would be required promptly to notify the State Treasurer if at any time there was reason to believe that any of these changes had occurred.

The spouse of a deceased taxpayer could elect to continue a deferral upon the death of the original claimant if that spouse was at least 60 years of age and occupied the homestead.

Reports of deferrals under the program would be made annually by the State Treasurer to the Governor and to the Legislature.

The bill would have been effective January 1, 1991.

Attachment 1-11

Pro. No. 4

The bill was passed by the House but died in the Senate Committee on Assessment and Taxation at the end of the 1990 Session. Its subject matter was assigned for study at the request of Representative Elaine Wells.

Committee Activity

The Committee held public hearings on Proposal No. 4 at the July meeting. Representative Elaine Wells appeared as a proponent and said that 1990 H.B. 2918 had been patterned after a Colorado law. Secretary on Aging Esther Wolf appeared as a proponent and said that such legislation would be an effective, low-cost way to help older Kansans meet their property tax obligations. The McPherson County Treasurer also appeared as a proponent.

During Committee discussion, several policy questions were raised with respect to 1990 H.B. 2918. One of these was whether the interest rate on deferred taxes should be 8 percent or whether it should be indexed according to some economic indicator. Another question was whether eligibility for a deferral program should be mutually exclusive from eligibility for the Homestead Property Tax Refund Act program. The Committee also spent a considerable amount of time discussing the prioritization of liens against estates.

Committee Conclusions and Recommendations

The Committee makes no recommendations regarding this proposal.

SESSION OF 1990

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2918

As Amended by House Committee of the Whole

Brief*

H.B. 2918 would establish a program whereby the state would finance the deferral of qualifying property taxes on the homesteads of qualifying low-income elderly taxpayers. Deferred taxes would constitute a lien on the homestead property of the taxpayer and would draw interest at the rate of 8 percent. Taxpayers would qualify if they were at least 65 years of age with annual income of less than \$15,000. Properties would qualify if they met all of the following conditions: be the homestead of the taxpayer, be owned in fee simple or being purchased under a written instrument, were not income-producing, were not subject to a mortgage or deed of trust for less than five years (unless the mortgage holders agree to subordinate the mortgage), have had all prior years taxes paid, and have appraised values greater than the deferred taxes plus other recorded levies and mortgages.

Application would be made to the county treasurer on forms provided by the state treasurer. The forms would provide for establishing eligibility for the program. When the county treasurer had reviewed and approved the application, a lien would be recorded against the homestead property, or, if the homestead property was a mobile home, a lien would be entered on the title to the mobile home.

Any person holding escrow funds for the payment of property taxes on the homestead would be required to remit those funds to the owner within 30 days of receipt of a certificate certifying that the taxes on that homestead had been deferred.

The state treasurer would pay to the county treasurer the amount of taxes deferred. The deferred taxes would be owed to the state treasurer and the associated lien would be vested in the state treasurer; however, the county treasurer could accept payments of deferred taxes and would then transmit the funds to the state treasurer.

* Supplemental Notes are prepared by the Legislative Research Department and do not express legislative intent.

All deferred taxes, including accrued interest at 8 percent, compounded annually, would become due in 90 days and no further taxes could be deferred whenever any of the following occur: the taxpayer who claimed the deferral died; the property is sold or otherwise transferred; the property ceases to be the owner's homestead (except when due to ill health); the homestead property ceases to qualify as described above, or (if a mobile home) is moved. The county treasurer would be required promptly to notify the state treasurer if at any time there is reason to believe that any of these changes has occurred.

The spouse of a deceased taxpayer could elect to continue a deferral upon the death of the original claimant if that spouse is at least 60 years of age and occupies the homestead.

Reports of deferrals under the program would be made annually by the State Treasurer to the Governor and to the Legislature.

The bill would be effective January 1, 1991.

Background

According to proponents, 18 states currently have a tax deferral program.

The House Committee of the Whole amendments included reducing the qualifying income threshold from \$35,000 to \$15,000.

HOUSE BILL No. 2276

By Representatives Wells, Brown, Ensminger,
Flower, Freeman, Harder, Hendrix, Hensley,
King, Kline, Lowther, Neufeld, Scott and Wiard

2-13

10 AN ACT relating to property taxation; providing for property tax
11 deferral for certain persons.

12

13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. As used in this act, unless the context otherwise
15 requires:

16 (a) "Homestead" means the owner-occupied residence of the tax-
17 payer and includes owner-occupied units in a condominium, town-
18 house or similar structure and an owner-occupied mobile home;

19 (b) "mobile home" means a factory-built structure or structures
20 more than eight feet in width or more than 36 feet in length,
21 equipped with the necessary service connections and made so as to
22 be readily movable as a unit or units on its own running gear and
23 designed to be used as a dwelling unit or units;

24 (c) "real property taxes" means all ad valorem taxes levied on a
25 homestead, including special assessments and all other charges which
26 are recoverable by law at the annual real estate tax sale, and includes
27 special assessments and all other charges which are recoverable by
28 law at the property tax sale of a mobile home;

29 (d) "tax-deferred property" means the property upon which real
30 property taxes are deferred pursuant to this act;

31 (e) "taxpayer" means a person who has filed or whose guardian,
32 conservator or attorney-in-fact has filed a claim for deferral pursuant
33 to this act or persons who have jointly filed a claim for deferral
34 under this act.

35 Sec. 2. (a) Subject to the provisions of this act, a person who is
36 65 years of age or older and has an annual income of less than
37 \$15,000, on or before December 20 of the year in which such person
38 files a claim under this section may elect to defer such person's real
39 property taxes. To exercise such person's option, the taxpayer shall
40 obtain a claim for deferral form from the county clerk and file the
41 same with the treasurer of the county in which such taxpayer's
42 homestead is located. The claim shall be filed on or before December
43 20 of each year in which such person claims the deferral.

1 (b) When the taxpayer files a valid claim for deferral under sub-
 2 section ~~[(c)]~~, it shall have the effect of:

(a)

3 (1) Deferring the payment of such person's real property taxes
 4 for the year in which the claim is filed;

5 (2) continuing the deferral of taxes which have been deferred
 6 under this act for previous years which have not become delinquent
 7 pursuant to section 11; and

8 (3) terminating and releasing the lien for the general taxes so
 9 deferred and substituting therefor the lien for such deferred taxes
 10 created by section 5.

11 (c) If a guardian, conservator or attorney-in-fact has been ap-
 12 pointed for a taxpayer otherwise qualified to claim deferral of taxes
 13 under this act, the guardian, conservator or attorney-in-fact may act
 14 for such taxpayer in claiming the deferral.

15 Sec. 3. In order to qualify for real property tax deferral under
 16 this act, the property shall meet all of the following requirements
 17 at the time the claim is filed and so long thereafter as payment is
 18 deferred:

19 (a) The property must be the homestead of the taxpayer claiming
 20 the deferral;

21 (b) the taxpayer claiming the deferral must, own or jointly own
 22 with another person residing in the homestead, own the fee simple
 23 estate or be purchasing the fee simple estate under a recorded
 24 instrument of sale or own the mobile home or be purchasing the
 25 mobile home under a recorded instrument of sale; except that non-
 26 residence of the joint owner in the homestead because of ill health
 27 of the joint owner shall not prevent the taxpayer from meeting the
 28 requirement of this subsection;

29 (c) the property for which the deferral is claimed must not be
 30 income-producing;

31 (d) the property may not be subject to the lien of a mortgage
 32 or deed of trust which has been of record for less than five years
 33 prior to the date on which a claim for deferral is submitted to the
 34 county treasurer; except that if there is of record a subordination
 35 agreement whereby the holder of a mortgage or deed of trust which
 36 has not been of record for five years prior to the date on which a
 37 claim for deferral is submitted agrees to subordinate such mortgage
 38 or deed of trust to the lien of the state for deferred taxes, the
 39 property may qualify for tax deferral;

40 (e) all real property taxes for years prior to the year for which
 41 the election is made must be paid; and

42 (f) the cumulative value of the deferral provided in this section
 43 plus the interest accrued on the deferral provided in section 5 shall

1 not exceed the market value of the property less the value of all
2 mortgages which constitute liens upon the property and any other
3 liens upon the property filed prior to the date of recordation of the
4 certificate for deferral.

80% of

5 Sec. 4. (a) A taxpayer's claim for deferral shall be in writing on
6 a form prescribed by the state treasurer and supplied by the county
7 clerk and shall:

8 (1) Provide a legal description of the property;
9 (2) recite facts which establish eligibility for deferral under the
10 provisions of this act;

11 (3) list all mortgages and deeds of trust which constitute liens
12 upon the property, together with the book and page number of the
13 county records at which each is recorded and the date of recordation;

14 (4) list all mortgages which constitute liens upon a mobile home,
15 together with the street address and county where the record of any
16 such mortgage is on file; and

17 (5) demonstrate that the cumulative value of the deferral plus
18 the interest accrued on the deferral does not exceed the market
19 value of the property less the value of all mortgages which constitute
20 liens upon the property and any other liens upon the property filed
21 prior to the date of recordation of the certificate for deferral.

80% of

; and

22 (b) The form prescribed by the state treasurer shall contain a
23 statement, in bold-faced type, that states substantially as follows:

24 **"IMPORTANT NOTICE TO PROPERTY OWNER: YOU COULD**
25 **LOSE YOUR PROPERTY IF THE CUMULATIVE AMOUNT OF**
26 **THE DEFERRAL PLUS INTEREST EXCEEDS THE MARKET**
27 **VALUE OF YOUR PROPERTY LESS THE VALUE OF ANY**
28 **LIENS."**

(6) document that the property is insured against destruction by a policy of property insurance in a cumulative amount sufficient to pay all taxes plus interest deferred under the provisions of this act plus the value of all liens outstanding against the property subject of the deferral.

29 Sec. 5. (a) If eligibility for deferral of homestead property is
30 established as provided in this act, the county treasurer shall:

31 (1) Enter in the county treasurer's records a notation that the
32 property is tax-deferred;

80% OF

33 (2) (A) promptly, upon designation of the property as tax-de-
34 ferred, issue a certificate of deferral, which shall include the name
35 of the taxpayer, the legal description of the property, the amount
36 of tax deferred and the year for which the deferral was granted. The
37 certificate shall be recorded in the county records and thereafter
38 sent to the state treasurer. One copy shall be given to the appraiser
39 and one copy shall be retained in the county treasurer's office;

40 (B) promptly, upon designation of a mobile home as tax-deferred,
41 the owner of the mobile home shall surrender title to the property
42 to the county treasurer. The county treasurer shall make application
43 with the department of revenue for issuance of a new certificate of

1 title with a record of the lien of the state treasurer. This procedure
2 shall be followed for each subsequent year that the property is
3 deferred. The county treasurer shall issue a certificate of deferral,
4 which shall include the name of the taxpayer, the legal description
5 of the property, the amount deferred, and the tax year for which
6 the deferral was granted, and shall send such certificate to the state
7 treasurer. One copy shall be given to the county appraiser, and one
8 copy shall be retained in the county treasurer's office. Upon satis-
9 faction of the lien, the state treasurer shall release the lien from the
10 title.

11 (b) If a person holding escrow funds for the payment of ad va-
12 lorem taxes receives a copy of the certificate of deferral relating to
13 any tax-deferred property, such person, no later than 30 days after
14 receiving the certificate, shall refund to the owner of the property
15 all funds held in escrow for the payment of ad valorem taxes on
16 such property which have been deferred.

17 (c) Until otherwise required by this act, the county treasurer, in
18 subsequent years, shall continue to list the property as tax-deferred
19 in the manner provided in subsection (a).

20 (d) The lien for deferred taxes and interest shall attach on the
21 date of recordation of the certificate for deferral, shall be junior to
22 any mortgage or deed of trust recorded prior to the date of recording
23 of such certificate, shall have priority over all liens attaching sub-
24 sequent to the date of recording of such certificate, and shall not
25 be foreclosed except as provided in sections 10 through 12.

26 (e) Interest shall accrue on deferred taxes ~~at the rate of 8% per~~
27 ~~annum, beginning January 1~~ of the calendar year in which the de-
28 ferral is claimed, until the date on which such taxes are paid. The
29 interest shall be compounded annually.

30 Sec. 6. (a) Upon receipt of the certificate of deferral, the state
31 treasurer shall pay to the county treasurer the amount certified as
32 deferred. This amount shall be distributed by the county treasurer
33 in the same manner the tax would have been if regularly paid.

34 (b) The state treasurer shall maintain an account for each tax-
35 deferred property and shall accrue interest, beginning ~~January 1~~
36 of the calendar year in which the deferral was claimed, on the amount
37 paid to the county treasurer pursuant to this section. The state
38 treasurer shall insure that each account for tax-deferred property
39 complies with this act.

40 Sec. 7. (a) On and after the date of payment by the state treas-
41 urer to the county treasurer as provided in section 6, the right to
42 receive payment of the deferred taxes and to enforce the lien created
43 by deferral shall be vested in the state treasurer.

December 20

The rate of such interest shall be 8% per annum adjusted annually commencing on December 20, 1993, and on December 20 of each year thereafter by the percentage that the CPI for the 12-month period ending on the immediate preceding October 31 exceeds the CPI for the next preceding 12-month period ending October 31. For the purposes hereof, "CPI" means the consumer price index for all-urban consumers published by the federal department of labor.

December 20

1 (b) If payment of the deferred taxes is tendered to the county
2 treasurer, the county treasurer shall accept payment, give a receipt
3 therefor, and transmit the money collected to the state treasurer.

4 (c) Promptly upon receiving payment of deferred taxes, the state
5 treasurer shall issue a release of the deferred tax lien, which release
6 shall be given or sent to the person making payment. Copies of the
7 release shall be sent to the treasurer and the appraiser.

8 (d) All moneys received in payment of deferred taxes and accrued
9 interest shall be deposited in the state general fund by the state
10 treasurer.

11 Sec. 8. At the time the county treasurer sends the annual real
12 property tax notice to any taxpayer who has claimed a deferral of
13 property taxes in the previous calendar year, the county treasurer
14 shall enclose a deferral notice. The deferral notice shall be substan-
15 tially the following form:

16 To: (Name of taxpayer)

17 If you want to defer the collection of ad valorem property taxes
18 on your homestead for the tax year ending on December 31, ____,
19 you must file a claim for deferral not later than December 20,
20 ____, in the office of the county treasurer. Forms for filing such
21 claims are available at the county clerk's office.

22 If you fail to file your claim for deferral on or before December
23 20, ____, your real property taxes will be due and payable in
24 accordance with the schedule set out in the enclosed tax notice.

25 If you change your permanent address at any time during the tax
26 year ending on December 31, ____, you must notify the county
27 appraiser promptly.

28 Sec. 9. Failure to receive the notice provided for in this act is
29 not a defense in any proceeding for the collection of taxes or for
30 the foreclosure of a tax lien. The county treasurer is not personally
31 liable for failure to give such notices.

32 Sec. 10. (a) All deferred real property taxes, including accrued
33 interest, become payable subject to sections 11 and 12, when:

34 (1) The taxpayer who claimed the tax deferral dies;

35 (2) the property on which the taxes were deferred is sold or
36 becomes subject to a contract of sale or title to the property is
37 transferred to someone other than the taxpayer who claimed the tax
38 deferral;

39 (3) the property is no longer the homestead of the taxpayer who
40 claimed the deferral, except in the case of a taxpayer required to
41 be absent from such tax-deferred property by reason of ill health;

42 (4) the tax-deferred property no longer meets the requirements
43 of section 3;

1 (5) the location of a tax-deferred mobile home has changed either
2 within the county or to another county.

3 (b) When the county appraiser or county treasurer has reason to
4 believe any of the circumstances enumerated in this section have
5 occurred, the county appraiser or the county treasurer shall promptly
6 notify the state treasurer.

7 Sec. 11. (a) Whenever any of the circumstances listed in section
8 10 occurs:

9 (1) No further tax deferrals may be claimed on the property until
10 all unpaid taxes thereon, including previously deferred taxes and
11 interest, have been paid;

12 (2) all deferred taxes and accrued interest shall be due and pay-
13 able 90 days after the circumstance occurs, except as provided in
14 subsection (b) and in section 12.

15 (b) Any provision of this section to the contrary notwithstanding,
16 when the taxpayer dies the deferred taxes and accrued interest shall
17 be due and payable one year after the taxpayer's death.

18 (c) If the deferred taxes and accrued interest are not paid on the
19 due date, such amounts are delinquent as of that date and the state
20 treasurer shall foreclose the deferred tax lien.

21 (d) Foreclosure by the state treasurer of deferred tax liens shall
22 be in the same manner as provided by law for the foreclosure of
23 judgment liens. At the foreclosure sale, the state treasurer or the
24 state treasurer's representative shall bid on behalf of the state of
25 Kansas the amount of the deferred tax lien.

26 (e) If the owner of the tax-deferred property elects to do so, the
27 owner may convey the property to the state of Kansas in lieu of
28 paying deferred taxes and accrued interest. Upon completion of such
29 conveyance, all deferred tax liens upon the property shall be extin-
30 guished and all liability for payment of deferred taxes and accrued
31 interest shall be released.

32 (f) The lien for deferred taxes shall be subject to and may be
33 extinguished in a proper foreclosure of a mortgage or deed of trust
34 recorded prior to the date of recording of the certificate of tax
35 deferral. In any such foreclosure, any notice that is required to be
36 sent to the state by reason of the state's holding of a lien for deferred
37 taxes shall be sent to the state treasurer. All other procedural matters
38 for such foreclosure, including notice and time limits, shall be as
39 provided by law pursuant to which the foreclosure is brought.

40 (g) Whenever the state forecloses a lien for deferred taxes, the
41 interest in the property obtained thereby shall be subject to fore-
42 closure proceedings by the holder of a mortgage or deed of trust
43 recorded prior to the date of recording of the certificate of tax

1 deferral.

2 Sec. 12. (a) Notwithstanding the provisions of section 10, when
3 one of the circumstances listed in paragraphs (1) or (3) of subsection
4 (a) of section 10 occurs, the spouse of the taxpayer may elect to
5 continue the property in its tax-deferred status if:

6 (1) The spouse of the taxpayer is or will be 60 years of age or
7 older when the circumstance occurs; and

8 (2) the property is the homestead of the spouse of the taxpayer
9 and meets the requirements of subsections (b) and (c) of section 3.

10 (b) The election granted under subsection (a) shall be filed in
11 the same manner as a claim for deferral is filed under section 2,
12 not later than 90 days from the date the circumstance occurs. There-
13 after, the property shall continue to be treated as tax-deferred prop-
14 erty and the county treasurer and state treasurer shall withdraw any
15 action taken under section 11. When the property has been contin-
16 ued in its tax-deferred status by the spouse of the taxpayer, the
17 spouse may continue the property in its tax-deferred status in sub-
18 sequent years by filing a claim, as provided in section 4, annually
19 if the property continues to be eligible for tax-deferred status.

20 Sec. 13. (a) Subject to subsection (b), all or part of the deferred
21 taxes and accrued interest, at any time, may be paid by the taxpayer,
22 the taxpayer's spouse, guardian, conservator, attorney-in-fact, per-
23 sonal representative, next of kin, heir-at-law, or child, or any person
24 having or claiming a legal or equitable interest in the property. If
25 the deferred tax lien is paid, in whole or in part, by a mortgagee
26 or the beneficiary of a deed of trust or seller under contract, the
27 amount paid may be added to the unpaid balance of the mortgage
28 or deed of trust but shall be added to the last payment due under
29 such mortgage or deed of trust or contract, without amortization.

30 (b) Any payment made under this section shall be applied first
31 to accrued interest and then to deferred taxes. Such payment does
32 not affect the deferred tax status of the property. Voluntary payment
33 does not give the person paying the taxes any interest in the
34 property.

35 Sec. 14. Deferred tax certificates and the accrued interest
36 thereon held by the state treasurer shall not be taken into account
37 in the computation of the reserve or surplus available to the state
38 until such time as the amounts owing thereon have been collected
39 and credited to the state general fund.

40 Sec. 15. Nothing in this act is intended to or shall be construed
41 to prevent the collection, by foreclosure or otherwise, of personal
42 property or other taxes which become a lien against tax-deferred
43 property.

1 **Sec. 16. The state treasurer shall submit to the governor and**
2 **the legislature a report concerning tax deferral for the elderly as set**
3 **forth in this act. Such report shall include data concerning the num-**
4 **ber of taxpayers establishing claims for deferral, the amount of taxes**
5 **deferred in each county and such other data as the state treasurer**
6 **may deem useful.**

7 **Sec. 17. This act shall take effect and be in force from and after**
8 **January 1, 1992, and its publication in the statute book.**

TESTIMONY PRESENTED TO
HOUSE TAXATION COMMITTEE

HB 2276

February 20, 1991

Representative Alex Scott

HB 2276 provides a means so that older Kansans who have no resources adequate to meet their needs may have a residential property that they occupy and where they live comfortably and economically. They have few options. They (or he or she, if they are the surviving spouse, a spinster or bachelor) can sell the house and move to an apartment. They can go to S.R.S., but in order to get help at some point they usually have to sign over their property to that agency. It may cost them more money to move to an apartment.

If the home is free and clear they can mortgage the property, but the interest charges would soon be in arrears and they face foreclosure and a forced sale.

We know that people who remain in their own homes stay in better health. For them to leave their home may be instrumental in their early lodgement in a nursing or care home. Once there, the costs may well endure until the death of the individual or couple transpires. I have a feeling, and it is only an impression, that nursing home residents are more likely to be hospitalized than home dwellers.

I believe there are both humanitarian and economic reasons for enacting this bill into law.

HOUSE TAXATION
Attachment #3
02/20/91

MEMORANDUM

June 14, 1983

TO: Special Committee on Assessment and Taxation

FROM: Kansas Legislative Research Department

RE: Proposal No. 2 — Homestead Property Tax Refund Act —
Background Information

Introduction

Proposal No. 2 directs the Committee to:

Review the Kansas homestead property tax refund program, including the desirability of using a net wealth test, limitations on the participation of full-time students, and possible alternative measures of income.

This memorandum summarizes both the Kansas program and similar programs in other states, and discusses some policy issues raised by the charge to the Committee.

Circuit Breaker Programs in General

Two major types of property tax relief for homeowners have been enacted by the states. The older type of relief is the homestead exemption, which typically exempts a specified portion of the value of a home from property taxation. Closely related to the homestead exemption is a homestead credit, which pays the property tax on a certain amount of valuation or tax on a homestead. Many such exemptions were enacted initially in the 1930s and by 1981 38 states and the District of Columbia had enacted a homestead exemption or credit (An Overview of Property Tax Relief for Homeowners, Steven Gold, N.C.S.L, May, 1981).

The second major type of property tax relief for homeowners is known as "circuit breaker." A circuit breaker is a form of property tax relief in which the benefit is dependent upon income or other criteria of need and the amount of property taxes paid. The name apparently developed as an analogy to the device that breaks an electrical circuit when an overload occurs — thus, when a person's property tax becomes "overloaded" relative to income, a benefit will accrue and help relieve the overload.

The Advisory Committee on Intergovernmental Relations (A.C.I.R.) has classified circuit breakers into two groups, as follows:

Under the threshold approach, an "acceptable" tax burden is defined as some fixed percentage of household income (different percentages may be set for different income levels), and any tax above this portion of income is "excessive" and qualifies for relief. The portion of income that is deemed an

HOUSE TAXATION
Attachment #4
02/20/91

"excessive" and qualifies for relief. The portion of income that is deemed an acceptable tax burden is termed the "threshold" for relief. (E.g., if the threshold is set at 5 percent, the "acceptable" tax burden for a family with \$8,000 income is \$400 [.05 x \$8,000]. If this family's actual property tax bill is \$500, it qualifies for a \$100 rebate [\$500 actual tax minus \$400 acceptable tax].)

Under the sliding-scale approach, no threshold is defined. Rather a fixed percentage of property tax (whether that tax is high or low) is rebated for each eligible taxpayer within a given income class; the rebate percentage declines as income rises. (E.g., if the rebate percentage for families in the \$7,500-\$9,999 income range is 15 percent, the family in the previous example having \$8,000 income and a \$500 property tax bill qualifies for a \$75 rebate [.15 x \$500].) (from Property Tax Circuit Breakers: Current Status and Policy Issues, A.C.I.R., February, 1975.)

The first circuit breaker was enacted by Wisconsin in 1965. By 1981, 28 states and the District of Columbia had enacted circuit breakers.

The Kansas Homestead Property Tax Refund Act, despite the word "homestead" in the title, is a circuit breaker program. Using the A.C.I.R. definition above, the Kansas Act could be further classified as a circuit breaker using a sliding scale approach.

The Kansas Homestead Property Tax Refund Act

The Kansas Homestead Property Tax Refund Act, K.S.A. 79-4501 et seq., was enacted in 1970 following the passage of a bill by the House in 1969 and a recommendation for passage of a revised bill by the Joint Committee on State Tax Structure (The "Hodge Committee"). The Kansas Act currently allows a refund of either property tax paid, or rent assumed to be taxes, that is in excess of various percentages of household income, with the maximum benefit under current law being \$400. Eligible persons with a household income of \$3,000 or under receive a full refund of property taxes; the percentage of property tax that is refundable decreases as household income increases, so that persons with household incomes of \$12,800 and above are ineligible for a refund. In addition to income limitation, claimants must be either: (1) age 55 or above; (2) disabled or blind; or (3) a household head with a dependent under age 18.

Table 1, below, summarizes the history of the Act. A more detailed outline of the Act's history is contained in Attachment I and a copy of the Act is Attachment II.

TABLE I

SUMMARY OF THE HISTORY OF THE KANSAS HOMESTEAD PROPERTY TAX REFUND ACT,*
K.S.A. 79-4501, et seq.

	<u>1970 Law</u>	<u>1972 Law</u>	<u>1973 Law</u>	<u>1975 Law</u>	<u>1978 Law</u>	<u>1979 Law</u>
<u>Qualifications</u>						
Age	65	65	60 (widows-50)	60 (widows-50)	55**	55**
or Disabled or Blind	No	Yes	Yes	Yes	Yes	Yes
or With Dependent Under 18	No	No	No	No	Yes	Yes
Renter and Percent of Rent Allowed	No	No	No	Yes-12%	Yes-12%	Yes-15%
<u>Benefits</u>						
Maximum Household Income Qualifying (minimum benefit)	\$3,620	\$5,900	\$8,150	\$8,150	\$9,200	\$12,800
Property Tax Maximum	\$330	\$330	\$400	\$400	\$400	\$400
Maximum Benefit	\$247.50	\$330	\$400	\$400	\$400	\$400
Minimum Claim Payable	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00

* Definitional or administrative changes enacted in 1971, 1974, 1977, and 1980 are not summarized in this table.

** Reduction to age 55, and raising to age 55 for unmarried widows was phased-in over a 5-year period, as follows:

	<u>Refund of Taxes for Year</u>	<u>General Age Requirement (as of Jan. 1)</u>	<u>Unmarried Widows (as of Jan. 1)</u>
1978		59	51
1979		58	52
1980		57	53
1981		56	54
1982		55	55
and thereafter			

Circuit Breakers In Other States

No two states' circuit breaker programs are identical and detailed comparisons are somewhat difficult to make. The following material, however, does compare maximum benefits and eligibility requirements (quoted and copied from The Changing Shape of Property Tax Relief Since the Late 1960s, Steven Gold, N.C.S.L., July, 1982).

All existing circuitbreakers are financed by states. Following the adoption of the first circuitbreaker in Wisconsin in 1964, they spread gradually at first, then rapidly, and more recently slowly. The most rapid expansion of circuitbreakers occurred between 1970 and 1973, when their number rose from 5 to 20. Only six new circuitbreakers were adopted in the 1975-78 period and none since then. Currently they are in effect in 30 states and the District of Columbia, as shown in Table 2 (see page 5).

In most states the circuitbreaker covers senior citizen homeowners and renters with relatively low incomes. Only six states limit eligibility to homeowners. There are nine states in which nonsenior citizens are covered by the circuitbreaker.

Circuitbreakers differ greatly in their distribution of benefits among income groups and among households at a given income level. Benefits from all existing circuitbreakers are skewed in favor of households with relatively low income. . . .

Policy Issues

The following are some of the issues raised by the Committee's charge. The Committee may also wish to study additional issues or questions under this proposal.

Net Wealth Test. As stated briefly above, benefits under the Kansas Act are determined by the amount of household income received and property taxes paid; no consideration is given to the amount of assets owned by a claimant. Thus, a person with a large amount of property but a low amount of income in a given year could qualify for a homestead tax refund.

Several studies of circuit breakers have addressed the question of whether assets or net wealth should be included in the eligibility requirements for relief. The studies list arguments for and against an assets test and they are printed below.

The first article is from the 1975 A.C.I.R. study on circuit breakers and it addresses the issue in general terms.

Circuit-breakers have been criticized because they typically use property tax as a percent of household income as a measure of tax burden in determining "need." This criticism arises from the fact that some elderly homeowners have large asset holdings (stocks, bonds, expensive and/or multiple homes, art objects, etc.) but low current incomes. Thus, they qualify for tax relief even though they are, in many ways, well off.

To eliminate the possibility of giving relief to the rich, some critics of circuit-breaker programs have called for a need test based on net worth.

Table 2

CIRCUITBREAKER PROGRAMS

State	Income Ceiling	Average Benefit	Per Capita Cost	Percentage of Households Receiving Benefits ^a
<u>All ages, homeowners and renters</u>				
District of Columbia	\$20,000	\$193	\$11.73	7
Kansas (b)	13,000	150	3.38	NA
Michigan	none	261	35.79	41
Minnesota	none	215	47.22	56
New York	13,500	45	3.73	NA
Oregon	17,500	197	35.25	60
Vermont	none	213	15.33	23
Wisconsin	14,000	292	19.77	15
<u>All ages, homeowners: elderly renters</u>				
Maryland (c)	none	239	3.29	5
<u>Elderly, homeowners and renters</u>				
California	20,000	141	3.12	25
Colorado (c)	11,200(d)	204	5.73	11
Connecticut (e)	12,000	279	5.22	50
Illinois (c)	12,000	229	7.75	55
Indiana (c)	5,000	29	.13	3
Iowa (c)	10,000	155	4.16	35
Maine	5,000	213	4.98	22
Missouri	8,500	146	1.34	11
Montana	15,000	n.a.	n.a.	n.a.
Nevada	11,000	113	1.79	27
New Mexico	16,000	92	1.01	19
North Dakota (c)	9,000	150	2.42	21
Pennsylvania (c)	7,500	222	9.05	45
Rhode Island	10,000	143	.51	NA
Utah	9,000	125	.91	16
West Virginia	5,000	15	.06	1
<u>Elderly, homeowners only</u>				
Arkansas	10,000	77	1.45	5
Idaho (c)	3,750	185	3.17	33
Nebraska	10,400	NA	NA	NA
Ohio (c)	15,000	144	4.46	47
Oklahoma (c)	7,200	84	.11	2
South Dakota (c)	7,375(g)	122	2.70	27

Notes: Classification of program and income ceiling are for 1981, benefit and cost data are for 1979, and other data are for 1977.

- (a) These percentages are approximations based on the number of households in the Spring of 1975 and program statistics for fiscal year 1977. Estimates for elderly programs do not consider that some programs include participation by nonelderly persons such as the blind or disabled.
- (b) Nonelderly households are eligible only if they include at least one child under the age of 18.
- (c) Households in which the head is disabled are also eligible.
- (d) For married persons; ceiling for single persons is 7,500.
- (e) Participation data includes households in elderly freeze program.
- (f) For married persons; ceiling for single persons is \$5,000.
- (g) For married persons; ceiling for single persons is \$4,625.

Source: ACIR, Significant Features of Fiscal Federalism, 1980-81 Edition, and survey of states by author. Number of households is from U.S. Census Bureau, Current Population Reports, Demographic, Social and Economic Profiles of States; Spring 1975 (p. 26, no. 304, January, 1979), p. 13.

In considering a net-worth test, the policymaker must weigh two objectives: (a) reducing the possibility that the property tax will force families to give up their homes; and (b) restricting the benefits that go to those with adequate taxpaying ability, including that represented by ownership of valuable assets. Because the home is the bulk of wealth for most low-income families, a comprehensive net-worth test could deny tax relief to those who need it most — those with high residential property taxes. A possible solution is to exclude the home from any net-worth ceiling for circuit-breaker eligibility (a few circuit-breaker states have a net-worth test, but only one includes the value of the home), although a more equitable solution would exclude only the first several thousand dollars of home value to avoid subsidizing owners of truly expensive homes.

A significant problem with a program based on net worth or accumulated wealth is that this concept — like that of permanent income — is very difficult, in practice, to use. Tangible property taxes on household goods and intangible property taxes on stocks, bonds, etc., have been repealed or go unenforced in most jurisdictions, in large part because of administrative problems; a net-worth test encounters these same difficulties. Besides the dubious accuracy of any figures that may be derived, there is also the high cost of determining and verifying the accuracy of these measures. Household income, on the other hand, is relatively easy to determine and inexpensive to verify. Moreover, most assets other than the house yield income and will be picked up, albeit imperfectly, by the circuit-breaker's income tests.

Given these administrative consideration and the fact, noted earlier, that all circuit-breaker programs impose benefit limits, the justification for a net-worth test is reduced. The states can and do set limits on circuit-breaker benefits so as to assure that the property-rich will not benefit unduly while providing most of the benefits for those who truly need them. This arrangement probably is a reasonable compromise between the equity arguments in favor of a net-worth test, the administrative difficulties of applying such a test, and the fact that even those with valuable assets may be hard-pressed to meet current cash needs for tax payments if their assets are not divisible into small units.

The second study, also from 1975, was prepared for the U.S. Department of Housing and Urban Development by Abt Associates, Inc., and is entitled Property Tax Relief Programs for the Elderly, A Compendium Report. This study conducted a comprehensive review of the circuit breakers in existence at that time, and its findings and conclusions regarding an assets test are quoted below.

Of all eligibility requirements for property tax relief, none has been the subject of more debate than the issue of using an assets requirement — particularly net worth — as a criterion of eligibility. The Advisory Commission on Intergovernmental Relations has argued that such measures of wealth are difficult to use because they are not measured or verified with

ease or accuracy. In addition, all circuit breaker programs impose benefit limits which reduce the need for a net worth test.² Some economists, on the other hand, point out that without an assets limit circuit breaker programs can channel relief to persons who have low incomes but considerable wealth in the form of real property and frequently personal property, as well.³ Their substantial real holdings tend to qualify them for more benefits than persons with less costly property, who may also have lower incomes and less overall wealth.

² Advisory Commission on Intergovernmental Relations, Property Tax Circuit Breakers, Current Status and Policy Issues, Washington, D.C., 1975, p. 16.

³ Testimony of Henry Aaron Property Tax Relief and Reform Act of 1973, Hearings before the Subcommittee on Intergovernmental Relations, 93rd Congress, 1st Session, p. 48.

In practice, most states' property tax relief statutes ignore the issue of assets; only eight programs impose any asset requirements on applicants. Of these, only two states, Colorado and Iowa, utilize net worth for fine tuning of eligibility requirements. The remainder of the states simply limit the value of property which individuals can own and still be eligible for relief.

The states using net worth tests (Table 3-5) differ in how such tests are applied. Iowa is the only state which incorporates the wealth of individual claimants into the calculation of income. Applicants are required to consider 10% of their net worth (defined as the value of all assets less total liabilities) over \$35,000 as income. Thus, in the extreme case, an Iowa applicant with zero income but a net worth of \$95,000 would be eligible for property tax relief since the maximum income in that state is \$6,000 ($\$95,000 - \$35,000 = \$60,000 \times 10\% = \$6,000$). Colorado merely sets a net worth ceiling of \$30,000 which does not include the value of the personal dwelling, furniture, automobile or clothing. If a claimant's net worth falls below the stated level and the person is otherwise eligible, the amount of relief is based on the individual's income but no income on the asset holdings is inferred.

Each of the other states uses a different asset limit. Both the Arizona circuit breaker and the Indiana homestead exemption programs set a limit on the amount of real property a claimant may own. Arizona requires that the assessed value of all such property be no more than \$5,000; in Indiana the limit is \$6,500 of assessed value. Although it might appear that claimants may hold slightly more real property in Indiana, the assessment ratios set by the state (15% in Arizona and 33-1/3% in Indiana) must be considered. If assessed in accordance with the law, the market value of property at the required limit in Arizona would be more than \$33,000, but only \$19,500 in Indiana. Thus, the combined effect of the asset limit and the assessment ratio in these states produces widely divergent outcomes.

TABLE 3-5
STATES WITH ASSETS TEST

State	Program Type	Type of Property	Maximum Value	
			Assessed	Fair Market
Arizona	C.B.	All real property	\$5000	
Colorado	C.B.	All real and personal property except personal residence, clothing, furniture and automobile less liabilities.		\$30,000
Indiana	H.S.	All real property	\$6500	
Iowa	C.B.	All real and personal property less liabilities		\$95,000 ¹
Massachusetts	H.S.	All real and personal property.	\$20,000	
	H.S.	All real and personal property.	\$40,000 ²	
Montana	H.S.	Home only ³		\$17,500
Nevada	C.B.	All real property in Nevada except personal residence.	\$30,000	

CB = Circuit Breaker

HS = Homestead Exemption

Source: Survey of State Property Tax Relief Programs; State Statutes.

¹Implicit assets maximum, with 10% of assets in excess of \$35,000 considered income and assuming zero actual income for claimant.

²Limit is based on assumption that all properties are assessed at full and fair cash value which is not necessarily true.

³Does not include land on which improvement is placed.

The three remaining states differ even in their definitions of which properties are to be included as assets. Montana requires that the value of the improvement to land, but excluding the land itself, be worth no more than \$17,500 if the property is to qualify for the assessment reduction under the elderly homestead exemption program. In contrast, Nevada's circuit breaker limits the value of all real property owned in the state except the personal residence owned by the claimant to \$30,000 assessed value. Taking the assessment ratio into account (35%), a claimant can own more than \$85,000 worth of real property in addition to the home and still be eligible for the rebate.

Both of the Massachusetts homestead exemption programs have asset limits. The program exclusively for persons over 70 (with incomes under \$6,000, if single, and \$7,000, if married) limits the estate of single claimants to \$40,000 and married claimants to \$45,000 assessed value. Persons applying

for the homestead exemption with no income limitations are required to have less than \$20,000 worth of real and personal property. These statutory limits are somewhat misleading because the law assumes that all property in the state is assessed at the full fair market value. In fact, most Massachusetts jurisdictions have traditionally assessed real property at a fraction of its market value, allowing substantially more property than the statute envisions to be included in the estate.¹ For example, an individual may own a \$90,000 home in Cambridge, Massachusetts and still be eligible for the assessed reduction.

¹ The Massachusetts Tax Commissioner is currently under order of the state Supreme Judicial Court to devise a system that will "tend to produce uniformity throughout the Commonwealth in valuation and assessment" (Town of Sudbury et al vs. Commissioner of Corporations and Taxation, 12/24/75).

States have had a mixed reaction to the use of asset requirements in establishing eligibility for property tax relief. Officials in Cambridge, Massachusetts felt that the provision was too liberal, given the current assessment patterns in the state. They objected to reducing the taxes on large expensive homes in prestigious neighborhoods and found that varying assessment practices even within Cambridge itself made the provision difficult to administer.

Arizona officials were somewhat more optimistic about their ability to administer the limitation on the amount of real property owned by a claimant. Because the state maintains a data bank on all properties, statements of assets in the circuit breaker applications can be checked against property ownership records; only out-of-state properties cannot be verified. Many elderly residents in that state who thought they would be eligible for property tax relief are finding that their holdings disqualify them.

Officials responsible for administering the circuit breaker in Colorado prefer not to use the net worth test. Limited staff time prevents verifying more than 1% of all the claims with asset statements. Even for the portion of the applications that are scrutinized, it is difficult to obtain records of individual holdings that might prove claimants ineligible. Officials also complained that excluding the value of the owner-occupied home and personal possessions (clothing, car and furniture) renders the test academic, because claimants with large holdings that exclude these items tend also to have incomes that exceed the limit.

All of the asset requirements, with the exception of Iowa's, create "notching" problems for those whose holdings are slightly in excess of the specified limit. Once the value of a claimant's assets exceeds the specified limit, he becomes ineligible for all property tax relief.

By using an imputed income from net worth and incorporating it into actual income, however, Iowa eliminates the severe notch problems typical of asset cut-offs that include the value of the home. The Iowa formula also takes account of the wealth available for consumption of those individuals whose income is below the limit. Although the Iowa imputed income formula (10% of all assets above \$35,000) cannot be fully evaluated here, those features alone make it appear that if an asset test is to be used at all, Iowa's is the most equitable format currently in use.

A more recent review of the assets test question is in Steven Gold's 1979 book Property Tax Relief. In it, Dr. Gold noted that the approach used in Iowa and recommended in the above report has since been repealed.

While most writers agree that some recognition of net worth is desirable, it faces two practical difficulties: measures of wealth are difficult to verify, and the increased complexity of the application process may discourage households which do have real need. Defenders of omitting net worth also argue that even people with substantial net worth may have cash-flow difficulties, and that most wealth is in the hands of households whose incomes would disqualify them from circuit breaker benefits.

In practice, most states ignore assets. A 1975 survey found only eight states out of twenty-four which considered net worth in designing their programs. The authors praised Iowa's approach, in which 10 percent of net worth in excess of \$35,000 was added to income for determining benefits. Shortly thereafter, Iowa repealed this provision.

Alternative Measures of Income. A major question concerning eligibility requirements is how to define income. The Kansas definition of income is contained in K.S.A. 79-4502(a) (see Attachment II), and it is a broad definition, including items not subject to income taxes, such as Social Security, interest from tax exempt bonds, railroad retirement benefits, veterans disability pensions, and worker's compensation.

The 1975 Compendium Report gives a good summary of the definition of income in other states.

The stated purpose of most property tax relief schemes for the elderly is to grant relief to those least able to pay, based on current household income or on property taxes as a percentage of current household income. Given this purpose, it is important that the program definition of income reflect as much as possible those factors which actually relate to a household's ability to pay. Otherwise, those households with proportionately greater amounts of income from excluded sources will receive inequitably large benefits relative to other households, all else being equal. A few states, for example, use as the program definition adjusted gross income as defined for federal income tax purposes. Yet, studies in Wisconsin (1966) and Minnesota (1969)

showed that in both states about 67% of the income of elderly recipient households (as defined by the relatively inclusive formulas used in those states) came from nontaxable sources.¹ Thus, a program which defines income as (federal) adjusted gross income will discriminate against households with disproportionately high wage, interest, or rental income and in favor of those with a relatively high proportion of income from Social Security, capital gains not fully taxed, pensions and annuities, public assistance, gifts, and other untaxed sources.

¹ Billy D. Cook, "The 'Circuit Breaker' Approach for Granting Property Tax Relief with Special Emphasis on Wisconsin and Minnesota", Financing Schools and Property Tax Relief—A State Responsibility (Advisory Commission on Intergovernmental Relations, January 1973); p. 180.

In order to examine the variations in income sources counted by state programs, the Survey listed a variety of possible sources and asked whether or not they were used to determine eligibility. The responses to this question by program type, including only those programs which are income-conditioned, are given in Table 3-3. Only actual Survey responses are included. A complete picture of all elderly programs is not presented in Table 3-3, but an indication is given of the extent of variation in included income sources. It shows that most programs count asset-related income sources such as interest on untaxed government bonds. Most also include pensions, cash public assistance, and unemployment-related income sources. Gifts, inheritance and life insurance benefits are counted by about half the programs reported on the Table. An item frequently not counted is in-kind public assistance or relief, such as Food Stamps. Finally, it should be mentioned that Iowa includes in its definition of income an imputed rent from the value of a household's assets (including the homestead) over a minimum value (\$35,000).

TABLE 3-3

NONTAXABLE INCOME SOURCES USED TO DETERMINE ELIGIBILITY IN STATE PROPERTY TAX RELIEF PROGRAMS FOR THE ELDERLY, BY PROGRAM TYPE (Income-conditioned programs only)

Income Sources	Homestead Programs (N = 9*)		Circuit Breaker Programs (N = 24*)	
	Counted	Not Counted	Counted	Not Counted
I. Asset-Related Income				
50% deduction for federal capital gains	5	3	18	5
Interest on state and local bonds exempt from federal income tax	8	1	23	1
Interest on federal bonds immune from state and local taxes	8	1	23	1
Dividends not otherwise subject to income tax, e.g., dividends paid from capital	8	1	18	5
Annuity	8	1	23	0
II. Pension Income				
Social Security benefits (other than Medicaid and Medicare)	6	3	23	1
Pensions (government or private other than Social Security and Railroad Retirement)	7	2	24	0
Railroad Retirement	6	3	23	1
III. Work-Related Income				
Veteran's benefits	7	2	22	1
Nontaxable strike benefits	6	2	19	3
Unemployment compensation	7	2	22	1
Workman's compensation	7	2	22	2
Loss-of-time insurance or disability benefits	6	2	21	2
IV. Public Assistance Income				
Public Assistance and Relief (AFDC or ADC, Supplemental Security Income, general assistance)	5	3	22	1
Relief in kind (e.g., Food Stamps)	1	7	2	20
V. Gifts				
Inheritances	4	4	3	19
Life insurance benefits	5	3	8	14
Gifts of cash or property	4	4	6	17
VI. Miscellaneous Income				
Alimony	7	2	24	0
Child support	6	3	18	6
Payments to dependents of servicemen	5	3	14	7
Cost-of-living allowance	4	4	20	1

* Cell totals may not add to sample total because of missing responses to questions.

Source: Survey of State Property Tax Relief Programs

Attachment 4-12

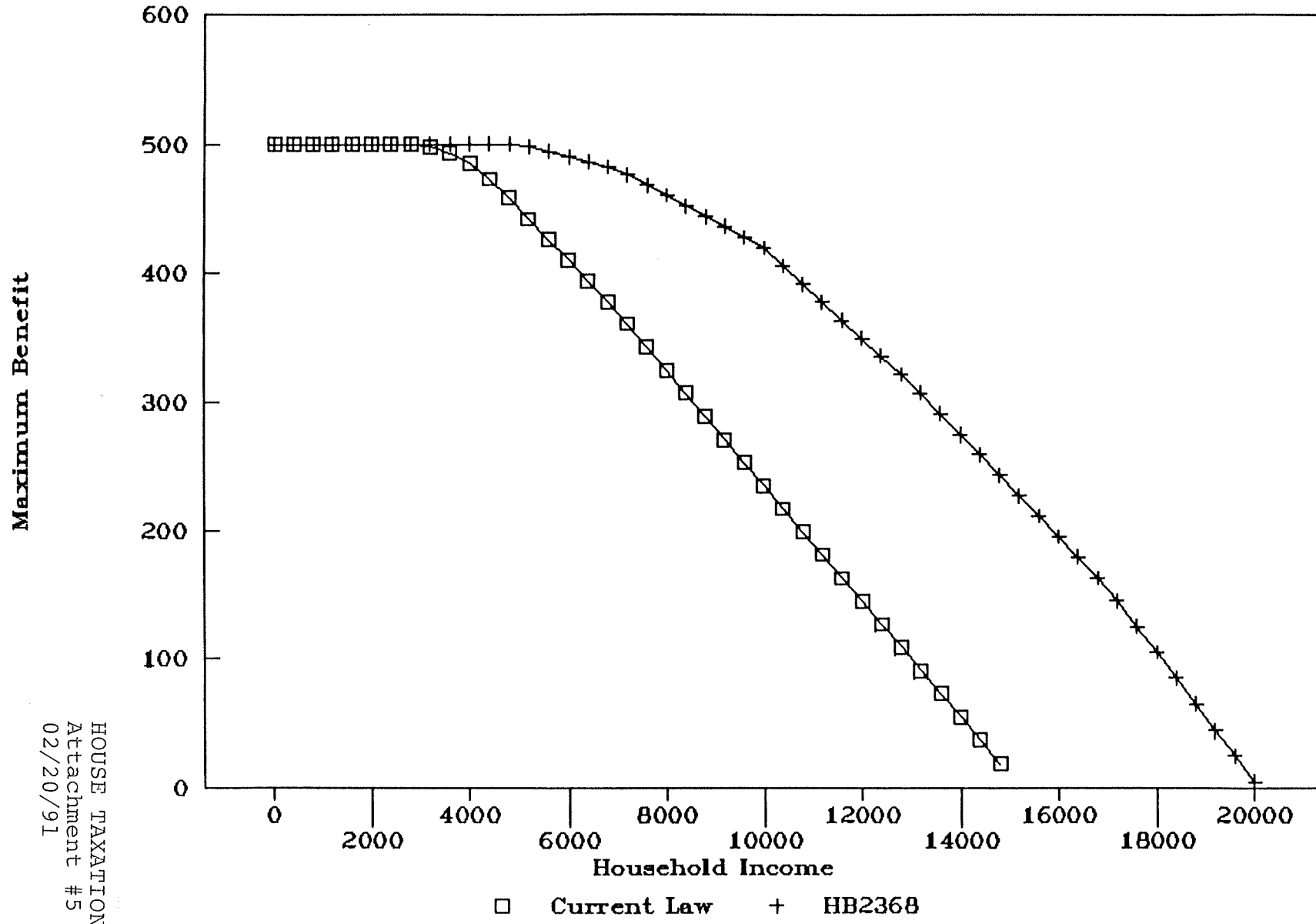
Full-Time Students. As noted in Table 1, the 1978 Legislature added nonelderly or nondisabled persons to those eligible for the homestead refund if such persons had a dependent under age 18 and met the other eligibility requirements (income limits, residency requirement, and own or rent homestead upon which property taxes were assessed). Thus, full-time students with a dependent under age 18 could qualify for a homestead refund. According to Dr. Gold, at least one state excludes students from the list of those eligible, but the decision to do so is purely a legislative policy question.

Miscellaneous Issues. Other issues faced by states in developing a circuit breaker include:

1. maximum income qualifying for relief;
2. definition of a household and whether or not to allow a deduction from income for each household member contributing income;
3. age definition of "elderly"; and
4. percent of rent assumed to be property taxes. The Kansas percentage is 15 percent, minus amounts paid for utilities and furnishings, and includes the amount paid for mobile home rental space. Percentages in most states average around 20 percent, but range from 6 percent in New Mexico to 30 percent in Illinois (according to Dr. Gold).

Maximum Homestead Property Tax Refunds

Current Law and H.B. 2368



HOUSE TAXATION
Attachment #5
02/20/91

Ed Jaskinia
President
(913) 299-8383

Tess Raydo
Vice President (Zone 1)
(913) 236-5334



Bill Nelso
Vice President (Zone 2)
(913) 827-1865

Steve Stagner
Vice President (Zone 3)
(316) 755-3329

The Associated Landlords of Kansas
P.O. Box 2025 • Topeka, Kansas 66601
(913) 232-0507

The Associated Landlords of Kansas (TALK) was created in 1975 by a group of people from across Kansas to "Promote a strong voice in the legislature, a high standard of ethics, and provide educational opportunities for landlords." Some of our members helped create "The Landlord-Tenant Act of 1975, a model of fair law for both landlords and tenants. Our organization has several thousand members in 9 cities across the state, and new chapters are in the process of being formed.

In this 1991 legislative session, we are working in a number of different arenas, some of which we have listed below.

1) Bad Check Law - Landlords want to be able to file charges under the criminal statute that covers the bad check law. Because payment is made in advance of the rental period, some people feel that we should not have the same remedies for collection that others enjoy. In reality, by the time it is determined a check is worthless, and proper eviction proceedings are completed, a time period of 3-6 weeks has elapsed, assuming, of course, that no delays in court are experienced. Since we are in the business of selling time, a significant loss has occurred.

2) SRS Direct Pay to Landlords - Discussion about direct payment from SRS to landlords has been picking up steam from last year. Several individual cities in the United States are doing this, and we believe that Kansas should adopt this policy as well. In addition, we feel that natural gas, electric and water utilities should be included in this program. There are many benefits to the tenants, local communities, and school districts. For example, tenants would not have to move over and over again after being evicted for non-payment of rent. Children could stay in school without the fear of new teachers and friends every few months, and local communities could be assured that very little welfare money is used for drug and alcohol addictions.

Money for food is being given to SRS recipients in the form of food stamps in order to ensure that basic nutritional needs are met. We believe that the need for shelter deserves the same type of consideration.

3) Homestead Act of Kansas - Under the Homestead Act of Kansas, many tenants get partial refunds from the state for property taxes paid by the landlord. We have no objection to the program itself. It appears to help people who are both low income and trying hard to improve their lot in life. But in some cases, it allows a few people to be reimbursed through the program for rent payments they are behind on. To solve this problem, we ask that applicants for the program be required to prove they are current on their rent, and to require that all checks be made out to both tenant and landlord.

If we can be of help to you in these or any other areas concerning property, tenants, or landlords, please feel free to contact us.

Ed Jaskinia
President

HOUSE TAXATION
Attachment #6
02/20/91

My name is Ann Elliott. My husband Ed and I along with our partners own a mobile home court in Junction City, Kansas, which is half empty due to the Saudia Arabia deployment.

Thank you Madame Chairman and members of this committee for the opportunity to testify today. I hope I can point out where some savings can be made in the budget.

I first became aware of the Homestead Refund in 1977 and 1978 when I worked for a CPA. At that time, Kansans 55 and older were the only ones I know of filing for the refund.

Then, two years ago, a tenant asked me to help her file her Homestead and Food Sales Tax Refund. I became curious as to how a woman on welfare could qualify to apply

I wanted to find out how much money is paid out in the Homestead Act, how many applicants were homeowners and renters and how many were on welfare. I also wanted to know what changes were made in the program so that welfare recipients could apply.

I contacted the Governor's office who referred me to Legislative Research where I talked with Tom Severn. His files showed in Fiscal year 1989 over 7 million was paid out on the Homestead Refund with 9.3 million projected for Fiscal year 1990. There were 44,000 homeowners and 137 renters who shared the 7 million.

I told Mr. Severn his figures on how many applied could not be right, our County Clerk has records of more renters applying than his number of 137 and I felt this was a lot of money refunded to people who may not really be eligible. He told me I was out of sync with the legislators as this was going to the Taxation Committees to expand the program. When I asked why, he said only about 1/3 of the people

HOUSE TAXATION
Attachment #7
02/20/91

qualified are applying and the legislators feel this needs more publicity. I replied that by the present guidelines, I could apply, my husband and I make less than 15,000 a year and have a child at home, I was told anyone eligible should apply.

Next, I contacted the Homestead and Food Sales Tax Division of the Department of Revenue where I talked with Supervisors Marilyn Foster and Rick McClellan.

At first I was told the information I was seeking was not all public information, but after contacting their Public Information Officer, I was given the following information:

1970 was the first year for filing the Homestead Claim

1975 the claim on rent paid was added using, 12% of the rent paid

1978 families with children were allowed to file

1979 the percentage of rent paid was changed to 15% and the

Food Sales Tax refund was added. Statute no. - Homestead

79-4501 and Food Sales Tax 79-3620.

Three years ago the Department of Revenue stopped keeping records of how many applicants were homeowners and renters. There are no records kept on welfare applicants, but they knew "a lot of welfare recipients apply."

In 1990 the Department of Revenue paid out for 1989 Tax Year:

Homestead - \$9,034,934.94

Food Sales Tax - \$3,134,292.69

If only 1/3 of the people eligible are applying these figures could triple. If the state is trying to cut spending why not make some changes in the requirements for filing, so that these figures do not get out of hand.

The following are suggestions I have to re-align the program.

As the filing instructions are now, the applicants must list all household income except tax refunds, utility refunds, food stamps, or gifts from non-governmental sources.

You and I are required to claim State Tax Refunds as income when we file our income taxes, why are taxes exempt on the Homestead? Utility refunds, such as the LEAP program, should also be considered income. Welfare recipients could not purchase food and pay rent from their assistance income, so they receive food stamps. Food Stamps should also be considered income.

The restrictions for filing say, "Your property tax or rent paid must not have been paid from public funds, on your behalf, directly to the county treasurer or landlords during 1990", yet these people are using public funds to pay their rent from their assistance checks.

The 15% of rent paid that the applicants receive as property tax is normally more than the property tax paid on the home, because these are low income people and they usually live in lower rent areas which consist of older homes.

Another point I want to bring out is welfare recipients use food stamps which are tax exempt to purchase their food. There are household items they cannot purchase with food stamps and they pay sales tax on those items. Possibly the name Food Sales Tax Refund should be changed to Household Sales Tax Refund, or those using food stamps not be eligible for the Food Sales Tax Refund.

I also want to point out that somewhere there is a father of these children who is not contributing to his family. And somewhere

there is a non-custodial parent paying through the Kansas court system which keeps up to 5% of his child support, which is to go SRS to collect from the fathers who do not pay. This is a 50 mill tax on the children of divorce who receive child support. 50 mill is a lot of tax on a child.

Could we not save some of this money paid back in Homestead refunds, transfer instead to relieve the honest non-custodial parent of this burden.

I have prepared a form showing a hypothetical case using a woman, age 33, with 3 children, 2 of school age and one at home receiving total welfare assistance. I obtained the figures from the SRS office for the Aid to Dependent Children and Food Stamps. Food stamps are based on a formula which includes the amount of rent paid, we used a figure of \$250.00 for rent.

I obtained the school figures from an Assistant Superintendent for USD 475. For the medical figures, I called Blue Cross and Blue Shield of Kansas to obtain costs for the most coverage available to a woman age 33 with children. I added the deductible plus an estimated cost for office calls, dental, eyes and prescriptions.

The other items listed under income are estimates of available programs to low income people.

The programs listed under Other Assistance Available are programs I have knowledge of through our tenants or programs I was told about when I was once on assistance.

The Homestead and Food Sales Tax Refund forms were completed using the figures from the Income form. The last page shows the difference in the amount of refund using the additional incomes I have suggested.

My suggestion is to add additional income to be reported, which would reduce the amount of money refunded, thus making it possible for more people to apply and not raise the amount of total money refunded. This way the budget for Homestead and Food Sales Tax Refund would not have to be increased a great amount.

My second suggestion is to eliminate those receiving public funds from the eligibility list. These people receive a refund whether the property tax is paid or not or whether they are current on rent.

Please consider the information I have presented. Again, thank you for letting me testify today. I would be glad to answer any questions.

40H

KANSAS HOMESTEAD OR CIRCUIT BREAKER AND FOOD SALES TAX CLAIM

Social Security Number _____

First Name and Initial of Claimant: Jane A. Last Name: Doe

Home Address (Number and Street or Rural Route): 1420 West Street, Lot 500

City: Anytown State: Kansas Zip Code: 60000 County: _____

Claimant's Telephone Number: _____

PART I—QUALIFICATIONS (TO QUALIFY, YOU MUST HAVE BEEN A RESIDENT OF KANSAS THE ENTIRE YEAR OF 1990)

ANSWER THE QUESTION THAT APPLIES TO YOU:

1. Age 55 or over for the entire year. Enter date of birth. _____

2. Disabled or blind for the entire year (See instructions, page 8) Yes No

3. Dependent child who, for the entire year, both resided with you and was under 18 years of age. Enter child's name Robert and date of birth.

Month	Day	Year
10	12	85

PART II—HOUSEHOLD INCOME (Enter Yearly Amounts Only)

4. Wages (See instructions, page 11)	[A]	4		
5. Interest and dividends (See instructions, page 11)	[B]	5		
6. Social security, SSI, and railroad retirement (Add back medicare deductions)	[C]	6		
7. Veterans benefits and all other pensions and annuities	[D]	7		
8. Welfare payments, unemployment, worker's compensation, disability, earned income credit, and alimony	[E]	8	5,124	00
9. Other income (See instructions, page 11)	[F]	9		
10. TOTAL HOUSEHOLD INCOME (Add lines 4 through 9. If line 10 is more than \$15,000, you do not qualify for a homestead refund; If line 10 is more than \$13,000, you do not qualify for a food sales tax refund. You may qualify for a circuit breaker refund. See Part IV.)	[G]	10	5,124	00

File claim after December 31, 1990 but no later than October 15, 1991

PART III—HOMESTEAD AND FOOD SALES TAX REFUND

HOMESTEAD REFUND (If line 10 is more than \$15,000, do not complete lines 11 through 14)

11. OWNER—General property tax you have paid or will pay for 1990 (See instructions, page 11, and attach property tax statement)	11		
12. RENTER—Enter rent used to pay property taxes from line 7, Schedule RNT (Attach Schedule RNT)	12	405	00
13. Total (Add lines 11 and 12)	[H] 13	405	00
14. Homestead property tax refund (Determine refund from table beginning on page 14 using the amounts from lines 10 and 13)	[I] 14		351 00

FOOD SALES TAX REFUND (If line 10 is more than \$13,000, do not complete lines 15 and 16)

15. Total number of household members (From Part V, back of form 40H)	[J] 15	4	
16. Food sales tax refund (Determine refund from chart on page 12 using figures from lines 10 and 15)	[K] 16		105 00

PART IV—CIRCUIT BREAKER REFUND

17. Is TOTAL HOUSEHOLD INCOME (Line 10) \$35,000 or less? (You must complete lines 1 through 10) YES NO
If NO, you do not qualify for the circuit breaker refund. If YES, proceed to line 18.

18. OWNER—General property tax you paid for 1989 (Attach 1989 property tax statement)	[M] 18		
19. OWNER—General property tax you paid for 1988 (Attach 1988 property tax statement)	[N] 19		
20. Property tax increase (Subtract line 19 from line 18)	[P] 20		
21. Percentage of increase (Divide line 20 by line 19). If line 21 is 50% or more, proceed to line 22. If not, you do not qualify for the circuit breaker refund, enter zero on line 21.	21		%
22. Circuit breaker refund (Multiply line 20 by 25%. Enter this amount OR \$250, whichever is less.)	[O] 22		
23. HOMESTEAD REFUND or CIRCUIT BREAKER REFUND (Enter the greater of line 14 or line 22)	23		351 00
24. TOTAL HOMESTEAD or CIRCUIT BREAKER AND FOOD SALES TAX REFUND (Add lines 16 and 23)	[L] 24		456 00

Sign this claim and mail to: Kansas Homestead Refund Unit, Kansas Department of Revenue, Topeka, Kansas 66699-0001

I declare under the penalties of perjury that to the best of my knowledge this is a true, correct, and complete claim.

sign here

Claimant's Signature

Date

Signature of Preparer other than Claimant

YOU MUST ATTACH A COPY OF YOUR PROPERTY TAX STATEMENT, OR CERTIFICATION OF RENT PAID SCHEDULE, AND SCHEDULE VAL TO THIS CLAIM FOR YOUR REFUND TO BE PROCESSED.

PART V—MEMBERS OF HOUSEHOLD

Complete all information for each member of the household, including yourself, who lived with you for the **entire year**. (Attach list if additional space is needed.)

Name	Date of Birth	Relationship	Social Security Number
Claimant:			
1. Jane A. Doe	04 / 10/ 57		
2. Robert J. Doe	10 / 12/ 85	Son	
3. Alice K. Doe	05 / 06/ 82	Daughter	
4. Joseph A. Doe	07 / 15/ 80	Son	
5.	/ /		
6.	/ /		

PART VI—STATEMENT OF OWNERSHIP OF HOMESTEAD PROPERTY

OWNERS: If the name on your property tax statement is followed by "et al", has two or more names listed on it, or does not include your name, then you must complete the information below.

I, _____, resided at _____ (address of property claimed as homestead OR description as shown on tax statement)

during the year 1990 and had the following interest in said property: Sole owner _____, Life estate _____, *Joint tenant _____, *Tenant in common _____, *Other interest _____. I have paid, or will pay, _____% of the property tax. (100, 75, 50, 25)

If all or part of the taxes were paid by someone other than the claimant, please list name(s), amount of taxes paid, and their relationship to the claimant in space provided.

* If the property described above was owned in joint tenancy, tenant in common, or you owned other interest, where did the other person(s) holding ownership interest reside during 1990? If the other person(s) resided in the homestead, please show their name(s), total household income(s), and the percentage or interest each owned. Also, indicate if this person's income has been included on the front of the claim (use space above or attach list if necessary).

PART VII—RENTAL/BUSINESS INCOME

You must complete Part VII if a portion of your homestead, which you owned and occupied, was rented or used for business during 1990. (If you have filed Schedule C, form 1040, complete lines 4 through 6 only.)

- Total number of rooms in your homestead
- Number of rooms rented or used for business
- Percentage of dwelling used as rental/business property. Line 2 divided by line 1. (Use this percentage to determine the amount of rental/business expenses that are applicable to the rented/business portion of your homestead.)
- Total 1990 general property tax
- Multiply line 4 by line 3. This is the rental/business portion of the general property taxes, OR if you have claimed a deduction on Schedule C, form 1040, enter this amount on line 5.
- General property tax to be claimed on line 11, front of form 40H. Subtract line 5 from line 4.

1	
2	
3	%
4	
5	
6	



KANSAS CERTIFICATION OF RENT PAID

1990

First Name Jane A.	Last Name Doe	Social Security Number
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Rental Period during the year (if rental period is less than one year, complete separate RNT schedules to account for the entire year):
 From Jan. 1, 1990 To Dec. 31, 1990
Mo. Day Yr. Mo. Day Yr.

Address of rental property for period indicated above.

1420 West Street, Lot 500
Number and Street or Rural Route
Anytown, Kansas 60000
City State Zip Code

Name, address and telephone number of property owner for this rental period.

John Smith 555-1111
Name Telephone Number
1420 West Street
Number and Street, Rural Route or Post Office Box
Anytown, Kansas 6000
City State Zip Code

1. Check the type of rental unit which you rented during the year 1990.
- | | | |
|--|---|--|
| <input type="checkbox"/> Apartment | <input type="checkbox"/> Hotel | <input type="checkbox"/> Low Income Housing |
| <input type="checkbox"/> House | <input type="checkbox"/> Boarding Home | <input type="checkbox"/> Section Eight Housing |
| <input type="checkbox"/> Duplex or Like Facility | <input checked="" type="checkbox"/> Mobile Home | <input type="checkbox"/> Other (Explain) |
| <input type="checkbox"/> Nursing Home | <input type="checkbox"/> Mobile Home Lot | |

SEE INSTRUCTIONS ON REVERSE SIDE BEFORE ANSWERING QUESTION NUMBER 2

2. Is the rental property subject to property tax? Yes No
3. Amount of rent per month (If rent per month varied during 1990, indicate amount paid and number of months for each amount).

3	250	00
---	-----	----

4. Total rent paid
5. Does your landlord provide any furnishings; gas, lights, water, trash pick up, or other items?
 Yes No If YES, complete the items below and enter total expenses on line 5.
 If NO, enter zero on line 5.

4	3,000	00
5	300	00
6	2,700	00
7	405	00

6. Rent paid for space occupied (Subtract line 5 from line 4).
7. Rent used to pay property taxes (Multiply line 6 by 15%, and enter on line 12, front of form 40H).

ITEMS	MONTHLY CHARGE	NO. OF MO. RENTED	AMOUNT
A. Furniture (other than appliances)	\$ 10.00	× 12	\$ 120.00
B. Stove	5.00	× 12	60.00
C. Refrigerator	5.00	× 12	60.00
D. Dishwasher	3.00	×	
E. Heat (for months used)	23.00	×	
F. Electricity (other than heat)	20.00	×	
G. Gas (other than heat)	9.00	×	
H. Air Conditioning (for months used)	10.00	×	
I. Water	5.00	×	
J. Sewer	5.00	×	
K. Trash	5.00	× 12	60.00
L. Other (specify and estimate)		×	
M. TOTAL EXPENSES TO BE ENTERED ON LINE 5 ABOVE (Add items A through L)			\$ 300.00

SEE INSTRUCTIONS ON REVERSE SIDE

Attachment 7-9

INSTRUCTIONS FOR COMPLETING SCHEDULE RNT, CERTIFICATION OF RENT PAID

IF YOUR HOMESTEAD CLAIM IS BASED ON RENTS PAID, FORM RNT **MUST** BE ATTACHED TO FORM 40H.

NO CLAIM MAY BE FILED UNLESS PROPERTY TAXES WERE LEVIED UPON THE RENTAL PROPERTY FOR THE ENTIRE YEAR. THE ENTIRE CERTIFICATION OF RENT PAID SCHEDULE MUST BE COMPLETED.

The heading must be completed to show your name and social security number, the period you rented, the address you rented, the property owner you rented from, the property owner's address and telephone number.

When a rental unit is rented or leased at the same time by two or more individuals, only one Certification of Rent Paid Schedule for the rental unit need be completed. **If you rented more than one homestead during 1990, a separate schedule must be completed for each place you rented.** Total the amounts on line 7 from each Schedule RNT and enter the total on line 12, front of form 40H.

If cash public assistance funds are paid directly to the landlord or authorized agent on your behalf, then you may not claim a homestead refund.

LINE 1: Check the type of rental unit you rented during 1990. If none of the classifications fit your rental situation, check "Other" and explain.

LINE 2: Before answering question number 2, you **MUST** contact your landlord (or authorized agent) or the county clerk to verify that the rental property is on the tax roll. **If the rental property is not on the tax roll, you cannot file a refund claim.**

LINE 3: Indicate amount of rent paid per month. If the amount of rent changed during 1990, indicate the amounts and the number of months each amount was paid.

LINE 4: Indicate total amount of rent paid for 1990. At no time will more than twelve months rent be considered.

If the rental is a nursing home or facility that offers such services as food, laundry, housecleaning, etc., you may enter 25% of line 4 on line 6 and skip line 5; however, if the rent paid for occupancy is greater than 25% of total rent paid, provide a breakdown of rent paid for space occupied from the nursing home.

LINE 5: If line 5 is answered yes, indicate the amount of all expenses furnished by the landlord. If nothing is furnished by the landlord, enter zero on line 5. Please keep in mind that only rent paid for space occupied can be considered. Expenses for utilities, services, furniture, appliances, etc., must be subtracted from total rent paid. If a mobile home space is rented, be sure to include the expenses paid by the landlord on line 5. Do not prorate items furnished by the landlord. The total amount must be subtracted from claimants actual rent paid. Your landlord may help you determine the amount to be deducted on line 5 (attach a schedule from your landlord showing how the expenses were computed). However, if you do not wish to contact your landlord in regard to these deductions, the charges as shown on front may be used in determining the expenses. The charges are based on a three room apartment with bath. If the size of your rental varies, you should make the necessary adjustment in the monthly charges. The charges would also be applicable for a mobile home space. Items listed on front.

Line 6: Subtract line 5 from line 4 and enter the result on line 6.

Line 7: Multiply line 6 by 15%. This is the amount of rent used to pay property taxes. This amount should be entered on line 12, front of form 40H.

HOMESTEAD AND FOOD SALES TAX REFUNDS using additional income.

FOOD STAMPS ADDED TO INCOME

Line #	Description		
8	Welfare payments & Food Stamps	8,904.00	
10	Total Income		8,904.00
12	Renter from RNT	405.00	
14	Homestead refund		190.00
16	Food Sales Tax refund		<u>105.00</u>
24	Total refund		295.00

Present refund from completed forms \$456.00

This is a savings of \$161.00

FOOD STAMPS AND LEAP ADDED TO INCOME

8	Welfare & Food Stamps	8,904.00	
9	Other income - LEAP	200.00	
10	Total income		9,104.00
12	Renter from RNT	405.00	
14	Homestead refund		181.00
16	Food Sales Tax refund		<u>105.00</u>
24	Total refund		286.00

This is a savings of \$170.00

If the previous year refund was added the savings would be more.

1990 Kansas Homestead Refund Table Concluded

if your general property taxes and/or 15% of rent paid for occupancy (line 13) are:

and your total HOUSEHOLD INCOME (Line 10) is:

at least		280	290	300	310	320	330	340	350	360	370	380	390	but less than													
250	260	270	280	290	300	310	320	330	340	350	360	370	380	390	400	410	420	430	440	450	460	470	480	490	500 and over	OVER	BUT NOT MORE THAN

Example: If line 13 of Form 40H is \$250.00 and line 10 is \$3,400 or less, then the refund would be \$250.00.

0
▲
THRU
▼
3,400

250	260	270	280	290	300	310	320	330	340	350	360	370	380	390	400	410	420	430	440	450	460	470	480	490	\$3,400	\$3,600	
246	256	266	276	286	296	306	316	326	336	346	356	366	376	386	396	406	416	426	436	446	456	466	476	486	\$3,600	\$3,800	
242	252	262	272	282	292	302	312	322	332	342	352	362	372	382	392	402	412	422	432	442	452	462	472	482	\$3,800	\$4,000	
237	247	257	267	277	287	297	307	317	327	337	347	357	367	377	387	397	407	417	427	437	447	457	467	477	\$4,000	\$4,200	
231	241	251	261	271	281	291	301	311	321	331	341	351	361	371	381	391	401	411	421	431	441	451	461	471	\$4,200	\$4,400	
225	235	245	255	265	275	285	295	305	315	325	335	345	355	365	375	385	395	405	415	425	435	445	455	465	\$4,400	\$4,600	
217	227	237	247	257	267	277	287	297	307	317	327	337	347	357	367	377	387	397	407	417	427	437	447	457	\$4,600	\$4,800	
209	219	229	239	249	259	269	279	289	299	309	319	329	339	349	359	369	379	389	399	409	419	429	439	449	\$4,800	\$5,000	
201	211	221	231	241	251	261	271	281	291	301	311	321	331	341	351	361	371	381	391	401	411	421	431	441	\$5,000	\$5,200	
193	203	213	223	233	243	253	263	273	283	293	303	313	323	333	343	353	363	373	383	393	403	413	423	433	\$5,200	\$5,400	
185	195	205	215	225	235	245	255	265	275	285	295	305	315	325	335	345	355	365	375	385	395	405	415	425	\$5,400	\$5,600	
177	187	197	207	217	227	237	247	257	267	277	287	297	307	317	327	337	347	357	367	377	387	397	407	417	\$5,600	\$5,800	
169	179	189	199	209	219	229	239	249	259	269	279	289	299	309	319	329	339	349	359	369	379	389	399	409	\$5,800	\$6,000	
161	171	181	191	201	211	221	231	241	251	261	271	281	291	301	311	321	331	341	351	361	371	381	391	401	\$6,000	\$6,200	
153	163	173	183	193	203	213	223	233	243	253	263	273	283	293	303	313	323	333	343	353	363	373	383	393	\$6,200	\$6,400	
145	155	165	175	185	195	205	215	225	235	245	255	265	275	285	295	305	315	325	335	345	355	365	375	385	\$6,400	\$6,600	
137	147	157	167	177	187	197	207	217	227	237	247	257	267	277	287	297	307	317	327	337	347	357	367	377	\$6,600	\$6,800	
129	139	149	159	169	179	189	199	209	219	229	239	249	259	269	279	289	299	309	319	329	339	349	359	369	\$6,800	\$7,000	
121	131	141	151	161	171	181	191	201	211	221	231	241	251	261	271	281	291	301	311	321	331	341	351	361	\$7,000	\$7,200	
112	122	132	142	152	162	172	182	192	202	212	222	232	242	252	262	272	282	292	302	312	322	332	342	352	\$7,200	\$7,400	
103	113	123	133	143	153	163	173	183	193	203	213	223	233	243	253	263	273	283	293	303	313	323	333	343	\$7,400	\$7,600	
94	104	114	124	134	144	154	164	174	184	194	204	214	224	234	244	254	264	274	284	294	304	314	324	334	\$7,600	\$7,800	
85	95	105	115	125	135	145	155	165	175	185	195	205	215	225	235	245	255	265	275	285	295	305	315	325	\$7,800	\$8,000	
76	86	96	106	116	126	136	146	156	166	176	186	196	206	216	226	236	246	256	266	276	286	296	306	316	\$8,000	\$8,200	
67	77	87	97	107	117	127	137	147	157	167	177	187	197	207	217	227	237	247	257	267	277	287	297	307	\$8,200	\$8,400	
58	68	78	88	98	108	118	128	138	148	158	168	178	188	198	208	218	228	238	248	258	268	278	288	298	\$8,400	\$8,600	
49	59	69	79	89	99	109	119	129	139	149	159	169	179	189	199	209	219	229	239	249	259	269	279	289	\$8,600	\$8,800	
40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200	210	220	230	240	250	260	270	280	\$8,800	\$9,000	
31	41	51	61	71	81	91	101	111	121	131	141	151	161	171	181	191	201	211	221	231	241	251	261	271	\$9,000	\$9,200	
22	32	42	52	62	72	82	92	102	112	122	132	142	152	162	172	182	192	202	212	222	232	242	252	262	\$9,200	\$9,400	
13	23	33	43	53	63	73	83	93	103	113	123	133	143	153	163	173	183	193	203	213	223	233	243	253	\$9,400	\$9,600	
	14	24	34	44	54	64	74	84	94	104	114	124	134	144	154	164	174	184	194	204	214	224	234	244	\$9,600	\$9,800	
	5	15	25	35	45	55	65	75	85	95	105	115	125	135	145	155	165	175	185	195	205	215	225	235	\$9,800	\$10,000	
		6	16	26	36	46	56	66	76	86	96	106	116	126	136	146	156	166	176	186	196	206	216	226	\$10,000	\$10,200	
		7	17	27	37	47	57	67	77	87	97	107	117	127	137	147	157	167	177	187	197	207	217	227	\$10,200	\$10,400	
			8	18	28	38	48	58	68	78	88	98	108	118	128	138	148	158	168	178	188	198	208	218	\$10,400	\$10,600	
				9	19	29	39	49	59	69	79	89	99	109	119	129	139	149	159	169	179	189	199	209	\$10,600	\$10,800	
					10	20	30	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200	\$10,800	\$11,000	
						11	21	31	41	51	61	71	81	91	101	111	121	131	141	151	161	171	181	191	\$11,000	\$11,200	
							12	22	32	42	52	62	72	82	92	102	112	122	132	142	152	162	172	182	\$11,200	\$11,400	
								13	23	33	43	53	63	73	83	93	103	113	123	133	143	153	163	173	\$11,400	\$11,600	
									14	24	34	44	54	64	74	84	94	104	114	124	134	144	154	164	\$11,600	\$11,800	
										15	25	35	45	55	65	75	85	95	105	115	125	135	145	155	\$11,800	\$12,000	
											16	26	36	46	56	66	76	86	96	106	116	126	136	146	\$12,000	\$12,200	
												17	27	37	47	57	67	77	87	97	107	117	127	137	\$12,200	\$12,400	
													8	18	28	38	48	58	68	78	88	98	108	118	\$12,400	\$12,600	
														9	19	29	39	49	59	69	79	89	99	109	\$12,600	\$12,800	
															10	20	30	40	50	60	70	80	90	100	\$12,800	\$13,000	
																11	21	31	41	51	61	71	81	91	\$13,000	\$13,200	
																	12	22	32	42	52	62	72	82	92	\$13,200	\$13,400
																		13	23	33	43	53	63	73	83	\$13,400	\$13,600
																			14	24	34	44	54	64	74	\$13,600	\$13,800
																				15	25	35	45	55	65	\$13,800	\$14,000
																					16	26	36	46	56	\$14,000	\$14,200
																						17	27	37	47	\$14,200	\$14,400
																						8	18	28	\$14,400	\$14,600	
																						9	19	29	\$14,600	\$14,800	

Line 16—Food Sales Tax Refund

Enter on line 16 the amount of your food sales tax refund. The allowable food sales tax refund is determined by the number of household members and the level of household income. Use the following chart to determine the amount of your refund. To find your refund, read down the household members column until you find the line which shows your household members from line 15, Part III, front of form 40H. Then read across to the column heading describing your household income as indicated on line 10, Part II, front of form 40H. The point where the two meet is your refund and should be entered on line 16, Part III, front of form 40H.

EXAMPLE: A claimant with \$8,500 household income and four household members would receive a food sales tax refund of \$105.

Total Household Members (line 15, Part III) ↓	IF your TOTAL HOUSEHOLD INCOME on line 10, Part II is:		
	\$0	AT LEAST \$5,000	AT LEAST \$10,000
	BUT LESS THAN \$5,000	BUT LESS THAN \$10,000	BUT NO MORE THAN \$13,000
1	\$ 40	\$ 30	\$20
2	70	55	35
3	100	80	50
4	130	105	65
5	160	130	80
6	190	155	95
For each additional household member add:	30	25	15