

Approved February 25, 1992

Minutes of the House Committee on Taxation. The meeting was called to order by Joan Wagnon, Chairperson, at 9:20 a.m. on Thursday, FEBRUARY 13, 1992 in room 519-S of the Capitol.

All members were present except:

Rep. Ken Grotewiel, excused; Rep. Steve Wiard, excused; Rep. Aldie Ensminger, excused; Rep. Jo Ann Pottorff, excused.

Committee staff present:

Tom Severn & Chris Courtwright, Legislative Research; Bill Edds and Don Hayward, Revisors; Linda Frey, Committee Secretary; Douglas E. Johnston, Committee Assistant.

Conferees appearing before the committee:

Howard Fricke, President and Chief Executive officer of Security Benefit Group, Inc.
Steve Stotts, Director of Research and Revenue Analysis for the Department of Revenue
Kharon Hunter, Family Day Care Providers Group
Bob Barnum, Interim Workforce development for the Dept. of Social and Rehabilitative Services
Shirley Norris, representing the Kansas Association for the Education of Young Children
Julie Kolde, Silver Lake
Reva Wywadis, Topeka resident
Vic Miller, Shawnee County tax attorney
David Cunningham, Director of Property Valuation

The Chair requested and received the unanimous consent of the committee to introduce a bill regarding

Public hearings were opened on HB 2696 and HB 2698.

The Chair distributed an article on child care from the Topeka Capital-Journal (Attachment 1).

The Chair stated that HB 2696 and HB 2698 were outgrowths of the Children's Initiative. She said HB 2696 would prevent the sunset of current law providing for child care tax credits for corporations. She said HB 2698 would provide a child care tax credit on state personal income tax returns for in-home day care providers.

Howard Fricke, Security Benefit Group, testified in favor of HB 2696 (Attachment 2). He said Security Benefit was the largest life insurance company in Kansas. He said his

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MINUTES OF THE House COMMITTEE ON Taxation, room 519-S, State-house, at 9:10 a.m. on Thursday, February 13, 1992.

corporation was building a child day care facility for its personnel that would be subsidized by the corporation. He said employers needed to provide day care services for their employees, but that tax credits were needed because businesses could not afford to pay the total burden.

In response to a question, Fricke said a large amount of time and effort was necessary for businesses to provide child day care facilities for employees.

The Chair said the large amount of time necessary for the development of an employees child day care facility could explain the relatively small number of businesses that utilized the credit.

Steve Stotts, Director of Research for the Dept. of Revenue, said the fiscal note on the use of the current credit was about \$8,000 for the last two years. The \$45,000 credit for Security Benefit Group will be the largest state tax expenditure to date for this program.

Bob Barnum, Director of Workforce Development in the Dept. of Social and Rehabilitative Services, testified in favor of HB 2696. He said the credit would allow businesses to provide day care facilities for employees or referral sources.

Shirley Norris, representing the Kansas Association for the Education of Young Children, testified in favor of HB 2696 and HB 2698 (Attachment 3).

In response to a question, Norris described the provision in HB 2698 for the claiming of state credit by in-home day care providers for their own children. While the credit would not be available on the federal income tax, at least one other state has enacted a state credit.

Norris stated in response to a question that almost every in-home day care facility has at least a few children whose families are eligible for the federal child care credit.

Don Hayward, Revisor, explained the federal child care credit and its eligibility requirements.

Kharon Hunter, Topeka licensed day care provider, testified in favor of HB 2698 (Attachment 4).

Julie Kolde, Silver Lake licensed day care provider, testified in favor of HB 2698 (Attachment 5).

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Reva Wywadis, Topeka licensed day care provider, testified in favor of HB 2698 (Attachment 6).

A question arose on the fiscal note of HB 2698. Stotts said there were approximately 2,300 licensed home day care providers. Assuming each is eligible for the proposed state credit at the maximum amount, he did not anticipate the cost would exceed \$3 million.

Rep. Shore asked if in-home day care facilities were considered commercial or residential property. He said some appraisers used the commercial assessment rate while others used the residential assessment rate.

David Cunningham, Director of Property Valuation, said in-home day care facilities ought to be dealt with in a similar manner as care homes where part of the home was assessed as residential property while the portion of the property used for day care services ought to be assessed as commercial property. He said it was problematic and that determinations would need to be made by PVD.

Rep. Smith asked whether mothers who cared for their own children but were not day care providers could use the tax credit. Stotts replied they would not be eligible under this bill.

Hunter described the formula she utilized to determine the amount of her property used for in-home day care that would be eligible for tax exemptions. She suggested such a formula could be used to determine the amount of a home that should be assessed as commercial property.

The public hearings on HB 2696 and HB 2698 were closed.

Public hearings were opened on HB 2834.

Vic Miller, Shawnee County tax attorney, testified in favor of HB 2834. Although Miller said he was generally supportive of the bill, he addressed several concerns with the bill.

1. Miller said he did not favor having all district court hearings to be de novo proceedings.

2. He said the bill still did not alleviate the problem of a lack of continuity in the membership of the State Board of Tax Appeals. He said members of the board changed too often to provide for continuity through the appeals process.

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The Chair suggested changing "shall" to "may" on page 2, line 8.

3. Miller noted the provision on page 3, lines 12 and 13 are important. These relate to requesting rehearings before going to district court.

4. Miller said section 4 on page 4, regarding the minimum threshold, needed clarification regarding the division of parcels.

5. New section 5: The concept of "stipulation" is not correct.

Public hearings were closed on HB 2834. The Chair said the bill would be referred to subcommittee II.

The meeting was adjourned at 10:25 a.m. The next meeting will be February 18.

The business of children

House Taxation Attachment 1
02-13-92

Topeka companies, government consider opening child-care centers for employees

Several Topeka companies, and the state of Kansas, are considering opening child-care centers for employees.

That discussion is being coordinated by Thelma Hunter Gordon, a high-ranking SRS official. She is executive community coordinator of the Workforce Development Division.

"If employers look at child care, everybody is going to win," she said.

Gordon, the mother of four adult children, said she had problems finding good, affordable day care when she was younger. She noted that changes in the work place have made child care an increasingly important issue.

In 1950, only 12 percent of married mothers with children under age 6 were in the labor force. The number had risen to 54 percent by 1985, according to the U.S. Department of Labor.

Gordon said a group of private employers began meeting in September to talk about a possible jointly operated child-care center. Several state agencies began discussing the same issue in November.

Private firms that have expressed interest in child care include KPL Gas Service, Hallmark and Jostens. In addition, Stormont-Vail Regional Medical Center and St. Francis Hospital and Medical Center are

considering a jointly operated center for their employees.

Gordon said firms interested in looking at child care first should survey their employees to see if there is a sufficient demand for a child-care center.

Gordon said most private employers don't know that the state has approved tax incentives for firms that start child-care centers for their workers. Businesses can be eligible for a tax credit of 50 percent of the cost of establishing and operating a center.

State agencies meeting include Social and Rehabilitation Services, the Attorney General's office, the Kansas Department of Health and Environment and the Department of Administration.

Gordon said the state agencies are interested in opening a downtown child-care center that would be open to all state workers.

"We want to do that very quickly," she said.

Bills that would allow the establishment of a child-care center for state workers passed the House last year, and is waiting for Senate action. Gordon said Senate hearings on the proposed laws, House bills 2330 and 2332, haven't yet been scheduled.

For more information about employers and child-care centers, call Gordon at 296-3273.

Employees welcome child-care center

Debbie Pryer is excited about the plans of her Topeka company to establish a child-care center for employees. Pryer is a secretary for the Security Benefit Group of Companies, headquartered at 700 S.W. Harrison in downtown Topeka. SBG has announced plans to open an employee child care center across the street in late August.

"I wish it were open this summer," Pryer said. "I'm really not pleased with the day care I can find. It seems like they're only there to babysit."

Pryer has two girls, ages 6 and 2. Her older daughter is in first grade, while her younger daughter stays with her grandmother.

Joy Bachmann, an equities trader for SBG, also is enthusiastic about her company's day care center plans. Her girls, now in a private day care center, are 3 and 1 1/2 years old.

"There is a problem finding day care," she said.

About 75 percent of the 600 SBG employees in Topeka are women, but they aren't the only ones interested in the company child-care center.

Dennis Wiseman, manager of computer operations, has four children. The two not yet in school are a 4-year-old girl and a 3-year-old boy.

Wiseman said his wife quit a good job after their youngest child was born because they had trouble finding quality day care. His wife now works part-time, on Wiseman's days off and during evenings, but his wife would like to resume a full-time job.

The SBG child care center will make that possible.

"It's going to be convenient," he said. "We would be able to see each other at night and on weekends again."

SBG president Howard Ericke said the center will have a



see each other at night and on weekends again."

SBG president Howard Fricke said the center will have a registered nurse and a playground on the north side of the building at 634 S.W. Harrison.

"It's going to be a day care center of the highest quality," he said. "This is not baby sitting. It should be a great learning experience for the child."

SBG has contracted with Menninger to provide the child-care providers.

Menninger opened a child-care center at 5301 S.W. 7th for its employees in January 1989. The center has three aspects: day care for children ages 6 weeks to 5 years, a special-care unit for children with mild illnesses and a summer camp for children ages 5-12.

Older children of employees often work as volunteers at the center during the summer.

The SBG child-care center also will have those three elements.

Kathie Leon, director of the Menninger Child Care Center, said the center has proved to be a wise investment for Menninger.

The special-care unit for ill children alone has saved Menninger about \$28,000 yearly in worker productivity that otherwise would be lost, she said. Reduced employee turnover has translated into about \$50,000 in yearly savings, while reduced sick leave has saved Menninger another \$3,000 yearly.

A publication by the U.S. Department of Labor titled "Employers and Child Care: Benefiting Work and Family," mentioned three nationwide surveys of employers with child care centers or similar benefits.

Some of the key benefits cited by employers were: enhanced recruitment, lower absenteeism, improved morale, lower job turnover rate, improved public image and improved productivity. In one survey of 204 employers, more than three-fourths believed the benefits of their child care programs outweighed the costs.

By Mark Enoch
Photo by Scott Weaver



Tammy Gartner, upper left, watches children during play time at the Menninger Child-Care Center.

Kansas Chamber of Commerce focuses on children

Children's issues no longer are topics just for politicians and social workers.



Cheryl Hayes

The Kansas Chamber of Commerce and Industry focused on children this week during its 1992 caucus at the Ramada Inn Downtown. A Tuesday afternoon Chamber workshop was titled, "Facing the Future of Kansas - Children and Families."

So why should business leaders care about children?

It is in their economic self interest, according to Cheryl Hayes, executive director of the National

Commission on Children. Hayes was one of the workshop speakers.

The 34-member bi-partisan commission, appointed by Congress and President Bush, examined a wide range of children's issues.

Hayes said American corporations spent \$25 billion in 1989 for remedial education of their new employees.

"Employers nationwide are beginning to see the effects of a changing workplace," she said.

That changing workplace includes more female and minority employees. Child care is one issue for many of those workers.

Hayes said employers can do a variety of things to

help their workers with child care, ranging from company child-care centers to child-care subsidies, referrals and flexible work hours.

She provided a few more statistics to show the importance of younger workers:

In 1960, there were about 15 working Americans for each retired employee. Today, there about three workers for each retiree.

That trend makes children even more important as future workers, she said.

Two other speakers at the workshop helped provide the business perspective.

David King, executive vice president of United Telecom-U.S. Sprint in Kansas City, Mo, said the quality of the work force is a key issue for the changing telephone industry. Companies need "people who can read and write and solve problems."

John Moore is senior vice president of Cessna Aircraft, Wichita. He said Cessna easily gets a quality work force, with 400 applications for each job opening.

Moore is concerned about issues such as the quality of life, and how to find future customers.

King said the quality of life for children is vital for one reason.

"I believe it's the survival of our society."

Several youth-oriented groups had exhibits during the Chamber event. The Chamber also published a directory of such groups, which is available to anyone who contacts the Kansas Chamber at 357-6321.

Howard R. Fricke
President & Chief Executive Officer
913-295-3001

TESTIMONY BEFORE THE
HOUSE TAXATION COMMITTEE
RE: House Bill No. 2696
February 13, 1992

My name is Howard R. Fricke. I'm President and CEO of Security Benefit Life Insurance Company and Security Benefit Group, Inc.

Security Benefit is the largest life insurance company in Kansas and the 28th largest mutual life insurance company in the United States.

We employ approximately 600 people at our home office here in Topeka.

We recently announced our plans to provide child day care services to our employees.

We intend to expend over \$320,000 in remodeling a building we own to ensure it meets or exceeds all licensing and registration requirements of Kansas law.

After collecting fees from our employee users, who we anticipate will pay fees that are competitive with other child day care center providers in Topeka such as the YMCA and the YWCA, it is Security Benefit's best estimate that we will need to subsidize our child day care operation in the amount of \$149,000 each year.

The tax credit currently provided by Kansas law was a very important incentive in our consideration to create a child day care facility for our employees. Simple math indicates our subsidies and losses would increase 30% the first year and 20% in succeeding years if this tax credit is eliminated.

Obviously, changes of this magnitude dramatically worsen the cost/benefit of providing child day care services to our employees.

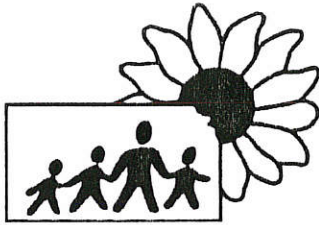
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Testimony of Howard Fricke
(House Bill No. 2696)
February 13, 1992
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I'm convinced that quality, affordable child day care is a service desperately needed by many Kansans. I'm also convinced that employers could be a logical provider of that service. However, asking employers to bear the total burden of providing this much needed service will almost certainly discourage many from doing so. Conversely, providing a tax credit might be the incentive needed to cause other employers to act as Security Benefit has acted.

Our child day care facility will create 20 new jobs --- for people who will pay taxes. This, combined with the positive social consequences derived from such facilities, will produce a direct and measurable benefit to our children and the State of Kansas.

I strongly urge you to vote for House Bill No. 2696.



KAEYC

Kansas Association for the
Education of Young Children

Testimony on HB 2698
Presented to the House Taxation Committee
February 13, 1992

by
Shirley A. Norris
Representing the Kansas Association for the Education of Young Children
131 Greenwood
Topeka, Kansas 66606
Ph. 913-232-3206

My name is Shirley Norris. I represent the Kansas Association for the Education of Young Children (KAEYC) an organization of over 1000 members who educate, nurture and protect thousands of Kansas children of all ages who are away from their parents for part or all of the day.

I am here to testify in favor of HB 2698. Many members of the Association I represent are Licensed and Registered Day Care Home Providers for whom this proposed legislation was drafted. It would extend the dependent care tax credit to day care home providers for the care of their own children in their day care setting. If the providers' children were not counted in the number for whom the home is licensed or registered, the dependent care credit would not be indicated. However, because the licensing and registration statutes--K.S.A. 65-501 et seq.--require the provider's own children to be counted in the total number of children authorized by the license or registration certificate, the providers are actually paying for their own children's care through the reduced income which results.

For this reason we believe that day care home providers deserve the same dependent care credit as the parents whose children are enrolled for care in the licensed or registered home.

We urge you to recommend this bill for passage.

Thank you.

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Legislators:

2-13-92

Regarding HB #2698

I'm Kharon Hunter, a licensed child care provider for nearly 25 years. I've enjoyed having my own business with benefits such as the opportunity to remain daily in the comfort of my own home, no transportation cost, not needing dressy clothes or buying noon lunches. I've been able to choose my business hours and vacation dates. I've been able to watch my own four children grow up and out of our house, and was always at home for them before and after school hours.

However, the family child care profession is not recognized as viable work. Family child care providers do not have the same child care tax credit as the parent who is a secretary downtown. Kansas licensure requires that the providers' own children are included in the capacity enrolled, but we have not been eligible for income tax credit like other working parents. It seems that we're penalized for staying home to care for our own children and children of our neighbors.

The retention of Family Day Care Providers has been difficult. Some reasons being that providers do not have sick leave, insurance, retirement benefits or income tax credits like those parents working out of the home.

I urge that you vote to give providers of children in Kansas a tax credit.

Sincerely,

Kharon Hunter

Kharon Hunter, provider
Board Member of local, state and nat'l family day care
1230 SW Cornwall
Topeka KS 66611 (913) 266-5330

House Taxation
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LOWER YOUR TAXES OR INCREASE YOUR REFUND

Claim the Earned Income Credit and the Child and Dependent Care Credit

EARNED INCOME CREDIT

You are eligible for an Earned Income Credit of up to \$2,000 if you have 1991 family earnings under \$21,250 and have one or more "qualifying" children. A "qualifying" child

- is your son, daughter, adopted child, grandchild, stepchild, or foster child; and
- on December 31, 1991, is under age 19, or under age 24 and a full-time student, or any age and permanently and totally disabled; and
- lived with you for more than six months in 1991 (but if the child is your foster child, he or she must have lived with you for the whole year).

Even if you don't owe taxes you may be eligible for a refund check simply by claiming the credit. In general, the lower your income the larger your credit. If you have two or more children, a child born in 1991, or health insurance premium expenses for a policy covering a child, your credit will also be larger.

To claim the Earned Income Credit, you must file a separate form, called "Schedule EIC," with your tax return. If you fill out the front page of Schedule EIC and write "EIC" on the Earned Income Credit line of your tax form, the IRS will calculate the credit for you.

CHILD AND DEPENDENT CARE CREDIT

You are eligible for a Child and Dependent Care Credit of up to \$1,440 if you

- have child care expenses for one or more children under age 13 who live with you; and
- pay for the care to enable you to work or look for work (if you are married, both you and your spouse must be working or looking for work, or one spouse may be a full-time student or unable to care for him- or herself).

Families of all income levels are eligible. The higher your child care expenses and the lower the amount of your income, the larger your credit.

To take the Child and Dependent Care Credit, you must file a separate "schedule" or form with your tax return. With tax form 1040, file Form 2241; with tax form 1040A, file Schedule 2. Include the amount of your credit on the line *Credit for Child and Dependent Care Expenses* of your tax form.

FOR MORE INFORMATION

For both the Earned Income Credit and the Child and Dependent Care Credit, special rules may apply in special cases. For more information, call 1-800-TAX-1040 toll free, or contact your local Volunteer Income Tax Assistance (VITA) clinic for free assistance.



POOKY BEAR DAY CARE

Licensed Home Day Care for Over 5 Years

7:30 - 5:30 M - F

Julie Kolde
Owner / Operator

106 Madore
Silver Lake, KS 66539

My name is Julie Kolde. I have been a Licensed Home Daycare Provider for over 5 years in the Silver Lake area.

I have 3 small children ages 6, 3 and 19 months. I am allowed no more than 10 children in my home at one time, including my own 3 children. My oldest child fills one school age opening and the youngest 2 fill 2 preschool openings. Therefore reducing the amount of children I can care for and the income I could receive.

When it comes to liability insurance on my home and car, I am insured up to 6 children - including my own 3 children. I can seek additional home insurance to cover all the children at an additional expense but additional car insurance is not an option. This means no transportation to and from school daily and few, if any, field trips.

One of my clients, being a state employee, is able to take her child care expenses out of her paycheck before taxes, yet I still pay tax on the amount I am paid.

I recently considered quitting daycare because of the increasing cost of running a home daycare. With the restrictions of having to include my own children it was making it difficult to keep up financially. I was unable to pay the quarterly taxes as there is no money left over after expenses. I took a second job outside the home working nights and weekends to help pay some of my taxes and try to get caught up.

I feel a tax credit for caring for my own children is only fair. If home daycare providers did not exist there would be a lot less people in the work force. I believe the government should help us parents working at home, as it helps the parents working outside the home.

Please give us credit where credit is due. Give us the tax credit for providing care for our children, we deserve it just like everyone else.

Thank you.

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TLC DAYCARE

Reva Wywadis
2644 Michigan
Topeka, KS 66605

Phone: (913) 267-4115

My name is Reva Wywadis. I live at 2644 S.E. Michigan Avenue, Topeka, Kansas. I am here today to urge you to vote in favor of HB #2698.

Today I want to tell you about two families. The Adams' have 3 children, ages 13, 8 & 3. The parents of this family both work full time, and the two younger children are in child care--- one full time and one part-time (before and after school). This year, the Adams' will be entitled to a tax credit based on their income, their child care expense, and the fact that both these parents work.

The second family I want to tell you about is my family. I also have three children, ages 12, 8 & 4. My husband and I both work full time, and my two younger children are in child care. They are enrolled at my licenced home child care facility, TLC Daycare--- one as a full-time pre-schooler, and the other part-time, before and after school. According to state law, I include my children in my daycare enrollment numbers. Shouldn't my family be entitled to the same tax credit that other families receive when both parents are working?

Just like other working parents, I work because I need to. In the 90's, our family needs two incomes, like millions of other families do, to make ends meet. I am very fortunate in that I love my chosen profession. There are thousands of children across our state that are in day care every day---whether in a pre-school, day care center, or in a regulated day care home. These children need and deserve qualified, trained and loving care givers to meet their needs as they grow. Being a child care provider gives me the opportunity to teach and nurture the children in my care. Because I do family child care, other parents can go to work knowing that their child is being loved and cared for.

In Shawnee County, there are over 600 regulated child care homes. In Kansas, there are over 6,000. Centers and pre-schools meet the needs of many families, but other families want and need the flexibility and home-like environment that family day care offers. Show your support for these providers and for quality child care by voting in favor of this bill. Thank you.

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