Approved March 12, 1992

Minutes of the House Committee on Taxation. The meeting was called to order by Joan Wagnon, Chairperson, at 9:10 a.m. on Tuesday, February 25, 1992 in room 519-S of the Capitol.

All members were present except:

Rep. Bill Roy, 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:

Representative Allan White
Steve Stotts, Director of Research for the Department of Revenue
Representative Bob Vancrum
George Dugger, Kansas Department on Aging
Gloria O'Dell, speaking for State Treasurer Sally Thompson
George Goebel, representing the American Association of Retired People
Jessica James, Sunbeam Christian Learning Center, Inc.
Kharon Hunter, Topeka day care provider
Representative David Heinemann, sponsor of HB 2852
David Cunningham, Director of Property Valuation
Reva Wywadis, Topeka day care provider
Melinda Augustine, Salina day care provider
Shirley A. Norris, representing the Kansas Association for the Education of Young Children

The Chair requested and received the unanimous consent of the committee for the approval of minutes from February 6 and 7.

The public hearings on HB 2785 were opened.

Representative Allan White testified in favor of HB 2785, Homestead Property Tax Relief (Attachment 1).

Steve Stotts, Director of Research for the Department of Revenue, said HB 2785 would cost approximately $1.5 million. He distributed a written fiscal note to the committee (Attachment 2).

Public hearings on HB 2785 were closed and hearings were opened on HB 3024.

Representative Bob Vancrum testified in favor of HB 3024

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation, room 519-S, Statehouse, at 9:10 a.m. on Tuesday, February 25, 1992.

(Attachment 3).

George Dugger, Kansas Department on Aging, testified in favor of HB 3024 (Attachment 4).

Gloria O'Dell, speaking for State Treasurer Sally Thompson, testified in regard to HB 3024 (Attachment 5). She said the State Treasurer favored the bill but was concerned about its administration and the cost thereof.

George Goebel, representing the American Association of Retired People, testified in favor of HB 3024. He said AARP concurred in the remarks made by Dugger, specifically the need to subsidize or decrease the interest rate charged by the state in HB 3024.

Public hearings were closed on HB 3024.

Public hearings on HB 2852 were opened.

Jessica James, Sunbeam Christian Learning Center, Inc., testified in favor of HB 2852 (Attachment 6).

Kharon Hunter, Topeka day care provider, testified in favor of HB 2852 (Attachment 7).

Representative David Heinemann, testified in favor of HB 2852. He distributed to the committee copies of letters from Garden City day care providers (Attachments 8 & 9).

There were several questions regarding whether or not the bill would be constitutional and whether a constitutional amendment would be needed for mixed use properties.

David Cunningham, Director of Property Valuation, said he would prefer legislative action on HB 2852 rather than attempt to obtain the goals of HB 2852 administratively.

The Chair stated that the Constitution put a 12% assessment rate on residential property with "other" property assessed at 30%. She said the constitution lacked a provision for assessing mixed use property.

Reva Wywadis, Topeka day care provider, testified in favor of HB 2852 (Attachment 10).

Melinda Augustine, Salina day care provider, testified in favor of HB 2852 (Attachment 11).

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation, room 519-S, Statehouse, at 9:10 a.m. on Tuesday, February 25, 1992.

Shirley A. Norris, representing the Kansas Association for the Education of Young Children, testified in favor of HB 2852 (Attachment 12).

The public hearings on HB 2852 were closed.

The Chair requested and received the unanimous consent of the committe for the approval of minutes from February 11, 12 and 13.

The Chair brought up SB 8 for discussion and action.

Rep. Larkin made a motion to provide for one arbiter in the property valuation appeals process. Rep. Pottorff seconded the motion.

The committee discussed the possibility of establishing a threshold amount at which taxpayers above the amount at issue would not be able to choose an arbiter. No action was taken.

The motion to provide for one arbiter carried.

The meeting was adjourned at 10:27 a.m. The next meeting will be February 26.

GUEST LIST

COMMITTEE: Taxation DATE: 2/25/92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
HAROLD PITTS	TOPEKA	AARP-CCTF
Roger D Kirkwood	Topeka	AARP-CCTF KANSAS
George Goebel	Topeka	AARP-SLC-CCTF
James M Yeamy	Topeka	AARP CCTF
[illegible] McBride	Topeka	[illegible]
Dave Cunningham	Topeka	PVD
Gloria J Odell	Topeka	Treasurer's Office
Peggy Hanna	Topeka	Treasurer's Office
Pat Barnum	"	SRS
Reva Wywadis	"	licensed home child care provider
Kharon Hunter	Topeka	Licensed home child care provider
Deanne M Stull	Topeka	Licensed home child care provider
Wendy Ufford	Overbrook	(President-Child Care Providers Coalition of KS) Licensed Home Child Care Provider
Mindy Augustine	Salina	(President-Licensed Providers Coalition of Saline County-Licensed Group Day Care Home Provider)
Jessica James	TOPEKA	Capitol Area Providers; Sunbeam Christian Learning Daycare
BEV BRADLEY	TOPEKA	KS Assoc of Counties
Nancy Hempen	Lawrence	Ks Co. Treas Assn.
MARK A. BURGHART	TOPEKA	REVENUE
Steve Stotts	"	"
Alan Steppat	Topeka	Pete McGill & Associates
George Dugger	Topeka	Dept on Aging

STATE OF KANSAS

ALLAN WHITE
REPRESENTATIVE, 67TH DISTRICT
DICKINSON, ELLSWORTH AND SALINE COUNTIES
HOME ADDRESS: 112 NEAL CT.
SALINA, KANSAS 67401
(913) 823-6023
OFFICE: STATE CAPITOL—SUITE 285-W
TOPEKA, KANSAS 66612
(913) 296-7665

TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: AGRICULTURE
EDUCATION
PUBLIC HEALTH AND WELFARE
JOINT COMMITTEE ON ECONOMIC
DEVELOPMENT

February 25, 1992

To: House Taxation Committee

Re: HB 2785

Sponsors: Reps. White, Bishop, Campbell, Harder, Hensley, Lynch, Macy, McClure, McKechnie, Sawyer, Turnquist, Weiland And Wempe

Madam Chair and members of the House Taxation Committee, I appreciate this opportunity to urge favorable consideration of HB 2785, a bill that would increase the property tax relief for many of our older Kansans by expanding benefits through the Kansas Homestead Property Tax Refund Act.

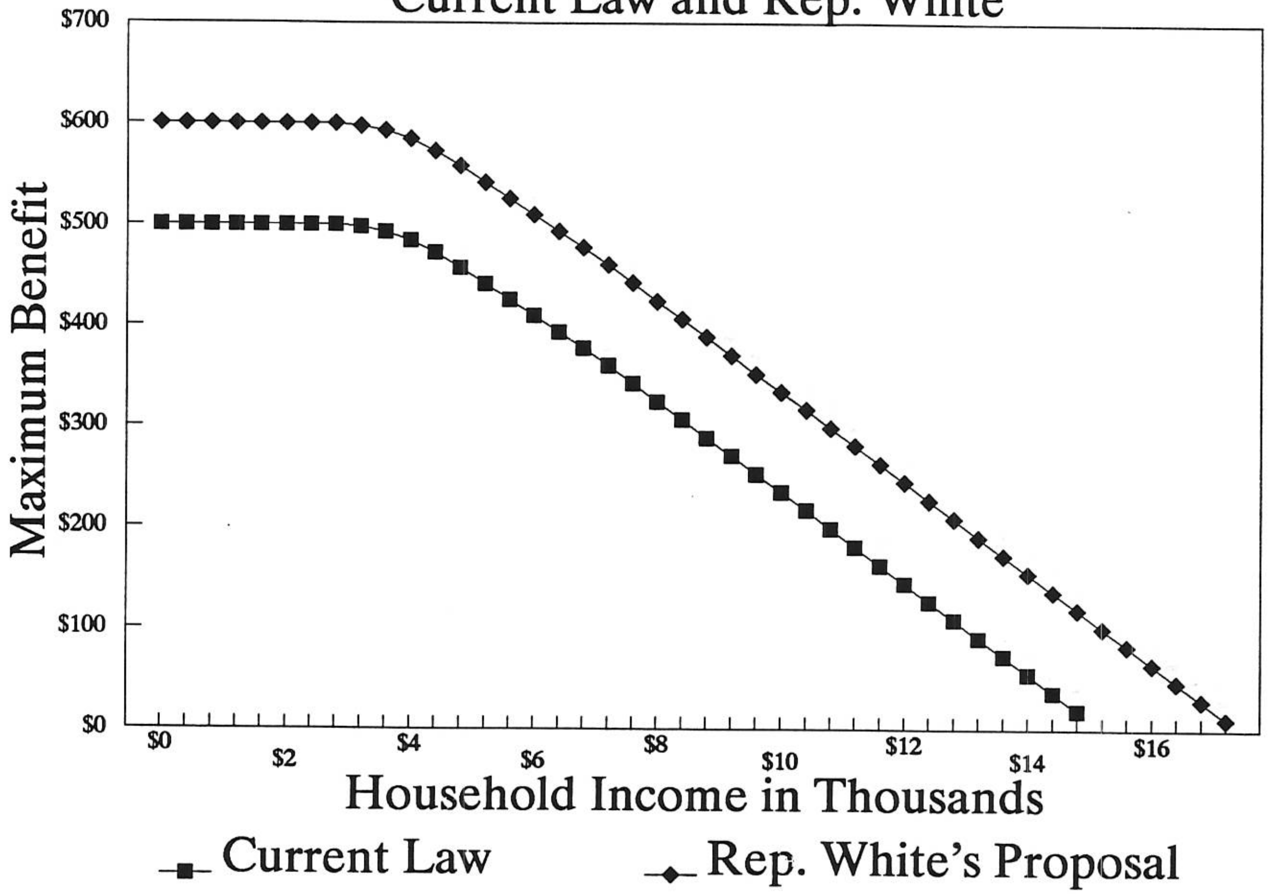
The Kansas Act currently allows a refund of either property tax paid, or rent assumed to be taxes, that is in excess of various percentages of household income, with a maximum benefit of **$500**. Eligible persons with a household income of $3,000 or under receive a full refund of property taxes up to the $500 limit. The amount of refund decreases as household income increases. Currently, persons with a household income of more than **$15,000** are ineligible for a refund. In addition to meeting the 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. Income is defined broadly, including items not subject to income taxes, such as Social Security benefits, railroad retirement benefits, veteran's disability pensions, workers' compensation, and interest from tax exempt securities.

HB 2785 changes none of these provisions with the exception of increasing the maximum benefit to **$600** and increasing the maximum household income eligibility to approximately **$17,200**. Looking at the history of this Act, in 1973 the maximum benefit was $400 and stayed at that level until increasing to $500 in 1989. Admittedly, I am not a property tax historian. However, I am assuming that in the past twenty years, property taxes on average have increased significantly more than $200 for the average property taxpayer. If we are to keep this Act current and effective, periodically we need to increase the benefits allowed. That is the intent of this bill.

I would be glad to try and answer any questions.

House Taxation
Attachment 1
02-25-92

Maximum Homestead Property Tax Refunds
Current Law and Rep. White



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KANSAS LEGISLATIVE RESEARCH DEPARTMENT

Room 545-N -- Statehouse

Phone 296-3181

February 12, 1992

TO: Representative Allan White **Office No. 284-W**

RE: Homestead Property Tax Tables under H.B. 2785

Enclosed is a table generated at your request to approximate the refund table in the homestead booklet if H.B. 2785 were enacted.

The table has mid-points at the column and row heads, but the Department no doubt would continue to use ranges of incomes and taxes (or 15% of rent), as they presently do.

I hope this information is useful to you. If you have further questions please contact me.

Tom

Thomas A. Severn
Principal Analyst

92-0181/TAS

Household Income	Property Tax Paid 15	25	35	45	55	65	75	85	95	105	115	125	135	145	155	165	175	185	195	205
<3,400	Refund is amount of allowable property tax or 15% of rent paid.																			
$3,500	10	20	30	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
3,700	6	16	26	36	46	56	66	76	86	96	106	116	126	136	146	156	166	176	186	196
3,900	0	12	22	32	42	52	62	72	82	92	102	112	122	132	142	152	162	172	182	192
4,100	0	7	17	27	37	47	57	67	77	87	97	107	117	127	137	147	157	167	177	187
4,300	0	0	11	21	31	41	51	61	71	81	91	101	111	121	131	141	151	161	171	181
4,500	0	0	0	15	25	35	45	55	65	75	85	95	105	115	125	135	145	155	165	175
4,700	0	0	0	7	17	27	37	47	57	67	77	87	97	107	117	127	137	147	157	167
4,900	0	0	0	0	9	19	29	39	49	59	69	79	89	99	109	119	129	139	149	159
5,100	0	0	0	0	0	11	21	31	41	51	61	71	81	91	101	111	121	131	141	151
5,300	0	0	0	0	0	0	13	23	33	43	53	63	73	83	93	103	113	123	133	143
5,500	0	0	0	0	0	0	0	15	25	35	45	55	65	75	85	95	105	115	125	135
5,700	0	0	0	0	0	0	0	7	17	27	37	47	57	67	77	87	97	107	117	127
5,900	0	0	0	0	0	0	0	0	9	19	29	39	49	59	69	79	89	99	109	119
6,100	0	0	0	0	0	0	0	0	0	11	21	31	41	51	61	71	81	91	101	111
6,300	0	0	0	0	0	0	0	0	0	0	13	23	33	43	53	63	73	83	93	103
6,500	0	0	0	0	0	0	0	0	0	0	0	15	25	35	45	55	65	75	85	95
6,700	0	0	0	0	0	0	0	0	0	0	0	7	17	27	37	47	57	67	77	87
6,900	0	0	0	0	0	0	0	0	0	0	0	0	9	19	29	39	49	59	69	79
7,100	0	0	0	0	0	0	0	0	0	0	0	0	0	11	21	31	41	51	61	71
7,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12	22	32	42	52	62
7,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13	23	33	43	53
7,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14	24	34	44
7,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	15	25	35
8,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	16	26
8,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7	17
8,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8
8,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Household Income	Property Tax Paid 215	225	235	245	255	265	275	285	295	305	315	325	335	345	355	365	375	385	395	405
<3,400	Refund is amount of allowable property tax or 15% of rent paid.																			
$3,500	210	220	230	240	250	260	270	280	290	300	310	320	330	340	350	360	370	380	390	400
3,700	206	216	226	236	246	256	266	276	286	296	306	316	326	336	346	356	366	376	386	396
3,900	202	212	222	232	242	252	262	272	282	292	302	312	322	332	342	352	362	372	382	392
4,100	197	207	217	227	237	247	257	267	277	287	297	307	317	327	337	347	357	367	377	387
4,300	191	201	211	221	231	241	251	261	271	281	291	301	311	321	331	341	351	361	371	381
4,500	185	195	205	215	225	235	245	255	265	275	285	295	305	315	325	335	345	355	365	375
4,700	177	187	197	207	217	227	237	247	257	267	277	287	297	307	317	327	337	347	357	367
4,900	169	179	189	199	209	219	229	239	249	259	269	279	289	299	309	319	329	339	349	359
5,100	161	171	181	191	201	211	221	231	241	251	261	271	281	291	301	311	321	331	341	351
5,300	153	163	173	183	193	203	213	223	233	243	253	263	273	283	293	303	313	323	333	343
5,500	145	155	165	175	185	195	205	215	225	235	245	255	265	275	285	295	305	315	325	335
5,700	137	147	157	167	177	187	197	207	217	227	237	247	257	267	277	287	297	307	317	327
5,900	129	139	149	159	169	179	189	199	209	219	229	239	249	259	269	279	289	299	309	319
6,100	121	131	141	151	161	171	181	191	201	211	221	231	241	251	261	271	281	291	301	311
6,300	113	123	133	143	153	163	173	183	193	203	213	223	233	243	253	263	273	283	293	303
6,500	105	115	125	135	145	155	165	175	185	195	205	215	225	235	245	255	265	275	285	295
6,700	97	107	117	127	137	147	157	167	177	187	197	207	217	227	237	247	257	267	277	287
6,900	89	99	109	119	129	139	149	159	169	179	189	199	209	219	229	239	249	259	269	279
7,100	81	91	101	111	121	131	141	151	161	171	181	191	201	211	221	231	241	251	261	271
7,300	72	82	92	102	112	122	132	142	152	162	172	182	192	202	212	222	232	242	252	262
7,500	63	73	83	93	103	113	123	133	143	153	163	173	183	193	203	213	223	233	243	253
7,700	54	64	74	84	94	104	114	124	134	144	154	164	174	184	194	204	214	224	234	244
7,900	45	55	65	75	85	95	105	115	125	135	145	155	165	175	185	195	205	215	225	235
8,100	36	46	56	66	76	86	96	106	116	126	136	146	156	166	176	186	196	206	216	226
8,300	27	37	47	57	67	77	87	97	107	117	127	137	147	157	167	177	187	197	207	217
8,500	18	28	38	48	58	68	78	88	98	108	118	128	138	148	158	168	178	188	198	208
8,700	9	19	29	39	49	59	69	79	89	99	109	119	129	139	149	159	169	179	189	199
8,900	0	10	20	30	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190
9,100	0	0	11	21	31	41	51	61	71	81	91	101	111	121	131	141	151	161	171	181
9,300	0	0	0	12	22	32	42	52	62	72	82	92	102	112	122	132	142	152	162	172
9,500	0	0	0	0	13	23	33	43	53	63	73	83	93	103	113	123	133	143	153	163
9,700	0	0	0	0	0	14	24	34	44	54	64	74	84	94	104	114	124	134	144	154
9,900	0	0	0	0	0	0	15	25	35	45	55	65	75	85	95	105	115	125	135	145
10,100	0	0	0	0	0	0	6	16	26	36	46	56	66	76	86	96	106	116	126	136
10,300	0	0	0	0	0	0	0	7	17	27	37	47	57	67	77	87	97	107	117	127
10,500	0	0	0	0	0	0	0	0	8	18	28	38	48	58	68	78	88	98	108	118
10,700	0	0	0	0	0	0	0	0	0	9	19	29	39	49	59	69	79	89	99	109
10,900	0	0	0	0	0	0	0	0	0	0	10	20	30	40	50	60	70	80	90	100
11,100	0	0	0	0	0	0	0	0	0	0	0	11	21	31	41	51	61	71	81	91
11,300	0	0	0	0	0	0	0	0	0	0	0	0	12	22	32	42	52	62	72	82
11,500	0	0	0	0	0	0	0	0	0	0	0	0	0	13	23	33	43	53	63	73
11,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14	24	34	44	54	64
11,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	15	25	35	45	55
12,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	16	26	36	46
12,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7	17	27	37
12,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8	18	28
12,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9	19
12,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10
13,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Household Income	Property Tax Paid 415	425	435	445	455	465	475	485	495	505	515	525	535	545	555	565	575	585	595
<3,400	Refund is amount of allowable property tax or 15% of rent paid.																		
$3,500	410	420	430	440	450	460	470	480	490	500	510	520	530	540	550	560	570	580	590
3,700	406	416	426	436	446	456	466	476	486	496	506	516	526	536	546	556	566	576	586
3,900	402	412	422	432	442	452	462	472	482	492	502	512	522	532	542	552	562	572	582
4,100	397	407	417	427	437	447	457	467	477	487	497	507	517	527	537	547	557	567	577
4,300	391	401	411	421	431	441	451	461	471	481	491	501	511	521	531	541	551	561	571
4,500	385	395	405	415	425	435	445	455	465	475	485	495	505	515	525	535	545	555	565
4,700	377	387	397	407	417	427	437	447	457	467	477	487	497	507	517	527	537	547	557
4,900	369	379	389	399	409	419	429	439	449	459	469	479	489	499	509	519	529	539	549
5,100	361	371	381	391	401	411	421	431	441	451	461	471	481	491	501	511	521	531	541
5,300	353	363	373	383	393	403	413	423	433	443	453	463	473	483	493	503	513	523	533
5,500	345	355	365	375	385	395	405	415	425	435	445	455	465	475	485	495	505	515	525
5,700	337	347	357	367	377	387	397	407	417	427	437	447	457	467	477	487	497	507	517
5,900	329	339	349	359	369	379	389	399	409	419	429	439	449	459	469	479	489	499	509
6,100	321	331	341	351	361	371	381	391	401	411	421	431	441	451	461	471	481	491	
6,300	313	323	333	343	353	363	373	383	393	403	413	423	433	443	453	463	473	483	
6,500	305	315	325	335	345	355	365	375	385	395	405	415	425	435	445	455	465	475	[illegible]
6,700	297	307	317	327	337	347	357	367	377	387	397	407	417	427	437	447	457	467	477
6,900	289	299	309	319	329	339	349	359	369	379	389	399	409	419	429	439	449	459	469
7,100	281	291	301	311	321	331	341	351	361	371	381	391	401	411	421	431	441	451	461
7,300	272	282	292	302	312	322	332	342	352	362	372	382	392	402	412	422	432	442	452
7,500	263	273	283	293	303	313	323	333	343	353	363	373	383	393	403	413	423	433	443
7,700	254	264	274	284	294	304	314	324	334	344	354	364	374	384	394	404	414	424	434
7,900	245	255	265	275	285	295	305	315	325	335	345	355	365	375	385	395	405	415	425
8,100	236	246	256	266	276	286	296	306	316	326	336	346	356	366	376	386	396	406	416
8,300	227	237	247	257	267	277	287	297	307	317	327	337	347	357	367	377	387	397	407
8,500	218	228	238	248	258	268	278	288	298	308	318	328	338	348	358	368	378	388	398
8,700	209	219	229	239	249	259	269	279	289	299	309	319	329	339	349	359	369	379	389
8,900	200	210	220	230	240	250	260	270	280	290	300	310	320	330	340	350	360	370	380
9,100	191	201	211	221	231	241	251	261	271	281	291	301	311	321	331	341	351	361	371
9,300	182	192	202	212	222	232	242	252	262	272	282	292	302	312	322	332	342	352	362
9,500	173	183	193	203	213	223	233	243	253	263	273	283	293	303	313	323	333	343	353
9,700	164	174	184	194	204	214	224	234	244	254	264	274	284	294	304	314	324	334	344
9,900	155	165	175	185	195	205	215	225	235	245	255	265	275	285	295	305	315	325	335
10,100	146	156	166	176	186	196	206	216	226	236	246	256	266	276	286	296	306	316	326
10,300	137	147	157	167	177	187	197	207	217	227	237	247	257	267	277	287	297	307	317
10,500	128	138	148	158	168	178	188	198	208	218	228	238	248	258	268	278	288	298	308
10,700	119	129	139	149	159	169	179	189	199	209	219	229	239	249	259	269	279	289	299
10,900	110	120	130	140	150	160	170	180	190	200	210	220	230	240	250	260	270	280	290
11,100	101	111	121	131	141	151	161	171	181	191	201	211	221	231	241	251	261	271	281
11,300	92	102	112	122	132	142	152	162	172	182	192	202	212	222	232	242	252	262	272
11,500	83	93	103	113	123	133	143	153	163	173	183	193	203	213	223	233	243	253	263
11,700	74	84	94	104	114	124	134	144	154	164	174	184	194	204	214	224	234	244	254
11,900	65	75	85	95	105	115	125	135	145	155	165	175	185	195	205	215	225	235	245
12,100	56	66	76	86	96	106	116	126	136	146	156	166	176	186	196	206	216	226	[illegible]
12,300	47	57	67	77	87	97	107	117	127	137	147	157	167	177	187	197	207	217	
12,500	38	48	58	68	78	88	98	108	118	128	138	148	158	168	178	188	198	208	
12,700	29	39	49	59	69	79	89	99	109	119	129	139	149	159	169	179	189	199	209
12,900	20	30	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
13,100	11	21	31	41	51	61	71	81	91	101	111	121	131	141	151	161	171	181	191
13,300	0	12	22	32	42	52	62	72	82	92	102	112	122	132	142	152	162	172	182
13,500	0	0	13	23	33	43	53	63	73	83	93	103	113	123	133	143	153	163	173
13,700	0	0	0	14	24	34	44	54	64	74	84	94	104	114	124	134	144	154	164
13,900	0	0	0	0	15	25	35	45	55	65	75	85	95	105	115	125	135	145	155
14,100	0	0	0	0	6	16	26	36	46	56	66	76	86	96	106	116	126	136	146
14,300	0	0	0	0	0	7	17	27	37	47	57	67	77	87	97	107	117	127	137
14,500	0	0	0	0	0	0	8	18	28	38	48	58	68	78	88	98	108	118	128
14,700	0	0	0	0	0	0	0	9	19	29	39	49	59	69	79	89	99	109	119
14,900	0	0	0	0	0	0	0	0	10	20	30	40	50	60	70	80	90	100	110
15,100	0	0	0	0	0	0	0	0	0	11	21	31	41	51	61	71	81	91	101
15,300	0	0	0	0	0	0	0	0	0	0	12	22	32	42	52	62	72	82	92
15,500	0	0	0	0	0	0	0	0	0	0	0	13	23	33	43	53	63	73	83
15,700	0	0	0	0	0	0	0	0	0	0	0	0	14	24	34	44	54	64	74
15,900	0	0	0	0	0	0	0	0	0	0	0	0	0	15	25	35	45	55	65
16,100	0	0	0	0	0	0	0	0	0	0	0	0	0	6	16	26	36	46	56
16,300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7	17	27	37	47
16,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8	18		
16,700	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9		
16,900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
17,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		

Table 2

Summary of the History of the Kansas Homestead Property Tax Refund Act,* K.S.A. 79-4501 *et seq.*

	1970 Law	1972 Law	1973 Law	1975 Law	1978 Law	1979 Law	1989 Law
Qualifications							
Age	65	65	65 (widows-50)	60 (widows-50)	55**	55**	55
OR							
Disabled or Blind	No	Yes	Yes	Yes	Yes	Yes	Yes
OR							
With Dependent Under 18	No	No	No	No	Yes	Yes	Yes
Renter and Percent of Rent Allowed	No	No	No	Yes-12%	Yes-12%	Yes-15%	Yes-15%
Benefits							
Maximum Household Income Qualifying (minimum benefit)	$ 3,620	$ 5,900	$ 8,150	$ 8,150	$ 9,200	$ 12,800	$ 15,000
Property Tax Maximum	330	330	400	400	400	400	500
Maximum Benefit	247.50	330	400	400	400	400	500
Minimum Claim Payable	5.00	5.00	5.00	5.00	5.00	5.00	5.00

* Definitional or administrative changes are not summarized in this table.

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

Refund of Taxes For Year	General Age Requirement (As of Jan. 1)	Unmarried Widows (As of Jan. 1)
1978	59	51
1979	58	52
1980	57	53
1981	56	54
1982 and thereafter	55	55

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 a maximum benefit of $500. Eligible persons with a household income of $3,000 or under receive a full refund of property taxes up to the $500 limit. The amount of refund decreases as household income increases; persons with household incomes of more than $15,000 are ineligible for a refund. In addition to meeting the 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. Income is defined broadly, including items not subject to income taxes, such as Social Security benefits, railroad retirement benefits, veteran's disability pensions, workers' compensation, and interest from tax exempt securities.

In the early years, refunds could be taken as credits against Kansas income tax, or as refunds if credits exceeded liability. The program was soon separated from the income tax. A summary of claims paid (which includes for this table those processed as income tax credits), the total amount refunded (or allowed as a credit), and the average per claim for the life of the program is shown below in Table 3.

Table 3

Summary of Homestead Property Tax Refund Claims Data by Process Year

Calendar Year Processed	Total Claims "Paid"	Amount Allowed (Millions)	Average Per Claim
1971	15,129	$1.0	$ 66
1972	15,358	1.1	71
1973	30,416	3.1	104
1974	57,576	8.3	144
1975	63,882	9.4	147
1976	67,056	9.6	143
1977	61,628	8.6	140
1978	56,587	8.1	143
1979	62,233	9.3	150
1980	70,944	10.3	146
1981	67,429	9.8	145
1982	60,478	9.0	149
1983	53,789	8.0	149
1984	52,994	8.3	158
1985	49,286	7.9	160
1986	46,721	7.7	164
1987	46,930	7.4	157
1988	46,628	7.3	157
1989	44,255	7.0	157
1990	46,680	9.0	194
1991	44,846	8.6	191

Source: Department of Revenue.

Reappraisal Circuit Breaker. In 1989 Kansas enacted a temporary reappraisal circuit breaker which provided refunds of part of residential property tax increases attributable to reappraisal and classification. Qualifications included household incomes of less than $35,000, property tax increases of more than 50 percent, and the household had to meet qualifications for the homestead property tax refund program (elderly, disabled, or dependent child under 18). Maximum refunds were 50 percent of the increase or $500 for taxes levied in 1989 and 25 percent of the increase or $250 for taxes levied in 1990. Refunds under the temporary circuit breaker were an

RNMF 8

MEMORANDUM

TO:	Ms. Gloria M. Timmer, Director Division of Budget	DATE:	February 20, 1992
FROM:	Kansas Department of Revenue	RE:	House Bill 2785 As Introduced

BRIEF OF BILL

House Bill 2785 amends the Homestead Property Tax Act raising the maximum refund from $500, to $600. This act shall be in effect from and after January 1, 1993 and publication in the statute book.

FISCAL IMPACT:

House Bill 2785 raises the maximum homestead exemption from $500 to $600 which effectively raises the homestead income levels from $15,000 to $17,200. Similar legislation passed during the 1989 Session when the exemption was raised from $400 to $500 which also raised the homestead income levels from $13,000 to $15, 000. Based on refund data from FY 1989 and FY 1990, refunds increased by approximately $1.5 million during that period. It is estimated that this amendment will result in a similar increase.

NOTE: Homesteads were newly valued during the 1989-1990 period which contributed to the increase and may overstate the estimated cost of this act.

ADMINISTRATIVE IMPACT:

Implementation of this act would require some modification of programs and tables in the homestead tax system. Costs would be incurred in FY 1993 and are as follows:

1 Computer Systems Analyst II	5 days @ $135.00 per day	$ 675.00
1 Programmer III	10 days @ $135.00 per day	$1350.00
Disc	30 min @ $2285.00 per hr	$1242.50
Total		$3267.50

ADMINISTRATIVE PROBLEMS AND COMMENTS:

No administrative problems are associated with this act.

House Taxation
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LEGAL IMPACT:

This act has no legal impact.

APPROVED BY:

Mark V. Beshears
Secretary of Revenue

STATE OF KANSAS

BOB VANCRUM
REPRESENTATIVE, TWENTY-NINTH DISTRICT
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TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: APPROPRIATIONS
JUDICIARY
TAXATION

HOUSE COMMITTEE ON TAXATION

RE: HB-3024 Property Tax Deferral for the Elderly

CHAIRMAN WAGNON AND MEMBERS OF THE COMMITTEE:

Thank you for agreeing to hold hearings on HB-3024, property tax deferral for the elderly.

Most older people in our state own a home and want to remain living in it. While inflation is boosting their home value, it is also eroding their low to moderate incomes. Unless they sell their home and move, many older people will at some point have difficulty paying their living costs and their taxes, thereby jeopardizing their ability to stay in their houses.

Twenty states currently have a property tax deferrel program. Attached is some research done by the National Conference of State Legislators that shows how these states have structured their systems. These states have realized that it is possible to help older citizens and low income citizens meet the increasing burden of property taxes without a revenue loss to either state or local governments.

Each year older homeowners, age 62 and older with an annual income of less than $25,000 on or before December 20 of that year could request the State of Kansas to pay the property taxes they owe their local governments. These annual payments would be financed with interest accruing at a floating rate of 2% over applicable federal rate, (probably about 9%) as a loan

House Taxation
Attachment 3
02-25-92

from the state to the homeowner secured by equity in the home. Upon the death of the homeowner or prior sale or transfer 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 sell or transfer the house or they die. 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 State general fund.

What It would do

This new way to pay property taxes would result in a significant amount of added disposable income for elderly homeowners each year. This innovative approach to property tax payment comes at a critical time. Homeowning property taxpayers with the lowest incomes (the elderly) are also the fastest growing group of taxpayers.

In addition, older homeowners may be the most conscientious and desirable borrowers the State could have. As paid-up homeowners they have a life history of credit-worthiness. Because their life expectancy is shorter than that of younger people, the elderly will be borrowing for a shorter period of time.

Another advantage of these programs is their low cost. The experience in most of the 20 states with the program is that the amount of taxes actually deferred is not great. The low level of participation is in part due to the reluctance of many senior citizens to place a lien on their property.

An additional factor is inadequate publicity about the programs. As with other programs targeted at low-income persons, a strong outreach effort is absolutely necessary to make the program known to its intended benficiaries.

In Colorado the program has been in existence since 1979 and by 1990, total applications were still only 484 with the amount of taxes deferred in 1990 being $556,079.87 ($2.4 million counting all prior year liens). Colorado does not have an income cap, but does have a 12% interest rate.

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%.

There are safeguards built into the system, requiring the equity in the home to be at least 10% more than the mortgage, plus the deferral. This prevents the State from losing money in the program. Not only does this program help our senior Kansans but it also benefits the State by not having to fund programs such as the circuit breakers - the taxpayer still pays but pays later.

Two criticisms of this bill have emerged - both are based on misunderstanding of what the bill is intended to do:

(1) Deferral of taxes under the provisions of HB 3024 will not increase taxes on younger people - the State is merely <u>loaning</u> dollars to elderly homeowners against their home equity (neither the locals <u>or</u> the State will pick up these taxes permently).

(2) When loan level hits 90% of value of the house, the homeowners are no longer eligible for deferral - although they might be forced to sell the house at that point, we have at least kept them in home <u>years</u> longer. This is not even issue for vast majority of people benefited.

Bob Vanun

Deferral Programs

Twenty states have property tax deferral programs for qualifying elderly and disabled homeowners. These programs allow homeowners to use the equity in their homes to guarantee payment on deferred taxes. Deferred taxes become a lien on the home that is satisfied when the home is sold or when the homeowners' estate is settled.

Table 6 provides detail on the programs. Elderly homeowners are eligible for the program in all 20 states, while disabled homeowners are eligible in seven states. Seven of the 20 states do not impose income eligibility guidelines for program participation.

Virginia and Utah allow local governments to decide whether to allow property tax deferrals. In the other 18 states, the program is mandated by state law.

Participation in deferral programs is low because many elderly homeowners are reluctant to place a lien on their property.

Program Goals

The goals of property tax relief programs vary from state to state. Most states that provide relief based upon income target relief to the elderly on the premise that retirees on fixed incomes should not be forced to sell their homes because they cannot afford property taxes. Another rationale for targeting relief to the elderly involves school finance. School taxes represent the bulk of property tax bills in most localities. In states with high property taxes, elderly homeowners may balk at paying higher school taxes when they do not receive any direct benefits.

Limiting property tax relief to the elderly limits program costs. As shown in Table 7, the per capita cost of circuitbreaker programs in states limiting programs to the elderly and disabled is significantly below the cost of programs in states that allow all homeowners and renters to participate. The most generous program targeted to the elderly, in Pennsylvania, cost $13.25 per capita in fiscal year 1990. Programs in nine of the 11 states that provide benefits for all qualifying homeowners and renters were more expensive, on a per capita basis, than Pennsylvania's program.

States that allow all homeowners and renters to participate in the program have broader program goals in mind. These states may be concerned with the regressivity of the property tax and use circuitbreakers and income-tested homestead exemption programs to alleviate this concern. Or, in the case of Oklahoma, the program may have survived from the Great Depression, when it could prevent tax sales without any clear present policy goal.

State deferral programs are targeted specifically to the issue discussed above: elderly homeowners losing their homes because they cannot afford property taxes. This low-cost program eliminates this problem without a revenue loss for state or local governments. Local governments fully recover back taxes when the home is sold or when the homeowners' estate is settled. Program participation is limited, however, because many elderly homeowners are unwilling to allow a lien against their home.

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Table 6.
Property Tax Deferral Programs For Homeowners, 1991.

State	*Elderly*	*Disabled*	*Income Cap*	*Amount of Deferral*
California	X	X	$20,000	All tax due.
Colorado	X		None	All tax due; market value cannot exceed liens.
District of Columbia	X		None	Taxes above 110% of prior year liability.
Florida	X	X	None	Taxes exceeding 5% of income. Full deferral for incomes below $10,000.
Georgia	X		$15,000	Taxes on first $125,000 market value.
Illinois	X		$14,000	All tax due.
Iowa[1]	X	X		All tax due.
Maine	X		$32,000	All tax due.
Maryland[2]	X		None	Local option program. Full deferral for disabled elderly.
Massachusetts	X		$20,000	Taxes on first 50% of assessed value.
Michigan	X	X	$13,700	Special assessments over $300 are eligible for deferral.
New Hampshire	X		None	Local option program; defer 85% of tax.
North Dakota	X		$13,000	All special assessments.
Oregon[3]	X		$19,500	All special assessments and homestead property tax.
Tennessee	X		$12,000	Local option program. Taxes on first $60,000 market value. For homes under $50,000 market value, defer all tax above 1979 levels.
Texas	X		None	All tax due.
Utah	X	X	$16,450	Local option program. 50% of tax due, up to $300 limit.
Virginia[4]	X	X	$30,000	All tax due.
Washington	X		$30,000	Tax on first 80% of equity value.
Wisconsin	X	X	$20,000	Up to $1,800.

Notes to Table 6:

[1] Iowa: Applicants must meet local income eligibility guidelines.
[2] Maryland: Applicants must meet local income eligibility guidelines and have lived in their home for five years or more.
[3] Oregon: Maximum total household income for new applicants is $19,500. Once in the program, federal adjusted gross income must be below $24,000.
[4] Virginia: Local option program.

Source: NCSL survey, Summer 1991.

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Table 7.
Cost of State Circuitbreaker Programs.

State	All Homeowners and Renters Eligible	Year	Cost (millions)	Cost Per Capita	Rank
Alaska		CY90	$0.7	$1.35	26
Arizona		FY88	27.2	7.80	12
Arkansas		CY90	4.0	1.69	25
California	X	CY90	NA	NA	--
Colorado		FY90	16.3	4.91	15
Connecticut		FY91	23.2	7.04	13
District of Columbia	X	FY89	8.9	14.42	8
Hawaii		CY89	5.7	5.13	14
Idaho		CY91	4.5	4.47	16
Illinois		CY90	101.5	8.85	11
Iowa		FY91	10.8	3.88	18
Kansas		CY91	8.6	3.45	19
Maine	X	FY91	19.4	15.73	6
Maryland	X	FY91	45.6	9.50	10
Michigan	X	FY90	708.7	76.43	2
Minnesota	X	FY91	129.2	29.45	4
Missouri		FY90	16.5	3.20	20
Montana		FY92 (est)	3.5	4.38	17
Nevada		FY91	1.3	1.08	27
New Jersey	X	FY92 (est)	710.0	91.85	1
New Mexico		1990	NA	NA	--
New York	X	CY89	48.2	2.69	21
North Dakota		FY90	0.2	0.31	29
Oklahoma		CY90	0.4	0.13	30
Oregon	X	CY89	41.2	14.61	7
Pennsylvania		FY90	158.0	13.25	9
Rhode Island		FY91	0.6	0.60	28
South Dakota		FY91	1.4	2.00	22
Tennessee		FY90	9.5	1.92	23
Utah		FY90	3.2	1.86	24
Vermont	X	FY91	21.0	37.17	3
West Virginia		CY90	*	0.00	31
Wisconsin	X	FY90	106.4	21.86	5

* Less than $100,000.
NA: Not available.

Source: NCSL survey, Summer 1991.

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1989-92

STATE OF COLORADO
DEPARTMENT OF THE TREASURY

GAIL S. SCHOETTLER
STATE TREASURER

NANCY COLEMAN
DEPUTY TREASURER

May 10, 1990

MEMBERS OF THE FIFTY-SEVENTH GENERAL ASSEMBLY

Ladies and Gentlemen:

Attached is the annual report and analysis of the property tax deferral program for the elderly for Fiscal Year 1989-90.

If you have any questions concerning the attached material, please don't hesitate to call me or Tom Hancock at 866-5649.

Sincerely,

Gail Schoettler

Gail Schoettler
State Treasurer

Attachment

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140 STATE CAPITOL DENVER, COLORADO 80203 (303) 866-2441

Reporting Year	# Apps	Prev Balance	Int Earned	Amnt of Taxes Deferred	Total	Prin Payoffs	Int Payoffs	Ending Balance
1979	26	0.00	0.00	16,391.25	16,391.25	522.96	19.52	15,848.77
1980	45	15,848.77	1,014.29	29,735.08	46,598.14	2,675.93	172.47	43,749.74
1981	60	43,749.74	2,543.49	43,077.41	89,370.64	7,023.93	878.49	81,468.22
1982	62	81,468.22	5,656.68	49,874.32	136,999.21	4,433.33	612.50	131,953.38
1983	68	131,953.38	10,046.76	56,485.82	198,485.96	8,554.59	619.64	189,311.73
1984	129	189,311.73	13,471.83	115,015.23	317,798.79	19,579.89	852.86	297,366.04
1985	280	297,366.04	22,251.28	241,161.85	560,779.17	13,605.20	834.35	546,339.62
1986	315	546,339.62	36,818.52	299,536.53	882,694.67	80,284.14	4,428.37	797,982.16
1987	296	797,982.16	53,155.67	302,158.43	1,153,296.26	88,014.86	5,319.39	1,059,962.01
1988	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
1989	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
1990	484	1,939,877.87	114,776.98	556,079.87	2,610,734.72	184,902.22	17,992.76	2,407,839.74

KANSAS DEPARTMENT ON AGING
TESTIMONY ON HB 3024
BEFORE THE HOUSE COMMITTEE ON TAXATION
FEBRUARY 25, 1992

The Kansas Department on Aging supports the concept of property tax deferral for older Kansans in HB 3024 as a low cost way to reduce the property tax burden for some persons.

The property tax has been called the single most difficult regularly recurring expense for many older persons. A 1989 national survey of persons age 55+ found that 38% of respondents believed they were paying too much for property taxes. Among minorities and those with significant health problems, the percentage rose to 52%.

When survey respondents were asked about future housing related expenses, 61% said they were somewhat or very concerned about property taxes. Clearly, meeting property tax obligations was a problem for many older persons even before reappraisal.

Property tax deferral (PTD) is perhaps the simplest form of home equity conversion which is the generic term for a variety of ways of turning home equity into income. Home equity has been identified as the single largest untapped financial resource in this country.

Accessing this equity to help older persons pay for their property taxes is not a new idea. Oregon implemented the first such program in 1963. Today about 16 states have either statewide or local PTD programs.

There are three specific concerns we have with HB 3024 as written. The first deals with the disclosure of information to potential participants in a PTD program. We support a disclosure requirement such that applicants would be informed that: possible alternatives to PTD exist (e.g. home equity loans, home equity conversion, and homestead property tax exemption); deferring property taxes may negatively affect qualifying for home equity conversion at a later date; extended deferral of property taxes could result in substantial interest charges due to compounding; and PTD could impact income taxes or public benefits.

Our second concern is about participation rates in a PTD program. The experience of other states is that participation rates will be very low unless a strong public information campaign accompanies the program. Many older persons have a great reluctance to have liens placed on their homes. KDOA supports requiring a public information program as a part of any PTD program.

Our last concern is about the interest rate to be charged. We would support a slightly subsidized rate that is indexed to

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changing economic conditions. If market rates were to apply, much of the rationale for this program would be lost.

PTD programs have the potential to be of great assistance to some older property taxpayers. The cost to the state will be relatively low as eventually the deferred taxes will be repaid with interest. Potential program participants must be informed of the advantages and disadvantages of PTD so they can make informed choices. Unless the program is adequately publicized and interest rates are attractive, participation will be minimal and only symbolic property tax relief would have been provided. HB 3024, with appropriate modifications, can be a vehicle for providing meaningful additional property tax relief. We recommend its favorable consideration.

GAD:proptax.tst

STATE OF KANSAS

Sally Thompson
TREASURER

900 JACKSON, SUITE 201
TOPEKA, KANSAS 66612-1235

TELEPHONE
(913) 296-3171

Presentation to the House Committee on Taxation
by Gloria O'Dell, special assistant to the State Treasurer
Tuesday, February 25, 1992

Thank you madam chairwoman, Rep. Wagnon, and members of the Taxation Committee for the opportunity to discuss HB 3024 and its impact on the office of the State Treasurer.

As written, HB 3024 provides for the state to 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. Should the state take title of any property in the event of foreclosure, then the property would need to be sold in order to recover any deferred taxes and accrued interest.

The provisions of this bill require the office of the State Treasurer to assume a role and responsibility outside of its historical and present day function--it has not ever performed a role in tax collection or enforcement. It does bank the state revenues and invests them until needed for disbursement. There is no means to administer this program--expertise in real and personal property appraisal, an attorney knowledgeable in real estate law and title law, not to mention tax law.

Beyond this significant major concern, looking into the bill particulars, there are additional questions to be addressed:

Under the lien position, the state's lien would take a junior position to any existing mortgage. This translates into the state buying out the mortgage holder in the case of a foreclosure for any reason. Where do the funds comes from to payoff the mortgage

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holder?

Even the recording of the lien creates the need for funds. Since a lien must be for a certain amount (not blanket), the state would need to record a new lien each time the taxes were deferred. Who would pay for the recording of these liens?

In the event of a foreclosure, in the state of Kansas the foreclosure process takes from 90 to 120 days in the case of an uncontested foreclosure. Any foreclosure that is contested would lengthen that process. After the 120-plus days and the state takes judgment, the property is required to be held in a redemption period for a minimum of six months. (The judge could stipulate a longer redemption period.) Who would manage the property during the redemption period? Who would pay the holding costs? How would losses on the sale(s) be covered, in the event of any sales or losses? What would be the source of the budget dollars?

Additional questions include a couple regarding market value: Who would determine market value? Would this need to be re-established each year the taxes were deferred? Who would determine if subsequent insurance renewals provide sufficient coverage?

Madam chairwoman, these are just a few of the questions we feel the committee should look at in reviewing this bill. We do not pretend to be property tax experts. We do have some concerns about a proposal such as HB 3024 coming under the jurisdiction/ administration of the State Treasurer's office.

1051go92

I AM SPEAKING IN REGARDS TO THE BILLS CONCERNING RAISING THE TAXES OF RESIDENTIAL PROPERTIES USED FOR REGISTERED AND LICENSED HOME DAYCARES. (HOUSE BILL # 2852 & SENATE BILL # 568)

WHEN I FIRST HEARD ABOUT THESE BILLS I WAS DEEPLY CONCERNED. MY CONCERN WAS THREE-FOLD.

MY FIRST CONCERN WAS WITH ALL OF THE IN-HOME DAYCARE PROVIDERS. DAYCARE PROVIDERS DO NOT MAKE A VAST AMOUNT OF MONEY. MANY OF US ARE IN DAYCARE BECAUSE OF OUR GENUINE LOVE FOR CHILDREN. BEING A DAYCARE PROVIDER IS A "LABOR OF LOVE", AND THAT IS WHAT MAKES US SO SPECIAL & UNIQUE. PASSING THESE BILLS WOULD FORCE MANY OF US TO RAISE OUR PRICES, OR WORSE, CLOSE OUR DOORS.

MY SECOND CONCERN IS WITH THE PARENTS WHO HAVE CHILDREN IN IN-HOME DAYCARES. TWO DAYS AGO, I HAD A CHANCE TO TALK WITH MY PARENTS FROM MY OWN DAYCARE, AND I ASKED EACH OF THEM IF THIS WERE TO PASS HOW WOULD THIS EFFECT EACH OF THEM IF I HAD TO RAISE MY RATES. I WOULD LIKE TO SHARE WITH YOU SOME OF THEIR RESPONSES.

SEVERAL OF MY PARENTS EXPRESSED TO ME THAT THEY WOULD BE FORCED TO QUIT THEIR JOBS & STAY HOME WITH THEIR CHILDREN BECAUSE THEY WOULD BE WORKING AND MAKING JUST ENOUGH MONEY TO PAY FOR CHILDCARE. THIS IS NOT FAIR TO THOSE WHO ARE WORKING BECAUSE THEY NEED TO EARN A LIVING. ANOTHER PARENT SAID THAT, SADLY ENOUGH, HER CHILDREN WOULD PROBABLY HAVE TO STAY HOME BY THEMSELVES. FINALLY, REPRESENTATIVE HEINEMANN, I HAD ONE OF MY PARENTS REQUEST THAT I SUGGEST TO YOU THAT YOU RUN YOUR OWN HOME DAYCARE AND SEE FOR YOURSELF WHAT A DAYCARE PROVIDER EARNS.

TOGETHER THE DAYCARE PROVIDER AND THE PARENTS HAVE A COMMON INTEREST, AND THAT COMMON INTEREST IS THE CHILDREN. WHEN IT ALL COMES DOWN TO IT, OUR CONCERN SHOULD BE WITH THE CHILDREN.

STATE REGULATION # 28-4-116 STATES THAT "ALL DAYCARE PROVIDERS SHALL OFFER EACH CHILD THE OPPORTUNIY TO PARTICIPATE DAILY IN LEARNING ACTIVITIES WHICH PROMOTE HEALTHY GROWTH AND DEVELOPMENT. WE DO MORE THAN JUST SIT AROUND AND PLAY WITH TOYS ALL DAY. THESE CHILDREN ARE LEARNING. ONE OF MY PARENTS IS QUOTED AS SAYING , "WE ARE DOING A TREMENDOUS JOB PREPARING THE CHILDREN FOR KINDERGARTEN." SUNBEAM ALSO MAKES MONTHLY VISITS TO A NURSING HOME AND DECORATES WITH ARTWORK DONE BY OUR CHILDREN. WHAT I AM TRYING TO SAY IS THAT IF THIS BILL PASSES, THE CHILDREN WOULD BE GREATLY EFFECTED.

I PRAY THAT YOU WILL TAKE INTO CONSIDERATION ALL OF THE ABOVE AND EVERYTHING SAID HERE TODAY IN REGARDS TO THIS BILL AND VOTE ~~AGAINST~~ For THIS BILL.

REMEMBER THESE CHILDREN ARE OUR FUTURE, AND WHAT ACTIONS TAKEN HERE TODAY COULD GREATLY EFFECT THESE YOUNG LIVES.

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Kharon & the Kids
KHARON HUNTER DAY CARE
1230 CORNWALL, TOPEKA 66611 • 266-5330 • Licensed since 1967

Taxation Committee 2-25-92

Regarding HB# 2852

I'm Kharon Hunter, operator of a licensed day care home for children. My profession is challenging and rewarding. Day Care is not a high-dollar job. I have been able to continue operating and keep parent fees moderately low, because I've learned how to keep good records of direct expenses and shared-family deductions. Our low salaries have been partially compensated by the IRS exclusive tax code of 1977* and the Kansas personal property exemption of 1988*.

If Kansas regulated family child care providers are to continue offering services at the same dollar-rate, the real property taxation needs to be 12% and not at commercial rates.

Please support HB# 2852.

Sincerely,

Kharon Hunter

Kharon Hunter, provider of 25 years
Board Member of local, state and national family day care organizations

*Since 1977 IRS has given family child care providers an exclusive tax advantage under the Federal tax code. Therefore all licensed and registered providers in Kansas are eligible to deduct a percentage of their house expenses (household utilities, homeowners insurance, real estate taxes, mortgage interest and house depreciation). This is done by figuring our square footage of our space that is regularly used for our child care business. The final step in determining the business time-space percentage is to multiply the time-use percentage by the space-use percentage. This procedure was recently challenged but as of January 1992 was reinstated with more specific guidelines.

*As of 1988, Kansas licensed and registered family child care providers are exempt from paying personal property taxes on their household and personal effects (toys, beds and refrigerators etc) used in the home for the family and child care business purposes. Non-regulated providers are not exempt.

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I am Chris Lobmeyer, I am president of the Child Care Providers Association of GardenCity, Ks.

I represent the C.C.P.A's stand against the commercial tax rate imposed on Family Day Care. We feel the property tax should remain at residential rates, as we have no structural changes in our homes.

The children in our care use the same furnishings as our families. 97% of the nations families prefer benefits of in-home child care are.

1. Home like and stable environment
2. Emphasis on good nutrition
3. A child can be nutured in a one-on-one in areas of social, emotional, physical and intellectual development with an emphasis on positive self image and personal creativity.
4. Legal recourse is available to parents if needed.

Requirements:

Licenced Day Care.

1. Yearly state inspections for health and safety.
2. Continuing education.
3. Health assessments for provider, family and all workers.

Unlicenced Child Care has no state regulations. Providers now in business are strongly considering getting out of in-home day care. Others that were considering getting licenced are not. We are limited to 10-12 children because of how our licence reads. We cannot increase our enrollment to compensate for more tax burdens.

Our concern is parents will use illegal child care as an alternative because we cannot absorb more taxes. The children of Kansas deserve the best care available.

Parents feel they are already paying at the top of the pay scale for quality child care.

Our Association has focused on informing community and parents about quality child care, and setting a high standard of quality for others to follow.

We strongly feel in-home day care be taxed at the residential rate.

Thank you,
Chris Lobmeyer
1408 Olive
Garden City, Ks.
67846

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FINNEY COUNTY HEALTH DEPARTMENT

"We Care About Your Health"

919 Zerr Road • Phone 316-276-2781 • Garden City, Kansas 67846

My name is Sharon Ford. I am the Licensing Evaluator for Daycare Homes in Finney County. At the present time we service approximatly 103 Licensed and Registered Homes.

I have had the opportunity to open 7 new homes in January and February 1992. Finney County usually has an average of 6 per month. these seven homes opened all questioned the 30% commercial tax rate. I had 4 not open stating this rate as the reason.

Illegal care is of great concern to me. I am working with 21 illegal homes at the present time. I have had voice/person contact with 45% of these with 100% stating the 30% commercial tax rate as a reason. to not be licensed.

Providers express to me on a daily basis their concern regarding this taxation. I believe if the home remains in the original state, not being altered by remodeling, no signs out front; no separate enterance, it is still a home. I have been to every daycare in Finney County and could count on my hand

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the number who have changed their home and ways for daycare. Most are just regular homes, as it is <u>HOME DAYCARE</u>.

I urge you to help take care of our children. The higher tax rate will either be passed on to parents who cannot afford it, leaving them the latchkey child alternative and providers who will go "underground" to unregulated care. The cost will be paid for by our children in the end.

Family units are important to the morality and value of our future. Daycare homes are extented family. By helping daycares stay in business, you are helping our Children.

Please help keep daycares affordable and legal at the residential tax rate of 12%.

Thank you,

Sharon Ford

Open 5 a.m. - 5:30 p.m.
Monday thru Friday

Ages infant thru 14 yr
Licensed thru th
State of Kansas

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 have been a licensed home child care provider, operating a facility from my home, since 1987.

I am here today to urge you to support House Bill #2852. This bill would clarify existing legislation regarding taxation of real property used partially for day care homes. Currently, different counties in Kansas are interpreting the statutes differently, and some providers in Kansas have been assessed at the commercial rate of 30%!

Home child care is a unique business, one unlike any other. Currently, the state mandates the training I must have to do my job, the number of children I can care for, and the number of hours per day I can be in operation. My income potential has been set. These regulations are important and necessary, because they provide for the safety of children in day care homes. To treat us as any other industry or business, and expect us to pay tax on our homes at the commercial rate, would be totally unfair.

My place of business is also my residence. In fact, it is my residence more hours of the day and week than it is my business. Not every part of my house is currently used for child care (although many providers do use their entire home). How could I be fairly taxed at the commercial rate when this is where I live with my husband and three children?

The property tax on my home last year was $800.00. Re-assessing me at a commercial rate would cause my taxes to be increased to over $2,000.00 per year. My only course of action available, if I chose to stay in family child care, would be to immediately increase the fees I charge my daycare families for child care. One of the very reasons family child care is the #1 choice of working parents is it's affordability. It I increase my rates to offset the expense of additional taxes, the hardship will be on all those working families who are already struggling to make ends meet in our present day economy.

As my legislators, you are here to make laws that will benefit Kansans and our state. Increasing property taxes on daycare homes will only create a hardship on providers and working parents. Already there are many people out there providing unregulated care, and it will be difficult to encourage those people to become licensed or registered if they know there taxes will increase by doing so. Those of us that are following the state regulation requirements shouldn't be "punished" for doing so! I am in this business because I believe that our children deserve the very best child care possible. I am in this business because I believe that home child care is the best possible atmosphere for a young child. I believe that being around children of different ages in a home-like environment is the best possible learning atmosphere for young children. I want to be able to continue providing quality care in my home without having to increase my fees due to excessive taxes on my home! **Please** support family day care by supporting this bill.

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Dear Chairman and Commitee:

I feel a need to write to you my testimony because I believe it is important for you to understand the position of a Child Care Provider.

Presently, Child Care Providers need your help. Please support House Bill No. 2852. This bill supports Child Care Providers to use residential real property for day care home purposes if such home is registered or licensed.

This will continue to allow Child Care Providers the opportunity to care for children in a family home enviroment. It will also continue to allow professionalism to grow in the quality of care our children need and deserve.

I am a Licensed Group Day Care Home Provider and the President of The Licensed Providers Coalition of Saline County. I have loved and cared for children for 10 yaers. I work from 60 to 70 hours a week, twelve months a yaer. I have attended 130 hours of KCCTO, evening meetings, workshops, board meetings, and ect.

As a Child Care Provider, I am paid very little when you account for the extra wear and tear it has on the entire home. The added expenses of utilities, water, phone, groceries, and much more. I am 29 years old, married, and a mother of four children. It takes everything we make to support our family and seldom do we have enough money left over for any extras. Aside from this, I love what I do; I'm a Professional at what I do; I am proud of my chosen career and of the report I receive. I am in this career that truely suits me and uses my God given talents, because of my concern for young children and the quality of Child Care given in large centers.

I feel if this bill is not approved it will force Home Child Care Providers out of buisness. People like the family atmosphere they have in a home, the home enviroment and the love and care. This would force them in larger centers or with no care at all. I'd hate to see whats going to happen to our children ? This could turn more children into Latchkey kids, because parents won't be able to afford the raised rates.

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I wrote this letter on behalf of other Child Care Providers who have chosen this career out of pure dedication to the young children of our society. We ask your support on House Bill 2852.

Sincerely,

Mindy Augustine

Submitted by Mindy Augustine, Group Child Care Provider and President of The Licensed Providers Coalition of Saline County.

KAEYC
Kansas Association for the
Education of Young Children

Testimony on HB 2852
Presented to the House Assessment and Taxation Committee
February 25, 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 2852. Many members of the Association I represent are Licensed and Registered Day Care Home Providers for whom this proposed legislation was drafted. It is customary for family day care providers to use their entire home for child care during the hours the children are in care. No specific area in the house can be identified as the area in which business is conducted, and Kansas licensing statutes require the total premises to be inspected for licensing purposes. Therefore, because the home is primarily a residence, with child care a secondary purpose, we believe it is both logical and fair that the home be assessed at 12% of its value.

Providing child care in a family home is an important service both to parents who must work and to children who need the care. Many working parents prefer to leave their children in a residential setting, and many children tend to feel more secure in a place that feels like home. Day care providers are not highly paid because the majority of children in their care are not subsidized and parents cannot afford to paid a high daily rate. Therefore, classifying the day care home as a business at 30% assessed value would not only require the family to pay the business tax on their private residence, but having to pay a much higher rate of property tax would cause many day care home providers to cease providing child care. This would be a major disaster in those communities which rely heavily on family day care providers to meet their child care needs.

For these reasons we urge you to recommend HB 2852 favorably for passage.

Thank you.

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