

Approved TUES. 2-18-92  
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Senator Dan Thiessen at  
Chairperson

11:00 a.m./p.m. on Monday, February 17, 1992 in room 519-S of the Capitol.

All members were present except:

Senator Jack Steineger (excused)

Committee staff present:

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

Conferees appearing before the committee:

Senator LeRoy Hayden, Sponsor of **SB568**  
Chris Lobmeyer, President-Child Care Providers Assn. of Garden City, KS  
Sharon Ford, Licensing Evaluator for Daycare Homes in Finney County  
Kharon Hunter, Provider and Board Member of Local, State and Nat'l. Family Daycare  
Shirley Norris, KS Association for the Education of Young Children  
Reva Wywadis, Child care provider, Topeka, KS  
Julie Kolde, Home Daycare Provider, Silver Lake, KS area  
Don Hayward, Revisor's Office

Chairman Dan Thiessen called the meeting to order at 11:04 a.m. and said the agenda for today is a hearing on **SB576 and SB568** and he recognized Senator LeRoy Hayden, sponsor of **SB568**.

**SB568**: Real property used for day care home purposes, classified as residential.

**THE FOLLOWING CONFEREES ARE PROPONENTS OF SB568**

Senator LeRoy Hayden said the problems in **SB568** was brought to his attention by some people in Garden City who run child home care centers, in Garden City. He said, this is different than child day care centers. He said in one of his nine counties in his district, they are counted as a commercial operation and put on the tax rolls at 30% and the other eight counties are on 12%. He said, if these people go on at 30%, they will have to raise their charges for child care to help them pay for their taxes, or they will have to go out of business, and if they go out of business, this works a hardship especially for smaller towns where there are no day care centers.

He said, there is a definite need in smaller towns especially, for these services and some smaller towns have no day care centers at all. He said, with the economy and mothers that need to work, there is a very definite need for the day care centers, and they should not be taxed at 30% commercial, they should be taxes at 12% on residential.  
**(NO WRITTEN TESTIMONY)**

Chris Lobmeyer, President-Child Care Providers Association of Garden City, said she represents the C.C.P.A.'s stand against the commercial tax rate imposed on Family Day Care, and she said she feels, the property tax should remain at residential rates, because they have not made any structural changes in their home. She said, the children in her care use the same furnishings as her family, and 97% of the nations families prefer benefits on in-home child care.

She said, providers now in business are strongly considering getting out of in-home day care, as they are limited to 10-12 children because of how their license reads, and she said they cannot increase their enrollment to compensate for more tax burdens.

She asked the committee's support on **SB568**. (**ATTACHMENT 1**)

Sharon Ford, Licensing Evaluator for Day Care Homes in Finney County, said they service approximately 103 licensed and registered homes. She said in Finney County she opened 7 new homes in January and February 1992 and all 7 questioned the 30% commercial tax rate, and 4 changed their minds and did not open.

She said illegal care is of great concern to her and presently she said, she is working with 21 illegal homes. She has had contact with all of these providers and 45%

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Monday, February 17, 1917

of them with 100% stating the 30% commercial tax rate as a reason not to be licensed.  
(ATTACHMENT 2)

Kharon Hunter, provider and Board Member of local, state and national family day care, said she has been a provider for 25 years in Topeka. She said since 1977 IRS has given family child care providers an exclusive tax advantage under the Federal tax code, therefore she said, all providers in KS are eligible to deduct a percentage of their house expenses. She said this is done by figuring their square footage of their space that is regularly used for their child care business. She said in figuring the time-space percentage, is to multiply the time-use percentage by the space-use percentage.

She said, if KS family child care providers are to continue offering services at their current rates, providers cannot withstand property tax at commercial rates.  
(ATTACHMENT 3)

Shirley Norris, representing the KS Association for the Education of Young Children said, it is customary for family day care providers to use their entire home for child care during the hours the children are in care, and she said she believes because the home is primarily a residence, with child care a secondary purpose. She said, she believes it is both logical and fair that the home be assessed at 12% of its value. She urged the committee to recommend **SB568** favorably for passage. (ATTACHMENT 4)

Reva Wywadis, said she has been a child care provider in Topeka, KS since 1987 and she said, the state is already limiting their potential income due to existing regulations, but to turn around and tax them at a commercial rate, like any other business, is unfair.

She said not all of her home is being used for home child care. She asked how can she be fairly taxed at a commercial rate, when this is the residence where she lives with her husband and three children?

She said if she would increase her rates to offset this additional expense, the hardship would be on all those working families who are already struggling to make ends meet in their present day economy. (ATTACHMENT 5)

Julie Kolde, a licensed Home Day Care Provider for 5 years in the Silver Lake area, said she has 3 children of her own and cares for 7 others, and she said they live in a rural area where daycare centers are not available and home daycares are in great demand.

She said, it is becoming harder to be a care giver with the new laws to comply with all the time, and it is costing them more money every year.

She said, if they are forced to get a commercial loan on their home, this would mean a 25% downpayment and higher loan costs, vs residential at 10% downpayment and a percentage of the loan amount for loan costs. She said, they cannot afford this type of loan on their home, and she said she feels with this type of stipulation there will be more Day Card Providers going "underground", and they will go unregulated by the State and income will more than likely go unreported to the IRS, worse yet some may quit all together.

She asked the committee members to help them stay in the business they love. (ATTACHMENT 6)

After committee discussion, Chairman Thiessen concluded the hearing on **SB568** and he said we did have another bill to hear, **SB576** but have run out of time and he said we would hear it at the February 18th meeting.

Chairman Thiessen recognized Don Hayward to explain a bill that had been requested.

Don Hayward, Revisor's Office said the bill would exempt some sales tax purchases by public t.v. and radio stations.

Senator Sheila Frahm moved to introduce the bill, seconded by Senator Langworthy. The motion carried.

Senator Audrey Langworthy moved to adopt the minutes of February 12 and February 13, 1992, 2nd by Senator Don Montgomery. The motion carried.

Chairman Dan Thiessen adjourned the meeting at 12:03 p.m.



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 nurtured 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:

Licensed Day Care.

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

Unlicensed 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 licensed 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.

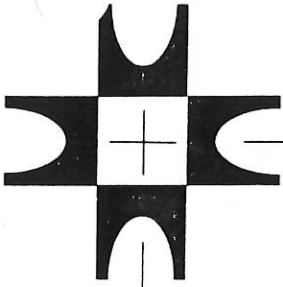
Parents feel they are already paying at the top of the pay scale for quality child care.

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  
1403 Olive  
Garden City, Ks.  
67846

SENATE ASSES. & TAX  
2-17-92  
ATT. 1-1



## St. Mary Catholic Church

509 St. John Street  
Garden City, Kansas 67846  
(316) 275-4204

15 February 1992

Dear Governor Finney,

It was a pleasure to have the honor last spring here in Garden City to sit with you at the head table during the G.I. Forum Scholarship Banquet of the Hispanic Community here of southwest Kansas. I realize you meet many people, so I can understand if you do not remember.

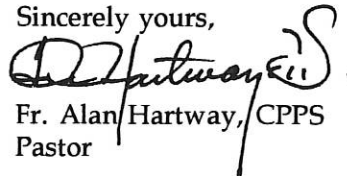
I am writing this letter because some of my parishioners are going to Topeka this coming Monday for the hearing on the proposed and discussed 30% tax increase to day care centers. Some of my parishioners operate quality day care centers here in Garden City, and the parish is planning to open a day care facility in the old convent, now the the good sisters who have served us these many years are now regretablely departed.

We are opening this center here because of the tremendous need here in Garden City for quality day care, and for the many people who prefer to have the day care of their choice owned and operated by a church, which offers some security for their children in their minds. We have almost an exclusively blue collar both parents working kind of economic class here because of the agricultural related economy and the huge IPP and Monfort beef packing plants.

This kind of tax proposal would seriously endanger quality and affordable day care for our people. Please consider the consequences of this legislation for the poor and for those barely now able to hold their own. It is my very seriiiously belief that this kind of tax would hurt many families and many people and organizations trying to provide quality day care to our work force. It is not in the best interest of the state to tax in this area; surely some other means can be found, like user taxes on alcohol and cigarettes that can be raised yet again.

Thank you for listening and reading this letter. Know that you are always welcome in Garden City. God bless you always in your work.

Sincerely yours,

  
Fr. Alan Hartway, CPPS  
Pastor

## 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 approximately 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 entrance, it is still a home. I have been to every daycare in Finney County and could count on my hand

SENATE ASSES. & TAX  
2-17-92  
ATT. 2-1

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

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 extended 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



Assessment & Taxation  
Chairman and Committee:

2-17-92

Regarding SB #568

I'm Kharon Hunter and I've been a licensed family child care provider for nearly 25 years in Topeka. Although I've enjoyed being self-employed and reaping the benefits of an in-home profession, my revenue has come from having low overhead rather than from high salary.

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 child care business purposes. Non-regulated providers are not exempt.

Because our low salaries have been partially compensated by the IRS exclusive tax code and the Kansas exemption, we have been able to endure the business and keep fees down for families contracting for child care services.

If Kansas family child care providers are to continue offering services at their current rates, providers can not withstand property tax at commercial rates.

Please support SB #568.

Sincerely,

*Kharon Hunter*

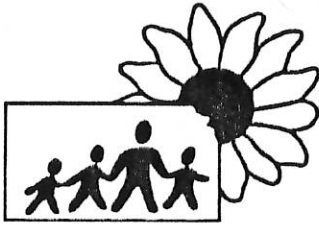
Kharon Hunter, provider  
Board Member of local, state and nat'l family day care

SENATE ASSES. & TAX

2-17-92

ATT. 3





**KAEYC**

Kansas Association for the  
Education of Young Children

Testimony on SB 568  
Presented to the Senate Assessment and Taxation Committee  
February 17, 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 SB 568. 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 pay 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 SB 568 favorably for passage.

Thank you.

SENATE ASSES. & TAX  
2-17-92  
ATT. 4

## TLC DAYCARE

Reva Wywadis  
2644 Michigan  
Topeka, KS 66605

Phone: (913) 267-4115

RE: SB #568

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.

For many, many reasons I am against commercial personal property tax assessment for home child care providers. Yes, I operate a business from my home. However, child care is unique to home business in that the state mandates how I do my job, the number of children I can care for, the number of hours I can be open in a given day. In other words, the state is already limiting my potential income due to existing regulations. Please don't misunderstand me--- these existing regulations are there because they provide for the safety of children in day care homes. But to turn around and tax us at a commercial rate, like any other business, is unfair. A retail business, like K-Mart or Hypermart, chooses their own hours of operation, and they are unlimited in the number of customers that can patronize their business in a given day. Home child care is not that type of an operation, so to assume that the same taxation rules will (or should) apply is an incorrect assumption.

Secondly, my place of business is also my residence. In fact, it is my residence more hours of the day and week than it operates as my business. Not every part of my house is currently being used for my daycare (although some providers do use their entire homes). How can I be fairly taxed at a commercial rate, when this is where I live with my husband and three children? I thought fair personal property tax was "the issue" for the legislature this term! This certainly doesn't seem fair to my family!

The personal property tax on my home last year was approximately \$800.00. Re-assessing me at the commercial rate would cause my taxes to increase to around \$2,000.00 per year. My only course of action available, if I chose to stay in family day 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 its affordability. If I increase my rates substantially to offset this additional expense, the hardship will be on all those working families who are already struggling to make ends meet in our present day economy.

SENATE ASSES. & TAX

2-17-92

ATT. 5

As my legislators, you are here to make laws that will benefit Kansans and our state. I don't see any way that this measure of taxation will do anything except create a hardship on providers and working parents. Already, there are many people out there providing unregulated care--- don't do something that will discourage those of us that are following the regulation requirements. I am in this business because I feel like our children deserve the very best child care possible. I am in this business because I believe that home day 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 child care in my home and not be forced into a position of having to raise my fees due to excessive taxes! **Please** support family day care by voting to assess homes where child care is provided at the residential rate.



## **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 five years in the Silver Lake area.

I have three small children of my own and care for seven others. We live in a rural area where daycare centers are not available and home daycares are in great demand.

Being a Home Daycare Provider is a tough job and is getting harder all the time. We have new laws to comply with all the time, therefore costing us more money every year. I personally don't make much money after expenses are paid, but I get to work at home and stay home with my own children.

My husband and I recently bought our first home. It takes a long time to save for the down payment and loan costs. It takes a ten percent downpayment and a percentage of your loan amount for loan costs. This is for a conventional loan, not a commercial loan. If we are forced to get commercial loans for our homes, this would mean a twenty-five percent downpayment and higher loan costs. The maximum pay back period on a conventional loan is thirty years, compared to ten to fifteen years for a commercial loan.

We, as Home Daycare Providers, cannot afford this type of loan on our homes. I feel with this type of stipulation there will be more Daycare Providers going "underground". They will go unregulated by the state and income will more than likely go unreported to the IRS, worse yet some may quit all together.

The Silver Lake area cannot afford to lose any of our Home Daycare Providers, this would mean more children being left at home alone.

Please protect us from this unfair practice of considering us commercial property and pass this bill to do so. Please help us stay in the business we love.

Thank you.

SENATE ASSES. & TAX

2-17-92

ATT. 6