

Approved: 3-31-95
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Vice Chairperson Gary Hayzlett at 9:00 a.m. on February 21, 1995 in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
Don Hayward, Revisor of Statutes
Ann McMorris, Committee Secretary

Conferees appearing before the committee: Listed with bill on which they appeared.

Others attending: See attached list

Vice Chair Hayzlett opened hearing on:

HB 2187 - Sales tax exemption for certain sales of food.

Proponent - Mike Broemmel, Let's Help (Attachment 1)

Questions and comments from committee. Chair closed hearing.

HB 2198 - Sales tax exemption for utility services furnished to certain group homes.

Proponent - Rep. Tony Powell (Attachment 2)

Questions and comments from committee. Chair closed hearing.

HB 2206 - Real estate sales validation questionnaires, completion by whom

Proponents - Elwain Cabbage, attorney, Hutchinson (Attachment 3)
John Peterson, Kansas Land Title Association

Opponent - Larry Reynolds, PVD Compliance Bureau Chief (Attachment 4)

Questions and discussion on change on questionnaire to allow other than Grantor/Grantee to sign the form in the interest of expediency in filing with the Register of Deeds. PVD conceded the proper information could be provided by legal agent and therefore the language possibly could be changed to include legal agent as an authorized signature. Chair closed hearing.

HB 2214 - Sales tax definition of selling price exclusive of coupons.

No hearing held.

HB 2400 - Income tax credit for employment of persons receiving welfare assistance.

Proponents - Rep. Patricia Pettey (Attachment 5)
Candace Shively, Ks. Dept. of Social and Rehabilitation Services (Attachment 6)

Comments and questions of the proponents from committee members. Chair closed hearing.

Chair asked for motion to approve minutes of February 10, 13, 14, 15, 16, 1995.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on February 21, 1995.

Moved by Wilson, seconded by Pettey, the Taxation Committee minutes for February 10, 13, 14, 15 and 16, 1995 be approved. Motion carried.

Adjournment.

The next meeting is scheduled for February 22, 1995.

TAXATION COMMITTEE GUEST LIST

DATE: FEBRUARY 21, 1995

NAME	REPRESENTING
MIKE BROEMMEL	LET'S HELP, Inc
MARK CIRDUCCO	KDOR
Steve Stoff	KDOR
Paul Davis	PVD
Larry Reynolds	PVD
Roger Traude	Ks Gov Consulting
RICHARD BODEWALD	TAXPAYERS
Dennis Winzenried	visitor
Elwin + cabbage	Attorney
Dennis Marten	visitor
Shannon Peterson	KS Bar Assoc
Reed W. Davis	KDDT
John Peterson	Ks Land Title Assn
Frances Kastner	Ks Food Dealers Assn
Doreen Hampton	Visitor
Rebecca W. Bradley	Visitor
Harriet Lange	Ks Assn Broadcasters
R. PERIN	Midwestern Metals
Gene	Midwestern Metals Inc.

Trail care

A.P.



DATE: February 20, 1995
TO: House Taxation Committee Member
FROM: Mike Broemmell
RE: House Bill Number 2087

How can we in Kansas foster a spirit of neighbors helping neighbors, citizens working together to strengthen our communities, and at the same time help people help themselves?

A program started in Kansas three years ago called Heartland SHARE which is under the auspices of Let's Help, a human service agency which is headquartered in Topeka, Kansas. This program encourages and rewards volunteerism. People who agree to do at least two hours of volunteer time can buy for themselves a food package (Share) for \$13.00. Churches, Senior Centers, civic clubs and other organizations act as "host sites". Host sites are responsible for signing up volunteers who, during the early part of each month, collect money for the purchase of Shares, track the participants volunteer time and then distribute Shares locally towards the end of each month.

The SHARE program has grown since it's inception three years ago. Since the program began in 1992, the program has grown from 16 host sites in Topeka and Shawnee County to 277 host sites that are located all over the state. During 1994, SHARE participants logged over 1.5 million hours of volunteer time. Volunteer projects included assisting the elderly, cleaning up our parks and highways, delivering meals to the homebound - the list of volunteer needs is boundless.

One important measure that you can do to further this program of volunteerism would be to eliminate the sales tax for the purchase of the Share food package. The loss of state revenues is minimal - approximately \$87,906, during 1994. The funds saved from state taxes would be used to enhance the Share food package.

We ask the Legislature to take this small step to promote volunteerism in communities and to enable people to help themselves.

Persons can contact Kathy Holscher at 234-6208 for information about host sites in their area, or to get answers to questions about the Heartland SHARE Program.

Let's Help Inc.

302 VAN BUREN • TOPEKA KS • 66603
PO BOX 2492 • TOPEKA KS • 66601
913-232-4357

House Taxation
2-21-95
Attachment 1-1

Community Utility Bank
Community Food Bank

LOCATIONS OF DISTRIBUTION SITES

Cheyenne 1	Rawlins 1	Decatur 1	Norton 2	Phillips 1	Smith 1	Jewell 1	Republic 1	Washington 2	Marshall 3	Nemaha 3	Brown 2	Doniphan 3
Sherman 1	Thomas 2	Sheridan 1	Graham 1	Rooks 2	Osborne 1	Mitchell 1	Cloud 1	Clay 3	Riley 7	Pottawatomie 5	Jackson 5	Atchison 3
Wallace 1	Logan 1	Gove 1	Trego 1	Ellis 2	Russell 5	Lincoln 1	Ottawa 4	5	Geary 1	Shawnee 55	5	Leavenworth 3
Greeley 1	Wichita 1	Scott 1	Lane 1	Ness 2	Rush 1	Barton 1	Ellsworth 1	Saline 9	Dickinson 1	Wabaunsee 3	Osage 4	Douglas 5
Hamilton 1	Kearny 1	Finney 1	Hodgeman 1	Pawnee 1	Stafford 1	Reno 6	Rice 1	McPherson 2	Marion 1	Lyon 5	Franklin 5	Johnson 6
Stanton 1	Grant 1	Haskell 1	Gray 2	Ford 1	Edwards 1	Harvey 2	Kingman 1	Sedgwick 26	Butler 4	Chase 5	Woodson 1	Allen 1
Morton 1	Stevens 1	Seward 1	Meade 1	Clark 1	Kiowa 1	Pratt 1	Barber 3	Sumner 5	Cowley 4	Elk 1	Wilson 1	Noble 1
					Comanche 1	Harper 2				Chautauqua 2	Montgomery 4	Laporte 4
												Cherokee 1

Total Number of Host Sites 277

2/17/95
1-2

TONY POWELL
REPRESENTATIVE, 85TH DISTRICT
SEDGWICK COUNTY
7313 WINTERBERRY
WICHITA, KANSAS 67226
(316) 634-0114



COMMITTEE ASSIGNMENTS

JUDICIARY
RULES AND JOURNAL
TAXATION
TRANSPORTATION

STATE CAPITOL ROOM 182-W
TOPEKA, KANSAS 66612-1504
(913) 296-7694

TOPEKA

HOUSE OF
REPRESENTATIVES

February 21, 1995

TO: Tax Committee Members

FROM: Rep. Tony Powell

RE: HB 2198

My legislation would exempt non-profit adult care homes, children's homes, group homes for the handicapped, and other housing for the elderly under K.S.A. 79-201b from sales tax on utilities. This legislation is identical to the amendment to HB 2057 that was approved by this committee. Given that it appears that HB 2057 may not see action on the floor, I believe that separate legislation is necessary.

Under current law, these homes already enjoy a partial exemption from the sales tax on utilities. Under K.S.A. 79-3603(w), these homes are eligible for an exemption on the sales taxes on utilities for the residential portion of these homes only. However, to obtain the exemption, these non-profit homes must go through a complicated application procedure which can include an audit by the Department of Revenue. The process can be time consuming and expensive, requiring these homes to spend scarce resources to obtain the exemption. My legislation would relieve them from this burden.

The cost of my legislation is small. Since these homes already on average, depending on the size of the residential portion of the home, obtain a 70 percent exemption, this amendment would just exempt the homes from the remaining 30 percent. As a result, according to staff, the cost is less than \$500,000, probably around \$300,000. The official fiscal note states that the amount is undetermined.

House Taxation
2-21-95
Attachment 2

T E S T I M O N Y

O F

E L W I N F. C A B B A G E
Martindell, Swearer & Shaffer
811 East 30th Avenue, Suite 100
P. O. Box 1907
Hutchinson, KS 67504-1907

b e f o r e

H O U S E T A X A T I O N C O M M I T T E E

o n

F e b r u a r y 2 1 , 1 9 9 5

I appreciate the opportunity to appear before this committee to present testimony concerning HOUSE BILL NO. 2206 which would amend K.S.A. 1994 Supp. 79-1437c to permit completion of the real estate sales validation questionnaire by the agent of the grantor or grantee as well as the grantor or grantee.

The concept of requiring the filing of a certificate of value (now real estate sales validation questionnaire) as a condition precedent to recording a deed or instrument providing for transfer of title to real estate was introduced with the enactment of Senate Bill No. 438 in the 1967 Session of the Kansas Legislature. (L. 1967, ch. 310, §1) and (K.S.A. 1967 Supp. 58-2223a) A certificate of value by the grantee or his agent was required.

The 1968 Session of the Kansas Legislature amended K.S.A. 1967 Supp. 58-2223a changing the requirement to provide for a "certificate of value by the grantor, grantee or his agent" (emphasis added) (L. 1968, ch. 336, §2) and (K.S.A. 1968 Supp. 58-2223a)

The 1976 edition of Volume 4, Kansas Statutes Annotated reflects an apparent editorial change in K.S.A. 58-2223a by adding "or her" in the phrase "certificate of value by the grantor, grantee or his or her agent."

The 1991 Session of the Kansas Legislature changed the form of the certificate of value and gave it a new title i.e. real estate sales validation questionnaire. (L. 1991, ch. 162, §3) and (K.S.A. 1991 Supp. 79-1437c) However, the persons permitted to complete the new real estate sales validation questionnaire remained "...the grantor, grantee or his or her agent..." (L. 1991, ch. 162, §3) and (K.S.A. 1991 Supp. 79-1437c)

The certificate of value/real estate sales validation questionnaire was from its inception in 1967 permitted to be completed by an agent of the grantee; and then from 1968, by an agent of the grantor or grantee. This authorization continued until April 30, 1992, the effective date of Senate Bill No. 598 enacted by the 1992 Session of the Kansas Legislature, a period of approximately twenty-five (25) years. Senate Bill No. 598 struck the authorization for completion of the real estate sales validation questionnaire by the agent of the grantor or grantee. (L. 1992, ch. 159, §1 and L. 1992, ch. 282, §18) and (K.S.A. 1992 Supp. 79-1437c, republished verbatim in K.S.A. 1993 Supp. 79-1437c and K.S.A. 1994 Supp. 79-1437c)

The real estate sales questionnaire devised by the director of property valuation pursuant to the provisions of K.S.A. 1992 Supp. 79-1437d (copy attached) concludes with a certification to the correctness of the questionnaire, signed by a person who is identified as either the grantor or grantee. Thus, interpreting the phrase "...completed real estate sales validation questionnaire by the grantor or grantee..." to require signature of either the grantor or grantee.

Often it is not feasible to complete the questionnaire at the time the instrument of conveyance is executed. If the grantor is an absentee owner or unavailable for some other reason when the conveyance should be recorded, there is a delay of the recording of the conveyance until either the grantor or grantee can be located to obtain that party's signature. The result is often a delay and inconvenience in completing the real estate transaction. For example, an individual owner of real estate may commence negotiations in a general way for its sale, leaving the remaining negotiations to be handled through an agent. The owner, to demonstrate good faith, may likely deliver an executed deed to owner's agent to hold for delivery to purchaser if and when the transaction is closed. Typically, the completion of the questionnaire would be delayed until the transaction was certain so that (a) the facts for completion of the questionnaire were known and (b) not to "run up" expenses in the event the transaction was not completed. If in the meantime the owner returns to owner's home out of state or embarks upon an extended vacation, there may be a delay in obtaining the signature of the owner.

Also, simple oversight to obtain the signature of grantor or grantee at the time of execution of the conveyance can result in delay of recording the conveyance while signature of grantor or grantee on the questionnaire is being sought.

Another concern arises from the removal of authority of an agent of grantor or grantee to execute the questionnaire. Assume that A, owner of real estate has granted to B a durable power of attorney which includes the power to sell real estate; that prospective purchaser C has granted to D a durable power of

attorney which includes the power to purchase real estate; and that after both A and C have become incapacitated it is desirable for D in the exercise of his power to purchase for C real estate owned by A. In order for such a transaction to be completed under these circumstances, B and D acting as agents of their respective principals, A and C, may conclude the transaction under the powers given them under the durable powers of attorney. Is this transaction to be thwarted simply because only "agents" are available to sign the questionnaire?

Also, because there is not uniformity of interpretation at the clerical level in the various offices of register of deeds concerning exemption from furnishing the questionnaire, it is sometimes more "cost effective" to complete a questionnaire. Again, if the grantor or grantee is not immediately available, there is delay in filing the underlying document.

It has been deemed of sufficient importance to receive the information concerning a real estate transfer contained in the questionnaire, that such information be furnished as a condition precedent to the recording of the conveyance of the real estate. I submit that it is in the best interest of the director of property valuation to receive such information with the least amount of restriction instead of making the process of furnishing the information more difficult. Permitting the agent of the grantor or grantee to supply the desired information over the signature of the agent makes the process less restrictive and at the same time would avoid delay in recording the underlying instrument.

It is interesting to note that the same sales transaction is required by the Internal Revenue Service to be reported on Form 1099-S by persons other than the grantor or grantee, except in the case of last resort by the grantee. Such other persons are to act in the following order:

1. Settlement or closing agent.
2. Grantee's attorney.
3. Grantor's attorney.
4. Disbursing title or escrow company
5. Mortgage lender.
6. Transferor's broker.
7. Transferee's broker.

In conclusion, I would urge the enactment of HOUSE BILL NO. 2206 which would authorize agents of the grantor or grantee to complete and sign the real estate sales validation questionnaire. This would facilitate reporting of the valuation information needed by the director of valuation and avoid delay in recording instruments necessary to the conclusion of real estate transactions.

KANSAS REAL ESTATE SALES VALIDATION QUESTIONNAIRE

FOR COUNTY USE ONLY:		COV # _____	CO. NO. _____	MAP _____	SEC _____	SHEET _____	QTR. _____	BLOCK _____	PARCEL _____	OWN _____
DEED BOOK _____	PAGE _____									
RECORDING DATE ____/____/____	TYPE OF INSTRUMENT CR _____ RA _____ DE _____	SPLIT _____ MULTI _____	MO YR TY _____		AMOUNT _____		S V _____			

SELLER (Grantor) NAME _____	BUYER (Grantee) NAME _____
MAILING _____	MAILING _____
CITY/ST/ZIP _____	CITY/ST/ZIP _____
DAYTIME PHONE NO. (____) _____	DAYTIME PHONE NO. (____) _____

<p style="text-align: center;">BRIEF LEGAL DESCRIPTION</p> <hr/> <hr/> <hr/>	<p>Property /Situs Address: _____</p> <p>Name and Mailing Address for Tax Statements _____</p> <hr/> <hr/>
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In reference to the sale of the property listed above, please answer the questions below. (Read instructions on back of form.)

<p>1. CHECK ANY FACTORS THAT APPLY TO THIS SALE:</p> <p><input type="checkbox"/> Sale between immediate family members: SPECIFY THE RELATIONSHIP _____</p> <p><input type="checkbox"/> Sale involved corporate affiliates belonging to the same parent company</p> <p><input type="checkbox"/> Auction Sale</p> <p><input type="checkbox"/> Forced, or distressed, sale in a bankruptcy settlement</p> <p><input type="checkbox"/> Sale by judicial order (by a guardian, executor, conservator, administrator, or trustee of an estate)</p> <p><input type="checkbox"/> Sale involved a government agency or public utility</p> <p><input type="checkbox"/> Buyer (new owner) is a religious, charitable, or benevolent organization, school or educational association</p> <p><input type="checkbox"/> Buyer (new owner) is a financial institution, insurance company, pension fund, or mortgage corporation</p> <p><input type="checkbox"/> Sale was a foreclosure of a mortgage or forfeiture of a contract for deed (land contract)</p> <p><input type="checkbox"/> Sale of only a partial interest in the real estate</p> <p><input type="checkbox"/> Sale involved a trade or exchange of properties</p> <p><input type="checkbox"/> NONE OF THE ABOVE</p>	<p>6. ARE YOU AWARE OF ANY CHANGES IN THE PROPERTY SINCE JAN. 1? <input type="checkbox"/> YES / <input type="checkbox"/> NO</p> <p><input type="checkbox"/> Demolition <input type="checkbox"/> New Construction <input type="checkbox"/> Remodeling <input type="checkbox"/> Additions</p> <p>Date Completed _____</p>
<p>2. USE OF PROPERTY AT THE TIME OF SALE:</p> <p><input type="checkbox"/> Single Family Residence <input type="checkbox"/> Agricultural Land</p> <p><input type="checkbox"/> Farm/Ranch With Residence <input type="checkbox"/> Mineral Rights Included? <input type="checkbox"/> Yes / <input type="checkbox"/> No</p> <p><input type="checkbox"/> Condominium Unit <input type="checkbox"/> Apartment Building</p> <p><input type="checkbox"/> Vacant Land <input type="checkbox"/> Commercial/Industrial Bldg.</p> <p><input type="checkbox"/> Other: (Specify) _____</p>	<p>7. WERE ANY DELINQUENT REAL ESTATE TAXES ASSUMED BY THE PURCHASER? <input type="checkbox"/> YES / <input type="checkbox"/> NO \$ _____</p> <p>8. METHOD OF FINANCING (check all that apply):</p> <p><input type="checkbox"/> New loan(s) from a Financial Institution</p> <p><input type="checkbox"/> Seller Financing <input type="checkbox"/> Assumption of Existing Loan(s)</p> <p><input type="checkbox"/> All Cash <input type="checkbox"/> Trade of Property <input type="checkbox"/> Not Applicable</p>
<p>3. WAS THE PROPERTY SUBJECT TO AN EXISTING LEASE AT THE TIME OF SALE? <input type="checkbox"/> YES / <input type="checkbox"/> NO</p>	<p>9. WAS THE PROPERTY MADE AVAILABLE TO ANYONE OTHER THAN THE PURCHASER? <input type="checkbox"/> YES / <input type="checkbox"/> NO If not, explain _____</p>
<p>4. DID THE SALE PRICE INCLUDE AN EXISTING (GOING CONCERN) BUSINESS ENTERPRISE? <input type="checkbox"/> YES / <input type="checkbox"/> NO</p>	<p>10. DOES THE BUYER HOLD TITLE TO ANY ADJOINING PROPERTY? <input type="checkbox"/> YES / <input type="checkbox"/> NO</p>
<p>5. WAS ANY PERSONAL PROPERTY (SUCH AS FURNITURE, EQUIPMENT, MACHINERY, LIVESTOCK, CROPS, BUSINESS FRANCHISE OR INVENTORY, ETC.) INCLUDED IN THE SALE PRICE? <input type="checkbox"/> YES / <input type="checkbox"/> NO</p> <p>If yes, please describe _____</p> <p>Estimated value of all personal property items included in the sale price \$ _____</p> <p>If Mobile Home Year _____ Model _____</p>	<p>11. ARE THERE ANY FACTS WHICH WOULD CAUSE THIS SALE TO BE A NON-ARMS LENGTH / NON-MARKET VALUE TRANSACTION? (PLEASE SEE #11 INSTRUCTION) <input type="checkbox"/> YES / <input type="checkbox"/> NO</p> <hr/> <hr/>
<p>12. TOTAL SALE PRICE \$ _____</p> <p>CLOSING DATE ____/____/____</p>	<p>13. I CERTIFY THAT THE ADDRESS TO WHICH TAX STATEMENTS FOR THE PROPERTY ARE TO BE SENT IS CORRECT. I ALSO CERTIFY I HAVE READ ITEM NO. 13 ON THE REVERSE SIDE AND HEREBY CERTIFY THE ACCURACY OF THE INFORMATION AND THAT I AM AWARE OF THE PENALTY PROVISIONS OF K.S.A. 79-1437g.</p> <p>PRINT NAME _____</p> <p>SIGNATURE _____</p> <p>GRANTOR (SELLER) <input type="checkbox"/></p>

INSTRUCTIONS FOR COMPLETING THE SALES VALIDATION QUESTIONNAIRE

- ITEM 1 Please check all boxes which pertain.
- ITEM 2 Check the box which describes the current or most recent use of the property at the time of sale. Check all boxes which are applicable if the property has multiple uses.
- ITEM 3 Check yes; if the buyer assumed any long term lease(s) (more than 3 years remaining) at the time of sale.
- ITEM 4 Check yes; if the purchase price included an operating business, franchise, trade license, patent, trademark, stock, bonds, technology, and/or goodwill.
- ITEM 5 Check yes; if any tangible and portable items of property were included in the sale price. If possible, provide a brief description and your estimate of the total value of all personal property included in the sale price.
- ITEM 6 Check yes; if the property characteristics have been changed since January 1. Indicate what type of change(s) took place by marking the appropriate box. Indicate the date the change(s) took place.
- ITEM 7 Check yes; if any delinquent real estate taxes were assumed by the purchaser and included as part of the sale price. Do not consider any prorated taxes for the year in which the property was sold that are part of normal escrow closings.
- ITEM 8 Check the predominate method of financing used to acquire the property. Check "Not Applicable" if no money exchanged hands or refinancing of an existing loan.
- ITEM 9 Check yes; if the property was either advertised on the open market, displayed a for sale sign, listed with a real estate agent or offered by word of mouth.
- ITEM 10 Check yes; if the buyer owns or controls the property adjoining or adjacent to the property being purchased.
- ITEM 11 Provide an explanation if you believe the buyer or seller did not act prudently, was not fully informed about the property or knowledgeable of the local market, poorly advised, did not use good judgement in the negotiations, was acting under duress, or compelled out of necessity. Use an additional sheet of paper if necessary.
- ITEM 12 Provide the total sale price and date of sale. The date should be the date that either the deed or the contract for deed was signed, not the date the deed was recorded.
- ITEM 13 Please sign the questionnaire and list your daytime phone number. The county appraiser may need to make a follow up phone call to clarify unusual terms or conditions.

K.S.A. 79-1437g. Same; penalty for violations. Any person who shall falsify the value of real estate transferred shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined not more than \$500. (L. 1991, ch. 162, sec. 7; L. 1992, ch. 159, sec. 3; April 30.)

TRANSFERS OF TITLE THAT DO NOT REQUIRE A SALES VALIDATION QUESTIONNAIRE ARE AS FOLLOWS:

- (1) Recorded prior to the effective date of this act, i.e., July 1, 1991.
- (2) made solely for the purpose of securing or releasing security for a debt or other obligation;
- (3) made for the purpose of confirming, correcting, modifying or supplementing a deed previously recorded, and without additional consideration;
- (4) by way of gift, donation or contribution stated in the deed or other instruments;
- (5) to cemetery lots;
- (6) by leases and transfers of severed mineral interests;
- (7) to a trust, and without consideration;
- (8) resulting from a divorce settlement where one party transfers interest in property to the other;
- (9) made solely for the purpose of creating a joint tenancy or tenancy in common;
- (10) by way of a sheriff's deed;
- (11) by way of a deed which has been in escrow for longer than five years;
- (12) by way of a quit claim deed filed for the purpose of clearing title encumbrances;
- (13) when title is transferred to convey right-of-way or pursuant to eminent domain;
- (14) made by a guardian, executor, administrator, conservator or trustee of an estate pursuant to judicial order; or
- (15) when title is transferred due to repossession.

- (b) When a real estate sales validation questionnaire is not required due to one or more of the exemptions provided in 1-15 above, the exemption shall be clearly stated on the document being filed.

If you have any questions or need assistance completing this form, please call the county appraiser's office.

4-2

4-2

PAT HUGGINS PETTEY
REPRESENTATIVE, THIRTY-FIRST DISTRICT
WYANDOTTE COUNTY
3500 GIBBS
KANSAS CITY, KANSAS 66106
(913) 236-7463

STATE CAPITOL—RM. 281-W
TOPEKA, KANSAS 66612-1504
(913) 296-7669



TOPEKA

HOUSE OF
REPRESENTATIVES

TESTIMONY
TAX COMMITTEE
February 21, 1995

COMMITTEE ASSIGNMENTS
MEMBER: EDUCATION
LOCAL GOVERNMENT
JOINT COMMITTEE ON CHILDREN
AND FAMILIES

Mr. Chairman and Committee members.

Thank you for the opportunity to testify in favor of HB 2400. I appreciate the time to share with you the information I have gathered.

HB 2400 would provide nonrefundable tax credits starting in tax year 1995 against the Kansas income tax of business firms which employ persons on welfare assistance.

The amount of credit would be \$500 for each such person employed, except that the maximum credit which a business firm could claim in any one taxable year would be limited to \$50,000.

Last year the legislature enacted the Kansas Welfare Reform Initiative, Actively Creating Tomorrow (ACT). This initiative has three goals:

- encourage employment
- promote responsibility
- simplify public assistance program administration

Work is encouraged by adopting new policies that motivate rather than penalize individuals who seek work to retain employment.

The KanWork/JOBBS program serves the Aid to Families with Dependent Children (AFDC) population. The goal of the program is to help recipients move from dependence on public assistance to economic independence. I have provided you with a capsule sketch of the KanWork Program as well as the service counties on the attachments.

House Taxation
2-21-95
Attachment 5-1

The Kansas Department of Human Resources manages the Job Training Partnership Act which functions through the five Service Delivery areas that cover the state.

The SDA II function under the name of Heartland Works. Heartland Works is a non-profit corporation federally funded under the Job Training Act (JTPA). It oversees programs in a seventeen county area in northeast Kansas. Heartland Works provides job training and other services that will help individuals become employable, have greater ability to earn a decent wage, increase education and occupational skills, and decrease welfare dependency. Heartland is run as a collaboration between local business leaders, state and local government, education, labor and training agencies. I have provided you with a performance sheet on JTPA and a performance standards profile for 1993. During program year 1993 JTPA placed 322 welfare clients and 75% of the placements were made with small companies of 50 or less employees.

This legislation is on the cutting edge just as our ACT legislation was last year. No state has enacted this type of legislation but there is growing interest. The need for programs of these type at the state level has not been viewed as necessary due to the incentives provided under the Federal Targeted Job Tax Credit. This expired on December 1994. This has expired before but been renewed, however, there is a strong likelihood it will not be renewed this time.

We can conjecture that a program which provides incentives for employers to hire public assistance recipients would have a positive effect on the efforts of KanWork/JOBS and JTPA to place program participants.

Finally, after the discussion that was held on the House floor last week concerning this program I worked to further clarify if the statute, KSA 39-701 limited the population.

After discussion with SRS and JTPA we decided that this is the appropriate statute but should be followed by the words "cash assistance and 39-7, 107". This language protects services presently provided but limits the population so it would not include anyone on WIC.

Thank you for your attention and support for HB 2400.

I will be glad to stand for questions.

KANWORK PROGRAM MODIFICATIONS

TIME LIMITS AND EDUCATION COMPONENT

- Limits participation in the KanWork program to those determined to be employable.
- KanWork participation is limited to 30 months, inclusive of any educational program.
- Participants who have not graduated from high school can participate in education only if it is determined that the individual is able to obtain GED credentials within nine months.
- Only participants deemed able to become substantially more employable will be placed in remedial education, or in college and community college education.
- Exceptions will be made in cases of undue hardship.

TRAINING AND EDUCATION COMPONENTS

- Increases options under the training and education component of the KanWork program to include work experience through employment with state or local government, in work which would otherwise go undone, if the participant is unable to be placed in other employment.

LIMITS ON RETURN TO PUBLIC ASSISTANCE

- After participation in the KanWork program ceases, no KanWork participant shall be eligible to receive cash assistance for three years.
- Exceptions will be made in cases of undue hardship.
- Kanwork participants who fail to become employed can receive support services for six months while seeking employment.

KANSAS HOUSE BILL 2929

SRS Employment Preparation Facts and Information

JOB/KanWork Expansion Plan

Counties Currently Offer- ing KanWork (3/92)	Phase I KanWork Expansion (5/1/92)	Phase II KanWork Expan- sion (1/93)	Chautauqua Coffey Dickinson Doniphan Ellis Franklin Grant Greenwood Harper Jackson Kingman Linn Marion Marshall McPherson Neosho Osage Pottawatomie Pratt Rice Sherman Sumner Thomas
Barton	Butler	Atchison	
Finney	Douglas	Cherokee	
Sedgwick	Ford	Cowley	
Shawnee	Johnson	Crawford	
	Leavenworth	Geary	
	Seward	Harvey	
	Wyandotte	Labette	
		Lyon	
		Miami	
		Montgomery	
		Reno	
		Riley	
		Saline	

JOB/KanWork Program Activity

July 1-Dec. 31, 1991

Clients screened/assessed	2,732
Clients placed in education plans	1,441
Clients placed in training plans	1,146
Clients completing educ./training	433
Clients entering employment	1,338
Clients receiving transitional svcs.	628
Cases closed due to employment	647
Cases reduced due to employment	691
Annualized cost avoidance	\$2.8 mill.
Average starting wage (KanWork)	\$5.24/hr.

Limited JOBS Expansion

Allen	
Anderson	
Bourbon	
Brown	

Counties Receiving MOST Services

Douglas	Riley
Franklin	Saline
Geary	Sedgwick
Montgomery	Shawnee
Reno	Wyandotte

MOST Program Activity

July 1-Dec. 31, 1991

Referrals	4,385
Case Completions	609
No. of Verified Employments	320
Annualized Benefit Reduction Due to Employment	\$469,144

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STATEWIDE ROLL-UP

JULY 1, 1993 - JUNE 30, 1994

	SDA I	SDA II	SDA III	SDA IV	SDA V
1. FOLLOW-UP EMPLOYMENT RATE (A)	1.1475	1.0876	1.0592	1.1720	1.0306
2. FOLLOW-UP WELFARE EMPLOYMENT RATE (A)	1.4064	1.1163	1.0056	1.1145	1.3620
3. FOLLOW-UP WEEKLY EARNINGS (A)	1.1206	1.2603	1.0146	1.2229	1.1766
4. FOLLOW-UP WELFARE WEEKLY EARNINGS (A)	1.3144	1.3383	1.1182	1.3064	1.3704
5. ENTERED EMPLOYMENT RATE (Y)	0.7759	1.1395	1.1415	1.0053	1.0754
6. EMPLOYABILITY ENHANCEMENT RATE (Y)	1.3366	1.8302	1.3533	2.5958	1.3732
7. SERVICE LEVEL TO AFDC RECIPIENTS *	1.2878	0.9401	1.0974	0.8962	0.9394
8. SERVICE TO DROPOUTS **	0.4423	1.4099	1.6373	1.3037	0.9622
TOTAL TERMINATIONS	2115				
ADULTS	1118				
YOUTH	997				
FOLLOW-UP STATISTICS:	ELIGIBLE	RESPONDED	RESP RATE	EMPLYD ON 13TH WEEK	
ADULTS EMPLOYED AT TERMINATION	829	758	91.44%	693	
ADULTS UNEMPLOYED AT TERMINATION	398	286	71.86%	88	
WELFARE EMPLOYED AT TERMINATION	201	185	92.04%	170	
WELFARE UNEMPLOYED AT TERMINATION	193	135	69.95%	29	
SDA SERVICE LEVEL TO DROPOUTS	* TOTAL ACTUAL	REQUIRED NUMBER	REQUIRED PERCENT	* ACTUAL DROPOUT	ACTUAL % DROPOUTS
TITLE IIA, 78%	2274	373	16.40%	309	13.59%
TITLE IIA 8%	436	87	19.98%	179	41.06%
TOTAL SERVICE TO DROPOUTS	2710	460	16.98%	488	18.01%

* INCLUDES 6% TERMINATIONS

** INCLUDES 6% AND 8% TERMINATIONS



Clients

The primary purpose of the JTPA program is to provide eligible persons with job training that leads to quality employment. Clients are referred to us by Job Service, SRS, Kan Work, and other sources. Improving our clients' ability to get and hold good quality jobs, through training and education, is our number one concern.

Eligibility

Eligibility for the Title II program is largely based on family income. Persons that have barriers to finding employment may also be eligible for JTPA. Such barrier groups include: school drop-outs, offenders, persons with disabilities, substance abusers and others. Persons that have been laid off due to plant closings are eligible for the Title III Dislocated Worker program.

Program Procedures

All clients are asked to fill out a Pre-Application form. Once the Pre-Application is completed, clients are scheduled an interview with a JTPA Representative. At the interview, the Representative will determine whether the applicant is eligible for JTPA services. If enrollment is appropriate, the JTPA Representative will enroll the client in one of the training programs described below. As clients are completing their training program they are counseled regarding finding employment, and the job search begins immediately afterwards.

Training Programs

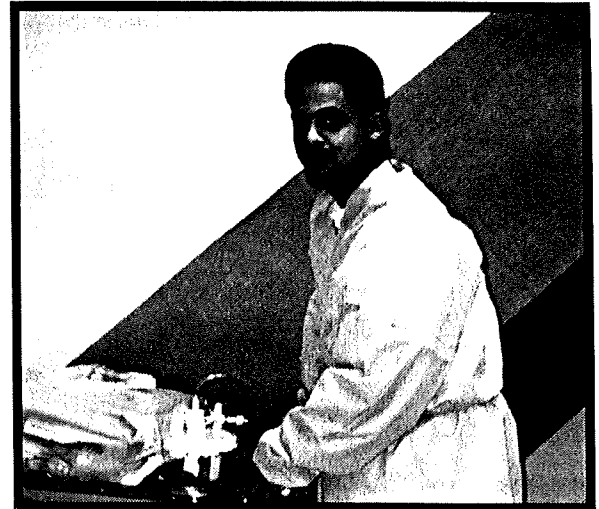
The training programs offered by HEARTLAND WORKS are funded by Titles II and III of the JTPA legislation. Title II training programs are for individuals that are economically disadvantaged or have a barrier to employment. Title II is a year round adult and youth program while Title IIB is a summer youth program which gives youth summer jobs. Title III provides job training to dislocated workers who have been laid off due to a cut-back in production or a plant or business closure.

Title IIA Adult and Title IIC Youth Services

An array of program services and training programs are available to our clients under Titles IIA and IIC including:

Classroom Training - Classroom training is training directed toward the development of either occupational skills, basic education (literacy) skills, or general employability skills. Occupational skill training is typically provided by existing vocational training institutions. Basic education and general employability skills are primarily provided through special projects.

On-the-Job Training - The On-the-Job Training program reimburses an employer up to 50% of a trainee's wages while the employer trains that person on-the-job.



Work Experience - Work Experience is a short term work assignment with a public or private non-profit agency designed to enhance the employability of the individual through the development of good work habits and basic work skills.

Limited Internship - The Limited Internship program pays youth directly at private for-profit worksites for an entry level employment experience.

GED - JTPA pays the testing fee for clients to take the high school equivalency test.

Support Services - Support Services can be given to clients that need help with child care costs, transportation costs or a small cash payment for emergency situations. Support services will only be given if the support cannot be provided through any other program.

Title IIB Summer Youth Services

The Title IIB Summer Youth Employment and Training Program operates only in the summer months providing disadvantaged youth with a summer job designed to enhance employability through the development of good work habits and basic work skills. Youth with deficiencies in reading and math are placed in a 90 hour Academic Enrichment program in conjunction with the job.

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KANSAS DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

Janet Schalansky, Acting Secretary

House Committee on Taxation

Testimony on HB 2400 Pertaining to Tax Credits for Firms Hiring Public Assistance Recipients

February 21, 1995

Mr. Chairman and Members of the Committee, thank you for the opportunity to testify on House Bill No. 2400.

This bill as currently written would provide a tax credit to business firms which hire public assistance recipients for a period of at least eight months.

The term "public assistance" covers a number of programs currently serving poor families in Kansas. The largest of these programs is *Aid to Families with Dependent Children*, the program most people think of when they hear the term "welfare".

But the term "public assistance" could also include a broad array of programs such as General Assistance, Supplemental Security Income (SSI) for disabled adults and children, Food Stamps, the Special Supplemental Food Program for Women, Infants and Children (WIC), and a number of programs serving the health, housing and nutritional needs of economically disadvantaged Kansans.

House Bill No. 2400 and the KanWork/JOBS Program

The KanWork/JOBS program serves the Aid to Families with Dependant Children (AFDC) population. The goal of the program is to help recipients move from dependence on public assistance to economic independence through services which prepare them for employment.

House Bill No. 2400 could work in concert with, and positively impact the final outcomes of, the KanWork/JOBS program. However, data to support this hypothesis is lacking at present.

Information from National Sources on this Type of Initiative

The department contacted a number of national organizations that track legislative proposals at the state level, particularly those with an interest in business or social policy issues.

- We found no states that have enacted this type of legislation, although there is currently reported to be a growing interest in proposals of this type.
 - The need for programs of these type at the state level has not been viewed as necessary due to the incentives provided under the federal Targeted Job Tax Credit (TJTC).
 - With the expiration of the TJTC on December 31, 1994, some states have shown an interest in developing a similar state program, but there were none reported to have been enacted.
 - The TJTC has frequently expired on previous occasions, but has always been renewed retroactively.
 - There is a strong likelihood, however, that the federal program will not be renewed

this time. Apparently, the Administration has recommended that it not be renewed and the program no longer enjoys the support it once had in Congress.

- Studies of the federal TJTC program have been done by the U.S. Department of Labor and the General Accounting Office. We were told that these studies showed:
 - That the TJTC was utilized by a wide range of small, medium and large sized firms.
 - A majority of the hiring, however, was done by approximately 100 large firms which incorporated use of the tax credit into their recruitment strategies.
 - The data was reported as inconclusive on the question of whether or not employers who had used the TJTC would have hired the individuals in the absence of the tax incentive.

Comment

We are limited by the lack of experience on the state level in assessing the pros and cons of this type of proposal. However, we can conjecture that a program which provides incentives for employers to hire public assistance recipients would have a positive effect on the efforts of KanWork/JOBS to place program participants.

KanWork/JOBS includes a work experience component. Under this program, a participant is placed in a worksite for a limited period of time in order to gain workplace skills and experience. Currently, the program has been used only in public agencies and non-profit organizations. However, it has resulted in direct placements at many worksites at the end of the component assignment .

SRS has requested a change to the JOBS State Plan which will allow a version of this program to be developed in the private sector . The tax credit envisioned under House Bill No.2400 could be used in conjunction with this component to enhance placement at the worksite following the component assignment.