

Approved: 3-31-95
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Phill Kline at 9:00 a.m. on March 10, 1995 in Room 519-S of the Capitol.

All members were present except: Rep. Doug Lawrence - excused
Rep. Greta Goodwin - excused

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

Conferees appearing before the committee: Listed after bills heard.

Others attending: See attached list

Chair Kline opened the meeting.

The following documents were distributed to the committee:

- (1) the Report of the Subcommittee on **HB 2108 and HB 2167** (Attachment 1)
- (2) Testimony on **HB 2400** by Mr. Charles Jones, Midwestern Metals, Topeka. (Attachment 2)
- (3) Testimony on **HB 2108** by Hal Hudson, NFIB. (Attachment 3)

Chair opened hearing on:

SB 203 - Income tax credit for community service contributions, carry forward of unused credit.

Proponents:

Debra K. Imhoff, Director of Annual Funds, The St. Francis Academy, Inc., Salina (Attachment 4)
Department of Commerce Secretary Gary Sherrer

Secretary of Commerce Sherrer comments on **SB 203**. There are some critical issues raised on the amendments to this bill. I am not comfortable with how the administration of this program has gone and there will be some significant changes made. It is too wide open, and it is hard to distinguish what is going on here and what is going on every day by charities all over the state. I am distressed that one third of the first grant went to two communities. We need to find out what the original bill started out to be and the intent. On the amendments - the carry forward amendment of four years is consistent with other states and I have no problem with grandfathering those who came in prior. Secondly, the amendment clarifying \$5 million each year and no carry over. Another element in the words in a rural community where you have to be a business in the community to get a credit and that is very credible and no purpose to limit that the contribution has to come from within the community.

The reason Commerce Department has taken the posture about the tax credit because it is consistent with other tax credits to do it this way. One of the concerns if you go with the approach presented here, you are discriminating against other W-2s. Let's treat classes of taxpayers with some equality here. We need to look at the spirit of the law which was the basis that we should get Kansas businesses involving in meeting some of the social needs in the areas of health and crime and this tax credit was to give them the incentive to get in.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on March 10, 1995.

Basis of distribution has to be on an equal basis.

Chair Kline asked Secretary Sherrer to provide the Taxation Committee with a copy of the guidelines of the Department of Commerce on this matter.

David G Schatz, EA, Public Accountant, Salina (Attachment 5)

Questions and comments from the committee to each of the conferrees after each presentation.

Written testimony from:

Carol Kinderknecht, executive director, Gove County Healthcare Endowment Foundation, Inc.
(Attachment 6)

Max Sutherland, State Administrator, Kansas MADD (Attachment 7)

A. Donald Wise, executive director, Associated Youth Services, KC, Ks. (Attachment 8)

Chair closed hearing on **SB 203**.

Adjournment.

The next meeting is scheduled for March 13, 1995.

TO: Rep Clyde Graeber
FROM: Chris W. Courtwright, Principal Analyst
RE: Subcommittee Report on HB 2108, HB 2167

This memo is in response to your request for a brief description of the amendments to HB 2108 and HB 2167 recommended by your subcommittee. Your subcommittee has completed its recommendations and should not be confused with either of the two new subcommittees recently empaneled which may look at other property tax issues. Two balloons are attached showing your subcommittee's amendments, which have now been adopted by the full House Tax Committee.

HB 2167 -- Classification of Certain Machinery and Equipment

HB 2167 as amended by the subcommittee would provide that in accordance with the classification amendment to the Kansas Constitution, all commercial and industrial machinery and equipment not classified as such and not being used for the production of income by the owner would be defined as "all other" tangible personal property. This would allow such property to be assessed at 30 percent of fair market value.

This would statutorily codify instructions that PVD has relayed to all county appraisers regarding the taxation of machinery and equipment NOT being used for the production of income.

The bill would clarify that a 40-year old inoperative machine stored in the basement of a business would be taxed at fair market value (as little as \$1) and would no longer have a minimum appraised value of 20 percent of its retail cost when new -- assuming that such a machine is not being cannibalized for parts or being used in any other way for production of income.

The bill would be effective starting in tax year 1995.

HB 2108 -- Exemption for Certain Machinery, Equipment, Materials, and Supplies

HB 2108 would now exempt any item of machinery, equipment, materials, and supplies actually and regularly used: (1) exclusively for business purposes; or (2) in the conduct of activities by a not-for-profit entity whose retail cost when new is \$500 or less.

Owners of all such machinery, equipment, materials, and supplies would be exempt from having to file for the property tax exemptions with the Board of Tax Appeals.

The subcommittee chose the \$500 exemption level after lengthy discussions with county appraisers and PVD officials regarding the tax shift on to other classes of property.

The bill would be effective starting in tax year 1995.

I have also attached for your reference a copy of my original memorandum to the subcommittee regarding a number of issues raised by the bills.

HOUSE BILL No. 2167

By Committee on Taxation

1-24

9 AN ACT relating to property taxation; ~~exempting~~ certain commercial and
10 industrial machinery and equipment ~~therefrom~~.

defining and classifying

11

for constitutional purposes

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

13 Section 1. The following described property, to the extent specified
14 by this section, shall be exempt from all property or ad valorem taxes
15 levied under the laws of the state of Kansas

(a) In accordance with the provisions of section 1
of article 11 of the Kansas constitution, all

16 All commercial and industrial machinery and equipment which is
17 not classified for property tax purposes within subclass (5) of class 2 of
18 section 1 of article 11 of the Kansas constitution, and which is not being
19 used for the production of income by the owner thereof.

, is hereby defined as all other tangible personal
property not otherwise specifically classified,
and shall be classified for property tax purposes
within subclass 6 of class 2 of section 1 of
article 11 of the Kansas constitution. All such
property shall be valued in accordance with the
provisions of K.S.A. 79-503a, and amendments
thereto

20 The provisions of this section shall apply to all taxable years com-
21 mencing after December 31, 1994.

22 Sec 2 This act shall take effect and be in force from and after its
23 publication in the statute book.

(b)

1-2

HOUSE BILL No. 2108

By Committee on Taxation

1-18

9 AN ACT relating to property taxation; exempting certain business ma-
10 chinery and equipment therefrom; amending K.S.A. 1994 Supp. 79-
11 213 and repealing the existing section.

12
13 *Be it enacted by the Legislature of the State of Kansas:*

14 New Section 1. The following described property, to the extent spec-
15 ified by this section, shall be exempt from all property or ad valorem taxes
16 levied under the laws of the state of Kansas:

17 (a) Any item of machinery, equipment, materials and supplies used
18 exclusively for business purposes whose original retail cost when new is
19 \$2,500 or less.

actually and regularly

20 ~~(b) As used in this section and for the purposes of class 2(E) of sub-~~
21 ~~section (b) of section 1 of article 11 of the Kansas constitution, "retail~~
22 ~~cost when new" shall mean the total cost to the consumer less the amount~~
23 ~~of any transactional taxes, installation costs and freight or transportation~~
24 ~~charges included in such cost.~~

or in the conduct of activities by an entity
not subject to Kansas income taxation pursuant
to K.S.A. 79-32,113, and amendments thereto,

\$500

25 ~~(e)~~ The provisions of this section shall apply to all taxable years com-
26 mencing after December 31, 1994.

(b)

27 Sec. 2. K.S.A. 1994 Supp. 79-213 is hereby amended to read as fol-
28 lows: 79-213. (a) Any property owner requesting an exemption from the
29 payment of ad valorem property taxes assessed, or to be assessed, against
30 their property shall be required to file an initial request for exemption,
31 on forms approved by the board of tax appeals and provided by the county
32 appraiser.

33 (b) The initial exemption request shall identify the property for which
34 the exemption is requested and state, in detail, the legal and factual basis
35 for the exemption claimed.

36 (c) The request for exemption shall be filed with the county appraiser
37 of the county where such property is principally located.

38 (d) After a review of the exemption request, and after a preliminary
39 examination of the facts as alleged, the county appraiser shall recommend
40 that the exemption request either be granted or denied, and, if necessary,
41 that a hearing be held. If a denial is recommended, a statement of the
42 controlling facts and law relied upon shall be included on the form.

43 (e) The county appraiser, after making such written recommenda-

1-3

1 rem taxation by K.S.A. 79-215, and amendments thereto; (3) wearing
2 apparel, household goods and personal effects exempted from ad valorem
3 taxation by K.S.A. 79-201c, and amendments thereto; (4) livestock; (5)
4 hay and silage exempted from ad valorem taxation by K.S.A. 79-201d, and
5 amendments thereto; (6) merchants' and manufacturers' inventories ex-
6 empted from ad valorem taxation by K.S.A. 79-201m and amendments
7 thereto; (7) grain exempted from ad valorem taxation by K.S.A. 79-201n,
8 and amendments thereto; (8) property exempted from ad valorem taxa-
9 tion by K.S.A. 79-201a *Seventeenth* and amendments thereto, including
10 all property previously acquired by the secretary of transportation or a
11 predecessor in interest, which is used in the administration, construction,
12 maintenance or operation of the state system of highways. The secretary
13 of transportation shall at the time of acquisition of property notify the
14 county appraiser in the county in which the property is located that the
15 acquisition occurred and provide a legal description of the property ac-
16 quired; (9) property exempted from ad valorem taxation by K.S.A. 79-
17 201a *Ninth*, and amendments thereto, including all property previously
18 acquired by the Kansas turnpike authority which is used in the adminis-
19 tration, construction, maintenance or operation of the Kansas turnpike.
20 The Kansas turnpike authority shall at the time of acquisition of property
21 notify the county appraiser in the county in which the property is located
22 that the acquisition occurred and provide a legal description of the prop-
23 erty acquired; (10) aquaculture machinery and equipment exempted from
24 ad valorem taxation by K.S.A. 79-201j, and amendments thereto. As used
25 in this section, "aquaculture" has the same meaning ascribed thereto by
26 K.S.A. 47-1901, and amendments thereto; (11) Christmas tree machinery
27 and equipment exempted from ad valorem taxation by K.S.A. 79-201j,
28 and amendments thereto; and (12) property used exclusively by the state
29 or any municipality or political subdivision of the state for right-of-way
30 purposes; and (13) ~~business machinery and equipment exempted from ad~~
31 ~~valorem taxation by section 1, and amendments thereto.~~ The state agency
32 or the governing body of the municipality or political subdivision shall at
33 the time of acquisition of property for right-of-way purposes notify the
34 county appraiser in the county in which the property is located that the
35 acquisition occurred and provide a legal description of the property ac-
36 quired.

materials and supplies

7-1
4

37 (m) The provisions of this section shall apply to property exempt pur-
38 suant to the provisions of section 13 of article 11 of the Kansas consti-
39 tution.

40 Sec. 3. K.S.A. 1994 Supp. 79-213 is hereby repealed.

41 Sec. 4. This act shall take effect and be in force from and after its
42 publication in the statute book.

MEMORANDUM

Kansas Legislative Research Department

300 S.W. 10th Avenue
Room 545-N – Statehouse
Topeka, Kansas 66612-1504
Telephone (913) 296-3181 FAX (913) 296-3824

February 20, 1995

To: Representative Phill Kline, Representative Bruce Larkin, Representative Clyde Graeber

From: Chris W. Courtwright, Principal Analyst

Re: Personal Property Taxation of Commercial and Industrial Machinery and Equipment

This memo is in response to your request to list some of the questions which may need to be addressed regarding H.B. 2108 and H.B. 2167 regarding the property taxation of personal property.

H.B. 2108

As you know, H.B. 2108 would exempt any "item" of machinery, equipment, materials, and supplies used exclusively for business purposes whose retail cost when new is \$2,500 or less. "Retail cost when new" for purposes of the bill AND FOR PURPOSES OF THE SUBCLASS OF COMMERCIAL AND INDUSTRIAL MACHINERY AND EQUIPMENT IN THE *KANSAS CONSTITUTION* (emphasis added) would be defined to exclude from the total cost to the consumer, transactional taxes, installation costs, and freight or transportation chargers.

H.B. 2167

H.B. 2167, on the other hand, would exempt all commercial and industrial machinery and equipment which is not classified within the commercial and industrial machinery subclass of the *Kansas Constitution* and which is not being used for the production of income by the owner.

The *Kansas Constitution*

Article 11, Section 1 of the *Kansas Constitution* provides that "tangible personal property shall be . . . assessed uniformly as to subclass at the following percentages of value: [. . .]

- (5) Commercial and industrial machinery and equipment which, if its economic life is seven years or more, shall be valued at its retail cost when new less seven-year straight-line depreciation, or which, if its economic life is less than seven years, shall be valued at its retail cost when new less straight line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding

its economic life and as long as such property is being used, shall not be less than 20 percent of the retail cost when new of such property . . . 25 percent

- (6) All other tangible personal property not otherwise specifically classified . . . 30 percent”

Questions Regarding H.B. 2108

What is an “item” of machinery, equipment, materials, and supplies and does the term need to be defined?

Depending on the meaning of the term, would there be an opportunity for individuals to avoid taxation by obtaining a \$4,000 personal computer system by purchasing each of its components -- which cost less than \$2,500 apiece -- separately?

Since the bill would define “retail cost when new” to exclude transactional taxes, installation costs, and freight or transportation charges for purposes of the bill AND FOR PURPOSES OF THE SUBCLASS OF COMMERCIAL AND INDUSTRIAL MACHINERY AND EQUIPMENT IN THE *KANSAS CONSTITUTION*, is it appropriate for the Legislature to attempt to define “retail cost when new” for purposes of the *Kansas Constitution* when a court might find that the people of Kansas thought the term meant something different when the classification amendment was adopted?

How might a court interpret what the people of Kansas thought the term meant, since -- according to testimony from appraisers -- the IRS and IAAO both include the taxes, installation, and transportation costs in their definitions?

Since the bill seeks to impose the new definition of “retail cost when new” on ALL commercial and industrial machinery and equipment, the valuation of property whose retail cost when new was ABOVE \$2,500 also would be reduced. Is it the intent of the bill to provide such a valuation reduction for ALL business machinery and equipment (as well as the outright exemption for the lower-cost items)?

If the current definition is to be continued to be used for purposes of property which is to remain on the tax rolls, would using a different definition for purposes of determining the exemption level create additional administrative complexity for county appraisers?

Since property tax exemptions for one class of property causes a shift to all other classes, should the subcommittee consider a lower exemption threshold than \$2,500?

What sort of statutory change or administrative policy change by PVD would be necessary to implement Mr. Welcome’s suggestions regarding the filing of “consolidated” renditions by taxpayers, who would be required to maintain the more complete documentation in case of audit?

Questions Regarding H.B. 2167

If property is no longer being used for the production of income by the owner, should it still be classified as commercial and industrial machinery and equipment?

If not, could not PVD simply instruct county appraisers to classify all such property as "all other" and assess it at 30 percent of market value -- which might be as little as \$1?

If a 50-year-old machine not being cannibalized for parts (or a trophy) is sitting in the basement of a business and is in no way associated with the production of income by that business, is it not true that the use of the property has changed and it should be market valued at \$1 and have no tax liability?

Since the *Kansas Constitution* says that the "floor" (appraised) valuation of 20 percent of retail cost when new is to apply "as long as such property is being used", is it not fair to suggest that the floor valuation would no longer apply when the property is no longer in use?

How is the machinery and equipment owned by not-for-profit organizations classified by county appraisers under current law? Is it classified as "all other" or is it classified as commercial and industrial machinery and equipment?

If it is classified in some instances as commercial and industrial machinery and equipment, is it not true that H.B. 2167 would exempt all such property?

Relative to the wording of the bill, how can commercial and industrial machinery and equipment NOT be classified as such under the *Kansas Constitution*? In other words, once machinery and equipment is no longer used for the production of income by the owner, does it not by definition cease being commercial and industrial?

Is a machine being cannibalized for parts being used for the production of income?

Taxation of Used Machinery and Equipment

Since the *Kansas Constitution* says that commercial and industrial machinery and equipment SHALL be valued based on retail cost when new, depreciated, is it possible that the method under which the market value of used machinery and equipment is sometimes used as a proxy to "back into" retail cost when new is unconstitutional?

Or can such a methodology be defended under certain circumstances when the retail cost when new of used machinery cannot otherwise be determined?

Example

Representative Edmonds purchases four computers for \$10,000. Assume that computers fully depreciate over five years (rather than seven years). In the fifth year, each computer would be valued at \$2,000 and would be assessed at 25 percent of that amount, or \$500. If the mill levy is 100 mills, the tax on each computer would be \$50, and his total tax bill on the computers would be \$200.

Say that instead, in the fifth year (or any subsequent year) he sells one of the computers to Representative McKinney (who owns a business and also happens to be Representative Edmonds' brother-in-law) for \$300; sells another one of the computers to Representative Graeber (a business competitor) for \$1,000; and sells another one of the computers to a not-for-profit entity managed by Representative Wempe for \$700.

If the county appraiser cannot determine the retail cost when new of the sold computers but still is able to determine that they are fully depreciated, the price at which they were sold could enter into the determination of retail cost when new. In other words based on the fact that Representative Graeber bought a fully-depreciated computer of five years old for \$1,000, it might be determined that the retail cost when new must have been \$5,000. The assessed valuation would be 25 percent of the \$1,000, or \$250, and the tax due if the mill levy is 100 would be \$25. But if Representative Edmonds had retained that same computer, the tax would have been \$50.

Since the notion of "arms-length transactions" does not necessarily have to come into play, it is possible that the assumption would be made that the retail cost when new of Representative McKinney's computer was only \$1,500. With an assessed valuation of \$75 (25 percent of the \$300), the tax would be \$7.50. But if Representative Edmonds had retained that same computer, the tax would have been \$50.

Under such circumstances, is commercial and industrial machinery and equipment being "assessed uniformly as to subclass" as required in Article 11, Section 1?

If the computer sold to the not-for-profit entity managed by Representative Wempe is to be taxed as "all other" and market valued, would the tax be based on an assessed value equal to 30 percent of \$700, or \$210? In our example and under such circumstances, the tax on that computer would be \$21. If on the other hand, the computer is still valued as commercial and industrial machinery and equipment and its sales price is adopted as a proxy for its fully depreciated retail-cost-when-new value, the tax would be calculated based on an assessed valuation of \$175 (25 percent of \$700), and would be \$17.50.



TOPEKA

HOUSE OF
REPRESENTATIVES

PAT HUGGINS PETTEY

REPRESENTATIVE, THIRTY-FIRST DISTRICT
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COMMITTEE ASSIGNMENTS

MEMBER: EDUCATION
TAXATION
JOINT COMMITTEE ON CHILDREN
AND FAMILIES
DEMOCRATIC LEADERSHIP
CAUCUS CHAIR

Following is testimony for Mr. Charles Jones, Midwestern Metals, Topeka, Kansas, who attended part of the Taxation Committee meeting of February 21, 1995. Not being familiar with the committee process, Mr. Jones left before testifying. Following are the comments Mr. Jones would have expressed.

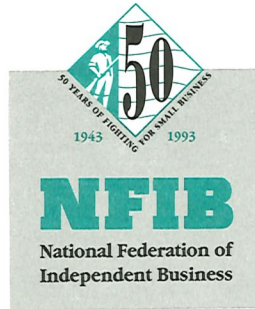
TESTIMONY - TAXATION COMMITTEE
House Bill No. 2400

I would testify in favor of HB 2400 which would provide nonrefundable tax credits against Kansas income tax of businesses employing welfare recipients.

It has been my experience that those on welfare assistance are harder to train due in part to low self esteem and low energy levels. The employer therefore spends more time teaching skills to those on assistance as opposed to those persons who have had trade school training.

My company has worked with clients who have been on assistance and we have found the experience to be both beneficial for our business and for those clients that we are helping train.

House Taxation
3-10-95
Attachment 2



TO: Members of the House Taxation Committee

March 9, 1995

From: Hal Hudson, NFIB/Kansas State Director

A position statement issued by the Overland Park Chamber of Commerce seems to be causing some legislators to have second thoughts about the validity or need for H.B. 2108. (See copy of the statement enclosed.)

Here are the facts, as we see them:

* H.B. 2108 is neither a tax reduction or a tax shift of any great significance. It is an effort to prevent Counties from coming into a windfall in 1995 and thereafter by imposing a tax on small cost items that previously have not been reported by business or subject to taxation.

* The crackdown on business reporting of personal property is not a local issue or problem existing in Leavenworth County only. The increased emphasis on reporting "all other" business property was the result of a directive from the former PVD director sent to all counties.

* Information we have received, directly from NFIB members and indirectly from our field staff who call on members, is that county assessors in many counties are more closely scrutinizing business personal property tax reports. They also are following up with phone calls or personal visits to businesses whose reports do not conform to the standards suggested by PVD. (To our knowledge, this includes Johnson, Brown, Coffey, Miami, Sedgwick, and Wallace Counties.)

* Estimates by Counties of the tax revenue losses are no better than guesses. Before introduction of H.B. 2108, an attempt was made by Legislative Research to estimate the impact of a \$5,000 threshold. At that time Counties were unwilling or unable to provide the requested data. Since H.B. 2108 was introduced, with a \$2,500 threshold, only two of 105 counties, Johnson and Sedgwick, have provided estimates of the tax impact. However, these estimates were based on existing data, and could not take into account potential revenue increases from taxing minutiae.

* While we certainly had hoped for a threshold higher than \$500, we believe that this level will result in minimal impact on appraised valuations, assessed valuations, or actual tax revenues collected by counties.

We urge you to support enactment of H.B. 2108, in committee, and on the floor of the House.

POSITION STATEMENT HB 2108

PERSONAL PROPERTY TAX ON BUSINESS MACHINERY & EQUIPMENT

- ◆ Chamber opposes HB 2108 in its current form.
- ◆ This is not a tax reduction. It is a tax shift.
- ◆ Although on the surface this appears to be a very popular bill for small business:
 - A shift is not a reduction.
 - There are already too many tax reduction proposals and so far, no spending reductions.
 - Original construction, personal and corporate income tax, real estate property taxes and motor vehicle taxes are higher priorities to be addressed first.
- ◆ There are other unknowns as it relates to the tax base in Johnson County.
 - Motor vehicle tax reduction
 - Recent new appraisals show an average 14.5% increase in our market value. Even if local governments roll back their mill levy, most residential and business real estate will see an increase due to the 36.5 mills levied at the state level for school finance and state buildings.
 - If the Jail Sales Tax issue should fail, the county will fund the jail with property tax.
 - If JCCC Bond Issue passes, it will also be property tax funded.
- ◆ Although statewide averages may show different overall results, the Johnson County tax base is different and once again we find ourselves at the extreme end of a statewide average. Currently 72% of Johnson County property tax base is real estate. The Chamber opposes any further shift onto real estate.
- ◆ Opposed to \$2,500 threshold because it would result in an approximate 50% reduction in total county personal property assessed value.
- ◆ Currently the issue experienced by other counties is not the practice or a problem in Johnson County.
- ◆ Local issues should not be solved with statewide solutions.
- ◆ If state insists on addressing this issue, a \$100 floor should solve problems along with some technical language changes such as:
 - Used purchase equals retail cost when new
 - The definition of old unused equipment (exempt if used for parts)
- ◆ The Chamber does support the reduction of the rate (currently 25%) on personal property along with that of commercial real estate (25%) through the classification amendment.

3-2

Small Businesses Mad About Property Taxes

By Barry Walker

Not only local businesses but small businesses state wide are extremely concerned about the current regulations concerning our personal property taxes.

Property tax reform also tops the agenda the National Federation of Independent Businesses in Kansas. According to Hal Hudson, director of the chapter in Kansas "Restoring reason to personal property tax policy" tops the legislative agenda of the state's largest small-business advocacy group.

"High handed, nit-picking audits by county assessors intent on taxing everything from paperclips to dust balls has inflamed the small-business community," Hudson said.

The following letter, dated January 3, 1995, should have now been received by all local business.

"Dated January 3, 1995

Dear Commercial Taxpayer,

Please find enclosed your 1995 Commercial Property Rendition Sheets.

As last year, we will value the equipment with a straight-line depreciation method.

We will need a listing of all equip-

ment with date of purchase, cost of purchase and whether it was new or used when purchased.

The Property Valuation Department is requiring an item listing if possible. Lump sum listings are not to be used.

Please check the enclosed list from last year and make any corrections or additions necessary.

Sign the Ad Valorem Tax Return and return to this office before March 15, 1995. Penalties will be added after that date.

Personal Property Valuation Personnel will be doing an on site inspection check of personal property that will be randomly selected. The State Property Valuation Department is requiring this for counties in 1995.

If you have any questions please contact this office at (913-852-4206.

Sincerely, Randell L. Sangster,

Wallace County Appraiser."

Enclosed with the letter was a list of property claimed last year and blanks to be filled out for this year.

Also enclosed were two sheets of instructions for filing Kansas Tangible Personal Property Return explaining how to claim mobile homes, motor vehicles, motor homes, commercial/industrial machinery and equipment, all other personal property,

recreational vehicles, miscellaneous, property held but taxable to others, instructions on how to figure depreciation and an example of what needs to be reported in reference to supplies, which follows: Definition of SUPPLIES: Materials or provisions stored and dispensed when needed. Source- Webster's Dictionary

TYPICAL SUPPLIES - order/receipt forms, cash register tape, shampoo/hair spray, cleaning fluid, hangers, plastic bags, tape, cotton balls, band aids, rubber gloves, tongue depressors, syringes, X-ray film, chemicals, make-up, laundry supplies.

CLEANING SUPPLIES - paper towels, soaps/cleansers, floor cleaner, window cleaner, furniture polish.

OFFICE SUPPLIES - book-keeping forms, stationery/envelopes, pencils, pens, paper clips, tape, markers, paper, etc., charge card receipt forms, computer paper, toner, ribbons.

These are **EXAMPLES ONLY** - Not all inclusive

Total of one years supplies divided by twelve months equals the amount to be reported.

Signed by the Wallace County Appraiser.

Now, for the record, our County Appraiser did not invent or put these laws into effect, our legislature did. But it is his job to enforce and make sure that the correct amount of taxes are being collected under the law.

Even though Governor Graves has already replaced the Secretary of the Department of Revenue, and the Director of the Property Valuation Department, (both of which were largely responsible,) these laws are still in effect for this year and we must all comply with the way they are written for this tax year.

According to the Kansas City Star, January 11, the problem came into focus more than a year ago when Leavenworth County hired a private auditor to scrutinize the forms businesses used to report property and machinery. Because the auditor was hired on a contingency fee basis, the more he found unreported, the more he earned. As a result, some \$1.7 million in additional taxes, penalties and interest was assessed. The windfall apparently spurred state officials to encourage more widespread scrutiny of business' reports.

An uproar from the business community led the Legislature to make

some changes in '94. Although legislators prohibited counties from hiring auditors on a contingency fee basis and barred penalties involving property unreported prior to 1992, business groups vowed to seek further protection.

The consensus seems to be that the best protection would be a relatively modest exemption. Hal Hudson talks in terms of a \$2,500 to \$3,000 threshold. Bob Corkins, taxation director for the Kansas Chamber of Commerce and Industry, doesn't have a specific number in mind. He says the Chamber seeks an exemption that will provide business relief without hurting the counties.

Whatever the number, the exemption must be sufficient to remove the temptation to pursue Mickey Mouse revenue-enhancement initiatives such as counting paper clips and such.

"The interest in reform was as high as the anger over the way some counties have been squeezing honest business owners for every possible penny," Hudson said.

What is most important to us local business owners is that we must report everything that is being asked for. We need to get rid of any old obsolete equipment we have sitting around. Remember, even if we

haven't used it in 20 years, if it's in our place of business, it is still taxable at 20% of it's original value when it was new. Even if we bought it used!

We need to remember that, as the letter stated, it is the county appraisers job to see that all the businesses in Wallace County have complied with the law and have claimed all the items requested on the tax form to assure no further tax assessments or penalties. It is my understanding that if we don't fill out the form, we will be audited.

Many businesses large and small are lining up in a solid front to restore reason to business tax assessments. Tax Reform Coalition members include: The Kansas Chamber of Commerce and Industry, Associated General Contractors of Kansas, Kansas Automobile Dealers Assn., Kansas Lodging Assn., Kansas Motor Carriers Assn., Kansas Pest Control, Lumbermans Assn., and several Wichita and Leavenworth businesses.

A bill is expected to be introduced this week to set a threshold of approximately \$2,500.00. Anything costing under \$2,500 not counting sales tax, installation or freight would not have to be claimed.

Here's hoping for next year.

3-3



March 9, 1995

Representative Phill Kline, Chairman
Members of the House Taxation Committee
Capitol Building
Topeka, KS 66612

RE: 1994 SB 230, Kansas Community Service Program Act

Mr. Chairman and Honorable Members of the House Taxation Committee:

In September, 1994, The Saint Francis Academy received the application to submit a project under the Kansas Community Service Program Act. We received approval on December 1, 1994.

Upon approval, we called the Department of Commerce and Housing to clarify if individuals with W-2 income and file Schedule C, E or F qualify for the tax credit. We were told these individuals do qualify. At no time was there mention of any special formula for these individuals.

All our mailings (approximately 10,000 pieces) and statewide news release were reviewed by the Department of Commerce and Housing to assure accuracy (copy is attached). NOT ONCE WAS THERE MENTION OF ANY SPECIAL FORMULA OR RESTRICTIONS.

In December, the Department of Commerce and Housing sent us the wording for the tax credit coupon and Schedule K-60 (copy is attached). Once again, there was no mention of any special formula or restriction for this select group of donors.

January 26, 1995, the Department of Commerce and Housing sent us the Tax Credit Application and Monthly Status Report (copy is attached). Again, no restrictions were mentioned. Included with these was a copy of Notice 95-01. This Notice, published by the Department of Revenue, was the first time there was any mention of a special formula for individuals with W-2 income and filing Schedule C, E or F.

When we called the Department of Commerce and Housing, they assured us the Notice was incorrect and they would get it corrected. Nothing happened until February 23, 1995.

509 East Elm S
Salina, KS 67401
(800) 423-1342
(913) 825-0541
(913) 825-2502 Fax

House Taxation
3-10-95
Attachment 4-1

Lives Change Here

The Department of Revenue had ample opportunity to review the statute and make their recommendations before charities even submitted their projects. THEY DIDN'T.

After mailing 10,000 informational pieces and new releases to all media contacts in the State of Kansas, the Departments of Commerce and Housing and Revenue are telling us there is now a change.

The State of Kansas has already agreed to a \$5 million business tax credit. Why is the State now discriminating against the sole proprietor with W-2 income?

We propose amending Senate Bill 203 to eliminate penalizing those businesses who choose to operate their business as sole proprietors and have W-2 income.

Unfortunately, the charities this Act is supposed to be helping are now being hurt.

The charities are the ones who have to go back to the donors and explain the change. We are the ones who have to tell the donors why they may not receive their full tax credit. We are the ones donors will be upset with when their 1994 tax return gets returned and they get charged with additional interest.

If you were the above donor, would you donate to my charity again?

Sincerely,



Debora K. Imhoff
Director of Annual Funds

P.S.: Attached is a Summary of Points for your consideration.

SUMMARY OF POINTS

1. On January 31, 1995, we received a copy of Notice 95-01 printed by the Department of Revenue. Item #3 regarding business income disagreed with all the information published by the Department of Commerce and Housing.
2. We immediately called the Department of Commerce and Housing. They called the Department of Revenue and tried to get Notice 95-01 changed.
3. On February 18, 1995, at the Salina Legislative Meeting I asked Representatives Carol Beggs and Joe Kejr to please help us get this problem resolved.
4. The Department of Revenue met with the Department of Commerce and Housing on February 23, 1995.
5. I called the Department of Revenue on February 24, 1995, to get their interpretation. Area of concern is for those individuals who have W-2's and file Schedule C (Profit & Loss), E (Supplemental Income or Loss) or F (Farming). A comment was made that rentals must be a business. I asked for clarification, but did not receive any.

The example given was based on the 50% tax credit, not 70%. If the donor shows a \$5,000 profit on Schedule C and gave \$3,000 as a charitable contribution, their credit would be \$1,500. Net income would be \$8,000 x 5.84% tax rate (varies with each donor). To figure tax rate take total Kansas liability and divide by total Kansas taxable income. In this case, the total available credit is \$467.20 ($8,000 \times 5.84\%$). The donor would then have \$1,032.80 credit to carry over. If Senate Bill 203 passes, the donor would have only 4 years to use up this credit. As opposed to unlimited number of years with the original bill.

Question: How is the person on the street suppose to figure out how much of a tax credit they will get? Answer: They can't. The donor will know how much their tax credit is ONLY AFTER THEY FIGURE THEIR TAXES.

Question: How many non-profit volunteers will be able to explain the above example and apply it to the potential donor's situation? Answer: Few

I was also told Notice 95-01 will not be changed until Senate Bill 203 is passed or defeated. After all, why make the change now if you know you will just have more changes?

6. Missouri's Neighborhood Assistance Credit has been in operation since 1978. They started with a tax credit allowance of \$7 million. Today, their tax credit is \$14

million. Kansas Community Service Program Act was copied from the Missouri program. Attached is a copy of the Missouri Income Tax Return and their Tax Credit Application for their Neighborhood Assistance Credit. Please note how simple Missouri kept it!

7. Department of Revenue's lack of cooperation with the Department of Commerce and Housing has caused a standstill for many fund raising efforts. Potential donors and their accountants get information based on what we had at the time of our acceptance. Now the information received from the Department of Revenue is different. This difference is causing credibility problems for the charities.
8. There is a lot to be said for keeping things simple. How many donors are going to be willing to participate in a tax credit program, knowing that participation in this program will mean the Department of Revenue will review their tax return?
9. The State of Kansas has already agreed to a \$5 million tax credit. Why is the State now discriminating against the sole proprietor with W-2 income? I understand the intent of the Community Service Program Act is to stimulate business charitable donations. Please, keep it simple so all businesses large and small can freely participate in this opportunity.

Proposed Action: Add wording to Senate Bill 203 that eliminates penalizing those businesses and farmers who choose to operate their business/farms as sole proprietors and have W-2 income.



BROWN & BROWN, INC.
Contractors

P.O. BOX 2000 • SALINA, KANSAS 67402-2000

December 13, 1994

Dear Ms. Terrill,

I've been involved with The Saint Francis Academy since 1983. Since then, I've seen firsthand the changes Saint Francis has made in the lives of many troubled children.

Saint Francis, entering its 50th year of service, offers mental health care and treatment for troubled Kansas children and their families. Programs range from early intervention to inpatient psychiatric care.

Saint Francis recently received approval from the Kansas Department of Commerce and Housing for a tax credit allocation. Their project, Care for Kansas Kids, provides funds for treatment of Kansas children who have limited financial resources. These programs benefit all Kansas communities through a drop in crime, better family cohesiveness, and improvement in general community conditions.

A cash donation by your business to The Saint Francis Academy's Care for Kansas Kids project will qualify for a 70% tax credit against your Kansas Income Tax liability.

Attached is information about the Kansas Community Service Program Act. If you have any questions, call Saint Francis at 913-825-0541 or 800-423-1342. Just mention you want information about your Kansas Tax Credit.

Your business will receive the 70% tax credit with a cash contribution to The Saint Francis Academy. In addition, you will help troubled young people and their families find a solid base upon which to build their lives - lives that will become productive and self-supporting.

Enclosed is a return envelope for your convenience. I know you will want to join me in taking advantage of this tax credit opportunity.

Sincerely,

Michael D. Brown

P.S. Send your gift to The Saint Francis Academy now to help a Kansas youth and receive your calendar year 1994 tax credit.

4-5

ABOUT THE KANSAS COMMUNITY SERVICE PROGRAM ACT

This year the Kansas Legislature passed Senate Bill 230, "Kansas Community Service Program Act." This Act enables businesses to receive a tax credit for cash contributions to approved non-profit organizations, such as The Saint Francis Academy.

Any business entity authorized to do business in the State of Kansas which is subject to the State Income tax qualifies for the credit. Any sole proprietor, limited partnership, national banking association, state bank, trust company, savings and loan association, or insurance company paying an annual tax on its net income also qualifies.

The Saint Francis Academy submitted a project, Care for Kansas Kids, which was approved by the Kansas Department of Commerce and Housing. Our project will impact at-risk adolescents in Kansas ages ten through eighteen and their families. School enrollment figures for 1993-1994 indicate there are 308,817 students in Kansas in grades four through twelve (ages 10 through 18).

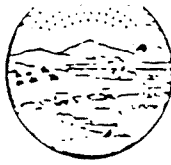
Care for Kansas Kids will provide funds for mental health treatment services for Kansas children who are without financial resources to utilize our services. We provide these services at our Ellsworth, Salina, and Atchison Campuses.

On December 1, 1994, the Kansas Department of Commerce and Housing authorized more than \$4 million in tax credits for eligible projects for Fiscal Year 1995. Businesses who send cash contributions to The Saint Francis Academy qualify for the 70% tax credit.

HOW DOES IT WORK?

1. Make a cash gift to The Saint Francis Academy. A sole proprietor doing business using his or her name as the business name must notify us that this contribution is a business donation.
2. A coupon will be returned to you indicating the amount of your gift and the amount of the 70% tax credit.
3. This information on the coupon is used in completing the Kansas Schedule K-60, Community Service Contribution Credit, which is attached to your business income tax return (Form K-120, Form K-130, or Form K-40). The amount of the tax credit is applied toward your Kansas State Income Tax obligation. Any tax credit not used for this taxable year may be carried over for five succeeding years.

If you have questions about the Kansas Community Services Program Act, please contact Donna Bartunek, Debora Imhoff, or David Schatz at The Saint Francis Academy, telephone 913-825-0541 or 800-423-1342.



KANSAS

DEPARTMENT OF COMMERCE & HOUSING

Joan Finney
Governor

Bob Knight
Secretary

December 1, 1994

The Saint Francis Academy, Inc.
Donna Bartunek
509 East Elm Street
Salina, KS 67401-2348

RE: Community Service Project #951-01401

DEC 06 1994

Dear Ms. Bartunek:

This is to officially notify you that your FY95 Community Service Program has been approved by the Department of Commerce & Housing. This authorizes your organization to accept eligible donations and to cover any qualifying project costs incurred after the start date indicated on the attached Credit Authorization Letter, and extends for the number of months shown.

Please take a few minutes to review all of the information contained in the attached Credit Authorization Letter. If there are mistakes, or if you have any questions at all, please contact this office immediately.

We are pleased to be able to assist you in accomplishing your organization's goals, and look forward to working with you over the coming months.

Sincerely,

Marty R. Miller, Director
Division of Community Development

DEC 06 1994

State of Kansas
Community Service Program
Credit Authorization Letter

Project Number: 951-01401 Starting Date: Dec. 1, 1994
Project Length: 6 Months Expiration Date: June 30, 1995
Project Title: Care for Kansas Kids
Community Organization: The Saint Francis Academy, Inc.

Address: PO Box 1340 Salina KS 67402

Budget: \$ 1,135,282
(Business Donations)

A. Tax Credits Authorized

1. The Department will allow a total tax credit on this project of \$ 794,697.
2. Businesses making contributions to this project may receive a tax credit up to 70 % of the amount donated.

B. Determinations

It has been determined that:

1. The above named organization meets the requirements of the Kansas Community Service Program Act.
2. The project is consistent with plans approved by the local government authority or planning council, meets the eligibility criteria and will contribute to the betterment of the community.

As Director of Community Development for the Department of Commerce & Housing, I hereby approve this project.



Marty R. Miller, Director
Division of Community Development

December 1, 1994
Date



FOR IMMEDIATE RELEASE
December 14, 1994

Saint Francis Academy Approved for Tax Credit Program

The Saint Francis Academy is one of 30 community service programs around the State of Kansas to be approved by the Kansas Department of Commerce & Housing for allocations of tax credits awarded under the Kansas Community Service Program. Over \$4 million was allocated for tax credits for the program, which was enacted this year by the Kansas Legislature.

Under the program, businesses are allowed to receive a 70% tax credit for cash contributions to The Saint Francis Academy. Only six of the 30 projects qualifying for the program were approved for 70% tax credit allocations.

Any business entity doing business in the State of Kansas which is subject to the State Income tax qualifies for the credit. Also eligible are sole proprietors, limited partnerships, national banking associations, state banks, trust companies, savings and loan associations, or insurance companies paying an annual tax on its net income.

The Saint Francis Academy's project, Care for Kansas Kids, will provide financial assistance for mental health treatment services for Kansas children who qualify for our programs. Care

(more)

509 East Elm Street
Salina, KS 67401-2348
(800) 423-1342
(913) 825-0541
(913) 825-2502 Fax

4-9
Lives Change Here

for Kansas Kids will impact at-risk adolescents in Kansas ages ten through eighteen and their families. School enrollment figures for 1993-1994 indicate there are 308,817 students in Kansas in this age range.

Saint Francis provides these services at its Ellsworth, Salina, and Atchison Campuses. Saint Francis' Care for Kansas Kids project is the only approved community service program in Salina, Ellsworth, and Atchison counties.

The Saint Francis Academy has been a voice of hope for troubled youth and their families for 50 years. Facilities in Kansas, New York, and Mississippi provide early-intervention and residential psychiatric treatment to youth, ages 10 through 18, from across the U.S. Over 26 years of research shows Saint Francis has the highest documented success rate in the country in helping young people and their families.

For further information or questions about the Kansas Community Services Program Act, please contact Donna Bartunek, Debora Imhoff, or David Schatz at The Saint Francis Academy, telephone 913-825-0541 or 800-423-1342.

#

FOR MORE INFORMATION CONTACT: Debora Imhoff
Director of Annual Funds
(800)423-1342 or (913) 825-0541

4-10

4-10



KANSAS

DEPARTMENT OF COMMERCE & HOUSING

Bob Knight
Secretary

Joan Finney
Governor

December 12, 1994

MAN
TO: Community Service Programs
FROM: Marty R Miller, Director
RE: Solicitation Information

DEC 14 1994

The Kansas Community Service Program entitles a business entity to take a credit against their Kansas tax liability. The business entity will file a Schedule K-60, Community Service Contribution Credit, to claim the credit for the cash donation. For more information on how the federal tax works call 1-800-829-1040, for Kansas tax information call 913-296-0222.

The tax year effected would be determined by when the cash contribution is received. If received prior to December 31, 1994, the tax credit could be used on the 1994 return. If the gift is received after that, it would be used on the 1995 return.

The non-profit organization will give the business entity a Schedule K-60 Attachment when the cash contribution is received. The business entity will then attach the information to their Schedule K-60, Community Service Contribution Credit.

4-11

k-60

KANSAS

COMMUNITY SERVICE CONTRIBUTION CREDIT

For the taxable year beginning _____ 19____ ending _____ 19____

Name of Taxpayer (as shown on form to which attached)

Corporation File Number

C-

Social Security Number

Is your business located in a rural community? YES NO

COMPUTATION OF ALLOWABLE CREDIT FOR THIS YEAR'S CONTRIBUTIONS

1. Total credit for amount contributed this year (Enter credit amount issued by the community service organization)	1
2. Amount of tax liability for current taxable year after all previously claimed credits	2
3. Amount of credit allowable as a result of contributions made this year (Line 1 or line 2, whichever is less)	3

COMPUTATION OF CARRY FORWARD CREDIT FROM PRIOR YEAR'S CONTRIBUTIONS

4. Total credit for amount contributed this year (Enter the amount from line 1)	4
5. Total amount of carry forward available on this return (Enter the amount of available carry forward from the prior year's schedule K-60. Attach a copy of the prior year's schedule K-60 to this schedule.)	5
6. Total (Add lines 4 & 5)	6
7. Amount of tax liability for current taxable year after all previously claimed credits (Enter amount from line 2)	7
8. Credit available for carry forward to next year's schedule K-60 (Subtract line 7 from line 6. This amount cannot be less than zero.)	8

COMPUTATION OF TOTAL CREDIT CLAIMED THIS TAX YEAR

9. Total Community Service Contribution Credit (Enter the lesser of the sum of lines 3 and 5 or line 2 and on form K-120, Part V, line 10; form K-130, Part IV, line 6, page 2; or form K-40, Part D, line D45)	9
---	---

INSTRUCTIONS FOR CLAIMING THE COMMUNITY SERVICE CONTRIBUTION CREDIT

Any business firm which contributes to an approved community service organization which engages in the activity of providing community services may be allowed a credit against their tax liability.

corporation; or (3) has been designated as a community development corporation by the United States government under the provisions of title VII of the economic opportunity act of 1964; or (4) is chartered by the United States congress.

DEFINITIONS

Business Firm—Any business entity authorized to do business in the state of Kansas which is subject to the state income tax imposed by the provisions of the Kansas income tax act, and any national banking association, state bank, trust company or savings and loan association, paying an annual tax on its net income.

Health Care Services—Includes, but is not limited to the following: Services provided by local health departments, city, county or district hospitals, city or county nursing homes, or other residential institutions, preventive health care services offered by a community service organization including immunizations, prenatal care, home health care services which enables the postponement of entry into nursing homes, and community based services including services for persons with a disability, mental health services, indigent health care, physician or health care worker recruitment, health education, emergency medical services, services provided by rural health clinics, integration of health care services, home health services and services provided by rural health networks.

Community Services—(1) The conduct of activities which meet a demonstrated community need and which are designed to achieve one or more of the objectives set forth in "A Blueprint for Investing in the Future of Kansas Children and Families," as filed December, 1991 by the special committee on children's initiatives and which have been approved by local planning councils established in accordance with such blueprint; (2) crime prevention; and (3) health care services.

Crime Prevention—Any nongovernmental activity which aids in the prevention of crime in an impoverished area.

Rural Community—Any city having a population of fewer than 15,000 located in a county that is not part of a standard metropolitan statistical area as defined by the United States department of commerce or its successor agency. However, any such city located in a county defined as a standard metropolitan statistical area shall be deemed a rural community if a substantial number of persons in the county derive their income from agriculture and, in any county where there is only one city within the county which has a population of more than 15,000 and which classifies as a standard metropolitan statistical area all other cities in that county having a population of less than 15,000 shall be deemed a rural community.

Community Service Organization—Any organization performing community services in Kansas and which (1) have obtained a ruling from the internal revenue service that the organization is exempt from income taxation under the provisions of section 501(c)(3) of the federal internal revenue code; or (2) is incorporated in the state of Kansas or another state as a nonstock, nonprofit

SPECIFIC LINE INSTRUCTIONS FOR SCHEDULE K-60

- The information requested at the top of this schedule must be completed.
- Line 1**—Enter the amount of tax credit allowed on the certificate issued by the community service organization.
- Line 2**—Enter the total Kansas tax liability for the current tax year after all credits other than the credit for which this schedule is being completed.
- Line 3**—Enter the amount from line 1 or line 2, whichever is less. This is the maximum credit allowed for contributions made during this tax year.
- Line 4**—Enter the total credit for the amount contributed this year from line 1.
- Line 5**—Enter the amount of prior carry forwards available to this return

- from line 8 of the prior year's schedule K-60. Attach a copy of your prior year's schedule K-60 to this schedule.
- Line 6**—Add lines 4 & 5. Enter the result on line 6.
- Line 7**—Enter the total Kansas tax liability for the current tax year after all credits other than the credit for which this schedule is being completed.
- Line 8**—Subtract line 18 from line 17. Enter the result on line 19. This amount cannot be less than zero.
- Line 9**—Enter the lesser of the sum of lines 3 and 5 OR line 2. Enter this amount on page 2, Part V, line 10, form K-120; page 2, Part IV line 5, form K-130; or Part D, line D45, form K-40, whichever is applicable.

4-12



THE
SAINT
FRANCIS
ACADEMY
INCORPORATED

SAMPLE

TAX CREDIT COUPON

I, Janet Atteberry, as a duly authorized representative of
The Saint Francis Academy, Incorporated, do hereby certify that a
cash contribution of 3~ has been received from 4~. The tax
credit will be equal to 70% of the amount donated.

Janet Atteberry
Comptroller
The Saint Francis Academy, Incorporated

March 9, 1995

The Internal Revenue Service requires we inform you no goods
or services were given to you in exchange for your gift. Your
entire gift supports our troubled youth. Since your canceled
check is no longer considered a receipt, please keep this letter
for your tax information.

509 East Elm Street
Salina, KS 67401-2348
(800) 423-1342
(913) 825-0541
(913) 825-2502 Fax

4-13

Lives Change Here



KANSAS

DEPARTMENT OF COMMERCE & HOUSING

Bill Graves
Governor

Gary Sherrer
Secretary

January 26, 1995

TO: APPROVED COMMUNITY SERVICE PROGRAMS
FROM: KANSAS DEPARTMENT OF COMMERCE & HOUSING
SUBJECT: TAX CREDIT APPLICATION AND MONTHLY STATUS REPORT

Enclosed please find a tax credit application and monthly status report. This material is being distributed to assist your organization in tracking the status of the tax credits.

The tax credit application is to be given to all donors. Do not sign the application until the donor has submitted the completed form to your organization. It can then be forwarded to the Department of Commerce & Housing for processing.

The monthly status report will be used to track the progress of your approved program. Attach any credit applications received during the month to the report.

If your organization was awarded less than \$100,000 in tax credits, the credits need to be distributed by December 1, 1995. If your organization was awarded more than \$100,000, you will have three years to allocate the tax credits.

4-14

STATE OF KANSAS
Department of Commerce & Housing
Community Service Program

TAX CREDIT APPLICATION
(see instructions on reverse side)

STATE USE ONLY		
Log No. _____	Project No. _____	Reviewer _____
Qualifying Contribution \$ _____	Tax Credit \$ _____	
This credit may be claimed against taxes due for any taxable periods between _____ and _____		
APPROVED	DATE	

PART I—BUSINESS ELIGIBILITY (Complete the appropriate section below)

1. A corporation filing Kansas form K-120. Corporation Name: _____
2. A sole proprietorship filing federal form 1040 schedule C and Kansas form K-40.
Individual, husband and/or wife: _____ SSN: _____
3. A farm operation filing federal form 1040 schedule F and Kansas form K-40.
Individual, husband and/or wife: _____ SSN: _____
4. An individual reporting income from rental property or royalties on federal form 1040 schedule E and filing Kansas form K-40.
Individual, husband and/or wife: _____ SSN: _____
5. A small business corporation (S Corp.) filing Kansas form K-120S. (Attach a complete list of shareholders, social security numbers, and percent ownership of each.) Business Name: _____
6. A partnership filing Kansas form K-65. (Attach a complete list of partners, social security numbers and percent ownership of each.)
Partnership Name: _____
7. A bank, credit institution, savings and loan association, credit union, farmer's cooperative credit association, or building and loan association filing a Kansas financial institution tax return. Business Name: _____
8. An insurance company filing an insurance tax return with the Kansas Department of Insurance.
Company Name: _____
9. An individual partner in a partnership or shareholder in an S-Corporation.
Individual, husband and/or wife: _____ SSN: _____

PART II—BUSINESS IDENTIFICATION

10. Business mailing address: _____
11. Contact person: _____
12. Taxes are paid by: Calendar year Fiscal year from _____ to _____
13. Federal Employer ID Number: _____
14. Kansas Charter Number: _____
15. Kansas Taxpayer ID Number: _____
16. Kansas Sales Tax Number: _____
17. Check the tax you intend to take this credit against:
 Corporate income tax Individual income tax Franchise
 Financial institution Gross premium receipts Gross receipts

PART III—DESCRIPTION OF CONTRIBUTION

18. Name of project or organization: _____
19. Total amount of this contribution: _____ Date(s): _____
20. Brief description (cash only): _____
21. Proof attached: Check Invoice Other _____

PART IV—NOTARIZED STATEMENT (To be completed by the business in the presence of notary)

STATE OF KANSAS)
) ss
COUNTY OF _____)

22. _____, _____, being first duly sworn on his/her oath
(Person requesting this credit) (Title)
states: that he/she has examined the above application and attachments and that all matters stated therein are, to the best of his/her knowledge, information and belief, true, correct and complete.

Signature

23. Subscribed and sworn to before me on this _____ day of _____, 19 _____.

My commission expires _____

Notary Public Signature

PART V—STATEMENT OF RECEIPT (To be completed by the Project Director)

24. I have examined this application and all attachments and believe it to be an accurate description of the contributions received by our organization for the purpose of carrying out our approved Community Service Program.

Project Director: _____ (Typed) _____ (Signature) _____ (Date) _____ (Project No.)

4-15

KANSAS COMMUNITY SERVICE PROGRAM
(For businesses that have contributed to approved community service projects in Kansas)

IMPORTANT: This form is to be submitted within twelve (12) months of the date of donation.

GENERAL INSTRUCTIONS

Please type or neatly print (black or blue ink) all requested information on the application. If a particular question is not applicable, indicate by writing "NA".

All questions pertain to your business at the time the contribution was made. Information furnished will also be used by the Kansas Department of Revenue.

Do not write in the box labeled "STATE USE ONLY".

Attach proof of contribution and send the original completed application to the agency that received your cash contribution. The Department will notify you of approval or disapproval. (In unusual circumstances, this application may be submitted directly to the Kansas Department of Commerce and Housing.)

Do not claim this credit on your Kansas income tax return until you have received an approved copy of this application from the Kansas Department of Commerce and Housing. The amount of approved credit will be indicated in the upper right-hand box.

Please allow 3 to 4 weeks for the Kansas Department of Commerce and Housing to process your application.

Any portion of the credit not claimed on the taxable periods allowed will automatically be forfeited. The credit is not refundable.

If future taxable periods are modified, the allowable period during which this credit may be claimed will be adjusted accordingly by the Kansas Department of Revenue.

LINE BY LINE INSTRUCTIONS

LINES 1 thru 9: Check the box that describes your business at the time the contribution was made and enter the exact information requested for that box only. Partnerships and S-Corporations are required to attach a complete list of partners or shareholders, along with the percent ownership of each and appropriate social security or Federal ID numbers. (NOTE: The percent of profit distribution is not always the same as percent of ownership.) If any of the partners or shareholders are trusts, include both the Federal ID number for the trust and social security number for the beneficiary. If the credit is to be split equally between husband and wife, enter both names and social security numbers.

LINE 10: Enter the complete address to which all correspondence concerning this application may be sent.

LINE 11: Enter the name and daytime telephone number of the person who may be contacted for more information concerning this application.

LINE 12: Indicate whether your tax is paid by calendar year or fiscal year. If fiscal year, enter the period.

LINE 13 thru 16: Enter appropriate identification numbers as applicable.

LINE 17: Indicate, by checking the box, the specific tax you intend to take the credit against (i.e. corporate income, individual income, franchise, financial institution, gross premium receipts or gross receipts).

LINE 18: Enter the name of the organization or project that received your contribution.

LINE 19: Enter the date and amount of each contribution included in this application. NOTE: Contributions made to the same project within the same taxable year may be combined on a single credit application. (Example: If your taxable year runs from October 1 to September 30, and you made three contribution to the same project during that time, you may combine them on the same application.)

LINE 20: Briefly describe what your contribution consisted of (cash only).

LINE 21: Check the box(es) indicating the forms of documentation attached. If you wrote a check, simply attach a photocopy of the front and back of the canceled check.

LINE 22: The person completing this form on behalf of the business must sign this section in the presence of a notary.

LINE 23: The notary public must sign and affix the notary seal.

LINE 24: Once your application has been submitted to the agency that received your contribution, this section will be signed by the agency representative designed as the Community Service Project Director. It will then be forwarded to the Kansas Department of Commerce and Housing for processing.

If you have questions concerning this application, please contact:

Kansas Department of Commerce and Housing
Community Development
700 SW Harrison Street, Suite 1300
Topeka, KS 66603-3712

Telephone: (913) 296-3485
TTY: (913) 296-3487

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4-16

COMMUNITY SERVICE PROGRAM

Project # _____

MONTHLY STATUS REPORT

Date: _____

Organization: _____

This report was reviewed and approved by: _____
(Project Director)

NOTE: It is not necessary to send a cover letter with this report. Please retain a copy of the completed report for your file and a clean, blank copy for your next report.

1 How many credit applications are attached? _____

How many credits are requested in this batch? _____

How many credits are remaining to be allocated? _____

2 Please check one:

a. ___ Our budget remains the same at this time. All donations received and/or pledged up to this point are included in our present budget.

b. ___ A revised budget is attached, and the changes are as follows:

3 Approximately how many pledges are outstanding at this time? _____

When combined with donations already received, what percentage of your budget does that represent? _____%

4 If your project is currently underway, please check one:

a. ___ We anticipated completing this project without using all of our available credit.

b. ___ Everything appears to be on target at this time, and our current approved budget is still accurate.

5. Has there been any significant turnover, either on your staff or Board of Directors, since your last report? You may also use this space to indicate any other changes (e.g. address or telephone number):

6. What progress has been made towards accomplishing the measurable project objectives as agreed upon with the Kansas Department of Commerce & Housing?
(This may be left blank if there are no significant changes since the previous status report.)

7. Any other comments, questions, or situations you would like to bring to our attention?

Issued 1/23/95

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4.18

Robert B. Docking State Office Building
915 SW Harrison Street
Topeka, Kansas 66625-0001



Phone: (913) 296-0222
Fax: (913) 296-1279

Department of Revenue
Division of Taxation

NOTICE 95-01

TO: Kansas Taxpayers
FROM: Kansas Department of Revenue
RE: Community Service Contribution Credit

In 1994, the Kansas Legislature passed Senate Bill 230, "Kansas Community Service Program Act", which enables business firms to receive a tax credit for cash contributions made to approved non-profit organizations. We have received a number of inquiries regarding the application of the Community Service Contribution Credit, and following are answers to the most commonly asked questions.

1) Question: What is the community service contribution credit?

Answer: The community service contribution credit allows any business firm which contributes to an approved community service organization or governmental entity which engages in the activities of providing community services to claim a credit against the tax imposed by the Kansas income tax act or against the Kansas privilege tax.

2) Question: Who may claim the community service contribution credit?

Answer:

- (a) Any business entity authorized to do business in the state of Kansas which is subject to the state income tax imposed by the provisions of the Kansas income tax act; (This would include sole proprietorships, partnerships, S corporations, corporations, etc.)
- (b) any national banking association, state bank, trust company or savings and loan association paying an annual tax on its net income pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated; or,
- (c) any insurance company paying an annual tax on its net income pursuant to article 28 of chapter 40 of the Kansas Statutes Annotated. (Insurance companies are regulated by the State Insurance Department. Further clarification should be sought from that agency regarding the application of the Community Service Contribution Credit.)

3) Question: Would an individual qualify for the credit if they have: (a) business income reported on federal Schedule "C"; (b) farm income reported on federal Schedule "F"; (c) rental income reported on federal Schedule "E"; (d) income reported on W-2 forms; (e) any other income subject to self employment tax?

Answer:

- (a) YES, however the amount of credit allowed will be limited to "business income". Example: 45% of income is from business income reported on Schedule "C" and 55% of income is from W-2 income. The individual is allowed to claim 45% of the credit, as 45% of income is from business sources.
- (b) YES, with the same limitations as answer (a) above
- (c) YES, with the same limitations as answer (a) above
- (d) NO, W-2 income is not considered as business income. Individuals whose only income is from wages do not qualify for the Community Service Contribution Credit.
- (e) YES, as long as the other income is considered as business income.

4) Question: What kinds of donations qualify?

Answer: Cash donations only.

5) Question: Can an individual, who is an employee of a corporation, give a donation through the company and receive the tax credit?

Answer: NO.

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Answer: NO.

6) **Question: What is the amount of credit allowed?**

Answer: The amount of credit allowed shall not exceed 50% of the total amount contributed during the taxable year by the business firm to an approved community organization or governmental entity. The amount of credit allowed shall not exceed 70% of the total amount contributed during the taxable year by the business firm in a rural community to a community service organization or governmental entity located in a rural community.

7) **Question: What is a rural community?**

Answer: Rural community has been defined in the 1994 session, Senate Bill 230, and is summarized as follows:

Any city having a population of fewer than 15,000 located in a county that is not part of a standard metro-politan statistical area as defined by the United States Department of Commerce or its successor agency;

any city having a population of fewer than 15,000 located in a county defined as a standard metropolitan statistical area, if a substantial number of persons in the county derive their income from agriculture; and,

any city in a county defined as a standard metropolitan statistical area which is the only city in its county that has a population that exceeds 15,000.

8) **Question: Is this credit a refundable credit?**

Answer: NO, however any unused portion of the tax credit may be carried forward to succeeding tax years until totally used.

9) **Question: What schedule will I use to claim the credit? Should I include any information with that schedule to show that I qualify?**

Answer: You should attach schedule K-60 to your return and include a copy of the certificate that shows that you qualify for the credit.

10) **Question: The income statutes were amended to include an add back of the charitable contribution amount. "The amount of any charitable contribution made to the extent the same is claimed as the basis for the credit allowed pursuant to section 3." Is the amount to be added back, the amount of the credit claimed OR the total contribution amount prior to the 50% or 70%?**

Answer: The amount to be added back to federal adjusted gross income will be the total amount contributed during the taxable year prior to the 50% or 70% computation of the tax credit.

11) **Question: Should the add back modification be added back the same tax year the contribution is made?**

Answer: YES.

12) **Question: Will the amount of the Community Service Contribution Credit affect the amount of charitable donation claimed on the federal return?**

Answer: The amount of Kansas tax credit should have no effect on the charitable donation claimed on the federal return.

13) **Question: Who should I contact to find out where I can make contributions in order to qualify to claim this credit?**

Answer: You may contact the Department of Commerce and Housing, Community Development Division, 700 SW Harrison Street, Suite 1300, Topeka, Kansas, 66603-3712, or call (913) 296-3485.

Should you have any questions or require additional information regarding the community service contribution credit, you may call or come to one of the offices listed below. If you find it necessary to write instead of calling, address your correspondence to the Taxpayer Assistance Bureau, PO Box 12001, Topeka, Kansas, 66625-0001.

Topeka-
Call (913) 296-0222
Docking State Office Building
915 Harrison, 3rd Floor

Kansas City-
Call (913) 788-3445
1961 N. 63rd Drive

Wichita-
Call (316) 337-6140
230 E. William, Room 7150

State of Missouri
Department of Economic Development
Neighborhood Assistance Program

TAX CREDIT APPLICATION
(Chapter 32, RSMo Supp. 1991)

See Instructions on Reverse Side

State Use Only

Log No. _____ Project No. _____ Reviewer: _____
Qualifying Contribution: \$ _____ Tax Credit \$ _____
This credit may be claimed against taxes due for any taxable periods
between _____ and _____

Approved _____

Date _____

Part I: Business Eligibility Please complete the appropriate section below.

1. A corporation filing Missouri Form 1120.
Corporation name: _____
2. A sole proprietorship filing Federal Form 1040 Schedule C and Missouri Form 1040.
Individual, husband and/or wife: _____ SSN: _____
3. A farm operation filing Federal Form 1040 Schedule F and Missouri Form 1040.
Individual, husband and/or wife: _____ SSN: _____
4. An individual reporting income from rental property or royalties on Federal Form 1040 Schedule E and filing Missouri Form 1040.
Individual, husband and/or wife: _____ SSN: _____
5. A small business corporation (S Corp.) filing Missouri Form 1120S. (Attach a complete list of shareholders, social security numbers, and percent ownership of each.)
Business name: _____
6. A partnership filing Missouri Form 1065. (Attach a complete list of partners, social security numbers and percent ownership of each.)
Partnership name: _____
7. A bank, credit institution, savings and loan association, credit union, farmer's cooperative credit association, or building and loan association filing a Missouri financial institution tax return.
8. An insurance company filing a Missouri Insurance Tax return with the Division of Insurance.
Company name: _____
9. An individual partner in a partnership or shareholder in an S-corporation. (Effective June 18, 1991)
Individual, husband and/or wife: _____ SSN: _____

Part II: Business Identification

10. Business mailing address: _____
11. Contact person: _____ Daytime phone No. (_____) _____
12. Taxes are paid by: Calendar year Fiscal year from _____ to _____
13. Federal Employer ID Number: _____ 14. Missouri Charter Number: _____
15. Missouri Employer Withholding Number: _____ 16. Missouri Sales Tax Number: _____
17. Circle the taxes you intend primarily to take this credit against: corporate income tax, franchise, financial institution, gross premium receipts, gross receipts, individual income tax.

Part III: Description of Contribution

18. Name of project or organization: _____ Date(s): _____
19. Total amount of this contribution: _____
20. Brief description (if other than cash): _____
21. Proof attached: Check Invoice Appraisal Affidavit Other _____

Part IV: Notarized Statement (to be completed by the business in the presence of notary)

State of Missouri)
County of _____)
_____, being first duly sworn on his/her oath
(Person requesting this credit) (Title)
states that he/she has examined the above application and attachments and that all matters stated therein are, to the best of his/her knowledge, information and belief, true, correct and complete.

23. Subscribed and sworn to before me on this _____ day of _____, 19____.

My Commission expires _____ Notary Public Signature _____

Part V: Statement of Receipt (To be completed by the Project Director)

24. I have examined this application and all attachments and believe it to be an accurate description of the contribution received by our organization for the purpose of carrying out our approved NAP project.

Project Director: _____

(Typed)

(Signature)

(Date)

(Project No.) **4-21**

Neighborhood Assistance Tax Credit Application
(For Businesses That Have Contributed to Approved Neighborhood Assistance Projects in Missouri.)

IMPORTANT: This form is to be submitted within 12 months of the date of donation.
General Instructions

1. Please type or neatly print (black or blue ink) all requested information on the application. If a particular question is not applicable, indicate "NA".
2. All questions pertain to your business at the time the contribution was made. Information furnished will also be used by the Department of Revenue.
3. Do not write in the section labeled "State Use Only."
4. Attach proof of contribution and send the original completed application to the agency that received your NAP contribution. The Department will notify you of approval or disapproval. (In unusual circumstances, this application may be submitted directly to the Department of Economic Development.)
5. Do not claim this credit on your Missouri Tax Return until you have received an approved copy of this application from the Department of Economic Development. The amount of approved credit will be indicated in the upper right-hand box.
6. Please allow the Department of Economic Development 3 to 4 weeks for processing.
7. Any portion of the credit not claimed on the taxable periods allowed will automatically be forfeited. The credit is not refundable.
8. If future taxable periods are modified, the allowable period during which this credit may be claimed will be adjusted accordingly by the Department of Revenue.

Line-By-Line Instructions

Lines

- 1-9 Check the box that describes your business at the time the contribution was made, and enter the exact information requested for that box only. Partnerships and S-Corporations are required to attach a complete list of partners or shareholders, along with the percent ownership of each, and appropriate social security or Federal I.D. numbers. (NOTE: The percent of profit distribution is not always the same as percent of ownership.) If any of the partners or shareholders are trusts, include both the Federal I.D. number for the trust and social security number for the beneficiary. If the credit is to be split equally between husband and wife, indicate both names and social security numbers.
- 10 Indicate the complete address to which all correspondence concerning this application may be sent.
- 11 Indicate the person who may be contacted for more information concerning this application, and their daytime telephone number.
- 12 Indicate whether your tax is paid by calendar year or fiscal year. If fiscal year, enter the period.
- 13-16 Indicate appropriate numbers, where applicable.
- 17 Indicate the specific taxes you intend primarily to take the credit against, either corporate income, franchise, financial institution, gross premium receipts, gross receipts, or individual income tax. NOTE: You are not required to claim the credit in this manner. Your response on this line simply allows the Department of Revenue to make necessary computer entries establishing the amount of credit available to you.
- 18 Indicate the name of the organization or project that received your contribution.
- 19 Indicate the date and amount of each contribution included in this application. (Refer to official NAP rules for instructions on how to establish the value of contributions other than cash.) NOTE: Contributions made to the same project within the same taxable year may be combined on a single credit application. (Example: If your taxable year runs from October 1 to September 30, and you made three contributions to the same NAP project during that time, you may combine them on the same application.)
- 20 Briefly describe what your contribution consisted of. (e.g. technical assistance, building materials, real estate, office supplies, vehicles, manpower, etc.)
- 21 Check the box(es) indicating the forms of documentation attached. (Refer to official NAP rules for instructions on required documentation. If you wrote a check, simply attach a photocopy of the front and back of the cancelled check.)
- 22 The person completing this form on behalf of the business is to sign this section in the presence of a notary.
- 23 The notary public is to sign here and affix the notary seal.
- 24 Once your application has been submitted to the agency that received your contribution, this section will be signed by the agency representative designated as the Neighborhood Assistance Project Director. It will then be forwarded to the Department of Economic Development for processing.

If you have any questions concerning this application, please contact:

Department of Economic Development
Neighborhood Assistance Program
P.O. Box 118
Jefferson City, MO 65102
(314) 751-4849

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MISSOURI DEPARTMENT OF REVENUE
INDIVIDUAL INCOME TAX RETURN

1983 FORM
MO-1040

OR CALENDAR YEAR JAN. 1 - DEC. 31, 1983, OR OTHER TAX YEAR BEGINNING 1983, ENDING 19

AMENDED RETURN **DO NOT WRITE IN THESE SPACES** PM

STEP 1 NAME AND ADDRESS
YOUR LAST NAME FIRST NAME INITIAL YOUR SOCIAL SECURITY NO.

HOUSEHOLD LAST NAME PLACE LABEL HERE FIRST NAME INITIAL HOUSEHOLD SOCIAL SECURITY NO.

IN CARE OF NAME, ATTORNEY, ACCOUNTANT, BUSINESS PERSONAL REPRESENTATIVE, ETC. COUNTY OF RESIDENCE SCHOOL DIST. NO.

PRESENT ADDRESS (INCLUDE APARTMENT # OR RURAL ROUTE) CITY, TOWN OR POST OFFICE, STATE AND ZIP CODE

You may contribute to any one or all of the trust funds below. Place the total amount contributed on Lines 48a, 48b, 48c and 48d. Please see the instructions for these lines for a complete description of each trust fund.
 Children's Trust Fund Veterans Trust Fund Elderly Home Delivered Meals Trust Fund United States Olympic Festival Trust Fund
 Attach copies of Pages 1 and 2 of your Federal Form 1040 or 1040A if you claim deductions on your Federal return. (Also attach a copy of Federal Schedule A) if you claim a pension exemption here (Box 2) of \$1000 or more on Line 15T below, or have modifications on Form MO-A, Part 1.

ATTACH CHECK OR MONEY ORDER HERE

STEP 2 CHECK YOUR FILING STATUS

1. Single - \$1,200 (See box 6 before checking)
 2. Married and filing a combined Missouri return - \$2,400
 3A. Married filing separate - \$1,200
 3B. Married filing separate (spouse not filing) - \$2,400
 4. Head of Household - \$2,000

5. Qualifying widow with dependent child - \$2,000
 6. Claimed as a dependent on another person's Federal tax return - \$1,000 (See instructions)

If you checked Box 2 above, complete Column H, W, and T. If you checked any box other than Box 2, complete only Column T.

ADDITIONAL INFORMATION (Check all applicable boxes):
 7. 65 or over - yourself
 8. 65 or over - spouse
 9. Blind - yourself
 10. Blind - spouse

ATTACH COPY OF W-2 AND/OR 1099-R FORMS HERE

STEP 3 FIGURE YOUR MO ADJUSTED GROSS INCOME

	COMBINED INCOME		ONE INCOME	
	H-HUSBAND	W-WIFE	T-TOTAL OR ONE INCOME	
11. Federal adjusted gross income (see instructions)	11H	11W	11T	00
12. Total additions (from Form MO-A, Part 1, Line 3)	12H	12W	12T	00
13. Total income - add Lines 11 and 12	13H	13W	13T	00
14. Total subtractions (from Form MO-A, Part 1, Line 5)	14H	14W	14T	00
15. Missouri adjusted gross income - Line 13 less Line 14	15H	15W	15T	00

STEP 4 FIGURE YOUR TAXABLE INCOME

	16H	%	16W	%	16T	100 %
16. Income percentages - divide Column 15H and 15W by 15T						
17. Government pension exemption (from Form MO-A, Part 2, Line 6T). Attach 1099-R and Federal Forms 1040 or 1040A					17	00
18. Enterprise zone income modification (see instructions)					18	00
19. Missouri STANDARD DEDUCTION OR ITEMIZED DEDUCTIONS (see instructions)					19	00
20. Federal income tax deduction (from Federal Form 1040EZ, Line 6; Federal Form 1040A, Line 25 less Line 25c; or Federal Form 1040, Line 48 less Line 55)					20	00
21. Other Federal tax deductions (see instructions). Attach Pages 1 and 2 of Federal Return					21	00
22. Exemption amount checked on Lines 7 through 9					22	00
23. Number of dependents (DO NOT INCLUDE YOURSELF OR SPOUSE from Federal Form 1040, Line 5c OR Federal Form 1040A, Line 6c) List last names: _____ X \$400 =					23	00
24. Total deductions - add Lines 17 through 23					24	00
25. Total taxable income - subtract Line 24 from Line 15T					25	00
26. Multiply Line 25 by percentages (%) on Line 16. Enter here and on Line 27	26H	00	26W	00	26T	00

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STF	FIGURE YOUR TAX	H-HUSBAND	W-WIFE	T-TOTAL OR ONE INCOME
27.	Income amount from Line 25H and/or 25W and 25T.....	27H 00	27W 00	27T 00
28.	TAX on Line 27 (see tax table, Form MO-A, Page 2).....	28H 00	28W 00	28T 00
29.	Resident credit (attach Form MO-CR and other state's return).....	29H 00	29W 00	29T 00
30.	Nonresident percentage (attach Form MO-NRI and copy of Federal return).....	30H %	30W %	30T %
31.	Balance (Resident - subtract Line 29 from Line 28 OR Nonresident - multiply Line 28 by percentage on Line 30).....	31H 00	31W 00	31T 00
32.	Other taxes (check box & attach Federal Form indicated): <input type="checkbox"/> Lump Sum Distribution (Form 4972) <input type="checkbox"/> Recapture of Low Income Housing Credit (Form 8611).....	32H 00	32W 00	32T 00
33.	TOTAL TAX, add Lines 31 and 32.....	33H 00	33W 00	33T 00

STEP 6 FIGURE YOUR CREDITS			
34.	Miscellaneous tax credits (from Form MO-TC, Line 15; Form MO-TC must be attached).....	34	00
35.	MISSOURI tax withheld as shown on your W-2 or (99-R forms), W-2 and 1099-R forms) must be attached. <input type="checkbox"/> DOR ONLY	35	00
36.	1993 Missouri estimated tax payments (include overpayment from 1992 credited to 1993).....	36	00
37.	Property tax credit. Attach Form MO-PTC (Formerly Senior Citizens Credit Claim).....	37	00
38.	Amount paid with Missouri Form MO-60, Application of Extension of Time to File.....	38	00
39.	AMENDED RETURN ONLY: Amount paid on original return.....	39	00
40.	Add Lines 34 through 39.....	40	00
41.	AMENDED RETURN ONLY: Refund as shown on original return.....	41	00
IF FILING AN AMENDED RETURN, INDICATE REASONS FOR AMENDING:		M M O O Y Y	
<input type="checkbox"/> A. Federal Audit	Enter date of IRS report		
<input type="checkbox"/> B. Net Operating Loss Carryback	Enter year of loss		
<input type="checkbox"/> C. Investment Tax Credit Carryback	Enter year of credit		
<input type="checkbox"/> D. Correction of Line 25A, B or C	Enter date of Federal amended return, if filed		
42.	Total Payments and Credits, subtract Line 41 from Line 40.....	42	00

STEP 7 FIGURE YOUR REFUND OR AMOUNT DUE			
43.	If Line 42 is greater than Line 33T, enter the difference (amount of OVERPAYMENT) here.....	43	00
44.	Amount of Line 43 to be applied to your 1994 estimated taxes.....	44	00
45.	Amount of Line 43 to be contributed to Trust Funds:		
45a.	Children's Trust Fund.....	45a	00
45b.	Veterans Trust Fund.....	45b	00
45c.	Elderly Home Delivered Meals Trust Fund.....	45c	00
45d.	United States Olympic Festival Trust Fund.....	45d	00
46.	Overpayment to be refunded to you. Subtract Lines 44, 45a, 45b, 45c, and 45d from Line 43 and enter here. REFUND Mail all required materials to: DEPARTMENT OF REVENUE, P.O. BOX 308, JEFFERSON CITY, MO 65106-0308	46	00
47.	If Line 33T is larger than Line 42, enter the difference (amount of UNDERPAYMENT) here.....	47	00
48.	Underpayment of estimated tax penalty (attach Form MO-2210). Enter penalty amount here.....	48	00
49.	Total amount due: Add Lines 47 and 48 and enter here. AMOUNT DUE Write your social security number (s) on check or money order and make payable to Missouri Director of Revenue. Mail all required materials to: DEPARTMENT OF REVENUE, P.O. BOX 308, JEFFERSON CITY, MO 65107-0308	49	00

STEP 8 PLEASE SIGN RETURN

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and in the best of my knowledge and belief it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which he has any knowledge. As provided in Chapter 143, R.S.Mo., a penalty of up to \$2000 shall be imposed on any individual who files a frivolous return.

I authorize the Director of Revenue or her delegate to discuss my return and attachments with the preparer or any member of his/her firm.

I do NOT authorize the Director of Revenue or her delegate to discuss my return and attachments with the preparer or any member of his/her firm.

YOUR SIGNATURE	DATE	PREPARED'S SIGNATURE	FDN OR LSN
PREPARED'S SIGNATURE (if any, attach BOTH this and 897)	DATE/TIME TELEPHONE	PREPARED'S ADDRESS AND ZIP CODE	DATE

MO 860-1064 (11-83)

MOV. 30-2

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MISSOURI DEPARTMENT OF REVENUE
MISCELLANEOUS INCOME
TAX CREDITS

1993
FORM
MO-TC

DUK

YOUR SOCIAL SECURITY NO.

MISCELLANEOUS NUMBER

	DUI USE ONLY			HUSBAND OR SPOUSE ON A COMBINED RETURN	
	H	W		H	W
1. New or Expanded Business Facility Credit (Attach Schedule K-1 or Schedule C).....▶	00	00	1	00	00
2. Development Reserve Credit.....▶	00	00	2	00	00
3. Infrastructure Development Credit.....▶	00	00	3	00	00
4. Export Finance Credit.....▶	00	00	4	00	00
5. Missouri Low Income Housing Credit (Attach Eligibility Statement and Federal Return).....▶	00	00	5	00	00
6. Processed Wood Energy Credit.....▶	00	00	6	00	00
7. Science and Technology (Seed Capital) Credit.....▶	00	00	7	00	00
8. Neighborhood Assistance Credit (Including Homeless Assistance Credit).....▶	00	00	8	00	00
9. Affordable Housing Assistance Credit.....▶	00	00	9	00	00
10. Special Needs Adoption Tax Credit (Attach Form ATC).....▶	00	00	10	00	00
11. Enterprise Zone Credit (Attach Schedule K-1 or Schedule C).....▶	00	00	11	00	00
12. Small Business Incubator Credit.....▶	00	00	12	00	00
13. Small Business Investment Credit.....▶	00	00	13	00	00
14. SUBTOTALS - Add Lines 1 through 13.....▶	00	00	14	00	00
15. Total Credits - Add Lines 14H and 14W (Enter here and on Form MO-1120, Line 16, or Form MO-1040, Line 34, or Form MO-1041, Line 17).....▶			00	15	00

MO 80-2274 (11-88)

This publication is available upon request in alternative accessible format(s). TDD 1-800-735-2988

INSTRUCTIONS

Corporation, fiduciary and one income filers must enter the amount of their applicable credit in Column W (Note: one income filers are individuals filing single, married filing separate, head of household, qualifying widow(er) with dependent child or claimed as a dependent on another's return). For combined Missouri individual income tax returns, the husband's portion of the tax credit must be entered in Column H and the wife's portion in Column W.

Line 1 - NEW OR EXPANDED BUSINESS FACILITY CREDIT

If you are a manufacturer, wholesale distributor, office tenant, truck, barge, or rail line operator, interchange telecommunications company facility, or mining, warehouse, or research/development operator, you may be eligible to claim this credit if you established a new facility or expanded an existing facility and created new jobs and new investment. For more information, forms and approval to claim this credit, contact the Missouri Department of Economic Development, Tax Benefit Programs, P.O. Box 118, Jefferson City, MO 65102-0118, or call (314) 751-6835.

Line 2 - DEVELOPMENT RESERVE CREDIT

If you have made a contribution to the Development and Reserve Fund, you may be entitled to this credit. For more information forms and approval to claim this credit, contact the Missouri Department of Economic Development, Tax Benefit Programs, P.O. Box 118, Jefferson City, MO 65102-0118, or call (314) 751-6835.

Line 3 - INFRASTRUCTURE DEVELOPMENT CREDIT

If you have made a contribution to the Infrastructure Development Fund, you may be entitled to this credit. For more information forms and approval to claim this credit, contact the Missouri Department of Economic Development, Tax Benefit Programs, P.O. Box 118, Jefferson City, MO 65102-0118, or call (314) 751-6835.

Line 4 - EXPORT FINANCE CREDIT

If you have made a contribution to the Export Finance Fund, you may be entitled to this credit. For more information, forms and

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approval to claim this credit, contact the Missouri Department of Economic Development, Tax Benefit Programs, P.O. Box 118, Jefferson City, MO 65102-0118, or call (314) 751-6835.

Line 6 - MISSOURI LOW INCOME HOUSING CREDIT

If you are a fee simple owner of rental property, approved for a Federal Low Income Housing Credit, you may also be eligible for the Missouri Low Income Housing Credit. The Missouri credit is equivalent to 20% of the amount taken on your Federal return. A copy of your Federal return and a statement authorized and issued by the commission certifying that a given project qualifies for the Missouri Low Income Housing Credit must accompany your tax return. For more information, forms and approval to claim this credit, contact the Missouri Housing Development Commission, 3770 Broadway, Kansas City, MO 64111, or call (816) 756-3790.

Line 6 - PROCESSED WOOD ENERGY CREDIT

Any Missouri business may be eligible for a tax credit for producing processed wood energy products from Missouri timber product (waste) residue. Individuals burning wood are not eligible for the Energy Tax Credit. Copies of bills of sale to customers, must be attached to the tax credit application. For more information, forms and approval to claim this credit, contact the Missouri Division of Energy, P.O. Box 176, Jefferson City, MO 65102-0176, or call (314) 751-6588.

Line 7 - SCIENCE AND TECHNOLOGY (SEED CAPITAL) CREDIT

You may be eligible for this credit if you made a cash contribution to a qualified fund established cooperatively by the Missouri Corporation of Science and Technology or any of the state's innovation centers to provide "seed" capital to potentially viable businesses. For more information, forms and approval to claim this credit, contact the Missouri Department of Economic Development, Tax Benefit Programs, P.O. Box 118, Jefferson City, MO 65102-0118, or call (314) 751-6835.

Line 8 - NEIGHBORHOOD ASSISTANCE CREDIT

If you contributed cash or provided qualified services or assistance to a not-for-profit organization that administers an approved neighborhood assistance project, you may be eligible to claim this credit. For more information, forms and approval to claim this credit, contact the Missouri Department of Economic Development, Tax Benefit Programs, P.O. Box 118, Jefferson City, MO 65102-0118, or call (314) 751-6835.

Line 9 - AFFORDABLE HOUSING ASSISTANCE CREDIT

If you engaged in providing affordable housing assistance activities in Missouri, you may be eligible to claim this credit. For more information, forms and approval to claim this credit, contact the Missouri Housing Development Commission, 3770 Broadway, Kansas City, MO 64111 or call (816) 756-3790.

Line 10 - SPECIAL NEEDS ADOPTION TAX CREDIT

If you have legally adopted a special needs child during 1993, you may be eligible for this tax credit. You must complete and attach a Form ATC to the 1993 Form MO-TC which is a required attachment for your Missouri return (MO-1040), along with verification statements from the court, child-placing agency or the Division of Family Services regarding the child's special needs. Also, the Division of Family Services must verify, by completing Form ATC, Part D, that your adoption expenses were not reimbursed by another source. For more information regarding verification of the child's special needs and non-reimbursement of adoption expenses, contact the Division of Family Services, P.O. Box 88, Jefferson City, MO 65103-0088. Form ATC and additional information is

available at any County Family Services Office. Form ATC is also available at Missouri Department of Revenue Offices throughout the state. Questions about filing for this credit should be directed to the Missouri Department of Revenue at (314) 751-3505.

Line 11 - ENTERPRISE ZONE CREDIT

You may be eligible for this credit if you established a new facility or expanded an existing facility in an enterprise zone and created new jobs and new investment. For more information, forms and approval to claim this credit, contact the Missouri Department of Economic Development, Tax Benefit Programs, P.O. Box 118, Jefferson City, MO 65102-0118, or call (314) 751-6835.

Taxpayers eligible for tax refunds, as authorized in Section 135.245, RSMo Supp. 1992, must be certified by the Department of Economic Development as having operated a "new business facility" during the taxpayer's third or fourth tax period. For further information concerning claims for refunds, contact the Department of Revenue at (314) 751-5505.

Line 12 - SMALL BUSINESS INCUBATOR CREDIT

You may be eligible for this credit if you have made a contribution to an approved Small Business Incubator Project. For more information, forms and approval to claim this credit, contact the Missouri Department of Economic Development, Tax Benefit Programs, P.O. Box 118, Jefferson City, MO 65102-0118, or call (314) 751-6835.

Line 13 - SMALL BUSINESS INVESTMENT CREDIT

If you have made a monetary contribution to an approved small business in Missouri, you may be entitled to this credit. For more information, forms and approval to claim this credit, contact the Missouri Department of Economic Development, Tax Benefit Programs, P.O. Box 118, Jefferson City, MO 65102-0118, or call (314) 751-6835.

Line 14 - SUBTOTAL

Add Lines 1H through 13H and enter the total on Line 14H. Add Lines 1W through 13W and enter the total on Line 14W.

Line 15 - TOTAL TAX CREDITS

Add Lines 14H and 14W and enter the total on Line 15. Also, enter on Form MO-1120, Line 16, or Form MO-1040, Line 34 or Form MO-1041, Line 17.

Credits will be applied against income tax liability in the following order:

- (1) New Business Facility Credit
- (2) Development Reserve Credit
- (3) Infrastructure Development Credit
- (4) Export Finance Credit
- (5) Missouri Low Income Housing Credit
- (6) Processed Wood Energy Credit
- (7) Science and Technology (Seed Capital) Credit
- (8) Neighborhood Assistance Credit
- (9) Affordable Housing Assistance Credit
- (10) Special Needs Adoption Tax Credit
- (11) Enterprise Zone Credit
- (12) Small Business Incubator Credit
- (13) Small Business Investment Credit

If you are eligible for more than one of these tax credits, the credits must be taken in the above order.

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DAVID G. SCHATZ, EA
Public Accountant
605 Fairdale Road
Salina, Kansas 67401-3766
Toll Free (800) 283-5757
(913) 826-9686

March 9, 1995

Representative Phill Kline, Chairman
Members of the House Taxation Committee
Capitol Building
Topeka, Kansas 66612

Re: 1994 SB 230, Kansas Community Service Program Act

Mr. Chairman and Honorable Members of the House Taxation
Committee:

I am a sole proprietor (public accountant) with W-2 income.

I understand that on December 1, 1994, The Kansas Department
of Commerce & Housing approved The Saint Francis Academy's Care
for Kansas Kids project (1994 Senate Bill 230, the Community
Service Program Act).

During December, 1994, The Saint Francis Academy mailed
information about the Act and their project to a commercial
mailing list, accountants and tax preparers, business donors and
vendors (nearly 10,000 pieces). I received information about the
tax credit (1994 Senate Bill 230), and in December 1994, made a
cash contribution to The Saint Francis Academy.

I was told that 70% of my donation will be a credit against
my Kansas tax liability. Now, three months later, I understand
the Department of Revenue has made an interpretation of this tax
credit allocation which adversely affects me and my donations to
Saint Francis. I am being told there are contingencies attached
to my tax credit allocation.

The example originally given me was as follows: A sole
proprietor has \$50,000 total income, \$45,000 from W-2 income and
\$5,000 in income from a sole proprietor business. This person
gave an approved rural community charity a cash gift of \$1,000.
According to what we all were told from December 1, 1994, to
January 26, 1995, this sole proprietor would be entitled to a
\$700 tax credit.

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Representative Phill Kline, Chairman
Page 2
March 9, 1995

Now, however, this same sole proprietor is being told that if he runs his business on a part-time basis, and receives W-2 income, the Department of Revenue is requiring that these part-time businesses must pro-rate the 70% tax credit. In the case of the above example, only 10% of the 70% tax credit would be allowed. Thus, this sole proprietor's \$1,000 gift now gives him only \$70 in tax credit - a huge difference!

The Department of Revenue's interpretation of 1994 Senate Bill 230 discriminates against the sole proprietor with W-2 income. As a donor operating as a sole proprietor and also having W-2 income, I am being penalized because I operate my business as a sole proprietor, rather than as a corporation.

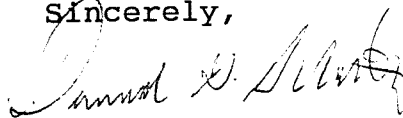
This ruling will cause an immense integrity problem for the non-profits who in good faith, and with the approval of the Department of Commerce & Housing, sent out thousands of letters telling about the tax credit. Their credibility will be zero if they must go back to donors and tell them their tax credit doesn't count now, because the Department of Revenue decided on a different interpretation of the Bill!

The original intent of the Legislature in approving this Bill was to increase business donations. This was communicated to the non-profits, who in turn communicated what they felt was accurate information to their donors. There was no mention that these businesses would be penalized if they had W-2 income in addition to Schedule C, E, or F income.

Solution: Treat all business entities the same. The tax credit should be based on the amount of the business' charitable donation only. It should not be pro-rated, which discriminates against those individuals with W-2 income.

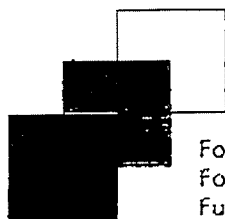
Thank you for your attention to this matter of grave concern to small businesses with W-2 income.

Sincerely,



David G. Schatz

DGS:db



Foundation
For the
Future

Gove County Healthcare Endowment Foundation, Inc.

March 9, 1995

WRITTEN TESTIMONY FOR 1994 SENATE BILL 230 HEARING
MARCH 10, 1995
9:00 A.M.
GOVE COUNTY HEALTHCARE ENDOWMENT - QUINTER, KANSAS
CAROL KINDERKNECHT, EXECUTIVE DIRECTOR

As Executive Director for Gove County Healthcare Endowment, Quinter, Ks., an affiliate with the Community Service Program (1994 Senate Bill 230) for our Endowment, and a W-2 Taxpayer with attached schedules who contributed toward our Community Service Program in 1994, I have some very serious concerns how the Department of Revenue is trying to now make rules and regulations in regard to that program which they know nothing about.

The Department of Revenue had ample time to have their input into the program before we received the applications last fall and they chose not to do so. Now all of a sudden, the Department of Revenue is changing their interpretation in mid stream after taxpayers have filed their tax return.

The outlying purpose of this program needs to be questioned and evaluated as to: 1) The Department of Revenue agreed to give up \$5,000,000.00 in tax revenues each fiscal year to go toward this program; 2) Was the original goal of the program designed to benefit businesses only; 3) Or was the original goal of the program designed to benefit non-profit organizations; 4) Why should the Department of Revenue care where or who uses the tax credits in what manner as they did agree to give up \$5,000,000.00 in revenue; and 5) Should this program show inequality to taxpayers with W-2 incomes and attached schedules where a majority of tax revenues are generated through W-2 taxpayers.

The Statute (1994 Senate Bill 230) only allowed the Department of Revenue to help assist the Director of Community Development in promigating rules and regulations, which they did under the Direction of Secretary Parrish under the Finney Administration. The Dept. of Revenue signed rules and regulations in agreement. Now two months after a tax year has closed, the Department of Revenue is trying to change the

P. O. Box 129 • Quinter, Kansas 67752 • (913) 754-3341

House Taxation
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interpretation of how the bill was intended to be.

Being involved in several angles of this nightmare the Department of Revenue is trying to create, we are in for a "Domino" effect which is going to have astronomical and devastating effects to the Gove County Healthcare Endowment, the integrity of the Department of Commerce & Housing Community Service Program, the integrity of the employees within the Commerce & Housing, the integrity of our own program with the donors who have already contributed to the program in 1994, and the final blow - the taxpayer.

It is my understanding the Community Service Program (1994 Senate Bill 230) was designed after the State of Missouri's program. When we filed our application last fall, the Kansas Department of Commerce & Housing personnel was exceptionally cooperative in instrumenting this program explaining rules and regulations that had been signed. They were definitely into customer service. Questions within that department were rapidly answered with a respectable answer. Sondra Clark and Marty Miller need to be complimented for their assistance.

Now, we have the Department of Revenue trying to intervene making their interpretations 2 months after a tax year has closed. It is my understanding the Missouri Department of Revenue's interpretation is not allowed in Missouri's Community Service Program. WHY IS KANSAS'S DEPARTMENT OF REVENUE TAKING THIS PRIVILEGE UPON THEMSELVES when this a program they were not involved in from the beginning? Not only did they have the opportunity at the beginning (not now) to act, but they deliberately chose not to do so.

It clearly states in K.A.R.110-7-4 the Department of Revenue shall grant a tax credit against the tax liability of the business. It says nothing about applying some concoction of a formula which they are now trying to apply as an after fact affecting W-2 taxpayers with supporting schedules.

We went out seeking donors based upon the Department of Commerce & Housing's interpretation of the program. Their interpretation was based off the Missouri program that the Kansas Program was to complement. Now with the Kansas Dept. of Revenue trying to get involved they are trying to change the thing around to where the donor will not get the full credits (which in our case it is to be 70% of the cash contribution they gave).

In western Kansas, 90% of our donors could be adversely affected by the Department of Revenue's rulings of their W-2 interpretation with other attached schedules. More devastating is the Department of Commerce and Housing's stance released this morning which is to follow what ever the Department of Revenue so chooses. In our area, we have oil income, interest income, W-2 income, rent income, Corporations, Partnerships, and a versatility you would expect in a rural com-

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munity of approximately 1000 people. These people need to be entitled to the 70% tax credit due them regardless of the Department of Revenue's concoction they are putting together after 1994 tax returns have been filed. Remember, the Department of Revenue elected to forfeit \$5,000,000.00 of annual tax revenues to support this program, and it was their choice in the beginning not to be concerned how the forfeited revenue was handled. Rural areas like ours would like to be self-sufficient in the healthcare area. We can do from the support from those donors that have funds available for this purpose. In turn, this doesn't require the community to constantly look for State and Federal Government programs available. The taxpayers who have excess funds are willing to give to these projects if they realize it is a benefit to the Endowment as well as themselves. The Department of Revenue is trying to degrade credibility in a number of areas.

We are not the only nonprofit struggling to remove the Dept. of Revenue's presence in interpretations of this program. We feel they are waging in a department they do not belong, and appears to the taxpayer as a war between the departments. I must reassure you the Department of Revenue is uncooperative, which includes the Tax Policy Group where Mark Cordullo and Tom Browne are involved. They won't give an answer in writing, and they are completely out of their guidelines on knowing anything about the program from the beginning. Kathleen Smith in the Tax Payer Assistance Bureau is cooperative to the extent she can be based upon her job position and limitations.

Now all of a sudden, less than 24 hours before the hearing scheduled on amendments to this bill on March 10, 1995 at 9:00 AM., the Department of Commerce and Housing has changed their mind and switched their stance to that of the Department of Revenue. What is going on? This change of stance by the Commerce and Housing Department needs to be questioned as to its validity and an explanation as to what circumstances did this develop under. There has to be some tie connected between the Department of Revenue and the Department of Commerce and Housing. Was there a relative situation between the two department directors involved in this matter?

This is a very vital program to our area in healthcare services. Where State and Federal agencies can no longer finance many projects, it is apparent this will have to fall back within the community. The Community Service Program was set up just for that purpose. We have donors willing to go into this program based upon the Commerce & Housing interpretation which is how we approached our taxpayer donors. Now after they are filing their tax returns, the Department of Revenue tries to enter the scene.

It is very imperative to address this matter as soon as possible before all of us nonprofit organizations are in the disaster situation with no taxpayer donors. A vital program in our area such as the Community Service Program will fail

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due to such rulings on the Department of Revenue not being based on the original intent of the program of 70% and 50% tax credits.

Since this program was intended to follow the guidelines with those of the State of Missouri (which the Commerce and Housing was following), is there anything you can do to allow the interpretation of this program to be done based upon the original intent of the program last fall and have the Department of Revenue stay within their department with issues not related to this program? They did agree to forfeit \$5,000,000.00 in state tax revenues and chose not to say how in the beginning plus they had ample opportunity to do that at that time - not in February 1995 after 1994 tax returns have been filed.

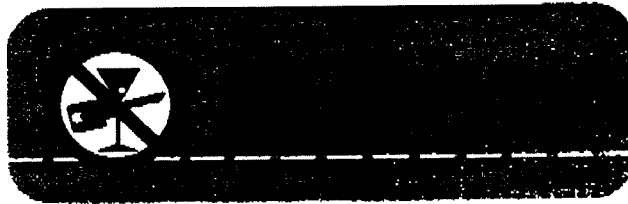
Sincerely,

GOVE COUNTY HEALTHCARE ENDOWMENT
P. O. BOX 129
QUINTER, KS. 67752



Carol Kinderknecht, Exec. Director

6-4



Mothers Against Drunk Driving

3601 SW 29th Street • Topeka, KS 66614 • (913) 271-7525 • 1 (800) 228-6233

KANSAS STATE OFFICE

March 9, 1995

Phill Kline, Chairman
House Taxation and
Assessment Committee
State Capitol, Room 170-W
Topeka, KS 66612

Dear Rep. Kline:

Kansas MADD would like the House Committee on Taxation and Assessment to consider amending Senate Bill 203 to exclude recent changes incorporated in the Kansas Department of Commerce and Housing's Community Action Service Program as a result of the recent Kansas Department of Revenue's Notice 95-01.

I am enclosing correspondence regarding this matter and hope you and your committee will consider this problem.

Sincerely,

Max Administrator
State Administrator
Kansas MADD

House Taxation
3-10-95
Attachment 7-1



Mothers Against Drunk Driving

3601 SW 29th Street • Topeka, KS 66614 • (913) 271-7525 • 1 (800) 228-6233

KANSAS STATE OFFICE

3/6/95

Nancy Lindborg
Kansas Attorney General's Office
2nd. Floor, Kansas Judicial center
Topeka, Kansas 66612-1597

Dear Nancy:

Kansas MADD was among approximately 30 nonprofit 501 (C) (3) organizations approved by the Kansas Department of Commerce and Housing to be eligible to award tax credits to Kansas businesses who make direct cash contribution to nonprofit groups offering services as legislated under Senate Bill 230, Community Action Service Program. The intent of this legislation was to encourage Kansas businesses to contribute cash donation to approved organizations providing services as set forth in the Blueprint for Investment in Kansas Children and Families. As established in the Kansas Department of Commerce guidelines, donors in communities above 15,000 population would receive a tax credit of 50% of the actual contribution and those donors in communities with population below 15,000 would receive a direct tax credit of 70%.

Approximately two months after the KDCH approval for participation, and subsequent implementation of fund raising programs by those organizations qualified, participating organizations received Kansas Department of Revenue Notice 95-01 regarding Community Service Credits. This notice deviates from the KDCH guidelines by addressing business income reported on federal Schedule "C"; (b) farm income reported on Schedule "F"; (c) rental income reported on federal Schedule "E"; (d) income reported on W-2 forms; (e) any other income subject to self employment tax.

Since qualifying organizations have implemented fund raising campaigns based of KDCH guidelines, the introduction of Notice 95-01 has created a great deal of confusion. Previous to Notice 95-01, no distinction had been made for contributors filing Schedules "C", "F", and "E". Donors filing under these classifications will not know what their tax credit will be until they calculate their taxes.

It was my understanding that prior to implementation of this program the Attorney General's Office reviewed the KDCH program guidelines. Possibly your office could provide

some assistance in clarifying disparity in the KDCH guidelines and the KDR guidelines. The credibility of Kansas MADD and other participating organizations is at stake.

I have also enclosed with permission, correspondence from Debora Imhoff, Executive Director, The Saint Francis Academy, Incorporated in Salina expressing her frustrations.

Thank you for your consideration.

Sincerely,



Max Sutherland
State Administrator
Kansas MADD

P1

BIG CONCERN IS WHY THE DEPARTMENT OF REVENUE "PENALIZES" THOSE BUSINESSES AND FARMERS WHO CHOOSE TO OPERATE THEIR BUSINESS/FARMS AS SOLE PROPRIETORS, AS OPPOSED TO CORPORATIONS OR PARTNERSHIPS.

1. On December 1, 1994, The Kansas Department of Commerce and Housing approved The Saint Francis Academy's Care for Kansas Kids project (Senate Bill 230, the Community Service Program Act).
2. During December, 1994, The Saint Francis Academy mailed information about the Act and our project to a commercial mailing list, accountants and tax preparers, our business donors and vendors (close to 10,000 pieces). All the information mailed was first approved by the Department of Commerce and Housing for accuracy.
3. On January 31, 1995, we received a copy of Notice 95-01 printed by the Department of Revenue. Item #3 regarding business income disagreed with the information published by the Department of Commerce and Housing.
4. We immediately called the Department of Commerce and Housing. They called the Department of Revenue and tried to get Notice 95-01 changed.
5. On February 18, 1995, at the Salina Legislative Meeting I asked Representatives Carol Beggs and Joe Kejr to please help us get this problem resolved.
6. The Department of Revenue met with the Department of Commerce and Housing on February 23, 1995.
7. I called the Department of Revenue on February 24, 1995, to get their interpretation. Area of concern is for those individuals who have W-2's and file Schedule C (Profit & Loss), E (Supplemental Income or Loss) or F (Farming). A comment was made that rentals must be a business. I asked for clarification, but did not receive any.

The example given was based on the 50% tax credit, not 70%. If the donor shows a \$5,000 profit on Schedule C and gave \$3,000 as a charitable contribution, their credit would be \$1,500. Net income would be \$8,000 x 5.84% tax rate (varies with each donor). To figure tax rate take total Kansas liability and divide by Total Kansas taxable income. In this case, the total available credit is \$467.20 ($8,000 \times 5.84\%$). The donor would then have \$1,032.80 credit to carry over. If Senate Bill 203 passes, the donor would have only 4 years to use up this credit. As opposed to unlimited number of years with the original bill.

7-4

ps

Question: How is the person on the street suppose to figure out how much of a tax credit they will get? Answer: They can't. The donor will know how much their tax credit is ONLY AFTER THEY FIGURE THEIR TAXES.

I was also told Notice 95-01 will not be changed until Senate Bill 203 is passed or defeated. After all, why make the change now if you know you will just have more changes?

8. Attached is a copy of the Missouri Income Tax Return and their Tax Credit Application for their Neighborhood Assistance Credit. Kansas Community Service Program Act was copied from the Missouri program. Please note how simple Missouri kept it!

9. Department of Revenue's lack of cooperation with the Department of Commerce and Housing has caused a standstill for many fund raising efforts. Potential donors and their accountants get information based on what we had at the time of our acceptance. Now the information received from the Department of Revenue is different. This difference is causing credibility problems for the charities.

WE ARE SPENDING MORE TIME FIGHTING WITH THE DEPARTMENT OF REVENUE RATHER THAN SOLICITING DONATIONS.

10. Proposed Action: Add wording to Senate Bill 203 that the interpretation of the Department of Commerce and Housing is the correct interpretation.

ASSOCIATED YOUTH SERVICES

GIVING KIDS ROOTS TO GROW AND WINGS TO FLY



**TESTIMONY PRESENTED TO THE HOUSE TAXATION COMMITTEE
RE: Senate Bill no. 203
March 10, 1995**

Thank you so much for the opportunity to commend you for the pivotally important Kansas Community Services Act which provides real bottom line incentives to corporations and individuals for donations to not-for-profits.

In Missouri, the Neighborhood Assistance Program (NAP) has brought thousands of dollars into non-profits over the years since it was created. When you decided to enact similar legislation in Kansas, it was a confirmation of your serious intent to provide alternative funding incentives to replace the cuts required in public funding.

NAP and the Kansas Community Services Act both work because they are simple and provide real benefits to corporations, individuals and service providers. A bottom line tax credit equal to 50% of the donation to an urban agency program for corporations and individuals filing any of the Kansas business schedules (i.e., Schedule C), means they have a better reason to give and to give more, and we have an opportunity to enlist long-term support.

If, however, the Kansas Community Service Act is interpreted in a way which requires income formulas, multi-year deduction provisions, or less than the original benefit, it may serve as a disincentive for corporations and individuals and may cost a number of new and increased donations to qualified Kansas service agencies.

We commend your work to maintain the simplicity and intent of this legislation. It is good to know that you understand the need to enlist greater private support as we adjust to fewer public dollars; just as we all are working to build safer, stronger, more productive communities.

Please accept our thanks on behalf of our funders, partners, friends, volunteers, and especially on behalf of the Kansas families and children we serve.

Submitted by: A. Donald Wise, Executive Director
Associated Youth Services, Inc.
1620 S. 37th Street P.O. BOX 6145
Kansas City, Kansas 66106
(913) 831-2820)