

Approved: 2-3-98
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:07 a.m. on January 28, 1998, in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Corbin, Senator Bond, Senator Donovan, Senator Goodwin, Senator Praeger, Senator Hardenburger, Senator Karr, Senator Steffes and Senator Steineger.

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Don Hayward, Revisor of Statutes
Shirley Higgins, Secretary to the Committee

Conferees appearing before the committee: Senator Dave Kerr
Senator Stan Clark
Bernie Koch, Wichita Area Chamber of Commerce
Mark Burghart, Sprint
Bill Fuller, Kansas Farm Bureau
Terry Arthur, General Counsel, Kansas Farm Bureau
CeeAnn Nuenschwander, Mid-Continent Council of Girl Scouts
Dena Nuenschwander, Girl Scout
Jamie Nuenschwander, Girl Scout
Mary Becker, Kansans Respond
Anderson Chandler, Boy Scouts, Girl Scouts, and YMCA
Tom Harrington, Boy Scouts of America
Elizabeth J. Knutson
Karen France, Kansas Association of Realtors

Others attending: See attached list

The minutes of the January 27 meeting were approved.

SB 500--Enacting the Kansas Tax Reduction and Reform Act of 1998.

Senator Dave Kerr compared the provisions in **SB 500**, the Senate Republican tax reduction plan, with the Governor's proposed tax reduction plan. As an aid in his presentation, he distributed copies of a table which compares the Senate plan with the Governor's plan. (Attachment 1) He noted that the Governor's plan served as a guide in the drafting of the Senate plan and pointed out that the total fiscal note for both plans for fiscal year 2000 are almost identical. In conclusion, Senator Kerr stated that the provisions included in the Governor's plan which were not included in **SB 500** were good proposals; however, the authors of **SB 500** believed that tax relief should be concentrated in fewer areas and in ones that would have broad-based impact.

In response to a question from Senator Karr regarding the personal income tax exemption increase, Senator Stan Clark compared current personal income tax standard deduction provisions with the Governor's proposed increase and the Senate proposed increase, using a hypothetical income tax filing with standard deductions for four exemptions as an example. Senator Clark's calculations in the example given, confirmed that the Senate plan would result in a larger increase in exemption than the Governor's plan.

Bernie Koch, Wichita Area Chamber of Commerce, testified in support of the portion of **SB 500** that contains the 15 percent refundable tax credit for business machinery and equipment property tax. He believed that reducing property taxes would encourage investment in machinery and equipment which, in turn, would make Kansas businesses more competitive with other states and countries. (Attachment 2)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on January 28, 1998.

Mark Burghart, Sprint, also focused his testimony on the section of **SB 500** relating to the income tax credit for personal property taxes paid. Sprint supports the income tax credit as one method of reducing the tax burden on commercial and industrial machinery and equipment used by Kansas businesses. Mr. Burghart proposed a clarifying technical amendment to new Section 20 of the bill, calling attention to a balloon of the bill attached to his written testimony. (Attachment 3)

Bill Fuller, Kansas Farm Bureau, testified in support of the provisions in **SB 500** reducing the statewide school mill levy and reforming the inheritance tax. He introduced Terry Arthur, General Counsel for Kansas Farm Bureau. Mr. Arthur presented an analysis of the inheritance tax reform portion. He noted that a copy of his analysis was attached to Mr. Fuller's written testimony. (Attachment 4) He called attention to the fact that his analysis referred to **HB 2610**, which is almost identical to **SB 500**. In his opinion, the Kansas inheritance tax is long overdue in need of change and reform as it has been approximately 20 years since there has been any major change. He offered an alternative if the majority of the Legislature should choose not to accept **SB 500**.

CeeAnn Nuenschwander, Mid-Continent Council of Girl Scouts, testified in support of the inclusion of a sales tax exemption of Girl Scout products in **SB 500** as was included in the Governor's original tax reduction plan. She reasoned that the exemption of Girl Scout cookie sales from the state sales tax would allow those funds to be invested in one of the state's most important assets, its children, and Kansas would reap a very large return for that investment. (Attachment 5) Mrs. Nuenschwander introduced her daughters, Dena and Jamie, who testified in support of the sales tax exemption, noting that their membership in the Girl Scouts has taught them invaluable lessons in life and has provided them excellent opportunities to learn and to participate in new activities.

Tom Harrington, Council Scout Executive for the Boy Scouts of America, followed with testimony in support of the inclusion of a tax exemption for Boy Scout pop corn sales in **SB 500**. If the sales tax exemption were enacted, the funds currently paid in state sales tax would be applied to scouting programs for low income youth or to provide additional training courses for volunteer leaders. (Attachment 6)

Anderson Chandler, Fidelity State Bank and Trust Company, testified on behalf of the Boy Scouts, the Girl Scouts, and the YMCA in support of the inclusion of a sales tax exemption in **SB 500**. He contended that approving the sales tax exemption would allow those youth serving organizations to do an even better job. (Attachment 7)

Mary Becker, Director of Kansans Respond, testified in support of the inclusion of earned income tax credit in **SB 500**. Her organization reaches out to lower income citizens across the state. She spoke of the disturbing problem of poverty among working people due to falling wages, the loss of full time jobs, and the loss of health care coverage. She emphasized that the poor are being disadvantaged by national and global trends over which they have no control, and they need whatever the state can give them in reducing their taxes and increasing their economic security. (Attachment 8)

Betty Knutson, a single parent of three teen aged children, followed with further testimony in support of the inclusion of earned income tax credit in **SB 500**. She used her own budget as an example of the need for an earned income tax credit. (Attachment 9)

Karen France, Kansas Association of Realtors, testified in support of the rollback of the statewide property tax mill levy in Section 21 of **SB 500**. She urged the state to work for the restructuring of taxes to relieve the inequitable real property tax burden and supported the continual, gradual reduction of the statewide mill levy to the extent possible. (Attachment 10)

The meeting was adjourned at 12:20 p.m.

The next meeting is scheduled for January 29, 1998.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: January 28, 1998

NAME	REPRESENTING
Carol Smith	United Community Services of J.C.
Stan Clark	Senate
Therese Barget	Ks. Catholic Conference
Dena Neuenchwander	Girl Scouts
Jamie Neuenchwander	Girl Scouts
Cee Ann K. Neuenchwander	Girl Scouts
Bobbie Campbell	Girl Scout
Pete Oall	YMCA
Hal Hudson	NFIB/KS
Willy Muller	Girl Scouts Cheyenne Co. Leadership
Mike Ketter	NORTHWEST KS " "
Andrew Chandler	Boy Scouts, Girl Scouts, YMCA
Eileen Sieger	Flint Hills Girl Scout Council
Betty Wright	Flint Hills Girl Scout Council
Gene M. Habel	Girl Scout Councils
Dwight Moore	Kansas Assn of Counties
Tom Hurlbut	Boy Scouts
Roger Froude	Ks Gov Consulting
Carol Lampe	NW Kansas

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: 1/28/98

NAME	REPRESENTING
Luci A. Meitel	Leadership Clay County
Lawn M. Lucas	" "
Shawna Blanka	" "
Susan Schultzy	" "
Susan Keeler	" "
Cheeryl Williams	" "
Gloria Braselen	" "
Bob	" "
Doug Rose	" "
Steve Montgomery	CAS Construction
Bernie Koch	Wichita Area Chamber
Christy Caldwell	Topeka Chamber of Com.
Ashley Sherard	D.P. Chamber of Comm
Tom Whitaker	Ks Motor Carriers Assn
Paul Cowan	Washburn Rural Alternative High School
Mike Murray	Sprint
Karen France	Ks Assoc of REALTORS
Rose Schwaner	Ks. Ind. Oil & Gas Assoc.
Heather Randall	Whitney Lawson, PA

Kansas Tax Reduction and Reform Act of 1998

(\$ in Millions)

	Senate Republican Plan		Governor's Plan	
	FY 99	FY2000	FY 99	FY 2000
◆ Personal Income Tax Exemption Increase	\$50.5	\$40.1 <small>\$350⁰⁰ increase in exemption</small>	\$14.2	\$11.2 <small>\$100⁰⁰ increase in exemption</small>
◆ Residential Remodeling Sales Tax Exemption	\$13.8	\$15.6	--	--
■ Mill Levy Reduction from 27 to 23 Mills	\$40.3	\$68.9	\$40.3	\$68.9
■ Accelerated Income Tax Cuts for Single Kansans	\$30.9	\$0.0	\$30.9	\$0.0
■ Income Tax Credit on Business Machinery & Equip.	\$23.5	\$25.8	\$23.5	\$25.8
■ "Pick Up" Estate Tax	\$23.1	\$54.6	\$23.1	\$54.6
■ Oil Severance Tax Exemption	\$1.5	\$1.5	\$1.5	\$1.5
○ Standard Deduction Increases	--	--	\$15.7	\$12.4
○ Earned Income Tax Credit	--	--	\$12.6	\$13.4
○ Sales Tax Simplicity Exemptions	--	--	\$8.3	\$9.3
○ Other Sales Tax Exemptions	--	--	\$2.0	\$2.1
○ Food Sales Tax Rebates	--	--	\$5.0	\$5.0
○ Education Savings Accounts	--	--	\$1.4	\$2.0
TOTAL FISCAL NOTE	\$183.6	\$206.5	\$178.5	\$206.2

◆ Major Differences in Senate Plan ■ Same as Governor's Plan ○ Included in Governor's Plan Only

SENATE ASSESSMENT
 TAXATION
 1-28-98
 ATTACHMENT 1

1-28-98
 Senate Assessment & Taxation

Testimony of Bernie Koch
VP/Government Relations
Wichita Area Chamber of Commerce

Senate Committee on Assessment and Taxation
Senate Bill 500
January 28, 1998

Good morning and thank you for the chance to testify on this measure. I'm Bernie Koch with the Wichita Area Chamber of Commerce. I'm here to testify in particular on the portion of Senate Bill 500 that contains the 15% refundable tax credit for machinery and equipment property tax.

This may sound somewhat familiar to some of you. I've been appearing before this committee and the House Taxation Committee on machinery and equipment since 1988.

Because Kansas machinery and equipment property taxes are high compared to other states in our region, and because the economy of South Central Kansas is heavily tied to the machinery and equipment of our manufacturing companies, we grant a lot of tax abatements, and those have been controversial.

About half the tax abatements in Kansas are in Sedgwick County, and about 75 percent of those are for machinery and equipment.

Anything we can do to encourage investment in machinery and equipment, such as reducing property taxes, helps make our businesses more competitive. Our surveys indicate that probably well over 40 percent of the products manufactured in the Wichita Area end up overseas. Our major competitors are the manufacturers of foreign countries. In many places overseas, labor rates are much lower. We stay competitive by being productive. To do that you need two things, a well trained workforce and the best machinery and equipment.

I believe that this proposal was advanced, in part, by what Iowa did. That state repealed the property tax on new machinery and equipment effective January 1, 1995. The property tax on machinery and equipment which existed before that date is being phased out over a three-year period.

We contacted two officials in Iowa about the impact of their legislation; Mr. Harvey Siegelman, Iowa's State Economist, and Mr. Dick Sorenson, Business Development Manager.

Not enough time has passed since the change to evaluate the impact in a statistical manner and no studies have been done. However both officials reported considerable anecdotal evidence that the change has stimulated manufacturing employment and productivity.

Senate Assessment + Taxation
1-28-98
Attachment 2

This evidence is in the form of positive comments from manufacturing company executives. Mr. Sorenson indicated that, in his opinion, the change helped Iowa win several large projects.

Mr. Siegelman observed that recent strong state economies have resulted in budget surpluses and tax-cutting in a number of Midwestern states. The repeal or significant reduction of machinery and equipment property tax is a common strategy for the use of this money. Mr. Sorenson cited Illinois, Iowa, Minnesota and Wisconsin as states that have fully repealed the machinery and equipment property tax.

What you are considering is not full repeal, but I believe it's a good start and encourage your support for it.

Thank you again for the opportunity to appear today. I would be pleased to take questions.

VALUE OF COMMERCIAL/INDUSTRIAL MACHINERY AND EQUIPMENT IN SEDGWICK COUNTY

2-3

	<u>ASSESSED VALUE</u>		<u>TOTAL M&E VALUE</u>	<u>NET \$ CHANGE IN TOTAL M&E VALUE</u>	<u>NET % CHANGE IN TOTAL M&E VALUE</u>	
1984	\$183,930,207	/ 30% =	\$613,100,690			
1985	\$187,085,820		\$623,619,400	+\$10,518,710	+1.72%	1985-88 Average Annual Growth Rate was +3.62%
1986	\$185,445,528		\$618,151,760	-\$5,467,640	-0.88%	
1987	\$195,126,906		\$650,423,020	+\$32,271,260	+5.22%	
1988	\$211,576,704		\$705,255,680	+\$54,832,660	+8.43%	
<hr/>						
1988 - 1/3 =	\$141,051,136	<i>(Assessment percentage reduced from 30% to 20% in 1989)</i>				
1989	\$180,826,219	/ 20% =	\$904,131,095	+\$198,875,415	+28.20%	1989-92 Average Annual Growth Rate was +12.40%
1990	\$177,862,882		\$889,314,410	-\$14,816,685	-1.64%	
1991	\$212,948,990		\$1,064,744,950	+\$175,430,540	+19.73%	
1992	\$220,016,005		\$1,100,080,025	+\$35,335,075	+3.32%	
<hr/>						
1992 + 1/4 =	\$275,020,006	<i>(Assessment percentage increased from 20% to 25% in 1993)</i>				
1993	\$281,394,061	/ 25% =	\$1,125,576,244	+\$25,496,219	+2.32%	1993-97 Average Annual Growth Rate was +3.48%
1994	\$282,127,156		\$1,128,508,624	+\$2,932,380	+0.26%	
1995	\$295,632,718		\$1,182,530,872	+\$54,022,248	+4.79%	
1996	\$309,179,886		\$1,236,719,544	+\$54,188,672	+4.58%	
1997	\$326,055,773		\$1,304,223,092	+\$67,503,548	+5.46%	

THE TOTAL VALUE OF COMMERCIAL/INDUSTRIAL MACHINERY AND EQUIPMENT IN SEDGWICK COUNTY INCREASED BY ONLY 15.03% DURING THE FOUR YEAR PERIOD 1985-88 (USING 1984 AS THE BASE)

TOTAL VALUE INCREASED BY 55.98% DURING THE NEXT FOUR YEAR PERIOD (1989-92), FOLLOWING REDUCTION OF THE ASSESSMENT PERCENTAGE FROM 30% TO 20% (USING 1988 AS THE BASE)

TOTAL VALUE INCREASED BY ONLY 12.42% DURING THE NEXT FOUR YEAR PERIOD (1993-96), FOLLOWING INCREASE OF THE ASSESSMENT PERCENTAGE FROM 20% TO 25% (USING 1992 AS THE BASE)

MEMORANDUM

TO: The Honorable Audrey Langworthy, Chairperson
Senate Committee on Assessment and Taxation

FROM: Mark A. Burghart, SPRINT

RE: Proposed Amendment to Senate Bill 500

DATE: January 28, 1998

Thank you for the opportunity to appear on Senate Bill 500. My testimony today focuses on one particular section of the bill relating to the income tax credit for personal property taxes paid. SPRINT supports the income tax credit as one method of reducing the tax burden on commercial and industrial machinery and equipment used by businesses in Kansas. While not the total solution to the otherwise high tax burden on such property, the bill does improve the tax environment in Kansas for businesses investing in machinery and equipment.

We would propose a technical amendment to new Section 20 of the bill. As currently drafted, the bill allows an income tax credit in the amount of "15% of the property taxes actually paid" on commercial and industrial machinery and equipment for those taxpayers subject to the Kansas income tax, insurance premiums tax and bank privilege tax. Since limited liability companies (LLC's), partnerships and S corporations technically do not pay tax as such, the credit should be allocated to the members, partners and shareholders of such entities in proportion to their share of profits and losses. This amendment is consistent with that which has been enacted in other tax credit legislation where these differing forms of business entities are utilized. In today's changing environment, many business ventures are operated under LLC, partnership or S corporation forms. This amendment merely insures that the members, partners and shareholders who provide the capital for making the necessary investment in machinery and equipment and paying the property taxes thereon would benefit from the income tax credit.

Thank you for the opportunity to appear in support of the 15% income tax credit for personal property taxes paid on machinery and equipment. I would be happy to respond to any questions you might have.

*Senate Assessment & Taxation
1-28-98
Attachment 3*

1 taxable income of such corporation in excess of \$50,000.

2 (d) *Fiduciaries*. A tax is hereby imposed upon the Kansas taxable
3 income of estates and trusts at the rates provided in paragraph (2) of
4 subsection (a) hereof.

5 Sec. 19. K.S.A. 79-32,121 is hereby amended to read as follows:
6 79-32,121. (a) An individual shall be allowed a Kansas exemption of
7 ~~\$1,950 for tax year 1988~~, and ~~\$2,000 for each tax year thereafter~~ \$2,350
8 ~~for tax year 1998~~, and ~~tax years thereafter~~ for each exemption for which
9 such individual is entitled to a deduction for the taxable year for federal
10 income tax purposes. In addition to the exemptions authorized in the
11 foregoing provision, an individual filing a federal income tax return under
12 the status of head of household, as the same is defined by 26 U.S.C. 2(b),
13 shall be allowed an additional Kansas exemption of ~~\$1,950 for tax year~~
14 ~~1988~~, and ~~\$2,000 for each tax year thereafter~~ \$2,350 for tax year 1998,
15 and all tax years thereafter.

16 (b) For tax year 1987, there shall be allowed as a credit against the
17 tax liability of a resident individual imposed under the Kansas income tax
18 act who except for the operation of the provisions of K.S.A. 79-32,121
19 resulting from amendments to the federal internal revenue code would
20 have been allowed an additional exemption for blindness or age or both
21 pursuant to such section in tax year 1987, an amount equal to \$60 for
22 each such exemption. The total amount of such credits shall not exceed
23 the amount of tax imposed by K.S.A. 79-32,110, and amendments thereto,
24 reduced by the sum of any other credits allowable pursuant to law.

25 New Sec. 20. For all taxable years commencing after December 31,
26 1997, there shall be allowed as a credit against the tax liability of a taxpayer
27 imposed under the Kansas income tax act, the premiums tax upon insur-
28 ance companies imposed pursuant to K.S.A. 40-252, and amendments
29 thereto, and the privilege tax as measured by net income of financial
30 institutions imposed pursuant to article 11 of chapter 79 of the Kansas
31 Statutes Annotated, an amount equal to 15% of the property tax actually
32 paid during an income or privilege taxable year upon commercial and
33 industrial machinery and equipment classified for property taxation pur-
34 poses pursuant to section 1 of article 11 of the Kansas constitution in
35 subclass (5) or (6) of class 2 and machinery and equipment classified for
36 such purposes in subclass (2) of class 2. If the amount of such tax credit
37 exceeds the taxpayer's income tax liability for the taxable year, the amount
38 thereof which exceeds such tax liability shall be refunded to the taxpayer.

39 Sec. 21. K.S.A. 1997 Supp. 72-6431 is hereby amended to read as
40 follows: 72-6431. (a) The board of each district shall levy an ad valorem
41 tax upon the taxable tangible property of the district in the school years
42 specified in subsection (b) for the purpose of:

43 (1) Financing that portion of the district's general fund budget which

3-2

If the taxpayer is a corporation having an election in effect under subchapter S of the federal internal revenue code, a partnership or a limited liability company, the credit provided by this section shall be claimed by the shareholders of such corporation, the partners of such partnership or the members of such limited liability company in the same manner as such shareholders, partners or members account for their proportionate shares of the income or loss of the corporation, partnership or limited liability company.



PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT AND TAXATION

SB: 500 – Enacting the Kansas Tax Reduction and Reform Act of 1998

January 28, 1998
Topeka, Kansas Farm Bureau

Prepared by:
Bill Fuller, Associate Director
Public Affairs Division
and
Terry Arthur, General Counsel
Kansas Farm Bureau

Senator Langworthy and members of the Senate Committee on Assessment and Taxation, my name is Bill Fuller. I am the Associate Director of the Public Affairs Division for Kansas Farm Bureau.

We certainly appreciate this opportunity to express strong support for two provisions contained in SB 500:

- Reducing the statewide school mill levy
- Reforming the inheritance tax

Farm Bureau members, like most taxpayers, consider the property tax to be the most difficult and the most unfair tax they are required to pay. The property tax, unlike sales and income taxes, does not relate to the taxpayer's income or reflect the taxpayer's ability to pay the tax.

*Senate Assessment & Taxation
1-28-98
Attachment 4*

We support the continued phase-out of the statewide levy used to fund K-12 education. Recognizing that it takes approximately \$17 million to buy-down one mill, reducing the mill levy from 27 to 23 mills is significant property tax reduction. If adjustments are made as this tax cut package progresses through the legislative process, we would support an even larger mill levy reduction. However, we realize that the Legislature and the Governor have many constituencies and must develop a tax cut package that is, not only fair and balanced, but one that can receive the necessary votes for passage.

The 435 Voting Delegates representing the 105 county Farm Bureaus at the 79th Annual Meeting of Kansas Farm Bureau developed and adopted policy that states: *"The state property tax for school finance should continue to be phased-out"* (see attachment 1).

Governor Graves in his message to the Kansas Legislature on January 12, 1998 stated, *"Kansas must address its death taxes. In analyzing this issue, it became abundantly clear our inheritance tax is much too high and much too complicated. Kansans already pay taxes on income when it is earned, taxes on property while we own it, and taxes on goods and services when they are purchased. That's enough taxing. This is a tax reduction for all Kansans. Just ask the store owners on main street in your town, or the farmers or ranchers in rural Kansas, or the retired workers who own their own homes and have savings. They can't pass along their business, their property, or their savings without the State of Kansas imposing an unjust penalty."* The farm and ranch members of Kansas Farm Bureau agree with this assessment of the current inheritance tax. And we certainly appreciate the strong leadership and spirit of cooperation of those Senators involved in developing SB 500 which provides major tax reform.

Farm Bureau believes now is the time to reform the inheritance tax imposed by the State of Kansas. The opportunity is now because the revenues are available. Also, the federal estate tax has recently been changed. Farm Bureau members rolled up their sleeves and worked diligently on the national campaign to "Kill the Death Tax" last year. In a letter writing campaign, 1,967 members wrote to their U.S. Representatives and U.S. Senators. Gary Hall, President of Kansas Farm Bureau, personally delivered those letters to the members of the Kansas Delegation in Washington, DC. Significant reform was achieved, however more work remains.

Kansas Farm Bureau strongly supports the plan outlined in SB 500 that replaces the Kansas inheritance tax with a "pick-up" on the federal estate tax. Member adopted policy states, *"Short of eliminating the Kansas inheritance tax, the Kansas Legislature should provide significant reforms to lessen the impact"* (see attachment 1).

Why is this action needed? How will the new plan work? Who will benefit? To answer these and other questions, we believe it will be helpful to present some examples. Terry Arthur, General Counsel for Kansas Farm Bureau has prepared an analysis and several examples (see attachment 2). Terry, in his private practice, specializes in estate planning and tax law. Madam Chair, Terry will share some real-world examples with the Committee. Terry and I will respond to questions at the appropriate time. Thank You!

Kansas Farm Bureau Resolutions 1998

Property Tax

AT-3

The State of Kansas imposes a statewide 1.5 mill property tax for the support of the Educational Building Fund and the State Institutions Building Fund. There should be no additional use of statewide property taxes.

The state property tax for school finance should continue to be phased-out. We support replacement of those property tax revenues by increasing reliance on sales and income tax revenues. Existing sales tax exemptions for business, industry and agriculture should remain intact.

Inheritance Tax

AT-1

In Kansas there is a tax identified as an "inheritance tax," imposed on the privilege of succeeding to the ownership of property. The inheritance tax often makes it difficult for future generations to continue farming when the death of a family member occurs.

The federal government and several states impose a levy under the name "estate tax." Short of eliminating the Kansas inheritance tax, the Kansas Legislature should provide significant reforms to lessen the impact, then index this tax for inflation.

Public School Finance

ED-7

We strongly support adequate funding for a quality K-12 education program for all students in Kansas.

Low enrollment and correlation weighting provisions of the school finance formula should continue at current funding and enrollment levels. This funding should be maintained under any revenue mix.

The Kansas Legislature should develop school finance legislation, which provides for minimal reliance on the property tax for support of public elementary and secondary schools. The major sources of revenue for school funding should be the income tax and sales tax.

We oppose use of a local income or earnings tax by any local unit of government, other than a Unified School District.

We continue to encourage reduced reliance on the statewide property tax levy for the funding of elementary and secondary schools. We favor continued reduction of the state property tax levy which is now part of the school finance law. We oppose any effort to abolish the taxing autonomy of school districts and any effort to place all spending control with the state.

Until the statewide property tax for K-12 funding is phased-out, property tax revenues should remain in control of the USD where collected in order to provide interest income and to give local banks an opportunity to bid on and use deposits to assist with local community development.

School district finances, curriculum choices and building construction or remodeling decisions should remain under local authority.

Federally and state-mandated programs should be fully funded by the federal or state government, whichever mandates a given program.

ANALYSIS OF H.B. NO. 2610

I have carefully reviewed H.B. No. 2610 sponsored in the 1998 Session of the Kansas Legislature by Rep. Shore and Rep. Carmody. I would have the following comments insofar as the bill is concerned:

1. This House Bill would replace the Kansas Inheritance Tax with what is known commonly as a "pick up" tax. No estate or beneficiary of an estate would be taxable for inheritance or estate tax in Kansas, unless the value of the estate exceeds the effective federal estate tax exemption. Accordingly, estates would be exempt from taxation in Kansas if they were less than the following amounts in each of the following years:

1998	\$625,000
1999	\$650,000
2000 & 2001	\$675,000
2002 & 2003	\$700,000
2004	\$850,000
2005	\$950,000
2006 & thereafter	\$1,000,000

2. The amount of the estate tax that would be imposed in Kansas would be equal to the state death tax credit allowed by the Internal Revenue Code if the estate is subject to federal estate taxation. The state death tax credit is contained in the Internal Revenue Code and is a percentage of the adjusted taxable estate. The percentage increases as the estate becomes larger.

3. There would be no requirement to file Kansas inheritance or estate tax returns unless the estate is subject to the requirement of filing a federal estate tax return.

4. In a news article written by the Associated Press, the estimate of decline in inheritance taxes would be from \$80 million to \$25.4 million, or approximately \$55 million per year. I assume that this amount would increase as the effective exemption increases to \$1 million by 2006, but do not have any figures to support that. The article indicated that the Legislative Research Department indicated

that \$41 of every \$100 collected from the inheritance tax comes from an estate worth less than \$600,000.

The following represents some examples of how the new law would tax estates of various sizes differently than under the existing law:

Example 1

Assume an estate of \$625,000. Parent dies in 1998 leaving 3 children.

Under the current Kansas inheritance tax law, the tax would be determined as follows:

	Child 1	Child 2	Child 3
Share of Estate	\$208,300	\$208,300	\$208,300
Exemption	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Taxable Share	\$178,300	\$178,300	\$178,300
Tax	\$ 5,382	\$ 5,382	\$ 5,382

\$ 16,146 (Combined tax for all 3 children)

Under the new pick up tax set forth in H.B. 2610, there would be no Kansas inheritance tax for this estate.

Example 2

Husband and wife own together \$1,050,000 of property and both die in 1998. The husband and wife divide their estates equally

for planning purposes. The husband's estate would \$625,000, and the wife's estate \$625,000. You would have the same calculations as in Example 1 - \$16,146.00 per estate, for a combined tax for the children of \$32,292.00 on a combined estate of \$1,050,000.

Example 3

An estate of a person dying in 1998 equal to \$625,000, leaving their estate to five nephews. The tax would be as follows:

Nephew 1	Nephew 2	Nephew 3	Nephew 4	Nephew 5
\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
_____00 exem.	_____00 exem.	_____00 exem.	_____00 exem.	_____00 exem.
exem.				
\$ 13,750 tax	\$ 13,750 tax	\$ 13,750 tax	\$ 13,750 tax	\$ 13,750 tax
13,750 tax				

Total combined tax of all nephews for this estate is \$68,750.00 under the existing Kansas Inheritance Tax law.

Under H.B. 2610, the nephews would pay no tax on this estate. The same would be true if it were left to five unrelated persons.

Example 4

Estates left totally to charity or bequests to spouses would be tax free under the old or new law.

Example 5

A parent dies in 1998 leaving a \$1 million estate to three children. The computation of the Kansas Inheritance Tax would be as follows:

Federal Estate	\$1,000,000
----------------	-------------

State Death Tax Credit

33,200

Computation of Kansas Inheritance Tax Under Existing Law:

	Child 1	Child 2	Child 3
Share of Estate	\$333,333	\$333,333	\$333,333
Exemption	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Taxable Share	\$303,333	\$303,333	
	\$303,333		
Tax	\$ 10,383	\$ 10,383	\$10,383

Combined Kansas Inheritance Tax - \$31,149 under above computation. The existing law requires that the estate pay the greater of the regular method of determination or the state death tax credit of \$33,200. The Kansas Inheritance Tax under the old method would be \$33,200 since it is more.

Under H.B. 2610, the pick up tax would be \$33,200 and the tax would be exactly the same as under the existing Kansas Inheritance Tax law. By the year 2006, this estate would pay no Kansas inheritance tax because the estate would be \$1,000,000 and thereby exempt from federal estate tax.

OTHER CONSIDERATIONS IN H.B. 2610

1. This bill would allow for tax simplification in the Kansas inheritance and estate tax area. A smaller staff in the inheritance tax department would be required, as the number of returns filed would be dramatically reduced.

2. Families would save some expense on preparation and filing of inheritance tax returns, if their estates were not equal to the federal estate tax exemption.

3. The greatest savings would be for nieces and nephews and unrelated persons because they are in the highest inheritance tax bracket now. There would also be savings for the children, but the percentage of savings would not be as great.

ALTERNATIVE TO H.B. 2610

If the Legislature would determine that the expected loss in revenue as a result of passing H.B. 2610 would be more than a majority of the Legislators would be willing to accept, there would still need to be substantial review of the Kansas Inheritance Tax. It has not been totally reviewed and overhauled for approximately 20 years. The Associated Press newspaper articles have indicated that the intent of the Governor and the Legislature for change in inheritance tax was to benefit farms, ranches and small businesses.

The Internal Revenue Code was amended in 1997 by Congress to allow \$1.3 million exemption for farms, ranches and small businesses in which the farm, ranch or business remained in the family and is operated by the family for a period of 10 years from the date of death. The Kansas inheritance tax could be adjusted to allow for a similar exemption. The Kansas inheritance tax now tracks closely with the federal estate tax, and this would merge with the new federal estate tax exemption. For a husband and wife with proper planning, \$2.6 million could be exempted for qualified farms, ranches and small businesses.

The benefits to this type of revision of the Kansas Inheritance Tax would be as follows:

1. It allows the State of Kansas to exempt from inheritance or estate tax in Kansas those estates it really wishes to benefit, such as farms, ranches and small businesses, without exempting many other estates that it may not have intended to cover.

2. It would allow the State of Kansas to still collect an inheritance tax from unrelated persons and distant relatives, which H.B. 2610 would not allow for estates under the federal estate tax exemption.

In addition to adopting the exemption for farms, ranches and small businesses, the exemption for children should be increased. This has not been increased for approximately 20 years. The Legislature would have to determine what would be the proper exemption per child, but doubling it to \$60,000 per child would seem to be in line with inflation since it was last increased.

CONCLUSION

Review and reworking of the Kansas Inheritance Tax is long overdue. There are pros and cons to any type of inheritance tax changes, and hopefully the foregoing information will be helpful in identifying the persons most impacted by the proposed changes. If you have additional questions, please advise.

Respectfully submitted,

Terry Arthur
General Counsel
Kansas Farm Bureau

TA/vl

Senate Assessment and Taxation Committee
Senator Audrey Langworthy, Chairperson
Wednesday, January 28, 1998

Testimony of CeeAnn K. Neuenschwander
Mid-Continent Council of Girl Scouts, 3rd Vice President
Dena K. Neuenschwander, Cadette
Jamie A. Neuenschwander, Junior

Chairwoman Langworthy, Vice-Chair, honorable members of the committee. Thank you for the opportunity to speak today on behalf of over 48,000 Girl Scouts in 12 councils statewide. I am CeeAnn Neuenschwander of Overland Park. I am here today to ask for your consideration and support on the sales tax exemption of Girl Scout products. This tax reduction was included in Governor Graves original plan, House Bill 2643, but was deleted in Senate Bill 500.

My daughters, Dena and Jamie, and I are all "works in progress" of the Girl Scout movement. I began my years in the organization in Sheridan County in the rural community of Selden. Until my mother and several other women took the required training and started troops for their daughters, we did not have the opportunity for a Girl Scout experience. I have benefited in so many ways as a girl, and now as an adult volunteer. I currently help lead both my daughters' troops and serve on the board of directors. Without Girl Scouting, I would not have the privilege of addressing you today.

I would like to introduce to you my daughter Dena who is a 7th grader at Oxford Middle School in Overland Park.

I would also like to introduce you to my daughter, Jamie. She is a 4th grader at Indian Valley Elementary in Overland Park.

As you see, we continue to benefit in many ways from the Girl Scout program. But, there are girls that have much greater challenges in their young lives, and Girl Scouting can be a virtual lifeline for them. Girls from abusive homes can find refuge in a troop of understanding peers and caring adults. Girls from economically disadvantaged homes can find equal footing within a troop when councils are able to subsidize dues, camp fees and handbooks. Girls with disabilities are given the opportunity for outdoor experiences with their peers which helps them feel whole. Girls of color are blended into troops as an asset that enhances the rainbow.

Case in point, an African-American girl in our Cadette troop has experienced most of these challenges. Her father is often absent from their Section 8 apartment and her mother works difficult hours at her hospital job. She has malformed fingers that restrict her from some activities. Through Girl Scouts, this girl has blossomed into a confident, self-reliant adolescent. Her acceptance in the troop is genuine and sincere. She challenged herself and succeeded at riding the zipline and repelling off a forty foot tower. Through our council's assistance and her motivation to sell cookies for camp credits, she has attended resident camp for the past three years and is planning on the same this summer. With every leadership role she takes on within the troop, this girl shines brighter.

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We have many youth development success stories such as this in Girl Scouting. Extensive research from Search Institute identified 40 essential building blocks of adolescent development. Of these 40 developmental assets, Girl Scouting alone provides 26 or 65 percent of them. This study of more than 250,000 youth across the nation revealed that the more assets young people experience, the less likely they are to engage in a wide range of risky behaviors. In addition, youth with more assets are more likely to grow up doing the positive things that society values.

There are only two times in a child's life to impact their actions - one is prevention before, and the other is intervention, after their mistakes. Girl Scout program has helped to prevent youthful delinquency for hundreds of thousands of Kansas girls in our 85 year history.

When Girl Scout sales tax dollars are sent to the state, precious funds are eliminated from our budgets for wholesome activities that guide girls toward community service projects, new activities that expand their horizons and learning experiences that give them a solid foundation for the future. When dollars are sent to the state, they diminish with every accounting process and transfer. It cost money to handle money.

Leaving these precious dollars in local communities gives each Council the option of using them for specific needs in their youth development programs. Local volunteers evaluate and monitor all use of funds. In all councils, when these dollars are kept at home in the local economies to be spent and spent again, they have a positive economic impact.

Recently the results of a national outcomes study, "Girls, Families and Communities Grow Through Girl Scouting," prepared by Social Program Evaluators and Consultants, Inc. of Detroit, Michigan, were released. The study found that Girl Scouts reported greater opportunities to achieve in several areas: self-reliance, self-competence, social skills, respect for others, feelings of belonging, helpfulness/concern for the community, teamwork, leadership and values clarification.

Nearly two-thirds of the women listed in "Who's Who of American Women" were Girls Scouts in their youth, and most of them credit Girl Scouting with contributing to their success as adults.

Many Girl Scouts have become national leaders. In fact, several members of the Kansas Legislature are outstanding examples of the fine leaders Girl Scouts do become. And, I might add, we are currently developing girls to come to Topeka to sit in these very chairs and occupy your offices one day.

And when they do come, they will be well versed in the democratic process. Our organization relies on it from top to bottom and is incorporated into all programs. Decisions made at the kindergarten Daisy level all the way to the board of directors are based on this process.

I'd like to direct your attention to the colorful information folders at your place. Take a look at the icons that so aptly tell what Girl Scouting is all about. It is Girl Chosen, Girl Friendly, Girl Managed, Girl Centered and Girl Sized. When you put girls in charge of their own troop, it empowers them beyond belief!

For your information I have provided several charts regarding the amount of sales tax money that has come from each council for the past two years and the number of girls served from each. The fiscal note on our exemption for cookies is \$353,509 in 1997. Total girls served in Kansas is 48,291. This tax "cost" each girl \$7.32. In Girl Scout dollars that are used very carefully, that is a great deal of money.

From the chart showing the number of girls served, you can see what a positive impact you can have within your district by supporting this tax exemption. In many suburban schools at the K - 3 grades, Girl Scouts serves one out of every two girls. In more rural areas, it generally falls in the range of one out of every six.

Kansas is only one of three states that currently tax Girl Scout cookie sales. The other two are Hawaii and South Dakota.

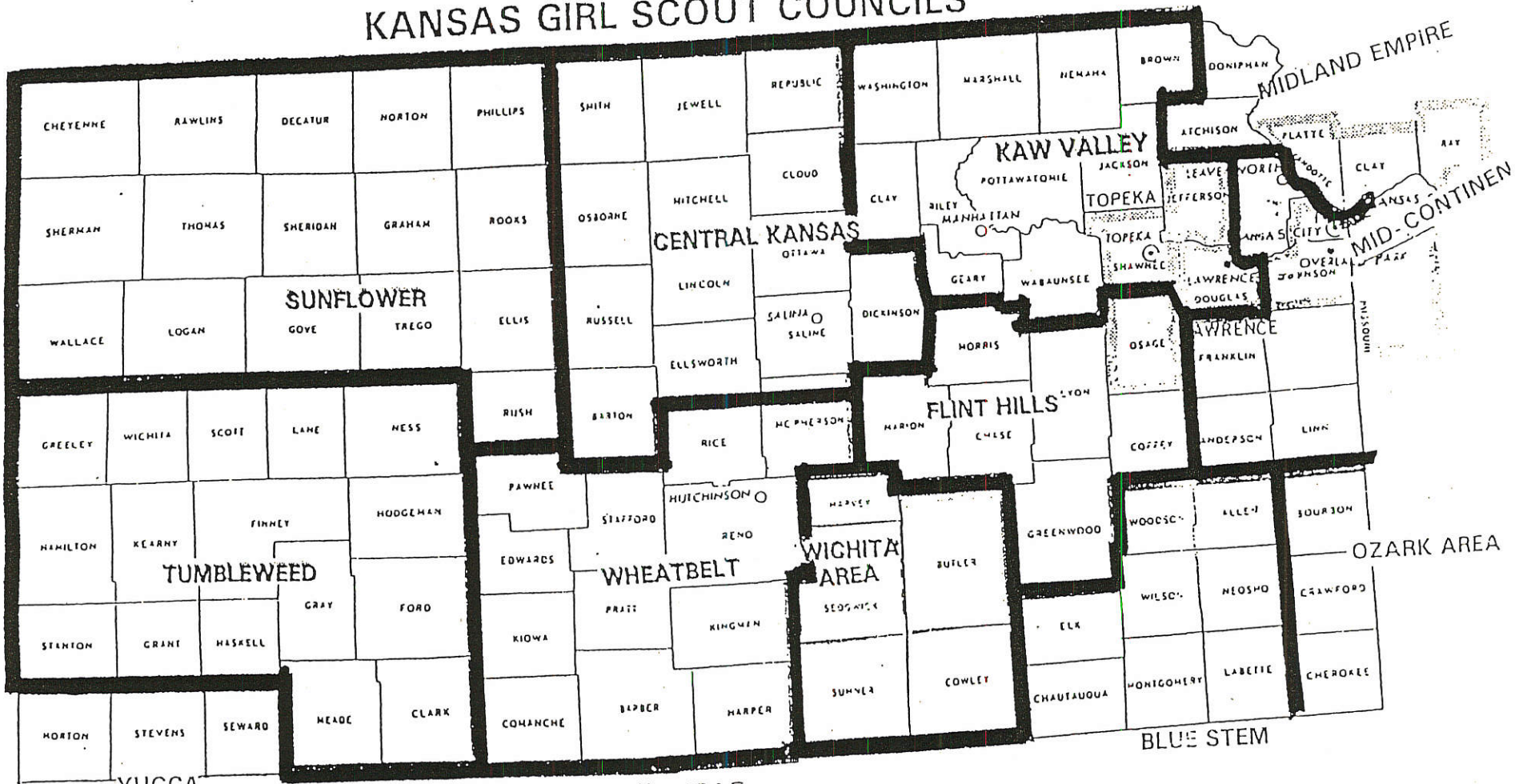
You may ask, why should we exempt sales tax for Girl Scouts and not others? The reasons are as follows:

- 1) Because of our success with the cookie sale, we pay a disproportionate amount of sales tax compared to other similar organizations.
- 2) Local dollars kept in the local economy are more powerful than those sent back to communities in the form of public assistance.
- 3) The Girl Scout cookie sale is much more than a fund-raiser because it is incorporated into our program. From it, girls learn goal setting, teamwork, how to deal with the public, distribution of product, making change, managing money, budgeting, time management and more.
- 4) Girl Scout program is preventative in that the dollars we spend now to keep girls from teenage pregnancy, drug abuse and dropping out of school, the less public assistance dollars Kansas will need in the future.
- 5) Organizations for girls and women are funded by corporations and private sources at a mere 5%. This is an opportunity to help to equalize this situation.

By exempting Girl Scout cookie sales from the state sales tax and returning those funds to girls and their communities, you will be making an important investment in one of our state's most important assets - our children - and Kansas will reap a very large return for that investment.

Again, I appreciate the opportunity to come before you today and we would be happy to answer any questions.

KANSAS GIRL SCOUT COUNCILS



5-4

YUCCA

⊙ - COUNCIL OFFICE IN KANSAS.

○ - COUNCIL OFFICE OUTSIDE KANSAS.

Kansas

LEGEND

- ⊙ Places of 100,000 or more inhabitants
- Places of 50,000 to 100,000 inhabitants
- Places of 25,000 to 50,000 inhabitants outside SMSA's



Standard Metropolitan Statistical Areas (SMSA's)





STATE OF KANSAS - GIRL SCOUT ORGANIZATION

5-5

Council Name	Counties	Sales Tax \$ Paid on Cookies - 1996	Sales Tax \$ Paid on Cookies - 1997
Blue Stem	Allen, Woodson, Elk, Wilson, Neosho, Chautauqua, Montgomery, Labette	13,198	11,880
Central Kansas	Smith, Lincoln, Jewell, Ottawa, Republic, Saline, Osborne, Dickinson, Mitchell, Ellsworth, Cloud, Barton, Russell, McPherson	27,000	25,951
Flint Hills	Morris, Marion, Chase, Lyon, Osage, Coffey, Greenwood, Elk	18,703	16,864
Kaw Valley	Brown, Clay, Douglas, Geary, Jackson, Jefferson, Marshall, Nemaha, Pottawatomie, Riley, Shawnee, Wabaunsee, Washington	53,022	60,595
Mid-Continent	Leavenworth, Wyandotte, Anderson, Johnson, Miami, Franklin, Linn	65,640	68,000
Midland Empire	Atchison, Doniphan	2,376	2,270

Council Name	Counties	Sales Tax \$ Paid on Cookies - 1996	Sales Tax \$ Paid on Cookies - 1997
Ozark	Bourbon, Crawford, Cherokee	-0-	-0-
Sunflower	Cheyenne, Rawlins, Decatur, Ellis, Norton, Phillips, Sherman, Graham, Rooks, Rush, Wallace, Logan, Gove, Thomas, Trego, Sheriden	13,961	14,260
Tumbleweed	Greeley, Wichita, Scott, Lane, Ness, Hamilton, Kearney, Finney, Hodgeman, Stanton, Grant, Haskell, Gray, Ford, Meade, Clark	11,790	13,189
Wheatbelt	Pawnee, Reno, Edwards, Barber, Kiowa, Kingman, Comanche, Harper, Rice, McPherson, Stafford, Pratt	25,044	25,000
Wichita	Butler, Cowley, Harvey, Sumner, Sedgwick	107,052	113,500
Yucca	Morton, Stevens, Seward	3,500	Approximately 2,000
Kansas Totals		341,286	353,509



STATE OF KANSAS - GIRL SCOUT ORGANIZATION

5-7

Council Name	Counties	# Girls Served 1997	Sales Tax \$ Paid on Cookies 1997
Blue Stem	Allen, Woodson, Elk, Wilson, Neosho, Chautauqua, Montgomery, Labette	1,403	11,880
Central Kansas	Smith, Lincoln, Jewell, Ottawa, Republic, Saline, Osborne, Dickinson, Mitchell, Ellsworth, Cloud, Barton, Russell, McPherson	2,820	25,951
Flint Hills	Morris, Marion, Chase, Lyon, Osage, Coffey, Greenwood, Elk	1,781	16,864
Kaw Valley	Brown, Clay, Douglas, Geary, Jackson, Jefferson, Marshall, Nemaha, Pottawatomie, Riley, Shawnee, Wabaunsee, Washington	7,733	60,595
Mid-Continent	Leavenworth, Wyandotte, Anderson, Johnson, Miami, Franklin, Linn	14,685	68,000
Midland Empire	Atchison, Doniphan	450	2,270

Council Name	Counties	# Girls Served 1997	Sales Tax \$ Paid on Cookies 1997
Ozark	Bourbon, Crawford, Cherokee	1,042	-0-
Sunflower	Cheyenne, Rawlins, Decatur, Ellis, Norton, Phillips, Sherman, Graham, Rooks, Rush, Wallace, Logan, Gove, Thomas, Trego, Sheriden	1,243	14,260
Tumbleweed	Greeley, Wichita, Scott, Lane, Ness, Hamilton, Kearney, Finney, Hodgeman, Stanton, Grant, Haskell, Gray, Ford, Meade, Clark	1,082	13,189
Wheatbelt	Pawnee, Reno, Edwards, Barber, Kiowa, Kingman, Comanche, Harper, Rice, McPherson, Stafford, Pratt	2,600	25,000
Wichita	Butler, Cowley, Harvey, Sumner, Sedgwick	10,786 (est)	113,500
Yucca	Morton, Stevens, Seward	893 (est)	Approximately 2,000
Kansas Totals		46,518	353,509

**Testimony by Thomas R. Harrington
Council Scout Executive
Jayhawk Area Council, Boy Scouts of America
Topeka, Kansas**

Before the Senate Assessment and Taxation Committee, January 28, 1998

Thank you Chairwoman Langworthy and ladies and gentlemen of the Committee for this opportunity to speak briefly in support of Senate Bill #500. My name is Tom Harrington, and I'm the local Scout Executive for the Jayhawk Area Council here in Topeka. Our council serves over 7,000 young people in 11 counties in Northeastern Kansas. I'm also representing this morning the other five Boy Scout councils through-out the State of Kansas.

I stand before you today as a product of the Scouting program. as a youth, I was a Cub Scout and a Boy Scout, and earned the rank of Eagle Scout at the age of 14. As a teenager, I ran a weekly Troop meeting of 65 boys and gained leadership experience and outdoor experience which have benefited me greatly. After graduating from college, I volunteered as a Scoutmaster in an inner-city troop in Chicago, and saw first hand the impact that Scouting can have on children from all walks of life.

All of us know that the purpose of Scouting is to help young people develop character, to teach citizenship and leadership skills, and to help youth make ethical decisions. What you may not know is that the Boy Scouts is the largest youth-organization for boys in the state, serving over 55,000 boys; and over 14,000 adult Kansans who volunteered as a Scout leader last year.

All of us know that a good Scouting program costs money. Fortunately, the United Way provides 22% of our budget, but the rest must be raised by ourselves. One of the largest fund raisers is the Boy Scout popcorn sale. Each fall, Scouts go door-to-door, taking orders for popcorn. We think this popcorn sale teaches some valuable lessons to boys such as salesmanship, responsibility, and self-reliance. The sale helps a boy "pay his own way." But in addition, the sale has become a significant fund raiser for us and our packs, troops and posts.

Last year's sale netted our council just over \$140,000, and our local troops the same \$140,000. An additional \$18,000 was paid in state sales tax. If this sales tax exemption is enacted, these funds would be available to Scouting programs for low-income youth, to provide camperships for youth who cannot afford camp, or provide additional training courses for volunteer leaders.

It is our understanding that only three other states in the nation charge sales tax on Boy Scout popcorn. We're not here today to ask the State of Kansas for money for our programs. We're simply asking that you not tax our own self-efforts. Thank you for your time and consideration.

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Attachment 6

Testimony by Anderson Chandler
Chairman and President
Fidelity State Bank and Trust Company
Topeka, Kansas

Before the Kansas Senate Assessment Taxation Committee on Senate Bill 500

Thank you Chairperson Langworthy and Ladies and Gentlemen of the Kansas Senate Assessment Taxation Committee for allowing me to be wrap up speaker on behalf of the Boy Scouts, Girls Scouts and YMCA on senate bill 500. As has previously been capably testified to we are seeking an exemption from sales tax for Boy Scout popcorn sales, Girl Scout cookie sales and YMCA sales tax on membership dues. I am not going to repeat their capable testimony heard but simply emphasize why I am here to ask that these exemptions be included in Senate Bill 500 which they are not in now. I am currently on the board of directors of Jayhawk Council Boy Scouts, Topeka, Boy Scouts of America National and I am on the board of directors and former chairman of the YMCA of Topeka and have served as chairman and treasurer of the Kaw Valley Girl Scout Council Inc.. To summarize what has previously been testified on, there are 12 YMCA's statewide and the sales tax of YMCA dues cost the Topeka YMCA approximately \$65,000.00 per year and the total cost of all of the YMCA's in Kansas is \$300,000.00. Kansas is the only state that taxes dues of YMCA's. There are five scout councils in Kansas and the cost to the scouts for sales tax on their popcorn amounts to \$18,000.00 from Jayhawk Council of Topeka and \$100,000.00 statewide. There are only three states that have sales tax of sales of Boy Scouts popcorn. The Girl Scout Councils in Kansas paid \$353,909.00 last year on cookie sales tax. There are only three states that have sales tax on girl scout cookies. By eliminating these sales tax items these three charities would be able to serve their youth and constituents with greater financial ability.

I have served as chairman of the United Way of Greater Topeka and know that the United Ways throughout the country have been asked to serve and increasing number of charities and this restricts their ability to fund the local charities the way they would like to do. United Ways have asked charities to increase their funding from sources other than United Way and the product sales for Girl Scout cookies and Boy Scout popcorn are an important part of that source of funds. All three of these organizations serve young people. The Topeka YMCA alone provides scholarship and subsidies to low income people and youth amounting to \$220,000.00 a year. Removing sales tax from YMCA membership dues would help YMCA's increases their services. Approving this sales tax exemption at a time of a state budget surplus would allow these youth serving organizations to do an even better job. I hope that this committee will decide to include in Senate Bill 500 the sales tax exemption requested or include it in some other bill so that it will become law. I will be glad to answer any questions if requested and I thank you for hearing me.

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Attachment 7

IN SUPPORT OF A STATE EARNED INCOME TAX CREDIT

My name is Mary Becker. I am the director of Kansans Respond, an organization that is reaching out to low income people and their allies across the state to involve them in the decisions that are being made as the state redesigns its welfare policies. Before starting Kansans Respond, I was the coordinator of a program here in Topeka called Mother to Mother. In that position I worked intimately with low income families. I came to see the realities and effects of poverty on families and I became involved in advocacy.

Federal welfare legislation enacted in 1996 and recent state welfare reform efforts have focused on encouraging parents to make the transition from welfare to work. The success of these efforts depends on the ability of parents to support their families through work. Yet figures show that 78% of the poor children in Kansas in the mid-90's lived in households where at least one parent worked. The average length of time that parent worked was ten months of the year. That is a substantial work effort on the part of the majority of poor families. During the same time period, there were approximately 139,000 families with children in our state who were living at or near poverty. This represents roughly one third of all families with children in the state. 89% of these poor and near-poor families were working families. Projected employment trends show that job growth in the near future will be concentrated in low-paying industries, which will add to the difficulty in helping families find work that can support a family. Welfare changes have undoubtedly swelled the ranks of the working poor since most recipients who find work remain poor.

At one time, a job was the solution for poverty in the U. S. What has happened to create this disturbing problem of poverty among working people?

Falling Wages

Since 1973, wages for young parents (under the age of 30) have fallen by 32%, when adjusted for inflation. High paying manufacturing jobs have moved to foreign countries, leaving retail and service jobs to fill the void. These two industries, service and retail, are the fastest growing industries in Kansas and they provide the lowest average pay. Minimum wage has been allowed to stagnate and does not have the value today it did during the 1960's.

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Attachment 8*

Loss of Full Time Jobs

There has been a trend in recent years for employers to restructure full time jobs to part time jobs.

Loss of Health Care Coverage

As costs of health care have risen, employers have eliminated it as a benefit for employees. In Kansas, we are at an eight year low in employment based health coverage. What this means is that low wage workers cannot afford the high cost of health care and they cannot afford the insurance premiums that would pay for the health care.

Together, these economic and employment trends have, over the last twenty to thirty years, combined to create a crisis for large numbers of families in the state, especially those families headed by parents with limited education and job skills. And despite the current economic prosperity, the situation is not getting any better for them. In fact, it is getting worse.

The October 26th edition of the Kansas City Star carried an article entitled, U.S. prosperity hasn't spread to everyone. "...the United States, which wrote the idea of equality into its Declaration of Independence, is now by far the most unequal society in the industrialized world." The article goes on to say that the median household income actually fell last year in the Midwest. Yet this is "the longest recovery in the nation's postwar history, a mammoth boom that has sent stock prices, corporate profits and executive pay through the roof. Real wealth is being created, but, six years into the boom, the median worker is still 5 percent worse off than when it began. That wealth, like grease, is rising to the top." The most recent Census figures show that the rich are, indeed, still getting richer, the poor are getting poorer, and the middle class is shrinking. This phenomenon is simply not occurring anywhere else in the world. "In other countries, minimum-wage laws, more social protection and still-vigorous trade unions have blunted" the impact of globalization.

An article in the Topeka Capitol-Journal on January 5th of this year carried the headline, *Hunger in America is on the rise, charities say*. "Evidence is mounting of a large increase in the number of people who can't get enough to eat without help. The U.S. Conference of Mayors released a survey last month that reported average 1997 increases of 16 percent in request for emergency food."

Many families in our state are poor, even though they are working at the best jobs they can find. They are being disadvantaged by national and global trends they have no control over. They simply cannot support their families adequately on what they are able to earn. They need whatever help the state can give them in reducing their taxes and increasing their economic security. I ask you to implement a state earned income tax credit.

Elizabeth J. Knutson
1809 Gabriel
Parsons, Kans. 67357
(316) 421-6411

Ladies and Gentlemen:

My name is Elizabeth Knutson. I am 35-years-old, divorced, and a single parent of three teen-aged children.

Last weekend, I participated in a discussion group and made a heartfelt comment that I wished people, like myself, could have the opportunity to have our voices heard by you, our legislators who make decisions that affect our lives every day. Little did I know I would get that chance today.

First, I want to tell you about who I am and why the proposed state earned income credit is important to me and my family.

Last December, I completed my Bachelors degree of arts in Communication, which culminated a seven-year struggle against physical and mental health problems, welfare changes and an ex-husband who hasn't paid child support in more than three years.

My children are now 16, 14 and 13, two beautiful girls and a rough and tumble boy. They have stood with me in my journey from welfare mom to working mom, crying with me when times were rough and laughing with me in the good times.

I am very proud of my successes and feel this is my chance to speak out for those who are also struggling as I did and still do.

I guess you could say I am a member of the working poor. And my situation is pretty typical of many families who, like myself, are struggling to take care of their family.

Although I have a good job writing at a newspaper in the town where I live, I still make only \$17,500 a year. The federal poverty level for a family of four is \$16,000 a year, only \$1,500 less than what I will make this year.

My estimated state income tax owed, based on that salary is \$109, under current Kansas Law.

Now, \$109 seems a very small figure to owe-theoretically-but in reality it represents a very significant amount of money that I could spend on things my family needs.

It represents almost two weeks of groceries for my family. And let me tell you three teens can eat a lot so I've learned to stretch each food dollar as far as conceivably possible.

It also represents a new pair of shoes for each of my children. In the last year, my son's feet grew from a size 9 to a size 14. I bought seven pairs for him. It has been a struggle to keep his feet covered.

It would pay my water and trash bill for almost three months.

And I spent less than that on my children's Christmas presents last year.

Under the Governor's proposal, my tax liability would drop and I would be eligible for a refund of \$32.

That sounds like a very small gain for a family but it would buy nine gallons of milk for my family ... my kids can drink almost five gallons a week.

It would purchase two pairs of store-brand jeans at Wal-Mart. Or it could buy an entire wardrobe at garage sales or a second-hand shop.

Or it would buy two used tires from a local automotive repair shop.

On a separate page, I have included an estimated breakdown of what my monthly budget and other expenses are. Compare the figures for yourself to see how much the EITC would mean to my family.

I ask that you strongly consider approval of the governor's EITC because it will benefit people like myself who are trying to be self-supportive and raise a family in a time when it seems we are taking two steps back into poverty for every step forward we take.

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Attachment 9

Elizabeth Knutson, page 2

Estimated gross salary: \$17,500
Net monthly pay: \$1,100.

Estimated monthly expenses

Rent	\$0
water/trash	\$45
gas/electric	\$175
telephone	\$65
old medical bills	\$50
new medical bills	\$175
School loans	\$75
Car insurance	\$20
House taxes	\$30
House insurance	\$40

Total expenses \$655
Money left over for all other expenses: \$445.

All other expenses includes food and non food items, gasoline and other car-related expenses, clothing and shoes, school-related items, etc.

I do not pay rent because my grandmother paid off the mortgage on my home when she lived here. In this I am fortunate, many other parents like myself are not.

New medical bills includes doctor's visits, mental health visits and prescriptions. Two of my children have attention deficit hyperactivity disorder and take a daily prescription. I am manic-depressive, have high cholesterol and low thyroid. I take a combination of seven different prescriptions.

Old medical bills are those stemming from back surgery done more than six years ago. I didn't have any form of health insurance and I am over \$5,000 in debt after paying on these bills monthly since then.



KANSAS ASSOCIATION OF REALTORS

Executive Offices:
3644 S. W. Burlingame Road
Topeka, Kansas 66611-2098
Telephone 913/267-3610
Fax 913/267-1867

TO: SENATE ASSESSMENT AND TAXATION COMMITTEE
FROM: KAREN FRANCE, DIRECTOR OF GOVERNMENTAL AFFAIRS
DATE: JANUARY 28, 1998
SUBJECT: SB 500, The Kansas Tax Reduction and Reform Act of 1998

Thank you for the opportunity to testify. The Kansas Association of REALTORS® supports the rollback of the statewide property tax mill levy found in Section 21 of SB 500.

It has been our long-standing position that real estate is burdened with an excessive share of the constantly increasing cost of state and local government. We believe real estate taxes should be used only to pay for state and local governmental services which are rendered to real estate. People related services and programs such as education should be paid for by other types of taxation. We have advocated the restructuring of state and local taxation sources for the funding of non-property related services. We urge the state to work for the restructuring of taxes to relieve the inequitable real property tax burden but also not to unfairly shift the tax burden to any tax paying entity. We support the continual, gradual reduction of the statewide mill levy to the extent possible.

Property ownership is no longer an indication of the ability to pay. When it was first instituted, years ago, the ownership of property was an indicator of wealth. That is no longer the case. For example, we have people on fixed incomes whose property has appreciated in value through no fault of their own and their property tax bills have essentially become a rental payment to the government for their homes.

When the statewide mill levy was adopted in 1992, it began another whole spectrum of property taxation, by putting the state in the business of levying property tax far beyond the 1 1/2 mills it used to levy. The state now has to worry about increases and decreases in the statewide assessed valuation and is now a reluctant player in the game of maintaining current levels.

We urge the committee to strongly consider reducing and removing the statewide mill levy. We think it will be in the long term best interest of the state to get out of the business of assessing property taxes and into the business of removing, at least partially, the use of an antiquated tax.

We do offer a caveat, however, and that is, if you remove or reduce the statewide mill levy for schools, you make every effort to ensure the gain for taxpayers is not eaten up by the other taxing authorities without taxpayer input. The legislature should keep this factor in mind when addressing this issue.

Thank you for the opportunity to testify.

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1-28-98
Attachment 10*