

Approved: 3/31/00
Date

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson Wagle at 9:00 a.m. on March 21, 2000, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes
Shirley Sicilian, Department of Revenue
Ann Deitcher, Committee Secretary
Edith Beaty, Taxation Secretary

Conferees appearing before the committee: Representative Phill Kline
Joyce Bishop of Homestead Affordable Housing
Kim Gulley, League of Kansas Municipalities
Shirley Sicilian
Tracy Diel, Executive Director of State Gaming Agency

HB 2972 - Enacting the harnessing opportunity, performance and excellence act.

Representative Kline spoke to the Committee in support of **HB 2972**. (Attachment 1). He put forth possible amendments, both technical and substantive to the bill. (Attachment 2).

Written testimony of Representative David Haley, a proponent of **HB 2972**, was handed out to the Committee. (Attachment 3).

Speaking as a proponent of **HB 2972** was Joyce Bishop, Executive Director of Homestead Affordable Housing, Inc. (Attachment 4). She suggested the incorporation of **HB 2972** into **HB 2971**.

Kim Gulley of the League of Kansas Municipalities spoke to the Committee, saying that while her organization supported **HB 2972**, they wanted consideration by the Committee of the issues listed in her testimony. (Attachment 5).

The hearing on **HB 2972** was concluded.

SB 408 - Income tax return confidentiality; exception tribal gaming licenser purposes.

Testimony in support of **SB 408** was given by Tracy Diel, Executive Director of State Gaming Agency, who explained the bill to the Committee. (Attachment 6).

The hearing on **SB 408** was concluded.

SB 417 - Homestead property tax refund filing deadline.

Shirley Sicilian offered testimony on **SB 417**, explaining that it would provide for two administrative improvements to the homestead property tax refund act. (Attachment 7).

The hearing on **SB 417** was concluded.

CONTINUATION SHEET

The motion was made by Representative Long and seconded by Representative Minor that **HCR 5019** be favorably passed out of Committee.

It was pointed out by the Chair that the correct number of the bill regarding classification and taxation of aircraft and watercraft was **SCR 1629**. She asked if the standing motion could be changed.

It was moved by Representative Long and seconded by Representative Minor that **SCR 1629** be passed favorably out of Committee. The motion carried on a voice vote.

The meeting was adjourned at 10:15 a.m. The next meeting is scheduled for Wednesday, March 22, 2000.

Harnessing Opportunity for Progress and Excellence

Restoring Neighborhoods Through Faith in Neighbors

Representatives: Phill Kline, David Haley and Doug Spangler.
For more information contact: Phill Kline 913.707.5757.

Background: The H.O.P.E. Act arose out of a Special Committee on Neighborhood Revitalization chaired by Representative Phill Kline in 1995. The committee held hearings throughout the state listening to citizen input regarding various approaches to improving troubled neighborhoods.

The Problem: Far too often, government approaches to local problems disregard the talents, leadership and ideas of those directly affected by the issues the government programs attempt to address. As a result, many programs do not address local needs, ignore locally available solutions and direct precious local resources towards nonexistent problems and/or unworkable solutions.

Furthermore, removing resources from a troubled neighborhood, in order to have a distant government redirect those resources removes accountability and eliminates the motivation to measure the effectiveness of a program. Distant governmental leaders like to claim credit for problem solving regardless of the truth regarding the effectiveness of a program.

These factors combine to limit available choices of neighborhood leaders, by redirecting local resources and limiting local authority.

A Change in Philosophy:

A new approach is needed! Government needs to have greater faith in local leadership and in its citizenry. Instead of a primary interest in claiming credit for solutions, regardless of outcomes, government needs to allow local resources to remain in troubled communities to fund locally developed solutions to locally identified problems. Flexibility needs to be protected and fostered to allow for creative approaches to long-term problems.

The Method:

- Locally generated state sales, property and income taxes will remain in targeted communities in order to fund a neighborhood revitalization plan developed by local leaders.
- Private organizations and citizens will be encouraged to invest in funding the plan through changes in the Kansas tax code.
- The state government will serve as a catalyst for a community wide focus to reclaiming a troubled neighborhood.
- Target neighborhoods will elect neighborhood boards to develop and implement the revitalization plan.

- Auditing procedures will be established and maintained to insure ethical utilization of available funds.
- The program will be funded by the state's economic development fund, investing these funds in people, rather than questionable and highly speculative business enterprises.

The bill is scheduled for hearing next Tuesday, March 21, 2000 before the House Taxation Committee, Room 519S, State Capitol Building.

Possible Amendments

Technical:

- Consistent term used for designated area – change “blighted area” to “challenged neighborhood” throughout bill.
- Consistent use of terms “revitalization plan” and “economic development plan” – see page 7.
- Insert word occupied regarding “No plan shall require the condemnation of existing “occupied” residential property...” line 43, page 7, and line 5, page 8.

Substantive:

- Current bill provides for a maximum of \$2 million and three pilot projects. Change to: no less than \$2 million or more than \$3 million for between 3 and 5 years and only one or two pilot projects.
- Provide for subsequent elections of neighborhood revitalization committee, after first year of operation, with electors in the challenged neighborhood. Election of top vote recipients at large, equal to the number identified in the bylaws of the committee.
- Mandatory selection, “shall provide” at page six, line 3, if applications are received and generally comply with the requirements of section 8(a)(1).
- Local government approval not required for submission to the secretary of commerce. Change wording found on page 8, lines 6 and 7. Remove the word if, and replace it with “after the application is reviewed by the local governing body of the city in which the challenged neighborhood is located, the application shall be forwarded....”

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**HOUSE OF
REPRESENTATIVES**

DAVID B. HALEY
DISTRICT 34
WYANDOTTE COUNTY

TO: The Chair, Members of House Taxation Committee:

FROM: Rep. David Haley

Thank you for your consideration of HB 2972.

This idea is simple and equitable. Use tax dollars generated by a particular "blighted" area to be administered by a local board to rejuvenate the same particular "blighted" area.

I enthusiastically support this concept and urge this Committee's immediate and favorable action.

If there are any questions I might answer, please let me know.

COMMITTEE ASSIGNMENTS

HEALTH & HUMAN SERVICES
JUDICIARY

haley@house.state.ks.us

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Attachment # 3

Kansas House of Representatives
Taxation Committee
9:00 A.M., March 21, 2000
Room 519 South

Testimony
Regarding House Bill 2972

An act enacting the harnessing opportunity, performance and excellence act.

Madam Chair, Committee members, I would like to thank you for allowing me this opportunity to testify regarding House Bill 2972.

My thanks go the sponsors of this bill for trying to effect local initiative to solve some of the housing problems currently existing in our urban centers.

I would like to first address several items that need to be changed to improve the bill, and then offer a possible alternative to House Bill 2972.

I would suggest the following changes to this bill:

1. Rather than transferring funds from the State Economic Development to the State General Fund, the funds could instead be transferred directly to the Kansas Housing Trust Fund, which is currently administered by KDOCH Division of Housing. The Trust Fund currently has no dedicated source of revenue but has the staff structure established to enable these funds to provide the intended activities. This would likely involve no additional staff or expense to the State General Fund.
2. The bill addresses predominantly urban areas. Metropolitan counties currently have millions of dollars annually in federal entitlements, which includes CDBG and participating jurisdiction HOME funds, whose use is determined by local citizens through comprehensive plans. I would suggest changing this to include both urban and rural areas.
3. The bill allows for only three awardees per year. I would suggest the number of awardees not be limited to three, but rather to the funds available using a point system to rate all applications. The minimum award could be for \$5,000 and the maximum could be for \$666,667. Thus in any given year, depending on which applications rated highest, anywhere from three to 400 communities, both urban and rural, could benefit from these funds.
4. Rather than create new nonprofit organizations in communities, specify existing 501 (c) 3, nonprofit Community Housing Development Organizations (CHDOs) as the designated

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partners in each area. CHDOs are already certified by HUD and KDOCH who have the ability granted by this certification to research community needs, determine available resources, and develop plans to resolve community housing problems. The beauty of using CHDOs as part of the delivery system is that 23 of these organizations already exist in Kansas and are currently serving all but twelve counties in this state.

- A. In urban areas served by more than one CHDO, require their collaboration on applications.
 - B. In counties not currently served by a CHDO, use local nonprofits and require their partnerships on applications. It would be advisable for them to apply for certification as a CHDO also so they would have access to HOME funds.
 - C. If no CHDO or nonprofit exists, work with community leaders to determine the need, and resources available to sustain such a nonprofit. If feasible, create a new organization that would also apply to become a certified CHDO.
 - D. If found not to be feasible, encourage these communities to work with nearby city and county CHDOs to be included in their development plan.
5. The expected outcomes of this bill are not clear. As it currently reads a community could use all of the funding awarded for operational costs, additional staff, or technical assistance, while not addressing the need for neighborhood revitalization. The bill should identify specific outcomes such as homes to be rehabilitated and sold, commercial property, etc.
 6. The bill should limit what percentage of the amount applied for may be used to pay operational expenses. No legislation should be passed without providing for this funding in the application process. I would suggest not less than five or more than ten percent.

Now for the alternative bill I would like to suggest:

The solution to decent affordable housing has to be more than many unconnected programs, but rather the creation of a whole new system.

Kansas is currently one of only two states who do not have a functional statewide Housing Finance Agency. Creation of such a corporation would go a long way toward solving all of the challenges addressed in House Bill 2972. Please work to pass out of the Senate Commerce and Ways & Means Committees House Bill 2971, which would create a Kansas Housing Development Corporation (KHDC).

This corporation would function as a quasi-governmental housing finance agency. In addition, the KHDC would administer the housing programs currently administered by the Housing Division of KDOCH, as well as assuming all of its duties. It would be governed by a seven-member board with a non-board member President. This corporation could:

- ◆ Enter into agreements and transactions with any federal, state, county or municipal agency and with any individual, corporation, enterprise, association, or any other entity involving housing.
- ◆ Provide technical services to assist in the planning, processing or rehabilitation of residential housing for occupancy by qualified persons and families.
- ◆ Provide assistance services for residential housing and land development for such housing to be occupied by persons and families of low and moderate income or persons and families of any income level in distressed communities. This assistance could include management, training and social services.
- ◆ Promote research and develop scientific methods of constructing low cost residential housing of high durability.
- ◆ Create a housing equity fund for purchasing low-income housing tax credits.
- ◆ Accept all donations, grants, bequests, and moneys, which may be appropriated by the legislature to effect its corporate purposes.
- ◆ Acquire real property by purchase or foreclosure, where such acquisition is necessary to protect or secure any investment or loan in which the corporation has an interest.
- ◆ Own, hold, and dispose of real or personal property both tangible and intangible.
- ◆ Sell, transfer, or convey real property or interest in real property to a buyer, or lease to a tenant in the event a sale cannot be done with reasonable promptness or at a reasonable price.
- ◆ Invest funds received from gifts, grants, donations and other operations of the corporation.
- ◆ Borrow money to issue negotiable bonds or notes as evidence of any such borrowing and to secure such bonds.
- ◆ Trade, buy or sell qualified securities.
- ◆ Appoint officers, consultants, agents and advisors.
- ◆ Make or participate in the making of uninsured or federally insured construction loans to persons and families of low, very low, or moderate income.

I believe if you research programs currently offered by the surrounding states housing finance agencies, you will see increased efficiency, more affordable units created or rehabilitated, and more citizens able to be trained and made ready to qualify for the responsibilities that the American dream of home ownership demands.

One program currently being used by the Missouri Housing Development Commission is a mortgage registration tax or transfer tax as a revenue source. Since 1996, taxing \$3.00 per real estate transfer has generated over \$15 million to be used for affordable housing programs throughout that state.

A Kansas Housing Finance Agency, through the issuance of bonds and other activity will, in a short period, be able to pay it's own way, without the use of state tax dollars currently being spent on Division of Housing programs.

Please consider advocating for House Bill 2971. It could replace House Bill 2972 or House Bill 2972 could be incorporated into the new corporation's duties.

Thank you for your consideration.

Respectfully,

Joyce S. Bishop

Executive Director

Homestead Affordable Housing, Inc.

(A 501(c) 3 nonprofit Community Housing Development Organization)



League of Kansas Municipalities

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To: House Taxation Committee
From: Kim Gulley, Director of Policy Development & Communications
Date: March 21, 2000
Re: HB 2972

Thank you for allowing me to appear today on behalf of the League of Kansas Municipalities and our member cities. We strongly support and recognize the need for neighborhood revitalization in urban areas of the state. HB 2972 establishes an urban revitalization fund which proposes to divert state moneys for this purpose and we applaud this effort.

In reviewing the specific language of the bill, we have identified several issues for your consideration as you discuss this proposal:

- **Use of the term “blighted.”** Section 7 of the bill removes the term “blighted area” from the existing law and replaces it with the term “challenged neighborhood.” However, the term “blighted” is still used in New Section 4. It appears that a simple language clarification is needed.
- **Change in Scope of Existing Program.** In addition to establishing a new program, HB 2972 amends an existing program that is currently used for the purpose of encouraging economic development. Section 7, which amends K.S.A. Supp. 74-5093 (e) expands the scope of the program to include both economic development and the performance of “community services.” The term “community services” is not defined in the legislation. Such a term is open-ended and subject to a wide variety of interpretations. We would recommend either deleting this term or explicitly defining it.
- **Removing City-County Economic Development Organizations from the Grant Program.** Current law authorizes the use of these grant proceeds by both city-county economic development organizations and neighborhood revitalization organizations. Amendments in Section 9 to K.S.A. Supp. 74-5098 would prohibit the use of grant proceeds by city-county economic development organizations and authorize their use only by neighborhood revitalization organizations. We believe that cities and counties are critical partners in any urban revitalization program and should not be excluded from participating in this grant program.

In conclusion, we support the efforts to tackle the urban revitalization challenge that we currently face. The proposed fund could be a valuable part of that effort. However, we believe that such a program should be supplemental to the existing economic development tools rather than replacing an existing program.

We look forward to working with the committee on this critically important issue to our cities. I would be happy to stand for questions at the appropriate time.

KANSAS
STATE GAMING AGENCY



TO: House Taxation Committee

FROM: Tracy T. Diel, Executive Director
State Gaming Agency

DATE: March 21, 2000

RE: Testimony on SB 408

Racing & Gaming Commission

Madam Chairman and members of the Committee. Thank you for the opportunity to testify on behalf SB 408. I come before the Committee today as a proponent for this legislation and ask that it be given favorable consideration. The purpose of SB 408 is to amend K.S.A. 79-3234 to provide the State Gaming Agency with the ability to obtain certain income tax information from the Kansas Department of Revenue.

Under the provisions of the Tribal-State Compacts, it is the responsibility of the State Gaming Agency to have background investigations conducted on gaming employees and gaming manufacturers/distributors who are involved with the tribal casinos located here in the State of Kansas. Since July 1, 1998, this has been done by individuals employed by the State Gaming Agency. Prior to that date all background investigations were conducted by the KBI. Presently, the Agency can determine if an individual seeking to be issued a gaming license has paid real estate taxes, personal property taxes and federal income taxes. However, the agency cannot determine if an applicant for a gaming license at a tribal casino has filed and/or paid income taxes to the State of Kansas. SB 408 would allow the agency to obtain this information.

The use of this information allows the State Gaming Agency to determine an individual's ability to be issued a gaming license. It shows whether the applicant is in compliance with State law and the provisions of the Tribal-State Compact. It shows the amount of income an individual is reporting they have earned and whether it matches up with their credit and financial history. In addition, it shows the applicant's sources of income. This aids the agency in determining if the individual is working for individuals, groups or companies which are inconsistent with holding a gaming license. Altogether this information provides the State Gaming Agency the ability to make a more complete analysis of an individual's ability to be issued a gaming license.

It is not the agency's intent to broadcast this information. However, the agency will indicate if an individual has failed to file and/or paid their State income taxes. In addition, it will use this

information to help determine if an individual applying for a gaming license has met the licensing standards set forth in the Tribal-State Compacts. Prior to July 1, 1998, this information had been provided to the State Gaming Agency through background investigations which had been conducted by the Kansas Bureau of Investigation. In Fiscal Year 1999, a change in policy brought all background investigations for tribal casinos under the State Gaming Agency. Personnel employed by the agency now perform all aspects of the background investigations. However, there was no change in Kansas law to allow the Kansas Department of Revenue to provide this information to the agency. SB 408 is seeking to allow the State Gaming Agency to obtain the same information it was receiving through the background investigations performed by the KBI.

Thank you for your attention and consideration of this matter. If you have any questions, I will be glad to answer them.

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Office of Policy & Research

TESTIMONY

To: Chairman Wagle
House Taxation Committee

From: Shirley K. Sicilian

Re: SB 417 – administrative improvements to the homestead refund act

Date: March 21, 2000

Madame Chairman and members of the Committee, thank you very much for the opportunity to testify today on SB 417. This bill would provide for two administrative improvements to the homestead property tax refund act. It would: 1) allow more flexibility to grant extensions and waivers of filing deadline, and 2) allow informal reconsideration at the department before formal appeal to BOTA.

1. Allow more flexibility to grant waiver of homestead refund filing deadline. Currently, the department can waive the homestead refund filing deadline only in the case of “sickness, absence or disability.” (K.S.A. 79-4517). This bill would broaden the ability to waive to cases where “good cause exists.” This would be more in line with the “reasonable cause” criteria for income tax waivers.

2. Allow informal reconsideration at the department before formal appeal to BOTA. Currently, a homestead refund filer must appeal directly to BOTA if their claim was denied. Homestead refunds are the only case where there is no KDOR review process. Prior to 1997, the department’s appeal process was a formal KAPA proceeding, much like BOTA’s is still. However, the taxpayer fairness act changed the department proceeding to an informal conference. We believe these filers could benefit from informal reconsideration before they must appeal to BOTA.

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