

Approved: 1-19-00  
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:08 a.m. on January 18, 2000, in Room 519-S of the Capitol.

All members were present except: Senator Praeger – excused

Committee staff present: Chris Courtwright, Legislative Research Department  
April Holman, Legislative Research Department  
Don Hayward, Revisor of Statutes Office  
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Mary Becker, Kansans Respond

Others attending: See attached list.

The minutes of the January 13, 2000, meeting were approved.

**SB 378—Refunds on sales tax paid upon food**

**SB 379—Amending the homestead property tax refund act; definition of income**

Senator Langworthy noted that **SB 378** and **SB 379** were recommended for introduction by the interim Special Committee on Assessment and Taxation. She called upon Chris Courtwright, Legislative Research Department, to present background information on the bills. Mr. Courtwright explained that both bills were considered by the interim committee under Topic No. 1, tax relief for the poor. Basically, **SB 378** would slightly contract the food sales tax rebate program, and **SB 379** would slightly expand the homestead property tax relief program.

Mr. Courtwright noted that 1998 legislation expanded the food sales tax rebate program by increasing the income eligibility ceiling. The ceiling is based upon a person's Kansas adjusted gross income (KAGI). After the 1998 tax season, CPAs and others questioned the use of the KAGI as the only measure of income to determine eligibility. Tying eligibility to the KAGI did not take into account tax-exempt income from public sector pensions and governmental bond interest, which do not flow into the KAGI. The interim committee determined that persons with large amounts of tax-exempt income from public sector pensions or governmental bonds should not have an advantage in their ability to qualify for food sales tax refund credits. Mr. Courtwright explained that **SB 378** contracts the food sales tax rebate program by requiring that persons add public sector pension income and governmental bond interest to their KAGI when determining their eligibility for a rebate.

The other change in **SB 378** involves the extra refund amount for the single heads of household. Mr. Courtwright reminded the Committee that, under individual income tax law, single heads of household get an extra personal exemption amount. He explained that the Department of Revenue decided that the intent of the 1998 legislation was that a similar policy apply to the food sales tax rebate program. This decision was the subject of discussion in a post audit report and in the interim committee. The interim committee found that the 1998 Legislature did intend single heads of household to get an extra check. At this point, Senator Langworthy noted that the House was certain that this provision was in the 1998 tax reform bill, but she could not say for certain that the Senate was aware of it. She emphasized that the provision was not discussed in the Senate Assessment and Taxation Committee during the 1998 Session. She noted that the Department of Revenue simply made an assumption and acted on that assumption. Mr. Courtwright went on to say that the interim committee voted to codify and clarify the issue. He noted that eliminating the extra amount for heads of household will decrease the fiscal note by \$3 million.

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

Room 519-S, Statehouse, at 11:08 a.m. on January 18, 2000.

With regard to **SB 379**, Mr. Courtwright noted that Kansas enacted the homestead property tax relief program in the 1970s, and it was last expanded in 1997. He explained that, under the program, persons with a total household income of \$25,000 or less can get all or a portion of their property tax back. He explained that, in addition to the low income test, there are demographic qualifiers wherein someone in the household must be above age 55 or a dependent under age 18, or blind, or otherwise disabled. He noted that the homestead property tax relief program uses the total household income, which is much broader than the KAGI used in the food sales tax refund program. One type of income included in the total household income is social security disability payments. The interim committee considered the fact that the homestead program was meant to target disabled persons, yet, social security disability money is counted against them for purposes of entitlement. He explained that **SB 379** simply allows any social security disability income to be subtracted from the definition of total household income when figuring entitlement. The fiscal note on **SB 379** is \$300,000. In conclusion, Mr. Courtwright pointed out that, together, **SB 378** and **SB 379** offset each other because one bill narrowly expands the homestead property tax relief program and the other narrowly contracts the food sales tax refund program.

Senator Tim Emert requested the introduction of a bill which would amend K.S.A. 79-4505, the homestead property tax refund act. Basically, the bill changes one date in the act. Currently, the filing deadline is April 15. Senator Emert explained that the deadline date was originally October 15, but it was changed to conform with the date used for all other tax deadlines (April 15). The change to April 15 causes problems for persons who are not able to file their tax returns by April 15 and, therefore, apply for an extension. Those persons are then not eligible for the homestead property tax refund because they did not file their tax return on time.

Senator Bond moved to introduce the bill, seconded by Senator Stephens. The motion carried.

Mary Becker, Kansans Respond, testified in support of **SB 378** and **SB 379**. She believes the provisions of both bills are appropriate ways to strengthen, simplify, and expand tax relief for low-income taxpayers. (Attachment 1)

Don Hayward, Revisor of Statutes office, discussed technical amendments needed on both **SB 378** and **SB 379**. The proposed amendment for **SB 378** will clarify that the only incomes added to the KAGI are from retirement benefits and bond interest and dividends. (Attachment 2) With regard to **SB 379**, he explained that it is necessary to add a comma after the new language on page 1, line 22, after the word "payments" to clarify that the exception does not apply to veterans disability pensions.

Senator Bond moved to technically amend **SB 378** and **379** for clarification purposes as described, seconded by Senator Lee. The motion carried.

The meeting was adjourned at 11:35 a.m.

The next meeting is scheduled for January 19, 2000.



# Kansans Respond

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TO: Members of the Senate Assessment and Taxation Committee

FROM: Mary Becker, Executive Director

DATE: January 18, 2000

The state provides three primary tax relief programs for low income taxpayers. These programs represent effective strategies for providing economic support to poor citizens and taxpayers. They also are appropriate ways of counteracting the regressivity of our state tax structure, which disadvantages low and moderate income taxpayers. We believe their importance has not perhaps been appreciated before and are glad that the Special Committee on Assessment and Taxation examined these programs in some depth during the summer and fall months.

Our concern is that many low income people are excluded from eligibility due to qualifiers, the credits are not easily accessible, and the amounts of the credits could be higher if we want to increase economic security for poor households. We encourage the committee to continue exploring ways to strengthen, simplify, and expand these programs.

We support the provisions in SB 378 and SB 379. The provisions call for modest changes, and in one case, no change at all, in current eligibility guidelines. But the provisions are most appropriate.

SB378- Adding public-sector pension income and tax-exempt bond interest to KGI for purposes of qualifying for food sales tax refunds. This refund is designed to benefit low income people and was not designed for those who are more well off.

Continue the extra refund for head of household filers. Studies show that single parent households are among the poorest in the state, whose children are most at risk of hunger.

SB379 - Subtract Social Security disability income from household income for purposes of determining Homestead program eligibility. As has been pointed out, this program specifically aims to assist those with disabilities, so it makes little sense to hold that income against people in qualifying for this tax credit.

*Senate Assessment & Taxation  
1-18-00  
Attachment 1*

Proposed Amendment to Senate Bill 378

On page 1, in line 16, by striking "the sum of"; in line 17, by striking all after "act"; by striking all in lines 18 and 19; in line 20, by striking all before the period and inserting "without regard to the modifications specified by subsections (c)(i), (ii) regarding Kansas public employee retirement system retirement benefits, (vii), (ix) and (xii) of K.S.A. 79-32,117, and amendments thereto"

*Senate Assessment & Taxation  
1-18-00  
Attachment 2*