

## MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman John Edmonds at 9:00 a.m. on March 9, 2004 in Room 519-S of the Capitol.

All members were present except:

Representative Lana Gordon- excused

Committee staff present:

Chris Courtwright, Legislative Research Department

Martha Dorsey, Legislative Research Department

Gordon Self, Revisors of Statutes

Carol Doel, Committee Secretary

Conferees appearing before the committee:

Representative Jeff Jack

Representative E. O'Malley

Steve Weatherford, KDFA

David Springe, Citizens Utility Ratepayer Board

T.C. Anderson with the Association of CPAs

Cheryl Hayward, CPA

Others attending:

See Attached List

Chairman Edmonds opened the meeting for introduction of bills, however hearing none, he opened public hearing on **HB 2843**.

First to be recognized in support of **HB 2843** was Representative Jeff Jack who stated that this bill would allow property to continue to be valued at its true fair market value, it benefits those people most likely to be living in an older home, young couples who may not be able to afford a new home, but who could renovate an older home, working people in traditional neighborhoods, and retired people who may have been in the same home since World War II and who want to continue living there. It also benefits families who inherit a farmstead that may need renovation. It will benefit people all across the state. (Attachment 1)

Representative Ed O'Malley also addressed the committee in support of **HB 2843** giving the opinion that this bill would provide a tax credit for the external repair and maintenance of older homes valued under \$200,000. It would revitalize established neighborhoods and provide relief to those willing to make investments into their older homes and communities. (Attachment 2)

Giving testimony in support of **HB 2843** was David Springe, Consumer Counsel for the Citizens' Utility Ratepayer Board. Mr. Springe explained that CURB (Citizens' Utility Ratepayer Board) was a volunteer Board appointed by the Governor to advocate for residential and small commercial utility ratepayers before the Kansas Corporation Commission and the Kansas Courts. They support **HB 2843** which would provide an incentive to Kansas homeowners to improve the energy efficiency of their home and in the process decrease their utility bills. They recommended an amendment to change some language in the bill. (Attachment 3)

With the proponents having given their testimony and there being no opponents, the Chairman closed the hearing on **HB 2843** and opened the public hearing on **HB 2882**.

T.C. Anderson, Executive Director of the Kansas Society of Certified Public Accountants addressed the committee in support of **HB 2882** and brought Cheryl Hayward, CPA in the event there were technical questions which needed to be answered. Mr. Anderson reported that this bill is the result of a joint effort by their Tax Group, Secretary Wagon, and her staff at the Department of Revenue. If enacted **HB 2882** would authorize the Secretary of Revenue to adopt rules and regulations regarding the filing of documents with Form K-64 which support the amount of commercial and industrial machinery and equipment credit being claimed by taxpayers. This addition to the Statute is on page 2 of the bill at lines 6 through 8. (Attachment 4)

CONTINUATION SHEET

MINUTES OF THE HOUSE TAXATION COMMITTEE at 9:00 a.m. on March 9, 2004 in Room 519-S of the Capitol.

There being no one else wishing to address the bill, Chairman Edmonds closed the hearing on **HB 2882** and opened the hearing on **HB 2883**.

Again, T.C. Anderson, Executive Director of the Kansas Society of Certified Public Accountants returned to the podium to address the committee in support of **HB 2883**. Cheryl Hayward, CPA stood with Mr. Anderson for technical support. This bill also is the joint effort by their Tax Group and Secretary Wagnon and her staff at the Department of Revenue. It proposes one change and that would be increasing the amount of tax that an individual can reasonably expect to owe, after credits and withholding, before the taxpayer must make estimated tax payments. This is suggested on line 17 of the bill and is from \$200 to \$500.

(Attachment 5)

No other person wished to address the bill either proponent or opponent and the Chairman closed the public hearing on **HB 2883**.

There being no further business before the committee, Chairman Edmonds adjourned the meeting at 10:30 a.m.



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HOUSE OF  
 REPRESENTATIVES

COMMITTEE ASSIGNMENT 3  
 MEMBER: JUDICIARY  
 TAXATION  
 TRANSPORTATION  
 SELECT COMMITTEE ON KANSAS  
 SECURITY

Testimony in support of HB 2843

Mr. Chair and members of the committee:

Thank you for the opportunity to testify today in support of HB 2843.

All across Kansas, many people who live in older homes feel that they are faced with a dilemma: if they do necessary repairs or maintenance to the exterior of their homes, they fear their property valuations will rise, increasing their property taxes; if they do not do the repairs and maintenance, the value of their homes deteriorates. While fair market value appraisals should take this into account under current law, we heard testimony in this committee on a prior bill brought by Rep. Frank Miller that this fear is very real, and if the fear is real, it will effect people's behavior, whether there is an actual change in property valuations or not.

HB 2843 is a different approach to address these fears, in a way that does not change the meaning of fair market value or the appraisal process. It proposes to give an income tax credit to people who own older homes valued at less than \$200,000.00 who do exterior repairs and maintenance on their homes. The income tax credit would equal 25% of the value of the repairs, up to \$1,000 per year. The qualified repairs would be limited to roofs, gutters, garage doors, driveways, foundations, chimney or windows, or exterior painting.

We believe this approach has several advantages. Besides allowing property to continue to be valued at its true fair market value, it benefits those people most likely to be living in an older home: young couples who may not be able to afford a new home but who could renovate an older home, working people in traditional neighborhoods, and retired people who may have been in the same home since World War II and who want to continue living there. It also benefits the families who inherit a farmstead that may need renovation. It is not limited to one area of the state, but will benefit people all across the state.

There are also economic benefits to this approach that Representative O'Malley will cover. I would say that, while there appears to be a fiscal note to this bill because of the tax credit from the state, this approach will help keep local property values up, ultimately benefitting local units of government.

Thank you for your consideration of HB 2843

HOUSE TAXATION

Attachment 1

Date 3-9-04

STATE OF KANSAS  
HOUSE OF REPRESENTATIVES

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EDWARD J. O'MALLEY JR.  
24TH DISTRICT

**Testimony in support of House Bill 2843**

Mr. Chairman and members of the committee, I am pleased to appear before you today to support House Bill 2843, which would provide a tax credit for the external repair and maintenance of older homes valued under \$200,000.

Fueled by a desire to maintain and enhance established communities, HB 2843 presents an opportunity for the state to recognize the value of older neighborhoods and to invest in their future. Focused on homes 50 years or more old, this bill attempts to provide a small incentive for Kansans to maintain their property.

Exterior upkeep of homes is often times the primary difference between a vibrant neighborhood and a blighted neighborhood. HB 2843 could encourage the repair of old homes in small town main street districts or the revitalization of historic neighborhoods in an urban area. It could also be useful in maintaining functional, attractive housing stock in communities that lose population to new developments on the outskirts of town.

Finally, HN 2843 provides tax relief to Kansans. Other bills have been before this committee that may have merit, but nonetheless provide tax relief to only a small segment of the Kansas economy. HB 2843 provides tax relief to individuals in exchange for investing in our state's established communities. Furthermore, the tax benefit must be used in relation to the maintenance or repair project, which equates to increased dollars spent in local communities at hardware shops and with contractors.

House Bill 2843 would help revitalize established neighborhoods and provide tax relief to those willing to make investments into their older homes and communities.

HOUSE TAXATION

Attachment 2

Date 3-9-04

# Citizens' Utility Ratepayer Board

Board Members:  
Gene Merry, Chair  
A. W. Dirks, Vice-Chair  
Francis X. Thorne, Member  
Nancy Wilkens, Member  
Carol I. Faucher, Member  
David Springe, Consumer Counsel



State of Kansas  
*Kathleen Sebelius, Governor*

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## HOUSE TAXATION COMMITTEE H.B. 2843

Testimony on Behalf of the Citizens' Utility Ratepayer Board  
By David Springe, Consumer Counsel  
March 9, 2004

Chairman Edmonds and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2843. The Citizens' Utility Ratepayer Board is a volunteer Board appointed by the Governor to the advocate for residential and small commercial utility ratepayers before the Kansas Corporation Commission and in the Kansas Courts. CURB also takes an active role in the legislative process on issues that will impact residential and small commercial customers.

I am here today to support H.B. 2843 and to ask you to consider an amendment aimed at providing an incentive to Kansas homeowners to improve the energy efficiency of their homes and in the process decrease their utility bills. As you are aware, the price of natural gas this winter has been near a historic high. For Kansas consumers this has meant high home-heating bills this winter. You may have noticed this on your own home heating bill and may have received calls from your constituents about this issue. Unfortunately, it does not look like the price of natural gas will be lower in the near future. These high natural gas prices will also cause electric rates to increase over time.

Recognizing that we cannot change the price of natural gas, CURB has spent a considerable amount of time in the last year warning consumers about high natural gas prices and encouraging consumers to conserve energy. Consumers can lower their heating bills through simple steps, such as lowering their thermostat, closing off unused rooms, adding insulation and caulking and covering windows. However, if the house has an older inefficient furnace these simple measures may only provide limited relief.

HOUSE TAXATION

Attachment 3

Date 3-9-04

It is my belief that many homeowners would be interested in upgrading their insulation, furnace or air conditioner if some financial help could be provided. Furnaces and air conditioners are big-ticket items and may prove difficult for many average homeowners to afford. Providing a tax credit may prove to be the incentive these homeowners need to make this investment. Upgrading from an old inefficient furnace to a newer, more efficient furnace will help keep home heating bills affordable for many Kansans. Lowering heating bills through increased conservation will free up income now reserved by homeowners to pay for utility bills. Further, an up-to-date furnace or air conditioner enhances the value of the home, which is consistent with the general intent of this bill.

I encourage you to make energy conservation a policy priority, to provide incentives that make it easier for Kansas homeowners to chose enhanced energy conservation and to encourage all Kansans to make the wise use of our natural resources. Investing in energy conservation not only benefits the homeowner but also benefits the businesses that sell and install insulation, furnaces and air conditioning units. An investment in energy conservation is good for Kansans and is good for Kansas.

I ask that the Committee consider the attached amendment. The amendment to H.B. 2843 is drafted to add "improvement of energy efficiency" to the type of qualified expenditures eligible for the proposed tax credit. Specifically the improvements of energy efficiency are through the addition of insulation or through the replacement of the primary heating and ventilation, or air conditioning unit in the home.

HOUSE BILL No. 2843

By Representatives O'Malley, Jack, Davis and Siegfried  
2-11

AN Act concerning income taxation; relating to credits; certain home repairs.

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

Section 1. (a) For all taxable years beginning after December 31, 2004, there shall be allowed a tax credit against the income tax liability imposed upon a taxpayer pursuant to the Kansas income tax act, in an amount equal to 25% of qualified expenditures or the amount of \$1000, whichever is less, incurred in the repair, ~~and maintenance~~ or improvement of energy efficiency of such taxpayer's residence. If the amount of such tax credit exceeds the qualified taxpayer's income tax liability for the year in which the qualified expenditures were incurred, the amount ~~which~~ that exceeds such taxpayer's tax liability shall be refunded to the taxpayer.

Section 2. As used in ~~this~~ Section 1, "qualified expenditures" means the costs and expenses incurred by a taxpayer in the:

(a) exterior repair of the taxpayer's residence, if such residence is 50 or more years old with an appraised value of less than \$200,000, ~~Such costs and expenses are~~ limited to replacement of or repair to the roof, gutters, garage door, exterior doors, driveway, foundation, chimney or windows; or exterior painting;

(b) insulation of any taxpayer's residence; or

(c) replacement of the primary heating and ventilation unit of any taxpayer's residence.

Section ~~2-3~~ . This act shall take effect and be in force from and after its publication in the statute book.

CURB suggests a few simple amendments to make this tax credit apply to expenditures of taxpayers to improve energy efficiency of their residences.

Suggested additions are underlined.  
Deletions are ~~struck~~.

← Adds "improvement of energy efficiency"

← "that" not "which"  
(grammar)

← New section 2: expands qualified expenditures to include exterior doors on older homes > \$200K, and insulation & replacement of furnaces in all taxpayer residences, without regard to age or appraised value of home,

← New Section 3 is identical to original Section 2.

3-2





# Kansas Society of Certified Public Accountants

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## Testimony on HB 2882

March 8, 2004

Chair Edmonds and members of the Committee:

I am T.C. Anderson, Executive Director of the 2,600-member Kansas Society of Certified Public Accountants. With me today as a technical resource is Cheryl Hayward, a CPA from Topeka and Chair of our Taxation Committee.

I appear before you today in support of HB 2882, which is the result of a joint effort by our Tax Group and Secretary Wagnon and her staff at the Department of Revenue.

If enacted, HB 2882 would authorize the Secretary of Revenue to adopt rules and regulations regarding the filing of documents with Form K-64 which support the amount of commercial and industrial machinery and equipment credit being claimed by taxpayers. This addition to the Statute is on page 2 of the bill at lines 6 through 8.

When this credit is earned by a pass through entity—a subchapter S corporation, a partnership or a limited liability company—copies of actually and timely paid property tax statements must be attached to the entity’s tax return in support of the credit.

However, the credit is actually claimed on the individual tax returns of the shareholders, partners or members of the pass through entities.

In the beginning, the Department of Revenue required both the entity and the individual to attach the paid property tax statements to returns. After a year of receiving mounds of paper, the Department changed its policy and required only the entity to file the supporting documents, but maintained the right to require, upon request, documentation supporting the credit from an individual taxpayer.

During a Post Audit review of the Department two years ago, a suggestion was made that the Department needed evidence individual taxpayers were entitled to the credit. So for Tax Year 2003, the Department has reverted back to requiring both the entity and the taxpayer to file copies of the paid property tax receipts.

Most credits passed down to individuals are small. The Department estimates that if the Secretary would establish a credit threshold of \$150 or more before documentation was required, 69 percent of those receiving the credit would not be required to file the extra paper work. The Department would still have the ability to check individuals claiming the credit against the entity returns as well as requiring the documentation upon request.

HB 2882 will save trees, ease the documentation requirements of taxpayers, while still providing the Department of Revenue the information it needs to enforce the law.

I appreciate the opportunity to discuss this bill with you today, and hope that you will give HB 2882 your favorable consideration. Mrs. Hayward and I will stand for questions.

HOUSE TAXATION

Attachment 4

Date 3-9-04



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## Testimony on HB 2883

March 8, 2003

Chair Edmonds and members of the Committee:

Thank you for the opportunity to appear before you today in support of HB 2883. I am T.C. Anderson, Executive Director of the 2,600-member Kansas Society of Certified Public Accountants. With me today is Cheryl Hayward, a Topeka CPA who is chair of our organization's Tax Committee.

HB 2883 is the result of joint effort by our Tax Group and Secretary Wagnon and her staff at the Department of Revenue. It makes one change to the current statute dealing with estimated payments.

We propose increasing the amount of tax that an individual can reasonably expect to owe, after credits and withholding, before the taxpayer must make estimated tax payments. The increase suggested on line 17 of the bill is from \$200 to \$500.

Currently the federal threshold is \$1,000. Thresholds from \$100 to \$1,000 can be found in our surrounding states with Missouri at \$100, Nebraska at \$300, Oklahoma at \$500 and Colorado at \$1,000.

When the federal government raised its threshold by \$500 two years ago, it left many non-wage earning Kansas taxpayers with \$5,750 of Kansas taxable income having to make estimated payments only to the state. Those who forgot to submit the \$50 quarterly payments were subject to small assessments of penalty and interest.

Passage of HB 2883 will result in a decrease of paper work for the Department of Revenue and bring the Kansas law more into line with the federal requirement.

I hope you will give HB 2883 your favorable consideration. Mrs. Hayward and I will be happy to stand for questions.

HOUSE TAXATION

Attachment 5

Date 3-9-04