

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman David Corbin at 10:45 a.m. on February 24, 2004, in Room 519-S of the Capitol.

All members were present except:

Senator Pugh

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee:

Ron Hein, Kansas Cooperatives
Senator Chris Steineger

Others attending:

See Attached List.

SB 493—Property tax exemptions for certain not-for-profit cooperative housing

Ron Hein, representing Kansas Cooperatives, testified in support of **SB 493**. He explained that the bill would amend the law which provides a property tax exemption for a group of restricted income cooperative housing projects administered by HUD. For the Committee's information, Mr. Hein called attention to a list of the twelve HUD Kansas projects attached to his written testimony. He went on to explain that the projects are currently exempt from property tax pursuant to K.S.A. 79-201b. However, at the direction of Congress, HUD is utilizing a voucher system rather than continuing to use direct HUD subsidized interest financing on the projects. As the projects pay off their initial HUD financing over the next ten years, the property tax exemption will be lost unless the statute is slightly reworded. **SB 493** permits the projects to retain their property tax exemption as long as they continue to operate in compliance with the HUD affordability income guidelines established by the National Housing Act. Mr. Hein pointed out that the bill would not extend this exemption to any facility other than the twelve HUD approved projects currently in Kansas and that there would be no fiscal cost to the state since the projects are already exempt. (Attachment 1)

David Owen, Homeless Come Home, stood to encourage the Committee to include a provision in the bill to suggest the use of the family as a first resource for homeless applicants for nonprofit housing. In his opinion, nonprofit organizations seeking tax exemptions should be asked how many times they include a homeless person's own family as a possible resource for housing. (Attachment 2)

There being no others wishing to testify, the hearing on **SB 493** was closed.

Senator Corbin opened a discussion on a previously heard bill, **SB 521**, concerning property tax exemptions for business aircraft. He reminded the Committee that conferees suggested that it be amended by including language from a similar bill, **HB 2551**.

Senator Steineger distributed copies of the proposed amendments to **SB 521**. (Attachment 3) He noted that his original bill exempted airplanes from property taxation only until July 1, 2004. The amendment exempts all airplanes built before and after July 1, 2004. He noted that the amendments would restore the state to the pre-court rulings on taxability of small private airplanes, and he confirmed that the amendments incorporate provisions from **HB 2551**. Committee discussion followed regarding the difference between parts one and two of the definition of "predominantly."

Senator Donovan moved to amend SB 521 as shown in the balloon presented by Senator Steineger, seconded by Senator Taddiken. The motion carried.

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:45 a.m. on February 24, 2004, in Room 519-S of the Capitol.

Senator Donovan moved to recommend **SB 521** favorably for passage as amended, seconded by Senator Journey. The motion carried.

Senator Corbin opened a discussion on another previously heard bill, **SB 369** concerning mineral severance tax exemptions. Staff recalled that the Department of Revenue requested the introduction of the bill. Richard Cram, Kansas Department of Corrections, explained that **SB 369** would increase the minimum production exemption period from one to two years. At the hearing, the Kansas Independent Oil and Gas Association suggested that the bill be amended to reflect the provisions in **HB 2651** and to reflect the minimum exemption for natural gas as 60 MCF. Senator Oleen commented that more information is needed on the fiscal note before the Committee acts on the bill. Due to the time constraint, she requested that **SB 369** be "blessed" to allow time to fully consider the proposed amendments.

With regard to **SB 493**, Senator Oleen suggested that it be amended into **SB 521** because both bills deal with property tax exemptions, and blending the bills would allow both issues to be debated on the floor at the same time.

Senator Buhler moved to reconsider the Committee's action on **SB 521**, seconded by Senator Goodwin. The motion carried.

Senator Oleen moved to amend **SB 493** into **SB 521** and to report **SB 521** favorably for passage as amended, seconded by Senator Goodwin. The motion carried.

Senator Corbin called the Committee's attention to three previously heard bills requested for introduction by the Department of Revenue, **SB 411**, **SB 412**, and **SB 413**.

Mr. Cram noted that **SB 411** concerns changing the process on taxation on marijuana and controlled substances cases to an informal conference. He confirmed that the Department collects a substantial amount on those cases. Using the informal conference process makes it simpler to delay the appeal until the criminal case is completed in court.

Senator Lee moved to recommend **SB 411** favorably for passage, seconded by Senator Oleen. The motion carried.

With regard to **SB 412**, Mr. Cram noted that it extends a tax lien to personal property as well as real property, thus helping the Department considerably in the context of a bankruptcy. With the bill, the Department would be given a secured creditor status in a bankruptcy instead of the unsecured status under current law. Senator Journey noted that many bankruptcies are caused by a personal tragedy such as substantial medical expenses without health insurance or the loss of employment. Due to the possibility of a sweeping adverse effect on Kansas citizens who file for bankruptcy, he suggested that the bill be referred to a summer interim committee for further study. In his opinion, the bill would extend the same legal rights to the state on personal property that is normally exempt from bankruptcy seizure. Senator Donovan commented that his notes on the hearing indicate that the bankrupt's home, car, and tools of trade would not be affected by the bill, but agreed that it should be referred to an interim committee. Senator Corbin agreed to request that **SB 412** be the topic of the taxation interim committee.

With regard to **SB 413**, Mr. Cram explained that it requires that all tax exempt organizations obtain a registration number from the Department by January 1, 2005, to be used on their exemption certificate when they claim sales tax exemptions on their purchases. He noted that the registration process was recommended by the Streamlined Sales Tax Project as a means to track exempt organizations' sales tax exemption claims. He pointed out that the bill increases retailers' certainty that they are dealing with a legitimate organization exempt from sales tax. In addition, the Department has an opportunity to make sure that the organization fits within the exemption.

Senator Lee moved to recommend **SB 413** favorably for passage, seconded by Senator Goodwin. The motion carried.

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:45 a.m. on February 24, 2004, in Room 519-S of the Capitol.

Senator Corbin began a discussion of a bill which was requested by Senator Vratil, **SB 390** concerning the amount of refunds of homestead property tax. Staff explained that the bill would modify the Homestead Property Tax Refund Program to keep up the inflation rate and would provide for prospective indexation for each year after that. The fiscal note is \$96,000.

Senator Goodwin moved to recommend **SB 390** favorably for passage, seconded by Senator Haley.

Senator Taddiken offered a substitute motion to remove the indexing portion of **SB 390** by striking paragraph (d) on page 1, lines 37 through 42, seconded by Senator Donovan.

The Chair ruled that the substitute motion carried. Senator Haley called for a division. The substitute motion failed.

On a call for a vote on Senator Goodwin's motion, the motion carried.

Upon request by Senator Buhler, Senator Corbin agreed to consider committee action on **SB 313** concerning a countywide retailer's sales tax in Douglas County. Senator Buhler commented that he would like the bill to reach the Senate floor for further discussion.

Senator Buhler moved that **SB 313** be passed without recommendation, seconded by Senator Allen. The motion carried with Senators Haley and Lee voting "No."

Senator Corbin announced that he plans to request that **SB 308**, **SCR 1615**, and **SB 369** be "blessed" so that they can be discussed after "turn around."

Senator Donovan moved to approve the minutes of the February 19, 2004, meeting, seconded by Senator Lee. The motion carried.

The meeting was adjourned at 11:55 a.m.

The next meeting date is to be announced.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: February 24, 2004

NAME	REPRESENTING
LLOYD HETRICK	HETRICK AIR SERVICES
Nelson Krueger	A. S. Central
Chris Steineger	
Ron Hein	
Don Schmaack	ICIDGA
RICHARD BODEWALD	— Self —
Wynn Nukes	DOB
Natalie Haag	Security Benefit
Tom Slattery	AGC/KS
April Holman	KS Action for Children
Leslie Kaufman	Ks Co-ops Council
Marlee Carpenter	Ks Chamber
Christy Caldwell	Joplin Chamber
John Peterson	Ks Govt Consulting
LARRY R BASZ	LICM
Jim Gregory	SLN Airport
David Owen	HOMELESS GO4E HOME

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Ronald R. Hein

Attorney-at-Law

Email: rhein@heinlaw.com

**Testimony Re: SB 493
Senate Assessment and Taxation Committee
Presented by Ronald R. Hein
on behalf of
Kansas Cooperatives
February 24, 2004**

Mr. Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for the Kansas Cooperatives. The Kansas Cooperatives is an ad hoc coalition of 12 non-profit restricted income cooperative housing projects in Kansas established pursuant to the National Housing Act.

SB 493 amends the law which provides a property tax exemption for a group of restricted income cooperative housing projects administered by the U.S. Department of Housing and Urban Development (HUD). A list of the projects, which are found in Johnson, Shawnee, Riley, Douglas, Montgomery, Sedgwick, and Wyandotte counties, is attached.

These HUD cooperative programs were implemented to provide housing for lower income individuals and families pursuant to Sec. 221(d)(3) and Sec. 236 of the National Housing Act. They have been very successful because they contain a component which permits the occupant to obtain a very limited amount of "equity" (generally a fraction of what a homeowner would consider equity) and to retain full "equity" in any improvements which they make to the property. This "equity" incentive has encouraged occupants to maintain these properties as if they were their own and to develop a pride and sense of ownership in the units and the cooperative itself. These housing projects have better maintenance records, higher occupancy pride, and greater maintenance of value than numerous other low income housing projects.

The cooperatives are run by a corporation organized not for profit under the laws of the state of Kansas. These cooperative housing projects operate pursuant to sections 236 or 221(d)(3), or both, of the national housing act and have been approved as a cooperative housing project pursuant to applicable federal housing administration and U.S. Department of Housing and Urban Development (HUD) statutes, and rules and regulations. There is no direct cash subsidy going to these projects, although financing for the projects utilize discounted mortgage interest rates. These projects were commenced in the early 1970s and there are currently 12 such project in Kansas.

*Senate Assessment & Taxation
2-24-04
Attachment 1*

These housing projects are currently exempt from property tax pursuant to K.S.A.79-201b. As these projects pay off their initial HUD financing over the next ten years, the property tax exemption will be lost unless the statute is slightly reworded. HUD, at the direction of Congress, is utilizing a voucher system, rather than direct HUD subsidized interest financing on these projects. HUD is still very supportive of these cooperatives projects, but also is cognizant of the low cost financing which is available through programs other than HUD, including other financing pursuant to the National Housing Act. Since the current language in the tax exemption statute requires HUD financing and the commensurate restrictions that accompany that financing, it has become necessary to amend the statute as these projects pay off their original HUD financing in order for them to maintain the exemption.

If the projects obtain financing from entities other than HUD, SB 493 permits the projects to retain their property tax exemption so long as the cooperatives amend their articles of incorporation or by-laws, or both, so as to require such corporation to continue to operate in compliance with the HUD affordability income guidelines established pursuant to sections 236 or 221(d)(3) of the National Housing Act or rules and regulations thereof.

SB 493 would not extend this exemption to any facility other than the 12 HUD approved projects currently in existence in Kansas. Since the projects are currently exempt, there should be no fiscal cost to the state or the local units of government

Thank you very much for permitting me to testify, and I will be happy to yield to questions.

<u>Legislator</u>	<u># of units</u>	<u>Cooperative Name</u>
Rep. Bonnie Sharp Sen. Chris Steineger	320	Berkshire Village Townhouses, KC, KS 1862 S. 31 st , 66106 (Wyandotte Co.)
Rep. Harold Lane Sen. Anthony Hensley	195	Colonial Park Townhouses, Topeka, KS 2557 SE Golden, 66605 (Shawnee Co.)
Rep. Nancy Kirk Sen. Dave Jackson	200	Fox Ridge Townhouses, Topeka, KS 1209 SW Glendale, 66604 (Shawnee Co.)
Rep. Jim Miller Sen. Dwayne Umbarger	50	Manor House, Coffeyville, KS 101 E. 5 th , 67337 (Montgomery Co.)
Rep. Arlen Siegfroid Sen. Kay O'Connor	100	Park North Townhouses, Olathe, KS 901A N. Iowa, 66061 (Johnson Co.)
Rep. Paul Davis Sen. Mark Buhler	160	Pine Tree Townhouses, Lawrence, KS 149 Pinecone Drive, 66046 (Douglas Co.)
Rep. Sydney Carlin Sen. Lana Oleen	100	Prairie Glen Townhouses, Manhattan, KS 2164 Prairie Glen Pl., 66502 (Riley Co.)
Re. Sydney Carlin Sen. Lana Oleen	100	Prairie Glen East Townhouses, Manhattan, KS 2144 Prairie Glen Pl., 66502 (Riley Co.)
Rep. David Huff Sen. Kay O'Connor	100	Quail Valley Townhouses, Lenexa, KS 8801 Noland Rd., 66215 (Johnson Co.)
Rep. Tom Sawyer Sen. Jean Schodorf	121	Seneca Village Townhouses, Wichita, KS 2016 S. Elizabeth, 67213 (Sedgwick Co.)
Rep. Arlen Siegfroid Sen. Kay O'Connor	100	Westerfield North, Olathe, KS 822 N. Clinton, 66061 (Johnson Co.)
Rep. Dan Williams Sen. Kay O'Connor	258	Westerfield Townhouses, Olathe, KS 320 N. Church, 66061 (Johnson Co.)

2/24/2004

RE: SB 493

TESTIMONY ON SB 493 FOR 2004
Homeless Come Home \$ "NON"-PROFITS

David Owen, 1300 SW Van Buren., Apt #16, Topeka KS USA 66611-1353, 785.633-0833, homelessgohome@Yahoo.Com
Http://www.Geocities.com/homelessgohome/hch.htm
Restoring existing Relationships and bringing home those who are presently homeless

TUES
2/24/04

Friday, February 06, 2004

Dear Letter to the editor,
COMITEE,

Thank You Kansas Senators. Kansas Senate Resolution 1808, is adopted, a resolution suggesting the use of family as a tool to help those who are presently homeless. Whereas it is basically a proclamation, hopefully it will encourage someone to have someone homeless contact their family. I'd like to encourage you to read the study - dreams deferred. part of it reads...

The common assumption is that homeless people have irretrievably fallen out with their family and friends. But almost no primary research has been undertaken into the nature and extent of the social networks of homeless people. Have family relationships completely broken down, not just with parents, but with adult siblings and grandparents too? What about friendships? Can these old relationships be restored, or are they too harmful and destructive? Is it necessary to build new ones? Is it different for young homeless people? Is it different for people who have been homeless for a long time?

LOOK UP
LEMONS & CRANE
ON INTERNET
& YOU WILL
FIND THEIR
STUDY,
COMMISSIONED BY
THE ROYAL HOUSE

LEMONS & CRANE
64 HIGH ST. HIGH ST.
LONDON N6 5H
PHONG
011 020 8348

REMINDER - YOU (IN THE SENATE) DID PASS SR 1808

If you are interested in looking at the Senate Journal for the resolution, go to the Kansas Legislature web site and find the Senate Journal (PDF Format) for Monday, February 02, 2004 (or Click Here)

I did here some muffled mumbles on the voice vote (nay's), but the only thing I can say to that is I know It will not help all the time, but it is a piece of the "puzzle" no one looks at. TRY IT!!! The next homeless person you see, help him make a phone call to his family... and if he tells you he has no family (or cannot come home) chances are (hopfully) he is only trying to protect himself from embarrassment, fear, or pain.

To be honest, I've never help anyone homeless...at least not the kind of help they need. YOU can help the homeless (and you have a little) by doing NOTHING... simply (yes, simply) have his own family do it for you.

Thank you so very much for passing this. I would also like to apologize for not remembering I have way too much ying in my yang.

Sincerely Yours,

David Owen
David Owen
Homeless Come Home

Senate Assessment & Taxation
2-24-04
Attachment 2

DEAR SEN. ASS & TAX COMMI

AS YOU CONSIDER SB 493, I WOULD ASK THE CHAIR & MEMBERS TO PUT A PROVISIO IN IT TO SUGGEST THE USE OF FAMILY AS A REAL RESOURCE FOR THE HOMELESS APPLICANTS FOR THE HOUSING "NON"-PROFITS DEFECTED IN THIS BILL. NEED PROOF IT WORKS, CALL CLINTON @ 1-632-563-3880. HE WAS HOMELESS, BUT IS NOW WITH PARENTS. THANK-YOU

3 yrs old
with
single

SENATE BILL No. 521

By Committee on Assessment and Taxation

2-12

Proposed Amendment to SB No. 521

Senate Assessment + Taxation
2-24-04
Attachment 3

9 AN ACT concerning property taxation; relating to exemptions; business
10 aircraft; amending K.S.A. 79-201k and repealing the existing section.
11

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

13 Section 1. K.S.A. 79-201k is hereby amended to read as follows: 79-
14 201k. (a) It is the purpose of this section to promote, stimulate and de-
15 velop the general welfare, economic development and prosperity of the
16 state of Kansas by fostering the growth of commerce within the state; to
17 encourage the location of new business and industry in this state and the
18 expansion, relocation or retention of existing business and industry when
19 so doing will help maintain or increase the level of commerce within the
20 state; and to promote the economic stability of the state by maintaining
21 and providing employment opportunities, thus promoting the general
22 welfare of the citizens of this state, by exempting aircraft used in business
23 and industry, from imposition of the property tax or other ad valorem tax
24 imposed by this state or its taxing subdivisions. Kansas has long been a
25 leader in the manufacture and use of aircraft and the use of aircraft in
26 business and industry is vital to the continued economic growth of the
27 state.

28 (b) The following described property, to the extent herein specified,
29 is hereby exempt from all property or ad valorem taxes levied under the
30 laws of the state of Kansas:

31 *First.* For all taxable years commencing after December 31, ~~1999~~, all
32 aircraft ~~actually and regularly~~ used ~~exclusively~~ to earn income for the
33 owner in the conduct of the owner's business or industry.

34 ~~*Second.* All aircraft purchased prior to July 1, 2001, and exempt from~~
35 ~~all property or ad valorem taxes pursuant to paragraph First of this sub-~~
36 ~~section, where a renter's or lessee's nonbusiness use was not a disquali-~~
37 ~~fying use, shall remain exempt until such time as the aircraft is sold or~~
38 ~~otherwise disposed of by the owner thereof.~~

39 Sec. 2. K.S.A. 79-201k is hereby repealed.

40 Sec. 3. This act shall take effect and be in force from and after its
41 publication in the statute book.

1999

predominantly

If the owner's business or industry is the leasing of aircraft, the lessee's use of the aircraft shall not be considered in determining this exemption. For purposes of this provision, "predominantly" means: (1) At least 80% of the total use of the aircraft; or (2) utilization of the aircraft such that all of the aircraft costs are deductible for federal income tax purposes.