

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 11:05 A.M. on March 2, 2005 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research  
Martha Dorsey, Kansas Legislative Research  
Gordon Self, Revisor of Statutes Office  
Nancy Kirkwood, Secretary

Conferees appearing before the committee:

Representative Huff  
Brad Reiff, Kansas Housing Resources Corp  
John Scott, Interfaith Housing Service - Hutchinson  
Allan Quigley, Johnson County Housing Coalition  
Carol Smith, United Community Services  
Robert Broadway, 21<sup>st</sup> Century Homestead, Community Housing Development Organization (CHDO)  
Representative Otto  
Representative Flaherty  
Ron Hein, Kansas Hearing Aid Association  
Eileen King, Riley County Treasurer

Others attending:

See attached list.

**Hearing on:**

**HB 2082** - Property tax exemption for property owned by community housing development organizations

Representative Huff appeared before the Committee in support of **HB 2082**, and presented testimony. The bill would provide a property tax exemption for certain property, both real and personal, actually and regularly used for housing of elderly, disabled, or low-income persons, provided such property is solely owned and operated by not-for-profit community housing development organizations recognized by the Kansas Housing Resources Corporation (Attachment 1).

Testimony in support of **HB 2082**, was given by Bradley Reiff, Community Housing Development Organizations (CHDO). Mr. Reiff explained CHDO is a community-based non-profit corporation, having the capacity to develop housing (Attachment 2).

John Scott, Interfaith Housing Services, Inc. (IHC), was recognized by the Chair and presented testimony as a proponent of **HB 2082**. Mr. Scott stated passing **HB 2082** will open up new opportunities for the development of truly affordable and accessible housing across Kansas, and make it possible to develop housing in harder to develop areas. This bill would also help lower rents for IHC clients, and improve the quality of life for people of moderate to low incomes. (Attachment 3).

Chairperson Allen recognized Allan Quigley, Executive Director of the Johnson County Housing Coalition, to speak to the Committee. Mr. Quigley appeared as a proponent of **HB 2082**, testifying this legislation helps to ensure that properties meet the US Department of Housing and Urban Development (HUD) standards, and that the exemption doesn't create a loophole through which for-profit companies benefit from the exemptions at the expense of the local community (Attachment 4).

Carol Smith appeared before the Committee in support of **HB 2082**. Ms. Smith is the Associate Director of United Community Services of Johnson County (UCS), a nonprofit human service research organization and planning partner of United Way in Johnson County. Ms. Smith stated UCS is in support of **HB 2082**, which

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 11:05 A.M. on March 2, 2005 in Room 423-S of the Capitol.

proposes a property tax exemption for CHDO (Attachment 5).

Testifying in support of **HB 2082**, was Robert Broadway, Executive Director, 21<sup>st</sup> Century Homestead, Inc. and CHDO, which serves Cherokee, Chautauqua, Labette, Montgomery, Elk Wilson, Neosho and Crawford counties in southeastern Kansas (Attachment 6).

Chairperson Allen asked staff, at Senator Lee's request, to present the Committee, the Kansas Supreme Court decision that stated CHDOs did not qualify as community organizations providing humanitarian services as required by the statute.

There being no others wishing to testify as a proponent or an opponent, the Chair closed the hearing on **HB 2082**.

**HB 2187** - Taxation of motor vehicles; certain military exemption

Representative Otto submitted written testimony in support of **HB 2187** (Attachment 7).

Written testimony in support of **HB 2187** was submitted by Eileen King, Riley County Treasurer and representative of the Kansas County Treasurers Association (KCTA) (Attachment 8).

There being no others wishing to testify on **HB 2187**, the Chair closed the hearing.

Chairperson Allen asked for the Committee's interest in passing **HB 2187** out of Committee. Senator Donovan made a motion to pass HB 2187 out favorably. Senator Apple seconded the motion. The motion carried.

**HB 2040** - relating to exemptions; repair of hearing aids

Representative Flaherty submitted written testimony in support of **HB 2040**. She intended to speak to the Committee, but due to conflicts in the House, presented written testimony only (Attachment 9).

Ron Hein, legislative counsel for the Kansas Hearing Aid Association (KHAA), presented testimony in support of **HB 2040**. Mr. Hein stated in the 2004 session, the law was changed to exempt all sales of hearing aids eliminating the need to see a physician first to obtain a prescription. Pursuant to current law, the cost of the parts used in a repair are exempt from sales tax, but the repair services would be taxable (Attachment 10).

There being no others wishing to testify on **HB 2040**, the hearing was closed.

**Approval of minutes**

Chairperson Allen asked for a motion to approve the minutes of January 31, February 1, 14, and 16. Senator Donovan made a motion for approval. Senator Bruce seconded the motion, and the motion carried.

**SENATE  
ASSESSMENT & TAXATION COMMITTEE**

**GUEST LIST**

**DATE:** Wed 3/2

NAME	REPRESENTING
Bill Brady	KASBA

## HB 2082

Thank you. Chairman Allen, Ranking member Lee, Vice chairs Schmidt & Donovan.

Last summer the United Community Services organization contacted me and ask me if I would talk with the Johnson County Housing Coalition located in Olathe about a Tax exemption. My first reaction was, Why don't you call Senator Jordan..... But seriously Madam Chairman, I went to the coalition's offices and spent two hours with their executive director talking about their organization. I was overly impressed with this excellent organization. This non-profit housing coalition is a member of the Kansas housing coalition with membership all across Kansas in towns such as Topeka, Emporia, Manhattan, Independence, Lawrence, Hiawatha, Eudora, Wichita, and several other locations. What do these organizations do? This organization provides non-profit housing and offers affordable housing for low income households such as the disabled, the mentally impaired, the elderly, persons with special needs and low income citizens. These

coalitions operate with the minimum of personnel. The Johnson County Coalition has two people in their office, the director and a secretary. The day I met with the director he was on his way to do repairs on one of their units. The average price of their units is about \$40,000. Their renters do not live in luxury. The demand for this type housing is increasing in Kansas. These organizations try to keep their rents as low as possible.

Their organization is 501-C3 for taxing purposes, but unless they are faith based sponsored, they must pay property taxes. HB-2082 would give a tax exemption on property to the coalition. Faith based organizations already receive a property tax exemption.

Madam Chairperson, I would like to wave questions at this time and have experts in this field answer questions after their testimony.

House Bill 2082 Testimony  
Offered to the Kansas Senate Taxation Committee on March 2, 2005  
Presented by Bradley S. Reiff, CHDO Program Manager,  
Kansas Housing Resources Corporation

**CHDO Background**

In 1990, Congress enacted the Cranston-Gonzalez National Affordable Housing Act, which created the HOME Investment Partnerships Program (HOME). HOME is the largest Federal block grant designed exclusively for the creation of affordable housing opportunities, through:

- Providing decent, safe, sanitary, affordable, and accessible housing to lower-income households;
- Expanding the capacity of non-profit housing providers;
- Strengthening the ability of state and local governments to provide housing; and
- Leveraging private sector participation.

To address the second goal, Community Housing Development Organizations (CHDOs) were established. A CHDO is a community-based non-profit corporation, which has the capacity to develop housing. A CHDO has the primary goal of providing affordable housing to Kansas citizens. These organizations strive to maintain the rents they charge in order to better assist low-income families. The units are typically restricted to households at or below sixty (60) percent of area median income (approximately \$28,000 for a family of four in non-metropolitan areas) and have rent restricted at the fair market rent (\$418 per month for a two-bedroom unit in a non-metropolitan area).

States and local communities that receive a formula allocation of HOME funds each year are required to set-aside at least fifteen (15) percent of their funds for use by CHDOs. Since the inception of the program, the State of Kansas has allocated more than \$20 million dollars to 26 different CHDOs to create affordable rental housing that has generated in excess of \$83 million of investment in Kansas communities, creating 1,100 affordable rental units.

zation, if any such activity is in furtherance of the purposes of this paragraph.

*Third.* All moneys and credits belonging exclusively to universities, colleges, academies or other public schools of any kind, or to religious, literary, scientific or benevolent and charitable institutions or associations, appropriated solely to sustain such institutions or associations, not exceeding in amount or in income arising therefrom the limit prescribed by the charter of such institution or association.

*Fourth.* The reserve or emergency funds of fraternal benefit societies authorized to do business under the laws of the state of Kansas.

*Fifth.* All buildings of private nonprofit universities or colleges which are owned and operated by such universities and colleges as student union buildings, presidents' homes and student dormitories.

*Sixth.* All real and tangible personal property actually and regularly used exclusively by the alumni association associated by its articles of incorporation with any public or nonprofit Kansas college or university approved by the Kansas board of regents to confer academic degrees or with any community college approved by its board of trustees to grant certificates of completion of courses or curriculum, to provide accommodations and services to such college or university or to the alumni, staff or faculty thereof.

*Seventh.* All parsonages owned by a church society and actually and regularly occupied and used predominantly as a residence by a minister or other clergyman of such church society who is actually and regularly engaged in conducting the services and religious ministrations of such society, and the land upon which such parsonage is located to the extent necessary for the accommodation of such parsonage.

*Eighth.* All real property, all buildings located on such property and all personal property contained therein, actually and regularly used exclusively by any individually chartered organization of honorably discharged military veterans of the United States armed forces or auxiliary of any such organization, which is exempt from federal income taxation pursuant to section 501(c)(19) of the federal internal revenue code of 1986, for clubhouse, place of meeting or memorial hall purposes, and real property to the extent of not more than two acres, and all buildings located on such property, actually and regularly used exclusively

by any such veterans' organization or its auxiliary as a memorial park.

*Ninth.* All real property and tangible personal property actually and regularly used by a community service organization for the predominant purpose of providing humanitarian services, which is owned and operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign not-for-profit corporation if: (a) The directors of such corporation serve without pay for such services; (b) the corporation is operated in a manner which does not result in the accrual of distributable profits, realization of private gain resulting from the payment of compensation in excess of a reasonable allowance for salary or other compensation for services rendered or the realization of any other form of private gain; (c) no officer, director or member of such corporation has any pecuniary interest in the property for which exemption is claimed; (d) the corporation is organized for the purpose of providing humanitarian services; (e) the actual use of property for which an exemption is claimed must be substantially and predominantly related to the purpose of providing humanitarian services, except that, the use of such property for a nonexempt purpose which is minimal in scope and insubstantial in nature shall not result in the loss of exemption if such use is incidental to the purpose of providing humanitarian services by the corporation; (f) the corporation is exempt from federal income taxation pursuant to section 501(c)(3) of the internal revenue code of 1986 and; (g) contributions to the corporation are deductible under the Kansas income tax act. As used in this clause, "humanitarian services" means the conduct of activities which substantially and predominantly meet a demonstrated community need and which improve the physical, mental, social, cultural or spiritual welfare of others or the relief, comfort or assistance of persons in distress or any combination thereof including but not limited to health and recreation services, child care, individual and family counseling, employment and training programs for handicapped persons and meals or feeding programs. Notwithstanding any other provision of this clause, motor vehicles shall not be exempt hereunder unless such vehicles are exclusively used for the purposes described therein.

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## **House Bill 2082**

In order to provide affordable, rental housing, operating costs must be kept to a minimum, while generating enough revenue to maintain the units at an appropriate level. This has become more difficult over time as operating expenses such as insurance, utilities, maintenance and taxes have increased.

Representative David Huff introduced a bill to the Kansas Legislature this session to exempt affordable rental properties owned solely by a CHDO from all property and ad valorem taxes. Kansas Housing Resources Corporation supports this legislation as it provides tax relief to CHDOs, therefore reducing operating expense and enhancing the financial stability of the properties.

It should be noted that prior to 2001, CHDO owned rental properties were exempt from property and ad valorem taxes under Kansas Statute 79-201 ninth. In 2001, the Kansas Board of Tax Appeal determined (and was subsequently affirmed by the Kansas Supreme Court) that CHDOs did not qualify as community organizations providing humanitarian services as required by the statute. These decisions placed a financial burden on CHDO properties that were originally structured with the tax exemption.

### **Benefits to the State**

While the proposed legislation will result in the loss of tax dollars, the bill does have benefits for the State and local communities. By exempting these properties from ad valorem property taxes, the value of that exemption can be used by the State as a HOME Program Match. The HOME Program statute and federal regulations require the State to match equal to twenty-five (25) percent the HOME funds each year. As the State has not provided state-level funding for affordable housing, we have had to rely on CHDOs and other grantees to meet the HOME match requirement. The affordable housing developments CHDOs undertake are already difficult and the match requirement places a further burden on them.

There is also a potential benefit for rural communities as this may allow a CHDO to develop housing that it currently cannot. When structuring a development, it can be difficult for the CHDO to balance the operating expenses with the rents that are necessary to qualify as affordable housing. This difficulty is amplified in rural communities where the market rent is already low. By exempting CHDO properties from taxes, the operating expenses would be reduced, improving cash flow. Thus, the community benefits with new and/or improved housing stock and local residents have better housing options.

Elderly and special needs houses are currently exempt from property taxes under KSA 79-201(b). The exemption for all other CHDO developments proposed in SB 2082 will provide CHDOs a better opportunity to develop affordable family rental housing. By exempting all CHDO owned rental properties, CHDO and local communities can partner together to address a wider range of housing needs.



# IHS Interfaith Housing Services, Inc.

*S e r v i n g   i n   F a i t h*

March 2, 2005

The Honorable Senator Barbara Allen  
300 SW 10<sup>th</sup> Street  
Topeka, KS 66612-1504

Testimony: Senate Assessment and Taxation Committee  
House Bill 2082

Dear Senator Allen:

House Bill 2082, if passed will open up new opportunities for the development of truly affordable and accessible housing across Kansas. This will make it possible to develop housing in harder to develop areas, lower rents to our clients, and improve the quality of life for a great many people.

Interfaith Housing Services (IHS) is a private non-profit and a certified Community Housing Development Organization (CHDO). Our mission is, "To develop, promote and implement housing programs which assist persons of low to moderate incomes in Reno County to meet their housing needs." To accomplish our mission we operate three housing programs. These include: Homeowner Occupied Repair and Rehabilitation, Low-income First Time Homeownership, and our Special Needs Rental Housing program, which will be affected the most by House Bill 2082.

Since 1993, IHS has developed 41 units of affordable housing that we rent to people who are not able to rent on the open market. Living in these 41 units are 43 people on disability income. Many of these clients share the same unit to access support services and keep expenses affordable. We also provide affordable housing to 11 single parents supporting 20 children, and 7 individuals transitioning out of homelessness. The average income of these tenants is less than \$8,000 per year. For many, the housing units that IHS has developed are their only alternative to homelessness, living with relatives, or institutionalization.

I can't speak for the other CHDO organizations across the State, but for Interfaith Housing Services we serve people who cannot even afford the "affordable housing" being developed through the Low-Income Housing Tax Credits. While these tax credit units fill a large need, their affordability range is outside the potential of many in our community. This is especially true for people with disabilities on fixed income, as well as many elderly.

When House Bill 2082 is implemented, for IHS it will mean a savings of just under \$20,000 per year on our current housing stock. We estimate this will allow the program to break even, which

it currently does not, and prevent rent increases over the next several years. For our clients, the community, and the organization, this will be a major event.

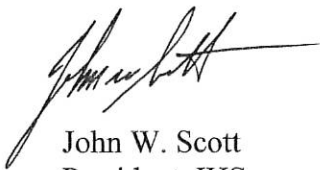
One of the issues we are facing is the interpretation of the current tax regulations. We are told that if a nonprofit organization provides both housing and support services to people with disabilities, they qualify for property tax exemption, but, if one organization does not fulfill both roles, then they do not. In Hutchinson, we work very closely with the Training and Evaluation Center of Hutchinson (TECH). TECH does an outstanding job of providing support services to people with developmental disabilities. They have found it to be more cost-effective to allow IHS to develop, own, manage and maintain the property than it is for them. By separating these responsibilities, TECH is able to maximize their service dollars, resulting in more clients served. We at IHS do housing very well and cost effectively. Now here's the catch: If TECH owned these homes, while at the same time providing support services, the properties would qualify for tax exemption. However, because IHS owns the property, and TECH provides services, we have been told these homes do not qualify. It is the same house, the same clients are being served, the same services are delivered, but because two organizations are specializing in what they do best, tax exemption doesn't apply. I question if that is the intent of the original regulations. HB 2082 will correct this problem.

IHS has established a goal of developing 144 units of truly affordable housing in rural Reno County by the year 2020. Statistics from the Reno County Chamber of Commerce indicate that 42% of our population makes less than \$35,000 per year. When broken down, the weighted average is just over \$9.00 per hour; a household income less than \$19,000 per year. If we are going to succeed in keeping rents affordable to this segment of the population, we need every tool available, such as this Bill. We estimate this Tax Bill, when implemented, could save our clients up to \$70 per month in rent. This is a significant savings when your income is less than 50% of the area median.

I know that these are difficult times to be talking about tax incentives for affordable housing. However, the long-term effects of this legislation will actually increase the tax base for the State. Within CHDO program regulations is a provision that under certain circumstances allow a tenant to purchase the home. This is a valuable tool that we will use through our First Time Homeownership Program. As a result, much of the housing that we develop in the rural communities will ultimately be sold to qualifying first-time homebuyers. When this sale takes place the housing will then go on the tax rolls. This is a win-win situation for both the population as well as for the State.

On behalf of our Board of Directors and the clients we serve, we want to thank you for considering this important legislation.

Sincerely,



John W. Scott  
President, IHS

Thank you for the opportunity to present be here and present information concerning this legislation.

I am Allan Quigley, Executive Director of the Johnson County Housing Coalition. The Johnson County Housing Coalition is a private, non-profit Community Housing Development Organization referred to as a CHDO.

CHDO's are community based non-profits with the mission of providing housing and housing assistance to homeless, low and very-low income households. The make up of a CHDO's board of directors is regulated by HUD and is monitored by the Kansas Housing Resource Corporation to ensure compliance with HUD regulations. The board configuration helps to make certain that CHDO goals support the needs of each unique community.

In order to be eligible for federal HOME funds a community must have a CHDO with a full time director. In Johnson County the Federal HOME program provides about \$1.5 million to the community to assist with various programs including housing assistance, rehab, weatherization and other assistance to low-income and elderly households. The Johnson County Housing Coalition focuses activities on providing affordable rental properties well below market rents for those that can't find a place to live through traditional sources. We assist families from shelters, persons with disabilities, homeless and other populations that are not served by traditional landlords. Other CHDOs across Kansas create home ownership opportunities that would otherwise not exist for many families. What we do is use the federal assistance to leverage private funding to meet community needs for affordable housing and housing assistance.

I am here to request that the state legislature provide real property tax exemption for properties owned by the 26 CHDOs across the state. Our efforts for exemption are supported by local county governments. In fact Johnson County has encouraged applications for exemption due to the nature of our work for the community. While exemptions already exist for housing provided to the elderly, facilities owned by faith based organizations and organizations such as Habitat for Humanity, our efforts to obtain similar relief are not possible without legislative action. The Board of Tax Appeals has determined that without specific mention of CHDOs in legislation we cannot be favorably considered for exemption. In 2002 the Johnson County Housing Coalition took this issue to the Kansas Supreme Court which found with the Board of Tax Appeals regardless of the fact that the populations served by CHDOs are already mentioned in existing legislation. House Bill 2082 will provide the legislative relief as required by the Kansas Board of Tax Appeals.

Senate Bill 2082 as written provides some oversight by the Kansas Housing Resources Corporation. In addition, the legislation helps to ensure that properties meet HUD standards, and finally, that the exemption doesn't create a loop hole through which for-profit companies benefit from the exemptions at the expense of the local community.

In the course of my work as executive director I have received comments from several individuals that the free market should determine cost of housing and where people live. The reality is that the free market does not accommodate those who are homeless, disabled or very low-income. Many of these households are disenfranchised because they typically don't have choices when it comes to meeting their basic need for a place to live. These households are considered high risk and excluded from most of the modest, safe and decent affordable housing offered by for-profit owners. For many the alternative is housing offered at a higher cost and lower quality simply because they don't have choices. CHDOs on the other hand offer a product that meets the basic needs of many households that have been affected by lay-offs, change in family status or income such as divorce or loss of a parent or medical emergency. We offer an opportunity to get another start on life either through a safe, low cost place to live, or through other initiatives such as home ownership or housing

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Attachment # 4

rehabilitation. By keeping costs to the households as low as possible families are more able to emerge from crisis rather than continue to be overcome by it.

On a broader perspective, CHDOs and affordable housing programs are increasingly affected by HUD budget constraints and changes to funding formulas. As these changes ripple through communities CHDO's and non-profits will have to find ways to increase services at the local level while funding is reduced and needs for assistance increase. Grant programs are looking for increased leveraging and involvement by local and state governments to both demonstrate their support for housing initiatives as well as mitigate the high cost of housing programs.

In addition to the direct relief to CHDOs, the dollar amount of taxes exempted would count as Matching Funds toward federal HOME grants and other federal programs. This would benefit communities with limited ability to generate donations for housing projects. Over the past several years, the tax burden and matching funds requirement on some CHDOs has placed several housing programs at financial risk. While the local communities support these programs, they cannot obtain the local matching funds due to local economic conditions. The tax exemption will greatly help meet that requirement.

I'd like to thank you for the opportunity to address this issue with the Committee and hope that the Kansas legislature can assist us in working with those vulnerable populations in need of safe, decent, affordable housing.



# UNITED COMMUNITY SERVICES OF JOHNSON COUNTY

Drug & Alcoholism Council of Johnson County • Johnson County Children's Coordinating Council

Mission: *To identify human service needs in Johnson County, Kansas and marshal public and private resources to meet those needs.*

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Dr. Ron Wimmer

## EXECUTIVE DIRECTOR

Karen Wulfkuhle

## Testimony – Senate Assessment and Taxation Committee

*March 2, 2005*

My name is Carol Smith, Associate Director of United Community Services of Johnson County (UCS), a nonprofit human service research organization and planning partner of United Way in Johnson County. Throughout its 37-year history, UCS has been committed to monitoring and advocating on behalf of public policies that improve human services because we believe addressing human need contributes to the quality of life for everyone.

Proponent of HB 2082: UCS is here today in support of HB2082 which proposes property tax exemption for Kansas' Community Housing Development Organizations (CHDO). Property taxes for this group of nonprofit developers are a significant burden and hinder their ability to address the unique housing challenges they are intended to serve. At UCS, we value the role that CHDO's play in providing housing for those residents who often have a difficult time finding a place to live – low-income working families with children, seniors, persons with disabilities and the homeless. Most importantly, a stable place to live provides the foundation for better outcomes for these households in all areas of their lives.

State and national housing trends demonstrate that housing challenges need attention and action by policy makers. I have included a few housing facts at the end of this testimony that provide examples of those challenges. As an example for our discussion today, the number of low-to-moderate income working families nationally who spent more than half their income on housing jumped 67% between 1997 and 2001. Right here in Kansas, one out of every six renters (45,325) paid half or more of their household income for rent in 2000.

This testimony is not about housing problems. Rather, it is support for one of the solutions: Community Housing Development Organizations. Every day, these nonprofit organizations are focused on the unique challenges and opportunities in their communities. Through their work, CHDO's leverage other private resources to create housing choices that makes sense for their renters and that contributes to the overall economic vitality and well-being of their communities. HB 2082 would remove one of the barriers to their ability to create positive change in addressing today's housing challenges.

Finally, in closing, it is a matter of fairness. Some nonprofit housing developers are already exempt (such as faith-based housing developers). Community Housing Development Organizations should be treated the same.

Thank you again for this opportunity to appear before you.

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Date 03-02-05  
Attachment # 5



United Way's Planning Partner  
in Johnson County

► **HOUSING FACTS:**

*National Trends.....*

- One in seven U.S. households spends more than half their income on housing. The number of working families who spend more than half their income on housing jumped 68% in just four years from 1997 - 2001. (1)
- 60% of Americans say that it would be *more difficult* to obtain their current home in today's housing market. (2)
- The shortage of workforce housing is particularly tough on families with annual household incomes in the \$20,000 to \$40,000 range – families that include medical technicians, retail salespeople, mail carriers, social workers, school teachers and other citizens who contribute to our communities. (3)
- There is not a single American city or rural county where a household with one full-time minimum wage earner can afford to rent a modest one-bedroom apartment. (4)

*Kansas Trends.....* (5)

- Three out of every ten Kansas (98,546) and Johnson County (14,504) renters paid 30% or more of their income for housing costs in 2000 – a percentage nationally recognized as cost-burdened or not affordable.
- Statewide, more than three out of every four (78%) renters paying over 30% for housing had household incomes under \$20,000. In Johnson County, roughly half of such cost-burdened renters had annual incomes under \$20,000.
- One out of every six Kansas (122,941) and Johnson County (18,863) homeowners paid 30% or more for housing in 2000.

*Housing Facts Sources:*

- 1) *America's Working Families and the Housing Landscape 1997 – 2001*, Center for Housing Policy, November 2002.
- 2) *Fannie Mae Foundation Affordable Housing Survey*, conducted by Peter D. Hart Research Associates and the Coldwater Corporation, May/June 2002.
- 3) *Facts about Housing Challenges for Working Families*, discussion paper by Fannie Mae Foundation, 2004.
- 4) *The State of the Nation's Housing 2003*, Joint Center for Housing Studies of Harvard University.
- 5) *U.S. Census Bureau*, 2000 Decennial Census.

Comments and Presentation made to the:

Senate Assessment and Taxation Committee

Barbara Allen, Chairperson

Pertaining To:

*Senate Bill 2082*

March 2, 2005 – 11:00 a.m. – Committee Hearing Room 519S

By:

Robert T. Broadway, Executive Director

21<sup>st</sup> Century Homestead, Inc.

a 501(c)(3) nonprofit Kansas corporation

and

Community Housing Development Organization (CHDO) serving:

Cherokee, Chautauqua, Labette, Montgomery, Elk, Wilson, Neosho  
and Crawford counties in southeastern Kansas

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1. SB2082 applies only to established certified Kansas CHDO's.

- 21<sup>st</sup> Century Homestead, Inc., founded in 1996, first USDA/RD Mutual Self-Help Housing Association in Kansas since the mid 1960's, two-time grantee. HUD/CHDO certification May 2000, three-time CHDO grantee, two-time State Housing Trust Fund grantee, Kansas Community Service Program grantee, Voc. Rehab. Innovative Program grantee. Developed groundbreaking apprenticeship program with Labette Correctional Conservation Camp to provide vocational training to inmates, honored by Department of Labor.
- Thirty-five single family homes constructed in homeownership program in five counties of southeastern Kansas. Homes under construction in Parsons and Dennis.

2. SB2082 eliminates confusion, inconsistent findings and red tape.

- CHDO grant 2001: Designed and constructed the first Specialized Residential Living Facility in Kansas for profoundly mentally handicapped individuals in Independence. Applied for tax-exempt status on July 12, 1999 - received specific exception under *K.S.A. 79-201b Sixth* on March 31, 2003. Long complicated process, expensive and if exemption was not granted facility would have closed.
- CHDO grant 2002: Designed and constructed the first Triplex Rental Properties specifically designed for persons with profound developmental disabilities, occupational disabilities and the disabled elderly in Independence. Application to

be made under *K.S.A. 79-201b Fourth*. If application is denied, the property will close.

- CHDO grant 2004: Additional Triplex Rental Properties specifically designed for persons with profound developmental disabilities, occupational disabilities and the disabled elderly in Independence and Parsons. Application to be made under *K.S.A. 79-201b Fourth*. If application is denied, the property will not open.

**3. SB2082 provides clarity and predictability in the property tax exemption process.**

- At present, Kansas property tax exemption law differentiates between housing for independently living persons with profound developmental disabilities, persons with occupational disabilities, the elderly, the disabled elderly, the profoundly mentally handicapped, the homeless and very-low income individuals and families. Each of these categories has it's own esoteric set of policies, procedures and precedence. Example: Housing for an individual with an assessed IQ of 70 confined to a wheelchair and in custodial care with services provided by a Developmentally Disabled Service Provider (DDSP) has been ruled tax exempt. On the other hand, housing for an individual with an assessed IQ of 71 confined to a wheelchair, who is living independently with services provided by an Independent Living Service Provider (ILSP) has been ruled not tax exempt under Kansas law. (The Kansas Supreme Court apparently upheld this decision.) Housing specially designed for persons with occupational disabilities may be tax exempt, that's unknown. Housing for low and very-low income families ... specifically designed for low and very-low income families ... is not tax exempt.

**4. CHDO's serve the state's neediest people and no one else.**

- Independent living persons with profound disabilities are the poorest people in Kansas, living on an average of \$525.00 per month (SSI).
- A housing crisis exists for persons with profound disabilities. Safe, decent, affordable housing can only be produced on a nonprofit, subsidized basis. (The rent that can be collected is so low that for-profit developers refuse to build specialized properties.)
- CHDO's struggle to build housing for persons with profound disabilities. The rents are so low that they barely cover operating expenses. The same applies to housing for low and very-low income people.
- Ensuring that CHDO properties are tax exempt sends the ultimate signal to nonprofits wanting to serve this population with safe, decent, affordable housing. Continued uncertainty stifles construction.

**5. CHDO's play an integral part in the Kansas Consolidated Plan for housing.**

- CHDO's are one of your resources. Our relationship with Kansas, i.e. policy, funding, oversight, is far more significant with CHDO's than with Habitat for



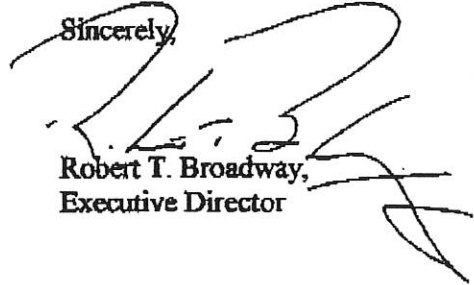
Humanity. It's ironic that Habitat for Humanity has it's own named exemption in Kansas sales tax statutes while CHDO's, an extension of the state, do not.

6. SB2082 brings additional federal dollars to Kansas.

- Passage of SB2082 enhances federal grant dollars to Kansas. (Will act as a matching contribution, a vital component to receiving federal grant dollars.)

7. Please support SB2082 it makes sense.

Sincerely,



Robert T. Broadway,  
Executive Director

**HB 2187**

Testimony

Bill Otto

Last year there was a bill presented that would give Kansas National Guard troops the same break on motor vehicle taxes that was given to regular military Kansans stationed outside our state. The problem was that in this effort, the exemption for regular military was repealed. State officials did not collect the tax in 2004, but unless the bill is corrected, it is still the law to collect the tax from our regular military troops.

HB 2187 would correct this error, and restore the tax break to our troops.



## TREASURER'S OFFICE

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County Treasurer

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TO: Senate Taxation Committee  
FROM: Eileen King, Riley County Treasurer & Rep of KCTA  
DATE: March 2, 2005  
RE: HB 2187 Military exemptions on motor vehicles

The Kansas County Treasurer's Association (KCTA) supports HB 2187. Last year, I attended a meeting in the former Majority Leader Oleen's office regarding the possible exemption from taxes for the Guard and Reserves that were called up because of the war in Iraq, but were lucky enough to be stationed in Kansas. Under the previous law, Kansas military stationed in Kansas were not exempt from taxation on their vehicles. Only when they were stationed outside the state of Kansas were they able to be exempt. This meeting was attended by 2 County Treasurers, 2 Appraisers, 2 Senators and the Vehicle Director. We came to the conclusion that it made sense to exempt Kansas military stationed in Kansas on 2 vehicles. The limit on vehicles was so that there wasn't potential abuse. After the meeting, Senators Oleen and Barnett had the legislation prepared and it passed.

Subsequently, there was some misunderstanding of the wording in the bill. The interpretation by some attorneys didn't reflect the intent of the bill. We are now here to clear up the language.

The Treasurer's Association supports the bill, but there is a change in policy that I would like to point out to you. Previously Kansas military stationed outside the State of Kansas were exempt from taxation on all vehicles they own (whether it be 2, 3, 4 etc.). With this bill they are only be exempt on 2 vehicles. I'm not sure how many military this will affect, but it is something that you might want to consider before passing this bill. Is this the message we want to send to our Kansas military stationed outside the state at this point in time?

Thank you for your consideration.

Assessment & Taxation  
Date 03-02-05  
Attachment # 8

STATE OF KANSAS

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HOUSE OF  
REPRESENTATIVES

COMMITTEE ASSIGNMENTS

RANKING MINORITY MEMBER: TOURISM  
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HEALTH & HUMAN SERVICES  
JOINT COMMITTEE ON  
PENSIONS, INVESTMENTS &  
BENEFITS

HOUSE BILL 2040

March 2, 2005

This is a clean-up bill. Frankly, last year when the sales tax exemption on hearing aid sales was passed, we neglected to include repairs. This is causing lots of paperwork by dealers and the Department of Revenue and bringing in very little revenue. I believe the intent of last year's bill was to exempt cost of hearing aids from sales tax. We included batteries but not repairs in our wording.

It is my understanding that the Department of Revenue is basing their fiscal note on 50% of sales of new hearing aids. I believe this is a high estimate but have no hard data to support a definite amount.

I hope you will pass this bill quickly. The House passed this from the consent calendar 124-0 on February 1. I will stand for questions about this or the original bill passed last year.

Assessment & Taxation  
Date 03-02-05  
Attachment # 9

# HEIN LAW FIRM, CHARTERED

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Ronald R. Hein  
Attorney-at-Law  
Email: rhein@heinlaw.com

**Testimony re: HB 2040**  
**Senate Assessment and Taxation Committee**  
**Presented by Ronald R. Hein**  
**on behalf of**  
**Kansas Hearing Aid Association**  
**March 2, 2005**

Madam Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for the Kansas Hearing Aid Association (KHAA), the professional association for licensed hearing aid fitters and dispensers in the state.

The KHAA supports the passage of HB 2040, which was placed on the House Consent Calendar and passed the House 124-0. Prior to the 2004 Session, sales of hearing aids were exempt from sales tax only if they were prescribed by a physician. In the 2004 session, the law was changed to exempt all sales of hearing aids so the person who needed a hearing aid would not have to see a physician first to obtain a prescription.

The sponsor of last year's bill, Rep. Geraldine Flaherty, was under the impression that the language was going to cover repairs of hearing aids as well. Unfortunately, the exemption did NOT include repairs of such devices in last year's bill.

We were originally advised by the Department of Revenue (DOR) that the fiscal note would be negligible, but after further review, DOR adjusted the fiscal note upward slightly. The vast majority of hearing aid dispensers, if not all, send the hearing aid to the manufacturer for repair. Universally, manufacturers utilize a flat fee for the cost of repair, which flat fee may vary from manufacturer to manufacturer or from product line (e.g. digital device) to product line. However, the flat fee does NOT vary by virtue of the extent or cost of the repair. As a result, the invoice commingles the cost of the parts used for the repair and the costs for the labor services used for the repair.

Pursuant to current law, the cost of the parts used in a repair are exempt from sales tax, but the repair services would be taxable. When the manufacturers do not break out the cost for repairs vs. parts on the flat fee bill sent to the dispenser/customer, the DOR, pursuant to their other protocols, regards the whole fee as taxable. Since the manufacturers utilize this billing mechanism for repairs nationwide, and not just in Kansas, the flat bill system is not readily changeable. If it were, the costs could be broken out. If broken out, only the repairs would be taxable, and not the replacement parts, so the fiscal note for this legislation would be lower.

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

Assessment & Taxation  
Date 03-02-05  
Attachment # 10