

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:45 A.M. on February 9, 2006 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research
Gordon Self, Revisor of Statutes Office
Judy Swanson, Secretary

Conferees appearing before the committee:

Senator Laura Kelly
Representative Ed O'Malley
Sandra Dixon, Kansas Children's Service League
Mike Farmer, Kansas Catholic Conference
Melissa Ness, St. Francis Academy
Senator Les Donovan
Whitney Damron, Kansas Automobile Dealers Association
Don Moler, Kansas League of Municipalities
Randall Allen, Kansas Association of Counties
Karl Peterjohn, Adoptive Parent

Others attending:

See attached list.

Hearing on **SB 465, increasing income tax credit for adoption of certain Kansas children**, was opened.

Senator Laura Kelly testified **SB 465** would provide additional tax credits if an adopted child is a Kansas resident, a Kansan at least eight years old, a child with special needs, a minority child, or part of a sibling group. (Attachment 1)

Representative Ed O'Malley, an adoptive father, encouraged the Committee to support **SB 465**. (Attachment 2)

Sandra Dixon, V.P. of Resource Family Services for Kansas Children's Service League, explained how the passage of **SB 465** would help some of the state's most vulnerable children. (Attachment 3) A letter of support from the Board of Directors of Kansas Children's Service League is attached to her testimony.

Michael Farmer, Executive Director of Kansas Catholic Conference, testified more encouragement and incentives are needed to urge more families to adopt hard to place children. (Attachment 4)

Melissa Ness, The Saint Francis Academy, said **SB 465** promotes a solid public policy choice. (Attachment 5)

Karl Peterjohn, adoptive parent, supported SB 465.

Written testimony supporting **SB 465** was received from Bruce Linhos, Executive Director of Children's Alliance, (Attachment 6) and Secretary of SRS Gary Daniels. (Attachment 7)

Committee discussion was held. Staff was requested to clarify the tax credit benefit for persons adopting a sibling group; whether they have to adopt all the children in the group for the tax credit or if they can adopt part of the children in the group and still receive the tax credit. Senator Schmidt suggested looking at a carry-forward period of more than five years.

Hearing was closed on **SB 465**.

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:45 A.M. on February 9, 2006 in Room 519-S of the Capitol.

Subcommittee Report on **SB 356, concerning estate tax taxation, and SB 365, enacting the Kansas estate tax law:**

Senator Bruce, Subcommittee Chair, presented the Subcommittee report on estate taxation. (Attachment 8) Following discussion, Chairman Allen thanked Senator Bruce and his subcommittee for their work on both bills.

Hearing was opened on **SB 438, computation of amount of personal property tax on motor vehicles.**

Senator Donovan testified local units of government should see little or no reduction in revenue if **SB 438** passed. (Attachment 9) He said 10% of all retail sales tax comes from the sale of automobiles. He explained how the proposal would work. He presented figures from KDOR on estimated revenue reduction. (Attachment 10) The average automobile tax in Kansas is higher than most states, according to Senator Donovan. He said this bill would give tax relief, as well as provide additional revenue, to local government entities.

Whitney Damron, Kansas Automobile Dealers Association, testified in favor of **SB 438.** (Attachment 11) He said lowering the acquisition cost or the titling and registration costs of new and used motor vehicles in Kansas does increase sales, which increases taxes and fees to both the State and local units of government.

Don Moler, Executive Director of League of Kansas Municipalities, opposed **SB 438.** (Attachment 12) He said the bill would simply shift the tax burden, and that removing a large portion of the tax on motor vehicles would transfer this burden onto other property taxpayers. Also, local governments cannot continue losing revenue!

Randall Allen, Executive Director of Kansas Association of Counties, opposed **SB 438** because motor vehicle taxes are a significant segment of revenues for counties and other local governments, and would shift the burden to another taxpayer if lowered. (Attachment 13)

Senator Lee requested KDOR prepare charts for high, medium and low value automobiles and how taxes would change if the bill passed. She also requested a run reflecting how revenues would be impacted county by county, should **SB 438** be enacted into law.

Hearing was closed on **SB 438.**

Senator Schmidt moved to approve the Minutes of the February 8 Committee meeting. Senator Jordan seconded the motion, and the motion passed.

Being no further business, the meeting adjourned at 11:50 a.m.

SENATE
ASSESSMENT & TAXATION COMMITTEE

GUEST LIST

DATE: February 9, 2016

NAME	REPRESENTING
Randall Allen	Ks. Association of Counties
Bill Brady	C.S
Robert & Sue McKenna	SRS/CFS
Sandy Braden	GBBA
Karl Peterzhu	KS Taxpayers Network
Shelley Duncan	Youthville
Melissa L. Ness	St Francis Academy
Alli Davis	KCA
Stuart Little	Ks Children Service League
Sandra Duxon	Ks Children's Service League
Erik Sartorius	City of Overland Park
Ken Seeban	Hinshaw Firm
Larry R Baer	LKM
Don Moler	LKM
JIM CLARK	KVA
MIKE FARMER	KS Catholic Conference
Ed O'Malley	State Rep
Whitney Janna	KS Auto Dealers Assn

SENATE
ASSESSMENT & TAXATION COMMITTEE

GUEST LIST

DATE: 02-09-06

NAME	REPRESENTING
Eric Stafford	AGIC of KS

LAURA KELLY
 SENATOR, 18TH DISTRICT
 WABAUNSEE AND SHAWNEE COUNTIES



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS
 RANKING MINORITY: COMMERCE
 MEMBER: WAYS AND MEANS
 PENSIONS, BENEFITS AND
 INVESTMENTS
 JOINT COMMITTEE ON
 CHILDREN'S ISSUES

Committee on Assessment and Taxation
SB 465 Proponent
February 9, 2006

Madam Chair and members of the committee:

SB 465 increases the state tax credit allowed for individuals who adopt Kansas kids.

Current law provides a tax credit in the amount of 25% (\$2500) of the federal income tax credit (\$10K) to individuals adopting any child. In addition, since 1996 individuals have been eligible for an additional tax credit of \$1500 if the adopted child was in the custody of SRS at the time of the adoption or the child has special needs.

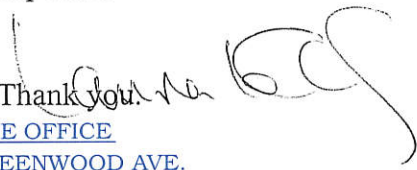
This bill would leave all current credits in place and provide an additional 25% credit if the adopted child is a Kansas resident and an additional 50% tax credit if the child is a Kansan at least eight years old but less than 17 years old; if the child has special needs; if the child is a minority; or part of a sibling group.

The individual has up to five years to reach the maximum tax credit.

During the interim Special Committee on Children's Issues, it became clear that we as a state need to do all we can to promote adoption of our children who have no permanent home, for whatever reason. I know that tax credits alone will not solve the problem but if they stimulate any increase in the number of Kansas kids, then we will have done the kids a favor, the families a favor, and the state a favor.

In 2004, 447 individuals requested the tax credit at a cost of \$467,000. If SB 465 were passed, the maximum cost to the state would be \$934,000. That is assuming that all adopted kids were Kansans, and that they qualified for the special categories, a highly unlikely scenario.

In addition, Kansas would see real and immediate savings on foster care and other expenses that would overshadow the cost.

Thank you. 

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Assessment & Taxation
Date 2-9-06
Attachment # 1

Testimony in Support of SB 465

Representative Ed O'Malley

February 9, 2006

As the proud father of an adopted child and as a legislator that continues to push for adoption incentives, I strongly encourage you to support SB 465.

As a legislature, we should engage heavily in a debate to promote adoption. Current adoption tax credits are valuable and help make adoption possible for many families; however, the current credits are not significant enough to offset adoption expenses for many families.

Once a couple has decided to adopt, their next decision is whether to adopt domestically or internationally. Both choices offer different pros and cons and this decision is made only after careful consideration of many factors. While any adoption, whether done domestically or internationally, should be celebrated, I believe it is reasonable for the Kansas Legislature to put in place extra incentives for the adoption of Kansas children.

I encourage the committee to support SB 465.



Kansas Children's Service League

Giving Kids Our Best. For Over 100 Years.

Testimony – SB 465

Senate Assessment and Taxation Committee February 9, 2006

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Senator Allen and Committee Members, my name is Sandra Dixon, V.P. of Resource Family Services for Kansas Children's Service League. I am grateful for the opportunity to provide testimony in support of Senate Bill 465, increasing the state adoption tax credit for families who adopt special needs children.

Kansas Children's Service League has been finding forever families for the state's most vulnerable children for over 110 years. In the late 1990's, the League focused its recruitment and support efforts on families who would care for special needs children, as we entered the state's privatization effort as the largest sub-contractor for adoption services. We were awarded the statewide adoption contract in 2000, and again in July of last year. As the child welfare system has most recently evolved, we have been given the monumental task of finding families for some of the most difficult to place children. I encourage you to look at the faces of some of these children, located on the attachment to this testimony, for it is these children who will positively benefit from the action you take on this bill.

The children for whom we seek adoptive families have entered the state's child welfare system due to abuse or neglect that occurred in their birth family homes. Their parents' rights were terminated or relinquished, and no one has stepped forward as willing or able to provide a permanent home. To reiterate, no relatives, foster parents, or other adult who know these children have said "we want to be their parents." They are orphans.

Kansas Children's Service League has received requests to recruit families for 534 children since the inception of the most recent adoption contract on July 1, 2005. Senate Bill 465 gives specific consideration to families who adopt:

- older children – 67% of children referred to us are over the age of 12 years, 35% are age 15 or older;
- children of color – 47% of children referred to us are children of color;
- children in sibling groups – 10% of our children are seeking an adoptive home with 2 or more siblings.

Locations

Cimarron	Liberal
Deerfield	Manhattan
Garden City	Pittsburg
Hays	Pratt
Hugoton	Salina
Hutchinson	Satanta
Johnson	Scott City
Junction City	Stafford
Kansas City Metro	Topeka
Kingman	Ulysses
Leoti	Wichita

Kansas Children's Service League is the Kansas Chapter of Prevent Child Abuse America, a member of the Child Welfare League of America and the United Way. Accredited by the Council on Accreditation.



Assessment & Taxation
Date 2-9-06
Attachment # 3

The children we are trying to place more frequently have ongoing, extraordinary needs in the areas of mental health services, educational support, medical and dental care, and behavior management. The cost of these needs is only partially met by available adoption subsidy payments and Medicaid benefits. Choosing to parent these children is a life long emotional and financial commitment.

The League surveyed 1,650 families who had adopted over 2,200 special needs children since July 1, 2000. Almost all of these families stated they chose adoption because they love children. They told us that prior to adopting, their two greatest concerns were their ability to continue a child's special services, and the potential costs of caring for a child. Adoption subsidy and a child's medical card were identified as the most helpful resources. Finally, when asked how likely they would be to adopt specific demographics of children, most families indicated a preference to adopt younger children with very few special needs.

The survey distributed in the summer of 2005 also identified a demographic most likely to adopt. Adoptive families range in age from 25-54, live in smaller communities, and have a median income of \$50,000. They, like most of us, are challenged every month to cover the normal costs of food, shelter and education, pay their bills, and put something away for a rainy day. Making the very personal decision to adopt probably did not include a full understanding of the potential financial impact.

The adoptive family survey validated what our experience tells us. Families with moderate incomes decide to adopt because they want to care for a child, but concerns about their ability to care for children emotionally and financially makes them cautious about adopting the children who most need them. If we, as a system, are going to give vulnerable children the home they deserve, we must provide families with the adequate financial and service supports to give them the confidence that they can be successful adoptive parents.

Kansas Children Service League is committed to supporting these families and their children through the lifelong adoption journey. Senate Bill 465 tells these families that the State of Kansas believes that all children deserve a permanent home, understands the great commitment they are making, and is taking positive steps to make the financial burden a little easier.

In closing, I encourage you, once again, to look at the children's pictures attached to this testimony. Each represents a different and unique story, but all of them want the same future....a family to love them and a place to call their own home. Thank you to Senator Kelly for introducing Senate Bill 465, and to all of you for joining us in this important work.

Testimony provided by: Sandra Dixon LMSW
V.P. Resource Family Services
Kansas Children's Service League
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Kansas Children's Service League

Giving Kids Our Best. For Over 100 Years.

Testimony Senate Assessment and Taxation February 9, 2006

Senate Bill 465

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The Kansas Children's Service League Board of Directors is pleased to submit this testimony in favor of Senate Bill 465.

Kansas Children's Service League was founded in 1893. Over the past 113 years, KCSL has provided a variety of services to children--with adoptive placements probably having the biggest impact on children's lives. KCSL was the agency that coordinated the Orphan trains and provided private adoption services up into the 1970's. KCSL has been the statewide adoption contractor for Kansas since July, 2000.

We believe the most important thing we can do for a child is to find them a permanent home. The children we serve today come to the state through no fault of their own. They have either been victims of child abuse, have been deemed a child in need of care because of the death or disability of a parent, or because they do not have a parent who can meet their needs. The child welfare system attempts to find family or kin who already have a relationship with the child. If such an effort is not successful, then we must use all other available resources to recruit a family that can fulfill the needs of the child.

We support Senate Bill 465 because this tax credit could make a difference in the ability for a family to commit to a particular child. The expenses of adding a member to your family are not trivial. Anything that might help these adoptive parents should be supported. The additional tax credits for children who are older or part of a sibling group should also prove helpful. No child should age-out of the child welfare system without a family to call their own.

If this bill on tax credits only helps a few children it is well worth it. Every child should have a family to call their own, a place to go for Thanksgiving and Christmas, and someone they know cares about them.

We urge your support of Senate Bill 465.

Locations

Cimarron	Liberal
Deerfield	Manhattan
Garden City	Pittsburg
Hays	Pratt
Hugoton	Salina
Hutchinson	Satanta
Johnson	Scott City
Junction City	Stafford
Kansas City Metro	Topeka
Kingman	Ulysses
Leoti	Wichita

Kansas Children's Service League is the Kansas Chapter of Prevent Child Abuse America, a member of the Child Welfare League of America and the United Way. Accredited by the Council on Accreditation.



22



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Testimony in Support of S.B. 465

Chairwoman Allen and members of the committee:

Thank you for the opportunity to give testimony in support of S.B. 465, which would allow a measure of tax relief for families who adopt children in certain special needs categories. My name is Mike Farmer and I am the Executive director of the Kansas Catholic Conference, the public policy office of the Catholic Church in Kansas.

From U.S. Department of Health and Human Services statistics compiled by the National Adoption Information Clearinghouse, we learn that more than 110,000 children with special needs are waiting for permanent homes in the United States. National Catholic Charities estimates that since 1987, the number of children in foster care has doubled, and currently, the average time a child who has been freed for adoption remains in foster care is nearly five years. Last year, Catholic Charities across the nation helped find homes for 4,229 children, including 1,984 children from foster care, 1,529 special needs children, and 797 inter-country adoptions. Clearly there is a need for recruitment of more families to adopt.

Whatever the circumstances, the ability to place these children in loving homes is more difficult and comes with greater expense. Parents who adopt children with special needs can be successful only if they have emotional, physical, mental and financial resources.

Federal and State programs offer some financial assistance to adoptive parents for special care and services that the child needs, but in no way are these costs reimbursed dollar for dollar.

More encouragement and incentives are needed to urge more families to open up their hearts and homes to adoption of all children and especially to children with special needs. All children need and deserve permanence, stability, and love.

We are one human family. We are our brothers' and sisters' keepers, wherever they may be. Pope John Paul II insists in his statement, *On Social Concern (Sollicitudo Rei Socialis)*, "We are all really responsible for all."

MOST REVEREND RONALD M. GILMORE, S.T.L., D.D.
DIOCESE OF DODGE CITY

MOST REVEREND JOSEPH F. NAUMANN, D.D.
Chairman of Board
ARCHDIOCESE OF KANSAS CITY IN KANSAS

MOST REVEREND PAUL S. COAKLEY, S.T.L., D.D.
DIOCESE OF SALINA

MOST REVEREND MICHAEL O. JACKELS, S.T.D.
DIOCESE OF WICHITA

MICHAEL P. FARMER
Executive Director

MOST REVEREND JAMES P. KELEHER, S.T.D.
ARCHBISHOP EMERITUS - ARCHDIOCESE OF K.C. IN KS

MOST REVEREND EUGENE J. GERBER, S.T.L., D.D.
BISHOP EMERITUS - DIOCESE OF WICHITA

MOST REVEREND GEORGE K. FITZSIMONS, D.D.
BISHOP EMERITUS - DIOCESE OF SALINA

MOST REVEREND MARION F. FORST, D.D.

RETIRE
Assessment & Taxation
Date 2-9-06
Attachment # 4

S.B. 465 is a means towards helping adoptive parents allay some of the financial challenges associated with adoption. The Kansas Catholic Conference cannot speak to the specifics of what impact these tax credits will have on the state, but we certainly agree with the bill's intent.

We ask that the Senate Assessment and Taxation Committee recommend SB465 favorable for passage.

Thank you,

A handwritten signature in cursive script that reads "Michael P. Farmer". The signature is written in black ink and is positioned above the printed name and title.

Michael P. Farmer
Executive Director



**Senate Assessment and Taxation Committee
Testimony in Support of SB 465: Adoption Tax Credits
February 9th, 2006**

St. Francis Academy has a rich history of serving troubled youth and their families over the past 60 years. We provide a range of services to youth and their families from family preservation, foster care, drug and alcohol services, restorative justice programs, and residential services and supports.

As a member of the Children's Alliance, St. Francis Academy provides services to youths in a predominantly rural part of the state, which in and of itself presents unique challenges in identifying resources for children and families. The child welfare contracts provide supports, services and alternatives for youths seeking a permanent placement. Public policy and our services no longer reflect the notion that foster care is an acceptable permanency alternative.

As such we stand in support of SB 465 which promotes a policy and practice that encourages families to adopt, in our case, those youths who often times face extraordinary life challenges. Not unlike other community providers, our greatest challenge is identifying adoptive homes, particularly for children who are part of a sibling group or experience multiple special needs.

This bill would not only increase support for families in Kansas who adopt Kansas children or a child with special needs, it would also increase the credit for those families who have been intentional in adopting youth in state custody.

For agencies of the Children's Alliance, and Kansans our main concern *must* be to do everything we can to ensure permanency for Kansas children. Consequently, adding this tax credit to the mix of supports will assist families in their decision to make a long term commitment and in many instances to children with extraordinary needs.

This bill not only promotes sound financial policy but also supports a solid public policy choice. This incentive could make an important difference in the life of a child and we ask your support for passage of SB 465.

Respectfully submitted,

Melissa Ness, Advocacy Coordinator

Assessment & Taxation
Date 2-9-06
Attachment # 5

Bruce Beale
DCCCA, Inc.
President



Bruce Linhos
Executive Director

Community Agencies Serving Children and Families

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(785) 235-KIDS fax: (785) 235-8697 e-mail: blinhos@childally.org
Website: www.childally.org

Testimony in Support of SB 465
Senate Taxation Committee
February 9, 2006

The Children's Alliance is the state's association of private non-profit child welfare agencies. Member agencies provide an array of services for youth in the custody of the Department of Social and Rehabilitation Services (SRS). Services provided by member agencies include family preservation, foster care, group and residential treatment as well as adoption. As an Association who many of its members serve youths in the custody of the state, we support the Senate Bill 465 which proposes tax credits be provided to families who adopt Kansas children.

Last year member agencies placed 583 children in the custody of the state, in adoptive homes. Kansas has been a pioneer in the child welfare field. We were the first state to privatize child welfare services, a trend now being followed by 35 other states. The result of the child welfare reform in Kansas has led to vastly improved outcomes for our children and their families. Kansas is the undisputed leader in developing a network of resource homes that allow children to be served close to their friends and family. Eighty-five percent of the children in out-of-home care reside not in group homes or residential centers, but rather in foster homes in their communities.

The most frequent adoption scenario finds the foster family choosing to make a permanent commitment to their foster child through adoption. The reality, however, is adding to your family by adopting a sibling group or a child with a disability is both an emotional and a financial commitment for a family. Senate bill 465 recognizes this and offers some financial support to our fellow Kansans who come forward to become adoptive resources for our children.

Last week Kansas was recognized by the Child Welfare League of America for its outstanding contribution to the field of child welfare. The Children's Alliance supports SB 465 in the spirit of innovation that has driven child welfare reform in our state for the past 10 years. We all know families that have gone abroad to adopt. We see this bill as a step toward recognizing the needs of Kansas children. As an association, we urge the committee's support for SB 465.

Testimony provided by:
Bruce Linhos
Executive Director

Assessment & Taxation
Date 2-9-06
Attachment # 6

Kansas Department of

Social and Rehabilitation Services

Gary J. Daniels, Secretary

Senate Assessment and Taxation Committee
February 9, 2006

SB 465 - Adoption Tax Credits

Integrated Service Delivery

Gary J. Daniels, Secretary
785-296-3271

For additional information contact:
Public and Governmental Services Division
Kyle Kessler, Director of Legislative and Media Affairs

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Assessment & Taxation
Date 2-9-06
Attachment # 7

Kansas Department of Social and Rehabilitation Services
Gary J. Daniels, Secretary

Senate Assessment and Taxation Committee
February 9, 2006

SB 465- Adoption Tax Credits

Chairman Allen and members of the committee, thank you for the opportunity to support SB 465 regarding Adoption Tax Credits.

Currently adoptive parents receive a federal tax credit (\$10,630 max.) and may claim 25 percent of that credit for state tax relief. SB 465 will retain this current benefit but, when the adopted child is a Kansas resident the state tax relief is 50 percent of the federal tax credit. If the child is a Kansas resident between the ages of 8 to 17 and with special needs, the adoptive parent may claim 75 percent of the federal tax credit. The child must be a Kansas resident prior to adoption.

SB 465 acknowledges the challenges inherent in adopting older children, sibling groups, children with disabilities or other special needs. Many children adopted from the custody of the Secretary of SRS will qualify for the most expansive tax credit contained in this bill and, knowing these children and families, we support providing them all available benefits. In SFY 2005, 623 children were adopted from foster care; 492 of these children were defined as having special needs and 267 children were between the ages of 8-17.

The net savings to the foster care program for each child adopted is estimated to be \$866 per child, per month. It is unknown how many adoptions, if any, would result from this increased tax benefit.

The decision to adopt is not driven by financial considerations but rather a desire to help a child in need or a desire to raise a family. Adoptive parents, like all parents, must consider their ability to meet the financial obligations of parenthood. Adoption tax credits honor the choice to bring a child into a family through adoption. SB 465 recognizes and honors the benefits for all of us when a Kansas child is adopted.

While we don't know if the tax credit will increase the number of adoptions or reduce the length of time children available for adoption wait for families, supporting and honoring adoptive parents who choose children in need of permanent homes is the right thing to do.

Thank you for the opportunity to support passage of SB 465 through this written testimony.

MEMORANDUM

February 9, 2006

To: Senate Assessment and Taxation Committee
From: Subcommittee on Estate Taxation (SB 356, SB 365)
Re: Subcommittee Report

Background

The subcommittee on estate tax was charged with reviewing the issues associated with SB 356, which would repeal the Kansas estate tax, effective July 1, 2006; and SB 365, which would create a stand-alone Kansas estate tax no longer tied directly to federal law that would maintain a permanent revenue stream of approximately \$52.0 million per year. As you know, Senator Vratil and others spoke to the full Committee about the need to look at both options because of the administrative complexities associated with the current law. (The current Kansas estate tax is tied mainly to a now-defunct version of the federal law which had been in effect on December 31, 1997.)

Receipts from the current Kansas law are expected to decrease to zero by FY 2012 as a result of a provision adopted in 2002. According to the Department of Revenue, estate tax receipts are expected at the following levels:

(\$ in millions)

FY 2007	\$52.0
FY 2008	\$43.0
FY 2009	\$32.0
FY 2010	\$15.0
FY 2011	\$ 5.0
FY 2012 and thereafter	\$ 0.0

Subcommittee Recommendations

* The subcommittee recommends that SB 365 be amended with a set of estate tax brackets and rates for tax years 2007-2009 that would provide the same amount of revenues as anticipated under current law. The attached brackets were provided by the Department of Revenue to accomplish that goal. The bill would be amended such that the effective date would be January 1, 2007.

* The subcommittee further recommends that the Kansas estate tax act expire, effective for estates of decedents dying on and after January 1, 2010.

* The subcommittee notes that while the fiscal impact of these changes would be revenue-neutral relative to current law, the final three years that the tax would be in effect would be far easier for tax practitioners and for the Department of Revenue under the stand-alone provisions of SB 365 (which decouple the Kansas tax from federal law) than under current law.

Kansas Estate Tax Brackets and Rates
SB 365

Tax Year 2007

Taxable Estate Brackets			Tax Rate
\$ 750,000	\$ 1,000,000		0.0%
\$ 1,000,000	\$ 2,000,000		3.0%
\$ 2,000,000	\$ 5,000,000	\$ 30,000	6.0%
\$ 5,000,000	\$ 10,000,000	\$ 210,000	8.0%
\$ 10,000,000	Over	\$ 610,000	10.0%

Tax Year 2008

Taxable Estate Brackets			Tax Rate
\$ 750,000	\$ 1,000,000		0.0%
\$ 1,000,000	\$ 2,000,000		1.0%
\$ 2,000,000	\$ 5,000,000	\$ 10,000	2.0%
\$ 5,000,000	\$ 10,000,000	\$ 70,000	5.0%
\$ 10,000,000	Over	\$ 320,000	7.0%

Tax Year 2009

Taxable Estate Brackets			Tax Rate
\$ 750,000	\$ 1,000,000		0.0%
\$ 1,000,000	\$ 2,000,000		0.5%
\$ 2,000,000	\$ 5,000,000	\$ 5,000	1.0%
\$ 5,000,000	\$ 10,000,000	\$ 35,000	2.0%
\$ 10,000,000	Over	\$ 135,000	3.0%

Tax Year 2010

Taxable Estate Brackets			Tax Rate
\$ 750,000	\$ 1,000,000		0.0%
\$ 1,000,000	\$ 2,000,000		0.0%
\$ 2,000,000	\$ 5,000,000	\$ -	0.0%
\$ 5,000,000	\$ 10,000,000	\$ -	0.0%
\$ 10,000,000	Over	\$ -	0.0%

STATE OF KANSAS

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February 9, 2006

Testimony on SB 438

Madam Chair and Members of the Committee:

Thank you for allowing me to testify on an issue that I believe will have a very positive effect on the taxpayer of the state and also provide a revenue stream to the state to offset some of the proposed tax reductions. By phasing in the plan, with the growth in the number of vehicle owners as well as the increased valuation of the vehicles, the local units should, for the most part, see little or no reduction in revenue from this source.

In the second and successive years, the mill levy reintroduction will provide the state significant funds to support schools, reimburse the locals for the loss of M & E Tax, or phasing out of the Estate Tax. All of these have lots of support by the Legislature as well as the Governor.

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From
KDOOR

YEAR	Est. Val.	Est. Tax Current	Value of 1 mill	Sch lvy add back	Rev via school lvy	Assessment Rate	Est. Rev. Reduction
2007	\$3.4B	\$360.4M	\$3.7M			19%	\$18.0 M
2008	\$3.5B	\$379.0M	\$3.85M	5 mills	\$18.5 M	18%	\$19.0 M
2009	\$3.6B	\$400.0M	\$4.0M	10 mills	\$38.5 M	16%	\$40.0 M
2010	\$3.7B	\$420.0M	\$4.2M	15 mills	\$60.0 M	14%	\$42.0 M
2011	\$3.8B	\$440.0M	\$4.5M	20 mills	\$84.0 M	12%	\$44.0 M
Cumulative Increase = \$201.0 M						Cum. Decrease =	\$163.0 M

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TESTIMONY

TO: The Honorable Barbara Allen, Chair
and Members of the Senate Committee on Assessment and Taxation

FROM: Whitney Damron
Legislative Counsel
Kansas Automobile Dealers Association

RE: SB 438 *An Act concerning personal property taxation; relating to
motor vehicles; computation of amount of tax.*

DATE: February 9, 2006

Good morning Madam Chair Allen and Members of the Senate Committee on Assessment and Taxation. My name is Whitney Damron and I am legislative counsel to the Kansas Automobile Dealers Association (KADA), a state trade association representing the retail new franchised car and truck dealers in Kansas. KADA President, Don McNeely, extends his regrets that he could not be here today to present this testimony, as he is out-of-state on association business.

On behalf of the franchised new car and truck dealers in Kansas, I would like to thank the Committee for the opportunity to offer a few comments in support of SB 438 and the taxation of motor vehicle in Kansas. This topic is not new to KADA, as we have been an active participant in the legislative discussions over the years as they have pertained to the taxation of motor vehicles.

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Motor vehicles are a significant economic and tax revenue producing engine in Kansas and our membership is integral part of that engine. Not only have motor vehicle property taxes, inclusive of recreational vehicles and rental excise tax, grown to generate over \$306 million in annual revenue, but the sale and service of those motor vehicles in Kansas by the new car and truck dealers generate \$5.8 billion in annual total sales, representing 20.4 percent of the state's total retail sales. In fact, a motor vehicle is the only piece of personal property that is subject to both sales and property taxes from the cradle to the grave.

Prior to motor vehicles property taxes becoming a major issue of the 1994 gubernatorial election and the subsequent the 20 mil reduction by the Legislature in 1995, Kansas had the distinction of having the oldest fleet in the country and was one of the highest states in country to annually register a vehicle. Since that time many things have changed. Immediately following the property tax reduction, new vehicle registrations outpaced the national average through the late 90's, but new vehicle registrations have slowed as local units have increased local mil levees, essentially off-setting the 20 mil reduction in many cases. While the number of motor vehicles registered in Kansas has remained essentially unchanged since that time at 2.3 million cars and light-duty trucks, the average price of a new vehicle has increased from \$20,450 to \$28,050 and the average price of a used vehicle has increased from \$11,120 to \$14,250.

Several benefits came out of the motor vehicle property tax reduction legislation of 1995: The fleet of vehicles registered in Kansas became newer, thus more safe and fuel efficient vehicles began traveling our roads, and the State of Kansas and the local units of governments became the recipients of increased sales and property taxes, as Kansas residents purchased newer vehicles, and it was a boost to the franchised new motor vehicle retail industry and its over 10,000 employees.

It is no secret, that Kansas' current vehicle valuations schedules do not correctly reflect fair market value, as was exemplified by the public outcry to the casual motor vehicle sales tax legislation enacted by the 2004 legislature. Manufacturer Suggested Retail Price (MSRP) does not resemble actual transaction price in probably 95 percent of retail new vehicle purchases and the statutory depreciation rate of 15 percent is too low for most vehicles. In fact, I was amazed the public wasn't just as upset or more with that fact, as they were the fact that they were being forced to pay sales tax on that supposedly fair market value.

In closing, I would like to note that lowering the acquisition cost or the titling and registration costs of new and used motor vehicles in Kansas does increase sales, which increases taxes and fees to both the State of Kansas and local units of government. The rebate programs of the manufacturers have proven this time and time again and the State of Kansas has seen it firsthand with the tax reductions the Legislature adopted in 1995.

We encourage this Committee and the Kansas Legislature to give favorable consideration to SB 438 or similar proposals that will help grow our economy, improve public safety on our roads, help the consumer lower costs and even increase revenues to state and local governments.

On behalf of the Kansas Automobile Dealers Association, I thank the Members of the Committee for allowing me to appear before you this morning and provide a little insight into the taxation of vehicles in Kansas over the last several years.

WBD



League of Kansas Municipalities

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To: Senate Assessment and Taxation Committee
From: Don Moler, Executive Director
Re: Opposition to SB 438
Date: February 9, 2006

First I would like to thank the Committee for allowing the League to testify today in opposition to SB 438. Historically there has been a three-legged stool upon which local government in Kansas has been financed. The first of the three legs were the Demand Transfers, the second were local property taxes, with the third being the local sales tax. With the removal of the Demand Transfers several years ago, local government in Kansas is relying almost exclusively on the local property tax and the local sales tax to maintain city services. Now, almost with vengeance, state legislation is pending which would further erode both of those two remaining funding sources. This leads to the inevitable question: How are we to finance Kansas local government in the 21st Century if our tax bases are constantly under attack and are continually allowed to erode?

As I have not seen a fiscal note on SB 438, I had to create my own. As I understand this piece of legislation it phases down the property tax levy on motor vehicles from the current 20% down to 12% over the next five years. From my calculations, that would mean that cities and counties across Kansas would lose approximately: \$3 million in property tax revenue in calendar year 2007; \$6 million of property tax revenue in calendar year 2008; \$12 million of property tax revenue in calendar year 2009; \$24 million of property tax revenue in calendar year 2010; and \$36 million of property tax revenue for calendar year 2011 and all years thereafter. Thus, this is not only a huge loss of property tax revenue to local units but constitutes a property tax shift. The shift is simply removing a large portion of the tax on motor vehicles and transferring this burden onto other property taxpayers, most notably the backs of residential property taxpayers, small businesses, and farms. We believe this is a bad idea, especially when local revenues are stretched, and funding sources become ever more limited.

We would urge the Committee to reject SB 438 or, in the alternative, to provide state resources to local governments who are losing revenues as a result of this phase down in the property tax on motor vehicles. I will be happy to answer any questions the Committee may have concerning the League's position on this bill.

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TESTIMONY
concerning Senate Bill 438
Motor Vehicle Taxation
Presented by Randall Allen
Senate Assessment and Taxation Committee
February 9, 2006

Chairman Allen and members of the committee, my name is Randall Allen, Executive Director of the Kansas Association of Counties. I appreciate the opportunity to testify on behalf of our member counties **in opposition to Senate Bill 438**, which dials down the taxes on motor vehicles.

We oppose this legislation because motor vehicle taxes are a very significant segment of revenues for counties and other local governments. They are collected locally by county treasurers and are used to finance important county services. Dialing down the formula for computing motor vehicles taxes will only add greater pressure on property taxes, which are no more popular than motor vehicle taxes. In fact, the moneys to finance government services must come from somewhere. As such, proposals such as SB 438 do nothing to decrease our total tax burden, but rather shift the burden to another taxpayer.

The Kansas Association of Counties is prepared to enter into a full dialogue with the Legislature about the sources of tax revenues for local governments in delivering important services. We would, in fact, welcome such a dialogue. However, an incremental approach of reducing the relative important of one important revenue, in the absence of looking at all revenues (such as SB 438), doesn't seem to us to be the best overall approach to determining who should pay what in financing local government. As such, we respectfully request that the committee table SB 438.

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its members. Inquiries concerning this testimony can be directed to Randall Allen or Judy Moler at the KAC by calling (785) 272-2585.

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