

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:05 A.M. on January 9, 2007 in Room 519-S of the Capitol.

All members were present except: Representative Paul Davis
Representative Tom Holland

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Office of the Revisor of Statutes
Richard Cram, Department of Revenue
Rose Marie Glatt, Committee Secretary

Conferees appearing before the Committee:

Representative Siegfried
Representative Carlson

Others attending:

See attached list.

The Chairman welcomed members to the 2007 Taxation Committee meeting. Committee members and staff introduced themselves. Representative Wilk's noted that there were many new representatives to the Legislature, as well as new members to the Tax Committee. He explained the responsibility and challenges that faced the Committee, reminding them that it is their responsibility to always consider the impact of additional or expanded taxes to the state and local units of government. Representative Wilk explained the process of public hearings, and exempt committee status.

The Chairman called for bill introductions.

Representative Siegfried made a motion to introduce a bill regarding a slider correction to the Business Machinery and Equipment Exemption. It was seconded by Representative Hayzlett. The motion carried.

Representative Siegfried made a motion to introduce a bill amending the constitution regarding property tax restrictions to restrict the growth of property tax, across the board, to the CPI urban. Representative Carlson seconded the motion. The motion carried.

Representative Siegfried made a motion to introduce a bill that would amend the constitution to cap property tax growth on primary residences for citizens that are 65 years of age or older. Representative Whitham seconded the motion. The motion carried.

Representative Siegfried made a motion to introduce a bill that would exempt Masonic lodges from property tax. Representative Hayzlett seconded the motion. The motion carried.

Representative Siegfried made a motion to introduce a bill regarding a 40% straight line reduction of unemployment tax. Representative Peck seconded the motion. The motion carried.

Representative Carlson made a motion to introduce a bill that would repeal the Kansas Franchise Tax, effective 2007. Representative Siegfried seconded the motion. The motion carried.

Chris Courtwright, Legislative Research Department, explained that during the interim session they studied nine topics: 1) Homestead Expansion Program; 2) Truth in Taxation Local Budget Law; 3) Residential Property Tax Valuation Cap; 4) City Development Excise Taxes; 5) State and Local Tax Policy; 6) Qualifications and Employment of State Board of Tax Appeals (SBOTA) Members; 7) Tax Incidence and Tax Base Erosion; 8) County Local Sales Tax; and 9) Motor Fuel Tax at Border. The following three topics were reviewed while the other six topics will be reviewed at a later time.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on January 9, 2007 in Room 519-S of the Capitol.

2006 Interim Topics

County Local Sales Tax

Martha Dorsey, Legislative Research Department, reviewed the history of county and city local sales tax authority and distribution in Kansas (Attachment 1). She reviewed the previous Committee activities related to county sales tax and said the Interim Committee decided to make no recommendations.

Qualifications and Employment of State Board of Tax Appeal (SBOTA) Members

Martha Dorsey, Legislative Research Department, reviewed the history of SBOTA membership and qualifications, as well as previous legislation (Attachment 2). She provided an overview on canons in the Code of Judicial Conduct and Committee activities. She reviewed the recommendations made by the Committee, which included; expansion of SBOTA from three to five members and that a letter be drafted requesting an Attorney General's opinion to clarify a number of issues.

Homestead Expansion

Chris Courtwright, Legislative Research Department, provided background on the history of the Homestead Program, including criteria for eligibility and the impact of 2006 expansion (Attachment 3). He reviewed the activities of the Committee during the fall interim session, as well as 3 Committee recommendations: 1) Introduction of legislation that would reduce "rent constituting property taxes paid" from 20 to 15 percent; 2) Introduction of legislation that would exclude from the program persons with assets in excess of \$250,000; 3) Introduction of legislation that would authorize KDOR to deny claims of taxpayers who are renters reporting income that is 150 percent or less of their annual gross rental amount, unless additional information is provided by the taxpayers.

The meeting was adjourned at 10:35 a.m. The next meeting is January 11, 2007.

TAXATION COMMITTEE

DATE: January 9, 2007

NAME	REPRESENTING
TONY A. SCOTT	KSCPA
GREG GRAFF	
Hal Scheuerman	
Randy Layzle H	
David R. Corbin	KDOR
ROBYN HORTON	AMCA
TOM PALACE	PMCA
Bernie Koch	Wichita Metro Chamber of Commerce
TERRY FORSYTH	KNEA
Erik SARTORIUS	City of Overland Park
Marlee Carpenter	KS Chamber
STAN FROWN-FESTED	KS Rep 31 st DIST
Michelle Peterson	Capitol Strategies
Martha Sue Smith	KMHA
Ron Steeber -	

Special Committee on Assessment and Taxation

COUNTY LOCAL SALES TAX

CONCLUSIONS AND RECOMMENDATIONS

The Committee makes no recommendation at this time.

Proposed Legislation: None.

BACKGROUND

County Tax Rates

In 1970, the Legislature granted local sales tax authority to cities and counties. Since that time, and prior to 1996, cities and counties maintained the same general level of taxing authority. Cities and counties were authorized to levy a tax up to a normal maximum of 2.0 percent, subject to several exceptions. Sales taxes of up to 1.0 percent were to be used for general purposes, but the additional special taxing authority (up to 1.0 percent) normally was required to be used only for the financing of "health care services." A city could impose a special tax earmarked for health care only if the county had no such tax. Moreover, any such special city tax expired immediately upon the imposition of a county health care sales tax. In addition to the special health care tax, some counties were authorized individually to impose a special sales tax for roads or jails or other county facilities or specific purposes such as economic development.

The change in 1996 was not a statutory one. During that year, the Kansas Court of Appeals ruled, in *Home Builders Association v. City of Overland Park*,¹ that the local retailers' sales tax (KSA 12-187 *et seq.*) was a nonuniform enactment. In so doing, the

¹ *Home Builders Association of Greater Kansas City, et al., v. City of Overland Park, Kansas*, 22 Kan. App. 2d 649, 921 P.2d 234.

Court rendered the Entire Local Sales Tax Act nonuniform for cities. Since cities' constitutional home rule authority allows them to opt out of statutory requirements that are not uniform,² several cities chose to impose additional sales taxes. Counties do not possess the same constitutional home rule authority; therefore, they remained subject to existing statutory requirements.

Because of the 1996 Court of Appeals ruling and the subsequent decisions of several cities to opt out of statutory sales tax limits, the 2006 Legislature passed SB 55. The 2006 bill was designed to restore uniformity to local sales tax provisions relating to cities by reducing the number of classes of cities to one. In response to the cities that had enacted sales tax provisions in excess of those allowed statutorily, city sales tax limitations also were increased and made applicable to all cities. All cities in the new, single class were granted authority to levy sales taxes of up to 2 percent for general purposes and up to 1 percent for special purposes (for a maximum rate of 3 percent).

² A constitutional amendment adopted in 1960 (Article 12, Section 5) explicitly granted the Legislature the power to uniformly limit or prohibit taxation by cities and to establish up to four classes of cities for that purpose. As indicated in the text, local sales taxes subsequently were not authorized by the Legislature until the early 1970s.

Any special purpose taxes levied would be required to sunset after 10 years.

During the SB 55 debate and discussion, the issue of county local sales taxes was raised. Ultimately, however, the county sales taxes were not addressed in the bill. The Special Committee on Assessment and Taxation has been charged to review the role local sales taxes play in financing county governments and make any recommendations deemed appropriate.

The following table provides summary information regarding sales tax rates for all purposes—including general as well as special or dedicated purposes, such as health care—among the 85 Kansas counties that impose a tax. Twenty counties do not impose a sales tax.

Total County Rate	Number of Counties
2.25	1*
2.00	6
1.75	1
1.50	3
1.40	1
1.25	5
1.15	3
1.10	1
1.0	54
.75	1
.50	7
.25	1
.15	1**

* Sherman County has the highest tax rate.

** Hodgeman County has the lowest rate. The county's tax is imposed countywide, but all revenues are dedicated to the Horsethief Reservoir project.

Tax Distribution

As part of its general charge to review county local sales taxes, the Special Committee on Assessment and Taxation has the option to consider the issue of tax distribution.

KSA 12-192 provides for the distribution of countywide retailers' sales tax. The statute generally requires counties to share countywide sales tax revenues with the cities located within their boundaries, if these revenues derive from a general countywide tax.

The regular distribution formula for general sales tax is proportional, based on population and actual tax dollars levied. Several exceptions to this formula exist within the same statute, including one that authorizes specific counties to retain all the revenues (and not share with cities) when the tax is a special one earmarked for the construction of county roads or jails or other county facilities or for specific programs or services. A countywide health care tax may be used for city health care facilities as well as county ones.

The issue of distribution can generate controversy. In 2006, the Legislature considered HB 2983, which would have allowed Johnson County to impose an additional one-half-cent special countywide tax for public infrastructure. As a special tax, all revenues would have stayed with the county. The proposed tax would have been permanent. The bill passed the House Committee on Taxation with technical amendments but was stricken from the House Calendar, thus receiving no further action. A separate public hearing on the matter in the Senate Assessment and Taxation Committee resulted in no resolution of continuing differences of opinion with respect to how an alternative distribution formula might be crafted.

COMMITTEE ACTIVITIES

At the September meeting, staff briefed the Committee on the history of county and city local sales tax authority and distribution in Kansas. Randall Allen, Executive Director of the Kansas Association of Counties, asked the Committee to consider recommending legislation to raise the total cap on countywide sales tax authority to a higher level, such as 3.0 percent for both general and special purposes. He further recommended this legislation address the allocation of revenue generated by any new countywide sales tax by requiring the board

of county commissioners to make this determination and notify voters of its decision in the authorizing resolution containing the ballot question.

At the November meeting, the Committee reviewed policy options.

CONCLUSIONS AND RECOMMENDATIONS

The Committee has no recommendations at this time.

Special Committee on Assessment and Taxation

STATE BOARD OF TAX APPEALS QUALIFICATIONS AND EMPLOYMENT

CONCLUSIONS AND RECOMMENDATIONS

The Committee recommends introduction of legislation expanding the Board to five members, from three as currently required, with certain qualifications. The Committee strongly emphasizes that each SBOTA member is currently required by law to devote full time to the duties of his or her office. Finally, because of questions regarding the existence of disciplinary proceedings for SBOTA members, the Committee requests that the Chairman, with the assistance of the First Assistant Revisor, draft a letter requesting an Attorney General Opinion to clarify a number of issues relating to conflicts of interest and the discipline related to such.

Proposed Legislation: The Committee proposes one bill.

BACKGROUND

Pursuant to the Legislative Coordinating Council, the Special Committee on Assessment and Taxation is charged with reviewing the existing statutory requirements regarding qualifications of State Board of Tax Appeals (SBOTA) members; and the appropriateness of allowing SBOTA members to retain other employment in areas that could create the potential for conflicts of interest.

History of SBOTA Membership and Qualifications

The Kansas State Board of Tax Appeals (SBOTA) was created in 1957. At that time, it was a three-member board. In 1969, the Board was expanded to five members. In 2003, HB 2005 reduced the Board's membership from five to three members.

The number of SBOTA members is but one aspect of the issue of handling tax appeals in Kansas. SBOTA and tax appeals issues have long been the subject of debate and study. The Legislature has examined the possibility of restructuring SBOTA at least twice in the past 12 years. At the center of this effort, structure, function, and membership qualifications have been

examined.

In 1995, the Special Committee on Assessment and Taxation rejected the idea of replacing the Board with a state tax court. This proposal was first broached in 1995 SB 40, which would have established the tax court as an independent agency within the executive branch. The court's functions would have been divided into three divisions, including a small claims division, a property tax appeals board (ptab), and the regular tax court division. A taxpayer's choice of venue among these divisions would affect the ability of the taxpayer to appeal a decision. Although SB 40 did not pass, the Legislature, in 1995 SB 19, tightened SBOTA membership qualifications and granted the Governor the authority to appoint the chairperson.

The Special Committee on Assessment and Taxation studied the subject again in 1997. The interim study was sandwiched between two sets of bills; sparked by two bills from 1997 and resulting in another bill in 1998.

The two 1997 bills would have changed SBOTA, its structure and its functions. SB 348 from that year would have abolished the Board and transferred all of its powers,

duties, functions, property, and personnel to a new Kansas Tax Review Commission. SB 161 from 1997 would have made a number of changes in the property valuation appeals process, including replacing locally-appointed hearing officers (authorized at the time) with SBOTA hearing officers and requiring certain appeals (including those involving multi-family residential and agricultural land) to go directly to the full SBOTA.

In response to the two 1997 bills, the Special Committee on Assessment and Taxation was charged with reviewing the Governor's proposal to abolish SBOTA and transfer its powers, duties, functions, property, and personnel to a new Kansas Tax Appeals Commission (TAC), which would include a small claims division. The Committee agreed to introduce the Governor's proposal "without recommendation."

The 1998 bill (HB 2602) died, but changes were legislated in HB 2684 to tighten SBOTA membership qualifications, make its members subject to the Code of Judicial Conduct, and make published decisions of Kansas appellate courts binding on the Board.

As mentioned previously, the 2003 Legislature reduced SBOTA membership from five to three members as part of a budget savings package. The Legislature also revised member qualifications to reflect current law.

Current Membership and Qualifications

KSA 74-2433 delineates membership qualifications and requirements for the board. The statute is outlined in matrix format in Attachment A.

As shown in that attachment, the Board now consists of three members, two of whom have specific, individual qualifications. One must be a lawyer

engaged in active Kansas practice, and one must be a certified public accountant engaged in active practice. The third member has no specific qualification requirements. All three members must, however, have legal, accounting or appraisal training or experience and must be "selected with special reference to training and experience for the duties imposed by the act." Additionally, all three are subject to the Supreme Court rules of judicial conduct applicable to all judges of the district court.

Outside Employment and Conflicts of Interest

KSA 74-2433 does not contain specific employment limitations. However, as mentioned previously, SBOTA members are subject to the Code of Judicial Conduct contained in the Supreme Court Rules.

The Code of Judicial Conduct contains a number of broad statements (canons), under which are specific requirements (rules). The Canons are as follows:

- Canon 1 directs judges to uphold the integrity and independence of the judiciary.
- Canon 2 requires a judge to avoid impropriety and the appearance of impropriety.
- Canon 3 directs a judge to perform the duties of judicial office impartially and diligently.
- Canon 4 requires a judge to conduct the judge's extra-judicial activities so as to minimize the risk of conflict with judicial obligations.
- Canon 5 requires a judge to refrain from inappropriate political activity.

COMMITTEE ACTIVITIES

At the October meeting, staff provided a background briefing on SBOTA membership and qualifications as well as laws addressing SBOTA members' outside employment. Rebecca Crotty, SBOTA chairperson, testified, the agency had recently eliminated its case backlog. She also stated the current three-member board was preferable to having five members, as State law had required from 1969 to 2003. Committee members questioned SBOTA officials regarding complaints of alleged conflicts of interest and lack of full-time service on the part of one SBOTA member, and whether increasing membership from three to five members would help the Board avoid potential conflicts of interest as well as maintain efficiency. The SBOTA chairperson stated that the SBOTA member in question had resigned his post. A draft scope statement for a Legislative Post Audit was distributed, as requested by the Chairperson and Vice-Chairperson of the Special Committee on Assessment and Taxation. The scope statement outlined a study to examine the facts related to the complaint allegations. The Secretary of Revenue also appeared to support SBOTA and its function. Others testified in favor of maintaining the requirement that one member be a certified public accountant.

At the November meeting, the Committee centered its concern and discussion largely around the issue of what could be construed as a conflict of interest with respect to SBOTA. Committee members discussed KSA 74-2434, which requires SBOTA members to "devote full time" to their duties. The Committee questioned whether mechanisms exist for dealing with violations of the law regarding items such as conflicts of interest in general, and specifically regarding outside employment that could be construed as a conflict of interest. Members questioned whether non-lawyer members of SBOTA could be disciplined under the Code of Judicial Conduct or under KSA Chapter 60,

Article 12, dealing with forfeiture of public office. They discussed the issue of whether any member would be required to divest himself or herself from currently held interests that may be construed to be, or appear to be, a conflict of interest *vis a vis* SBOTA duties. Finally, they questioned whether the Board of Accountancy has authority to discipline certified public accountant members for SBOTA-related violations.

CONCLUSIONS AND RECOMMENDATIONS

The Committee expresses concern, regarding the potential that violations of certain SBOTA requirements dealing with full-time employment and conflicts of interest may have existed, by issuing the following recommendations:

The Committee recommends introduction of legislation expanding the Board to five members, from three, as currently required. The legislation should be drafted to include requirements regarding Congressional district representation and other requirements that approximate the law as it existed when it previously required a five-member board. The Committee recommends this legislation begin in the Senate.

The Committee strongly emphasizes that each SBOTA member is currently required by law to devote full time to the duties of his or her office.

Because of questions regarding the existence of disciplinary proceedings for SBOTA members, the Committee requests that the Chairman, with the assistance of the First Assistant Revisor, draft a letter requesting an Attorney General Opinion to clarify the following:

- The mechanism(s) under which a SBOTA member may be disciplined for violations related to full-time employment and conflicts of interest.

These may include, but are not necessarily limited to, the following:

- Whether the Kansas Supreme Court Code of Judicial Conduct can be applied only to lawyer members.
- KSA Chapter 60, Article 12, dealing with forfeiture of public office.
- Laws governing SBOTA members who are also members of the State Board of Accountancy.
- Removal for cause by the Governor pursuant to KSA 74-2433.
- To the extent the requirements of the Code of Judicial Conduct may be enforced upon any particular member, whether the canons of the Code require a member to divest himself or herself from interests that relate to his or her SBOTA duties.

ATTACHMENT A

SBOTA Membership Qualifications and Requirements
KSA 74-2433

	Specific Qualifications	General Qualifications	General Requirements
Lawyer	<p>Regularly admitted to practice law in Kansas.</p> <p>Engaged for at least five years in active law practice as a lawyer or judge in any Kansas court.</p>	<p>Not more than two of the same political party.</p> <p>No more than one member appointed from any one Kansas Congressional district.</p> <p>Kansas resident.</p> <p>Selected with special reference to training and experience for the duties imposed by the act.</p> <p>Individuals with legal, accounting or appraisal training and experience.</p>	<p>Cannot exercise any SBOTA power, duty, or function until confirmed by the Senate.</p> <p>Subject to the Supreme Court rules of judicial conduct applicable to all judges of the district court.</p> <p>Board is bound by the doctrine of <i>stare decisis</i>* limited to published decisions of an appellate court other than a district court. (*To abide by, or adhere to, decided cases Source: Black's Law Dictionary)</p> <p>Terms of four years and until their successors are appointed and confirmed (expire on January 15 of the last year unless otherwise provided).</p> <p>Complete specified appraisal course requirements.</p>
Certified Public Accountant (CPA)	Engaged for at least five years in active practice as a CPA.	Same	Same
Third member	None	Same	Same

Special Committee on Assessment and Taxation

HOMESTEAD EXPANSION

CONCLUSIONS AND RECOMMENDATIONS

The Committee believes that further expansion of the Homestead Program is warranted. The Committee therefore recommends the introduction of legislation that would reduce "rent constituting property taxes paid" from 20 to 15 percent while simultaneously increasing the maximum refund amount for both home owners and renters from \$600 to \$700; and would facilitate electronic filing.

The Committee further finds that an asset test would be appropriate and recommends the introduction of legislation that would exclude from the Program persons with assets in excess of \$250,000.

The Committee applauds the ongoing administrative efforts of the Department of Revenue and recommends the introduction of legislation that would authorize the denial of claims by certain renters who have failed to adequately document their sources of income.

Proposed Legislation: The Committee recommends the introduction of three bills on this topic.

BACKGROUND

Kansas in 1970 enacted the Homestead Property Tax Refund Act, KSA 79-4501 et seq, which is best characterized as the "circuit-breaker" style of property tax relief program. A "circuit breaker" is a form of property tax relief in which the benefit is dependent on income or other criteria and the amount of property taxes paid. The moniker developed as analogy to the device that breaks an electrical circuit during an overload, just as the property tax relief benefit begins to accrue once a person's property taxes have become overloaded relative to his or her income.

The first property tax circuit breaker was enacted by Wisconsin in 1964. Kansas became the sixth state with such a program in 1970. According to the National Conference of State Legislatures (NCSL), 34 states currently have some form of circuit breaker program. Of these states, 27 (including Kansas) also allow renters to

participate in the programs (based on the assumption that landlords are passing increased property taxes along in the form of higher rent).

The current Kansas program requires participants to meet both an income and a demographic test. The former test requires that household income be not more than \$27,600; the latter requires that at least one person in the household be (1) age 55 or above; (2) a dependent under age 18; (3) blind; or (4) otherwise disabled. Renters are eligible based on the statutory assumption that 20 percent of their rent is equivalent to property taxes paid.

The program was recently expanded in 2006 HB 2583, a bill which also provided a property tax exemption for most new acquisitions of commercial and industrial machinery and equipment. An amendment approved by the Kansas House earlier in the 2006 session would have provided for an even larger expansion of the Homestead Act.

Several legislators requested an interim study following the conclusion of the 2006 session. The Legislative Coordinating Council subsequently approved the request for the Special Committee to review the need to further expand the Homestead Property Tax Refund Program. The Committee is charged with specifically recommending whether fixed-income seniors need additional property tax relief as a result of tax shifts brought about by faster annual residential valuation increases attributed to the more rapid economic growth expected as a result of the recently enacted machinery and equipment exemption. As part of the study, the Department of Revenue also has asked to present several administrative issues with respect to the program for the Committee to consider.

Impact of 2006 Expansion

The Kansas Department of Revenue reports that during calendar year 2005, it processed and paid 76,097 Homestead claims totaling \$17.119 million, or an average of about \$225 per refund. The 2006 amendments expanding the program are anticipated to increase its size by \$3.5 million, or about \$20.6 million per year.

The Department also indicates that the new law will have the following impact on the following three hypothetical taxpayers:

- (1) Elderly couple with \$23,000 in household income and \$1,100 property tax liability. This claimant will now be entitled to a refund of \$150 (\$72 under pre-2006 law).
- (2) Single mom with two young children and \$16,000 in household income and \$750 in property tax liability. This claimant will now be entitled to a refund of \$360 (\$240 under pre-2006 law).
- (3) Disabled renter with \$9,000 in household income and paying \$450 per month in rent. This claimant will now

be entitled to a refund of \$528 (\$408 under pre-2006 law).

The maximum refund available under any circumstances to a claimant is \$600, and the minimum refund is \$30.

COMMITTEE ACTIVITIES

At the September meeting, staff briefed the Committee on the background of the Homestead Property Tax Refund Act, which enacted in 1970. Staff also distributed materials on how property tax relief programs are structured in all 50 states.

Bruce Larkin, Department of Revenue, presented a number of statistics for the Homestead Program and reviewed a number of administrative issues of concern, including the extent to which certain large refunds are made available to renters. The Committee subsequently asked for various bill drafts and fiscal impact estimates to be prepared regarding the Department of Revenue's suggestions.

At the October meeting, Mr. Larkin returned with those fiscal impact estimates and bill drafts. One proposal, which is revenue-neutral, would reduce "rent constituting property taxes paid" for renters from 20 to 15 percent while simultaneously increasing the maximum refund amount available for both home owners and renters from \$600 to \$650. A second proposal would expand the size of the program by \$1.4 million by increasing the maximum refund amount for only home owners (but not renters) from \$600 to \$700. A third proposal would eliminate a requirement that a statement be provided from the county treasurer showing property taxes levied (unless so requested by the Department of Revenue) so as to facilitate the electronic filing of claims. A fourth proposal would provide an asset test such that persons who own or control assets in excess of \$250,000 would not be eligible for the program. A fifth proposal would authorize the

Department of Revenue to deny claims of taxpayers who are renters reporting income that is 150 percent or less of their annual gross rental amount when such income amounts have not been verified.

A conferee representing AARP said that the Homestead Program should be modified to restore and preserve the value of its refunds, since refund amounts had not been growing as fast as the property tax burden on senior citizens.

A conferee representing Kansas Action for Children also supported further expansion, provided that the additional benefits were also made available to households with children under age 18.

At the November meeting, the Committee reviewed its work at the previous two meetings and made final policy decisions.

CONCLUSIONS AND RECOMMENDATIONS

The Committee believes that further expansion of the Homestead Program is warranted. But the Committee expresses its concern that, based on data provided by the Department of Revenue, the statutory assumption that 20 percent of rent is equivalent to property taxes paid appears to be overstated. The Committee also wishes to help facilitate the electronic filing of claims.

The Committee, therefore, recommends the introduction of legislation that would

reduce “rent constituting property taxes paid” from 20 to 15 percent while simultaneously increasing the maximum refund amount for both home owners and renters from \$600 to \$700; and would facilitate electronic filing by eliminating, under most circumstances, a requirement that a statement be provided from county treasurer showing property taxes levied.

The Committee further finds that an asset test would be appropriate to assure that the Homestead Program is targeted to those Kansans otherwise lacking in the means to pay their property taxes.

The Committee, therefore, recommends the introduction of legislation that would exclude from the program persons with assets in excess of \$250,000. The Committee notes that the definition of “assets” will need to be debated by the 2007 Legislature, including the possibility of excluding from the asset test the equity in the taxpayer’s principal place of residence.

Finally, the Committee further applauds the efforts of the Department of Revenue to assure that Homestead refunds are paid to only those who are entitled and in only the appropriate amounts.

The Committee, therefore, recommends the introduction of legislation that would authorize the Department to deny claims of taxpayers who are renters reporting income that is 150 percent or less of their annual gross rental amount, unless additional information is provided by the taxpayers.