

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 8, 2007 in Room 519-S of the Capitol.

All members were present except:

Representative Davis - E

Committee staff present:

Chris Courtwright, Legislative Research Department

Martha Dorsey, Legislative Research Department

Gordon Self, Office of Revisor of Statutes

Richard Cram, Department of Revenue

Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Representative Pat George

Representative Bill Otto

Representative Ann Mah

Chad Austin - KS Hospital Association

Gary Reser, Kansas Veterinary Medical Association

Sheila Frahm - Kansas Association of Community College Trustees (written testimony only)

Richard Hoffman - Kansas Association of Technical Schools & Colleges

David G. Monical, Washburn University

Others attending:

See attached list.

The Chairman called for bill introductions.

Karl Peterjohn requested that a bill be introduced that would add property taxes to the provision requiring voter approval at the local level. Representative Wilk moved the introduction, seconded by Representative Carlson. The motion carried.

**HB 2139 - Income tax credit for taxpayer contributions to educational institutions for programs designed to train and educate licensed medical professionals.**

Chris Courtwright, Legislative Research Department, briefed the committee on **HB 2139**. The bill would create a refundable and transferable income tax credit for contributions to Kansas educational institutions. He explained credit terms in the bill and said it had a \$10 million fiscal note.

The Chairman opened the public hearing on **HB 2139**.

Representative Pat George testified that **HB 2139** provides income tax credits to individuals, or entities, that make contributions to higher education institutions. There is a critical shortage of nurses, technicians, therapists, and other health care professionals and this bill was designed to provide high education with some immediate help in this critical area (Attachment 1).

Chad Austin, KS Hospital Associations, said that the bill is a significant step establishing an adequate and qualified supply of health care professionals in Kansas. The success of the Kansas health care system depends on the availability of properly educated and trained professionals and he urged passage of **HB 2139** (Attachment 2).

Discussion followed regarding whether it would be wiser to provide scholarships to prospective health care professionals instead of giving money to institutions. There was a request to see if other states had similar tax credit programs. Mr. Austin agreed to check and report back to the Committee.

Representative Bill Otto, testified in support of **HB 2139**. He said the funding supply is inadequate to provide the necessary funds to institutions to build new facilities as well as assure retention of qualified teachers to meet the expanding need for medical professionals (No written testimony).

It was noted that written testimony had been received from Sheila Frahm, Kansas Association of

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on February 8, 2007 in Room 519-S of the Capitol.

Community College Trustees (Attachment 3).

Gary Reser, Kansas Veterinary Medical Association, testified from a neutral position. He suggested that if the bill goes forward, the Committee might consider adding veterinarians to the list of prospective recipients. It would specifically apply to Kansas State University and the College of Veterinarian medicine (No written testimony).

Seeing no other conferees the Chairman closed the public hearing on **HB 2139**.

**HB 2226 - An act concerning income taxation; relating to credit; education expenses**

Chris Courtwright, Legislative Research Department, said **HB 2226** would create a non-refundable income tax credit for qualified tuition and related expenses that are paid to a Kansas education institution. The credit would be 25.0 percent of the credit claimed against the taxpayer's federal income tax liability under Section 25A of the federal internal Revenue code. The unused portion of the credit could be carried forward until the total amount of the credit has been deducted. He explained the details on the HOPE and Lifelong Learning Credits. The fiscal effect to state revenues during subsequent years would be as follows: FY 2009 - \$8,000,000, FY 2010 - \$8,320,000, FY 2011 - \$8,653,000, and FY 2012 - \$9,000,000.

The Chairman opened the public hearing.

Representative Ann Mah testified that there was a similar bill in the Legislature last year, however, it did not pass. Therefore, it was decided to lower the percentage point from 25% to 10% of the federal education tax credit. She said the bill would return approximately \$6.5 million in the first year. Since the taxpayer must meet the federal guidelines, they will get the state credit without further complications or verification procedures, making it an easy credit to administer. She urged the Committee's favorable consideration (Attachment 4).

Richard Hoffman, Kansas Association of Technical Schools & Colleges, said the return on this investment to the state of Kansas will be significant. There is still the perception that Career and Technical Education (CTE) is for entry-level, dead-end jobs. That's just plain wrong: Engineering technology, business, and health care are consistently at the top of the list of associate's degrees earned by community technical education students. With 90% of technical graduates remaining in Kansas, there is not a better return on the dollar than what the state invests in technical training (Attachment 5).

It was noted that written testimony in favor of **HB 2226**, had been received and distributed from David G. Monical, Washburn University (Attachment 6).

With no other conferees, the Chairman closed the public hearing on **HB 2226**.

Chairman Wilk asked Richard Cram, KDOR, to the podium to explain how tax credits for education work. He said that as a policy matter, the Department of Revenue strongly discourages providing assignable or sellable tax credits. Although they can set up a tracking mechanism, it is very difficult and they believe it is an area very vulnerable to abuse. He explained the difference in terms used in the tax credits; details of several existing tax laws; and KDOR's current process of tax credits tracking and refunds. He added that refundable tax credits are the easiest to administer.

There was a request of Richard Cram, to provide the latest list of all current tax credits, with descriptions, dollar amounts if capped, and whether they are refundable or transferable. Mr. Cram said there are approximately 40 such tax credits on the books. A second request was made of staff to provide a list of tax credits, currently in circulation in all house and senate committees, with a brief description, and dollar amount for each.

The meeting was adjourned at 10:30 a.m. The next meeting is February 9, 2007.



**PAT GEORGE**

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TOPEKA

HOUSE OF  
REPRESENTATIVES

House Taxation Committee

Chairman Representative Kenny A. Wilk

Regarding

House Bill 2139

February 8, 2007

Mr. Chairman and Members of the Committee:

My name is Representative Pat George of the 119<sup>th</sup> District. I am here today to request your favorable consideration of **House Bill 2139**.

This bill provides income tax credits to individuals, or entities, that make contributions to higher education institutions. The contributions are to be used to further the course of study designed to educate health care professionals. We are all aware of the current critical shortage of nurses, technicians, therapists, and other health care professionals. My involvement in both the local hospital and community college has made me keenly aware of these shortages.

And to complete the circle, we have more of a shortage because of the lack of qualified health care instructors. We continue to lose qualified health care instructors because they are able to earn substantially more in the private sector. The private sector is paying higher salaries because of the shortage.

Acknowledging this crisis in the health fields, and being aware of the many demands on our budget, this bill was designed to provide higher education with some immediate help in this critical area. This bill will encourage individuals and entities to make contributions to the higher education school of their choice.

Mr. Chairman, it is my hope this committee will pass out HB 2139 favorably for passage.

**HS TAXATION COMMITTEE  
2-8-2007  
ATTACHMENT 1**



Thomas L. Bell  
President

February 8, 2007

To: House Taxation Committee

From: Chad Austin  
Vice President, Government Relations

Subject: House Bill 2139

The Kansas Hospital Association is grateful for the opportunity to provide testimony in support of House Bill 2139. The proposed legislation would provide a tax credit to Kansas taxpayers that contribute to a Kansas education institution to further a health care profession course of study.

In 2005, Kansas hospitals employed over 54,000 health care professionals. This number represents only a fraction of the total number of health care professionals that work in numerous other settings such as physician offices and nursing homes. Across Kansas and the nation, hospitals and other types of health care providers are beginning to feel the effects of an aging workforce and an increasing demand for health care services. Over the past 5 years, the vacancy rate for registered nurses in Kansas hospitals has fluctuated between 4.9 and 11.1 percent. As of January 2006, there were more than 500 nursing positions open in Kansas community hospitals. The overall vacancy rate for health care positions in Kansas hospitals was 6.8% in 2006. For these reasons, it is critical to begin taking the appropriate precautions to ensure that all Kansans have accessible and quality health care services.

House Bill 2139 is a significant step towards establishing an adequate and qualified supply of health care professionals in Kansas. The financial contributions obtained through the proposed legislation would allow for additional health professional scholarships, faculty development and expansion of health professional programs that would serve as a foundation for future growth and development.

The success of the Kansas health care system depends on the availability of properly educated and trained professionals. The Kansas Hospital Association and its members request your support for House Bill 2139. Thank you for your consideration of our comments.

**HS TAXATION COMMITTEE**  
**2-8-2007**  
**ATTACHMENT 2**

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**Kansas Hospital Association**

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**KANSAS ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES**

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**MEMO**

**House Tax Committee**  
**Representative Kenny Wilk, Chairman**  
February 8, 2007

Referencing: **HB 2139** and **HB 2226**

Mr. Chairman and Members of the Committee . . . . .

Thank you for scheduling hearings on HB 2139 and HB 2226.

Several Tax Credit bills have surfaced during the 2007 Legislative session. As each of the various options are reviewed, this written testimony is to note Kansas Community Colleges do have an interest in both HB 2139 and HB 2226 because they could provide potential benefits and incentives/support for students who attend our colleges and additionally provide direct assistance to the institutions themselves.

Rising tuition costs and the need for ongoing education and workforce training provide many challenges for today's students and the colleges and universities of Kansas. It is important to evaluate and consider as many options and support programs as possible.

As the Tax Credit discussions continue, we will be available to assist with further discussions and assist as needed.

Again, thank you for the opportunity to provide input for your hearing on HB 2139 and HB 2226.

Sheila Frahm  
Executive Director

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TOPEKA

**HOUSE OF  
 REPRESENTATIVES**

**COMMITTEE ASSIGNMENTS**  
 EDUCATION  
 FEDERAL AND STATE AFFAIRS  
 GOVERNMENT EFFICIENCY AND  
 TECHNOLOGY

Committee on Taxation  
 Chairman Wilk  
 Testimony – HB 2226

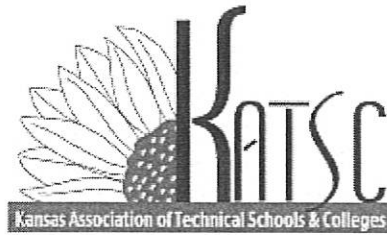
Mr. Chairman and Committee, thank you for hearing this bill. HB 2226 provides a tax credit for postsecondary education tuition in the amount of 10% of the federal education tax credit. While there are many tax bills this year recommending targeted tax reductions, I have seen few, if any, that return money to working families. HB 2226 helps families and individuals seeking the continuing education so critical in today's workforce.

Further, Kansas faces a shortage of degreed workers over the next five to ten years. We have been told that we will need to import thousands of workers or face losing the jobs. HB 2226 will encourage Kansans to obtain postsecondary education to meet the state's workforce needs and get the good jobs they want.

The bill would return approximately <sup>6.5</sup>~~7.2~~ million in the first year and about \$8.0 million in the second year. Federal education credits include the Hope Credit and the Lifetime Learning Credit. The Hope Credit is available for only two years of postsecondary education and provides up to \$1,500 credit per eligible student. The Lifetime Learning Credit is available for all the years of postsecondary education and may be up to \$2,000 per return. The two credits may not be taken during the same tax year for the same individual.

I proposed to trigger this tax credit from the federal return to allow for the most streamlined implementation and flow-through. If taxpayers meet the federal guidelines, they will get the state credit without further complications or verification procedures. This would be relatively easy for tax preparers to implement also. The credit is not refundable, but could be carried over to the next year.

I appreciate your consideration and hope that we can do this tax reduction for Kansas families.



**House Committee on Taxation  
February 8, 2007**

TESTIMONY IN SUPPORT OF H.B. 2226

Chairman Wilk and members of the committee, I appreciate the opportunity to present testimony in support of HB 2226. My name is Richard Hoffman, President of the Kansas Association of Technical Schools and Colleges (KATSC) and I speak to you today on behalf of all technical education institutions in Kansas to urge your consideration of this proposed tax credit for postsecondary technical education.

First, let me say thank you for your willingness to be open-minded to this request. It is not an easy task to have so many constituents with so many diverse interests and try to please everyone with a very limited amount of funds. I realize the issues before you are a starting point to begin discussion and to hear views from all affected parties.

The return on this investment to the state of Kansas will be significant. A tax credit that might cost the state \$300 could earn the state a phenomenal return. For example; the Commercial Driving Program offered at Kaw Area Technical School, (KATS), in Topeka, by Fort Scott Community College, (FSCC) increases the average wage of graduates by more than \$20,000. If the state receives, through income tax, sales tax and property tax, as little as 10% of this increase in income, that's \$2,000 earned on a \$300 investment in just the first year. Add in the increase in productivity to the companies that employ these graduates and the return on investment just keeps growing and growing.

*It used to be called "Voc – Ed". It was where we dumped the losers. Truth is, a four – year degree isn't for everyone, nor should it be. But there's still a perception that Career and Technical Education, (CTE) is for entry-level, dead – end jobs. That's just wrong: Engineering technology, business, and health care are consistently at the top of the list of associate's degrees earned by CTE students. And the money's good. A few years back, a worker with a bachelor's degree earned a median salary of \$686 per week, while the average worker with an associate's degree made \$639, only a \$50 difference.<sup>1</sup>*

In conclusion, let me leave you with this thought. According to a variety of statistics and research, the majority of jobs in the future will require advanced training past high school, but only 20% of the jobs will require a four-year degree. What will we do when the 40%+ of employees that represent the baby boomers retire? Where will this next generation of workers come from? With 90% of technical graduates remaining in Kansas, there is not a better return on the dollar than what the state invests in technical training. This concludes my testimony, I would be happy to stand for questions.

**HS TAXATION COMMITTEE  
2-8-2007  
ATTACHMENT 5**

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<sup>1</sup> Jacob Young, *Reader's Digest*, January 2005, Make Something Happen, p. 89





**Testimony to  
House Committee on Taxation  
by  
David G. Monical  
Executive Director of  
Governmental and University Relations  
February 8, 2007**

Mr. Chairman, Members of the Committee:

Washburn University supports the proposals embodied in **HB 2226**. We regret we are unable to appear in person and hope you will accept our written endorsement of this proposed legislation.

The "flat" world requires each of our citizens to achieve his or her educational goals. The goals can be met in a number of ways, at a variety of times, through a diverse array of programs and institutions. Good public policy must provide as many incentives as possible to insure each individual's educational experience is fully realized.

The tax credit approach embodied in **HB 2226** is just one of many incentives provided to individuals to pursue or sustain one's educational objectives. Targeted particularly at the middle class and working adults, the deductibility of a portion of these federal tax credits from Kansas income tax seems a small price to pay if it encourages individuals to initially enroll or to remain in school.

Although we will offer over \$50 million in student financial aid this year, everyone's financial circumstances differ. For some, these tax credits may offer an effective inducement to continue or complete a course of study, particularly if they do not qualify for other forms of aid.

In the interest of encouraging our citizens to attain the benefits afforded them individually, and all of us collectively, through post secondary education, we encourage your support of **HB 2226**.