

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:45 A.M. on January 17, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research Department

Martha Dorsey, Kansas Legislative Research Department

Gordon Self, Office of Revisor of Statutes

Jason Thompson, Office of Revisor of Statutes

Judy Swanson, Committee Assistant

Conferees appearing before the committee:

Bruce Larkin, Kansas Department of Revenue

Mike Taylor, United Government of Wyandotte County

Others attending:

See attached list.

**SB 26: Adjustments to the homestead property tax act related to refunds and filing requirements**

Bruce Larkin, Kansas Department of Revenue, said the bill would make two changes: 1) change the percentage of rent paid for renters attributable to property taxes from 20% to 15%, and 2) eliminate the requirement that a copy of the property tax statement be included with the return, which will allow for electronic filing of homestead returns. (Attachment 1) KDOR supports enhancing the program by increasing the maximum refund amount from \$600 to \$700.

Mike Taylor, Unified Government of Wyandotte County, testified in favor of SB 26. (Attachment 2) He said it is a positive, effective and cost-efficient way to assist those citizens who may struggle to pay their property tax bills.

**SB 27: Verification of income by certain claimants who are renters under the homestead property tax refund act**

Bruce Larkin, KDOR, testified this bill was requested by KDOR to address an issue of potential fraud. (Attachment 3) He said the change would allow KDOR to deny those returns where the income does not exceed the rent by 150%, subject to the claimant providing proof of other exempt income.

**SB 28: Providing asset test requirement for claimants of homestead property tax refunds**

Bruce Larkin, KDOR, said this bill would place an asset test of \$250,000 or less as a qualifier for a homestead refund. (Attachment 4) Mr. Larkin introduced Chad Sullivan and Lori McNery, KDOR, who assisted in answering Committee questions regarding filling out the application to qualify for the homestead exemption.

Mr. Larkin said he would explore KDOR's ability to look at real versus paper losses on income tax returns. The definition of "assets" as currently in the bill means gross assets, and this should probably be discussed further. Inserting home valuation amount as a qualifying factor for homestead exemption might be an alternative option for this bill. Senator Apple requested information to determine if valuation of primary residence, instead of net worth, could be inserted in the bill.

Hearing on SB 26, SB 27 and SB 28 was closed.

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:45 A.M. on January 17, 2007 in Room 519-S of the Capitol.

Mr. Larkin reviewed the the process of how taxpayers apply for the homestead exemption, and what they need to do to meet requirements. To be eligible, a person must make less than \$28,000 annually, be a Kansas resident for twelve months and meet one of the following three criteria:

- be over the age of 55 for an entire year
- be disabled
- have a child who is 18 years old or younger for a period of twelve months

Most agencies serving low income people request KDOR assistance in disseminating information on applying for homestead exemption to the people potentially qualifying for the exemption. Renters are more difficult to get information from than homeowners. In 2006, approximately \$13 million was attributed to homeowners and \$3 million to renters. The fiscal note is \$20 million now. Last year there were 82,000 claims for homestead exemption.

Senator Lee questioned internet vendor forms. She had a constituent who used a form off the internet, and the form was incorrect. Mr. Larkin said not all internet forms were KDOR approved.

Joan Wagnon, Secretary of KDOR, said she will bring back suggestions within two weeks on how **SB 28** could be improved.

Senator Bruce moved to approve the Minutes of the January 11 Committee meeting. Senator Schmidt seconded the motion, and the motion passed.

Being no further business the meeting adjourned at 11:20 a.m. Next Committee meeting will be January 18.





*Kathleen Sebelius, Governor*  
*Joan Wagnon, Secretary*

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Testimony on Senate Bill 26

to

Senate Committee on Assessment & Taxation

By Bruce Larkin, Kansas Department of Revenue

January 17, 2007

Chairperson Allen, members of the committee,

The Department of Revenue appreciates the opportunity to address the changes to the Homestead program included in Senate Bill 26. Two of the changes recommended by the Department to the interim committee are included in Senate bill 26. These include a change in the percentage for renters from 20% to 15%, and elimination of the mandatory requirement of supplying a copy of the property tax statement which will allow for electronic filing of homestead returns.

The Department presented information about the disparity between renters and home owners to the Special committee on Assessment & Taxation this past fall which showed that renters were receiving higher amounts of refunds than homeowners. The change from 20% to 15% will help eliminate that disparity. Included in the testimony is the information supplied to the interim committee with 103 examples of actual returns for renters of single family dwellings.

The second change in this bill is eliminating the mandatory requirement that a copy of the property tax statement be included with the return. This would allow for the department to facilitate electronic filing of homestead returns. That in turn would create time savings and greater efficiencies in the administration of the homestead program. The Department can always request a copy of the property tax statement if there are concerns about certain returns.

The department also supports the interim committee recommendation of enhancing the program by increasing the maximum refund amount from \$600 to \$700. We appreciate this opportunity to address these concerns and would stand for questions.

OWNER/RENTER COMPARISON OF THE SAME PROPERTY

	Household Income	Refund Percentage	Actual Property Tax	Homeowner	Rent Amount	Renter	County
1	\$3,756	88	\$115	\$101	\$3,600	\$528	Sedgwick
2	\$18,869	28	\$369	\$103	\$3,600	\$168	Shawnee
3	\$13,720	48	\$285	\$136	\$7,800	\$288	Shawnee
4	\$0	100	\$473	\$473	\$3,000	\$600	Sedgwick
5	\$0	100	\$404	\$404	\$3,600	\$538	Sedgwick
6	\$6,708	76	\$107	\$81	\$3,600	\$456	Sedgwick
7	\$0	100	\$322	\$322	\$3,600	\$535	Shawnee
8	\$1,296	100	\$1,184	\$600	\$4,800	\$600	Lyon
9	\$0	100	\$1,196	\$600	\$9,600	\$600	Finney
10	\$2,070	100	\$374	\$374	\$2,400	\$480	Jackson
11	\$5,880	80	\$221	\$177	\$4,200	\$450	Montgomery
12	\$6,348	76	\$387	\$294	\$2,400	\$365	Smith
13	\$8,120	68	\$466	\$317	\$3,000	\$408	Reno
14	\$9,650	64	\$448	\$287	\$6,900	\$384	Wyandotte
15	\$9,542	64	\$1,711	\$384	\$6,000	\$384	Jefferson
16	\$6,571	76	\$577	\$439	\$4,200	\$456	Shawnee
17	\$0	100	\$2,033	\$600	\$4,800	\$600	Shawnee
18	\$2,074	100	\$216	\$216	\$2,400	\$456	Sumner
19	\$9,263	64	\$186	\$119	\$4,800	\$384	Bourbon
20	\$9,985	64	\$581	\$372	\$3,300	\$383	Trego
21	\$9,110	64	\$755	\$384	\$3,600	\$384	Saline
22	\$8,827	68	\$205	\$139	\$4,200	\$408	Sedgwick
23	\$7,813	72	\$269	\$194	\$3,983	\$365	Sedgwick
24	\$4,996	84	\$771	\$504	\$2,250	\$378	Barton
25	\$0	100	\$675	\$600	\$4,900	\$600	Reno
26	\$2,861	100	\$875	\$600	\$3,000	\$600	Ellis
27	\$7,188	72	\$703	\$432	\$3,000	\$415	Marion
28	\$7,583	72	\$336	\$242	\$3,480	\$432	Phillips
29	\$5,820	80	\$1,037	\$480	\$4,200	\$480	Labette
30	\$3,499	88	\$1,143	\$528	\$3,600	\$528	McPherson
31	\$499	100	\$747	\$600	\$2,750	\$550	Osbourne
32	\$3,080	88	\$470	\$414	\$3,888	\$528	Wyandotte
33	\$6,851	76	\$180	\$137	\$3,000	\$456	Brown
34	\$6,835	76	\$261	\$198	\$3,600	\$456	Morris
35	\$8,299	68	\$664	\$408	\$3,178	\$408	Montgomery
36	\$6,262	76	\$175	\$133	\$3,900	\$456	Montgomery
37	\$9,098	64	\$1,295	\$384	\$6,000	\$384	Cowley
38	\$9,825	64	\$222	\$142	\$2,400	\$252	Dickinson
39	\$3,890	88	\$889	\$528	\$6,600	\$528	Franklin
40	\$0	100	\$959	\$600	\$4,686	\$600	Reno
41	\$0	100	\$336	\$336	\$3,300	\$600	Reno
42	\$7,094	72	\$178	\$128	\$3,300	\$391	Stanton
43	\$8,856	68	\$1,578	\$408	\$12,720	\$408	Johnson
44	\$56	100	\$528	\$528	\$4,320	\$600	Sedgwick

OWNER/RENTER COMPARISON OF THE SAME PROPERTY

	Household Income	Refund Percentage	Actual Property Tax	Homeowner	Rent Amount	Renter	County
45	\$0	100	\$264	\$264	\$3,000	\$552	Shawnee
46	\$7,188	72	\$1,172	\$432	\$3,000	\$432	Saline
47	\$8,042	68	\$770	\$408	\$3,600	\$408	Sherman
48	\$8,034	68	\$335	\$228	\$4,200	\$408	Montgomery
49	\$9,444	64	\$474	\$303	\$3,600	\$384	Jackson
50	\$3,973	88	\$436	\$384	\$4,524	\$528	Franklin
51	\$13,723	48	\$333	\$160	\$3,900	\$288	Marion
52	\$4,029	84	\$370	\$311	\$4,888	\$504	Linn
53	\$7,006	72	\$414	\$298	\$2,975	\$394	Thomas
54	\$5,597	80	\$635	\$508	\$3,900	\$480	Thomas
55	\$0	100	\$966	\$600	\$5,700	\$600	Saline
56	\$6,859	76	\$662	\$503	\$3,600	\$456	Neosho
57	\$7,916	72	\$660	\$475	\$3,720	\$432	Bourbon
58	\$7,188	72	\$327	\$235	\$4,500	\$432	Crawford
59	\$1,919	100	\$530	\$530	\$6,000	\$600	Crawford
60	\$7,800	72	\$485	\$349	\$2,707	\$392	Lyon
61	\$6,713	76	\$396	\$301	\$4,200	\$456	Lyon
62	\$9,714	64	\$800	\$512	\$5,700	\$384	Shawnee
63	\$7,241	72	\$467	\$408	\$5,700	\$432	Shawnee
64	\$9,568	64	\$248	\$159	\$4,800	\$384	Shawnee
65	\$956	100	\$190	\$190	\$3,600	\$600	Sedgwick
66	\$3,451	88	\$686	\$528	\$4,800	\$528	Sedgwick
67	\$0	100	\$333	\$333	\$4,800	\$600	Shawnee
68	\$7,395	72	\$505	\$364	\$2,520	\$363	Sedgwick
69	\$3,614	88	\$762	\$528	\$4,800	\$528	Sedgwick
70	\$5,076	80	\$441	\$353	\$6,000	\$480	Sedgwick
71	\$3,056	88	\$655	\$528	\$4,500	\$528	Wyandotte
72	\$9,534	64	\$1,107	\$384	\$5,220	\$384	Wyandotte
73	\$5,985	80	\$278	\$222	\$3,600	\$480	Butler
74	\$6,948	76	\$1,429	\$456	\$2,400	\$365	Labette
75	\$0	100	\$244	\$244	\$3,600	\$600	Labette
76	\$19,167	24	\$958	\$144	\$6,044	\$144	Franklin
77	\$8,178	68	\$99	\$67	\$4,800	\$408	Barton
78	\$3,316	88	\$1,183	\$528	\$3,600	\$528	Miami
79	\$14,641	44	\$335	\$147	\$3,300	\$264	Ellsworth
80	\$7,343	72	\$457	\$329	\$3,600	\$432	Marshall
81	\$5,697	80	\$452	\$362	\$3,600	\$361	Pratt
82	\$0	100	\$241	\$241	\$4,200	\$600	Lyon
83	\$9,911	64	\$333	\$213	\$4,200	\$384	Sherman
84	\$7,038	72	\$1,056	\$432	\$2,568	\$370	Saline
85	\$5,955	80	\$673	\$480	\$4,800	\$480	Grant
86	\$0	100	\$426	\$426	\$6,000	\$600	Riley
87	\$0	100	\$218	\$218	\$5,400	\$600	Sedgwick
88	\$9,900	64	\$1,034	\$384	\$3,600	\$384	Sedgwick
89	\$5,243	80	\$601	\$480	\$7,200	\$380	Sedgwick

OWNER/RENTER COMPARISON OF THE SAME PROPERTY

	Household Income	Refund Percentage	Actual Property Tax	Homeowner	Rent Amount	Renter	County
90	\$0	100	\$375	\$375	\$4,200	\$600	Sedgwick
91	\$7,843	72	\$1,062	\$432	\$8,400	\$432	Sedgwick
92	\$8,731	68	\$337	\$229	\$4,560	\$408	Shawnee
93	\$0	100	\$1,245	\$600	\$5,400	\$600	Shawnee
94	\$3,837	88	\$491	\$432	\$5,100	\$528	Harvey
95	\$6,554	76	\$534	\$406	\$3,850	\$456	Harvey
96	\$5,871	80	\$587	\$470	\$4,680	\$480	Harvey
97	\$0	100	\$98	\$98	\$3,000	\$552	Cherokee
98	\$1,912	100	\$358	\$358	\$4,200	\$600	Cherokee
99	\$0	100	\$132	\$132	\$2,400	\$480	Cherokee
100	\$6,516	76	\$745	\$456	\$3,300	\$456	Sumner
101	\$8,354	68	\$1,145	\$408	\$7,500	\$408	Douglas
102	\$0	100	\$419	\$419	\$4,600	\$600	Neosho
103	\$3,622	88	\$307	\$270	\$2,580	\$456	Coffey



# Testimony

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## Senate Bill 26 Homestead Property Tax Act

Delivered January 17, 2007  
Senate Assessment and Tax Committee

The Unified Government of Wyandotte County/Kansas City supports Senate Bill 26 which calls for an increase in the refund allowed under the Homestead Exemption Act.

Mayor Joe Reardon and the Unified Government Board of Commissioners have worked hard to lower the property tax burden on our citizens... from cutting mill levies and collecting more delinquent taxes, to growing other revenues by expanding the local economy.

The Unified Government tax rate (combined city/county mill levy) has been reduced 25% since voters approved consolidation 10 years ago. Still, the property tax can be difficult for some of our older, fixed-income citizens to deal with.

Senate Bill 26 is a positive, effective and cost-efficient way to assist those citizens who may struggle to pay their tax bills. This measure, combined with various efforts at the local level, can go a long way to making all of our communities more affordable for all of our citizens.

Assessment & Taxation  
Date 1-17-07  
Attachment # 2



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Testimony on Senate Bill 27  
to  
Senate Committee on Assessment & Taxation  
By Bruce Larkin, Kansas Department of Revenue

January 17, 2007

Chairperson Allen, members of the committee,

Senate Bill 27 was requested by the department to address an issue of potential fraud. This provision would allow the department to deny returns from renters if the income of the renter didn't exceed the rent paid by 150%.

This portion of the program is the most difficult to administer for the department. Many applicants know that the lower the income and the higher amount of rent the greater the refund will be. For instance an individual that claims rent paid of \$5000 and income of \$6000 dollars would be eligible for the maximum refund. However, we all know that no one can live on \$1000 per year. In this case there is income not reported or income that is exempt (ie. Social security disability, gifts, inheritance, or money from savings) that needs to be identified in order to qualify for a refund. This change will allow the department to deny those returns where the income doesn't exceed the rent by 150% subject to the claimant providing proof of other exempt income.



*Kathleen Sebelius, Governor  
Joan Wagnon, Secretary*

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Testimony on Senate Bill 28

To

Senate Committee on Assessment & Taxation

By Bruce Larkin, Kansas Department of Revenue

January 17, 2007

Chairperson Allen, members of the committee,

S.B. 28 appears to be the more controversial of the suggestions made by the department to the interim committee. This bill as introduced would place an asset test as a qualifier for a homestead refund of \$250,000. A concern was raised about the definition of "asset" that will be left up to the committee to determine.

The Homestead program has always been promoted as a way to relieve low income Kansans from the burden of property tax. Every one can envision the elderly widow on fixed income who struggles to keep up with escalating cost of living, and having to pay higher property taxes each year because valuations and or mill levies increase each year. This program is designed to help individuals who struggle to make ends meet. However, I want to make the committee aware of individuals who qualify for the homestead program because they have a loss for the year or income not subject to taxes and let the committee decide if they want to continue to provide assistance in these cases.

We recently had an appeal from an individual who was had foreign income not subject to either federal or state taxes. He showed no state income, so he filed for a homestead refund. The property valuation on his home was in excess of \$600,000. He was denied because his return was filed late. Another individual showed a business loss as a reason for his application for a homestead refund. His property valuation was in excess of \$800,000 and his taxes exceeded \$15,000 per year. He also was denied only because he filed past the deadline. These are just a couple of examples of returns that we receive. Many that have similar situations are accepted and paid because there are no current restrictions.

We understand the concerns raised by the interim committee and that perhaps the suggestion made by the department may not be the best way to address this problem. However, we do feel that it was not the legislature's intent to send refunds to many of these individuals that may qualify due to business loss etc. If the committee has an interest in pursuing this issue the department would be happy to assist in any way we can.

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Assessment & Taxation  
Date 1-17-07  
Attachment # 4