

Approved: _____ Date
4-21-07

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:45 A.M. on March 22, 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
Nancy Kirkwood, Committee Assistant

Conferees appearing before the committee:

Senator Dennis Wilson
Sue Peterson, Kansas State University

Others attending:

See attached list.

SB 383, Property tax exemption for certain housing for the elderly, persons with disabilities or persons with limited or low income owned by certain organizations, was discussed.

Sue Peterson proposed an amendment that was germane to **SB 383**. She asked the Committee to consider the proposed language amending 79-201a (Attachment 1).

Senator Dennis Wilson stated Johnson County has a specific piece of property with remediation issues, and ½ million dollars in back property taxes due, and the county needs legislative approval to relieve the taxes. (Attachment 2).

Patty Dengler, Inter-Faith Ministries, and Fred Bentley, Kansas Housing Resources Corporation (KHRC), distributed information the Committee had requested involving entities to which the tax exemption would apply. (Attachment 3) and (Attachment 4)

Chairman Allen said she did not believe **SB 383** was ready to work at this time.

Senator Derek Schmidt made a motion to remove the contents of **HB 2476**, replace contents with the language proposed by Ms. Peterson and Senator Dennis Wilson, and make it a substitute bill. Senator Pine seconded the motion and the motion carried.

Senator Schmidt made a motion to pass **Sub HB 2476** out of committee favorably for passage. The motion was seconded by Senator Pine. The motion carried.

There are no more Tax Committee meetings scheduled at this time.

Being no other business the meeting adjourned at 11:20 a.m.

Sue Peterson

Amendment Language

Amend K. S. A. 79-201a by adding the following exemption

Twenty-First. All real property from and after the date of its transfer by the City of Olathe, Kansas to the Kansas State University Foundation, all buildings and improvements thereafter erected and located on such property, and all tangible personal property, which is held, used or operated for educational and research purposes at the Kansas State University Olathe Innovation Campus located in the City of Olathe, Kansas.

Rationale:

1. The City of Olathe is giving 40 acres of city property to Kansas State University. Rather than the University actually accepting the property, the University's Foundation is accepting the property on behalf of the Institution. The 40 acre property will be used exclusively by the University for educational and research purposes.
2. We are requesting the amendment on the recommendation of the University's Legal Counsel and at the advice of the City of Olathe staff. Due to the nature of the use envisioned by the University as property, which is held, used or operated for educational and research purposes, the University and the University Foundation would not pay property taxes. The advice of legal counsel and staff was to seek the amendment as a specific exemption in 79-201a.
3. There is no fiscal note as the City currently owns the property they are giving to K-State.

Assessment & Taxation
Date 3-22-07
Attachment # 1

SENATOR
WILSON 7rs1359

By

AN ACT relating to property taxation; providing for the cancellation of certain uncollected taxes.

Be it enacted by the Legislature of the State of Kansas:

Section 1. Notwithstanding any provision of law to the contrary, for the purpose of facilitating the sale or transfer of the Kuhlman Diecasting property located at 16400 Mission Road, Johnson county, Kansas, the board of county commissioners of Johnson county, upon a majority vote, may cancel all or a part thereof, of any uncollected real estate taxes and penalties on such property. Such property is legally described as:

THAT PART OF THE EAST HALF OF THE SOUTHEAST QUARTER OF SECTION 16, TOWNSHIP 14, RANGE 25, IN JOHNSON COUNTY, KANSAS, DESCRIBED AS FOLLOWS: BEGINNING AT THE NORTHEAST CORNER OF SAID SOUTHEAST QUARTER; THENCE WEST ALONG THE NORTH LINE OF SAID SOUTHEAST QUARTER TO THE NORTHWEST CORNER OF THE EAST HALF OF SAID SOUTHEAST QUARTER; THENCE SOUTH ON THE LINE RUNNING NORTH AND SOUTH THROUGH THE CENTER OF SAID QUARTER SECTION 441 FEET, CROSSING THE BIG BLUE RIVER, TO A POINT 6 FEET SOUTH OF THE SOUTH BANK OF SAID RIVER; THENCE SOUTHERLY AND FOLLOWING THE SOUTHERLY AND WESTERLY BANK OF SAID RIVER AND 6 FEET DISTANT THEREFROM TO THE CENTER OF WHAT IS KNOWN AS CAMP BRANCH; THENCE DOWN THE CENTER OF SAID BRANCH TO THE CENTER OF SAID BIG BLUE RIVER; THENCE FOLLOWING DOWN THE CENTER OF SAID RIVER TO THE EAST LINE OF SAID SECTION 16; THENCE NORTH ALONG THE EAST LINE OF SAID SECTION TO THE PLACE OF BEGINNING; BUT EXCEPTING THEREFROM THE RIGHT OF WAY OF THE MISSOURI PACIFIC RAILROAD; AND ALSO EXCEPTING THEREFROM ALL THAT PART OF THE NORTH 154 FEET OF SAID SOUTHEAST QUARTER WHICH LIES EAST OF SAID MISSOURI PACIFIC RAILROAD RIGHT OF WAY.

Sec. 2. This act shall take effect and be in force from and after its publication in the statute book.

BROWN, DENGLER, GOOD & RIDER, L.C.
ATTORNEYS AT LAWFARMERS AND HANKERS BUILDING
200 EAST FIRST, SUITE 200
WICHITA, KANSAS 67202
TELEPHONE (316)265-7600
FACSIMILE (316)265-0046
RODNEY HILL, TELEPHONE (316)776-0155CALVIN D. RIDER
PAUL F. GOOD
PATRICIA M. DENGLER
ROBERT C. BROWNOF COUNSEL
ANN T. RIDER

March 21, 2007

VIA FACSIMILE

Senator Barbara Allen
Room 122E
300 SW 10th Ave.
Topeka, KS 66612-1504**RE: S.B. 383** Revised language

Dear Senator Allen:

We believe the attached revision of our previous proposal on S.B. 383 addresses the concerns voiced by the committee members at the hearing held on March 20, 2007. By mentioning the standards in applicable state or federal housing programs, these properties will be used only for the elderly, persons with disabilities or persons with limited or low income. The life care housing developments mentioned by Senator Lee would not qualify for funding or financing under these state and federal housing programs. In addition, the language in the final paragraph of subsection(a) reaffirms the use of the property that will be consistent with exemption policy.

We emailed this language to Gordon Self, Office of the Revisor of Statutes, and Fred Bentley, Kansas Housing Corporation.

If you have any further questions or need additional language, please call me. Thank you for your consideration of this language and S.B. 383.

Very truly yours,

BROWN, DENGLER, GOOD & RIDER, L.C.


Patricia M. Dengler

PMD:ch

Enclosures

cc: Rev. Samuel Muyskens via email
Robin Martinez via email
Chris Wilson via emailAssessment & Taxation
Date 3-22-07
Attachment # 3

S.B. 383

An Act concerning property taxation; relating to exemptions; amending K.S.A. 2006 Supp. 79-201z and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 2006 Supp. 79-201z is hereby amended to read as follows:

79-201z. The following described property, to the extent herein specified, shall be and is exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

a) All real property and tangible personal property actually and primarily used for housing for the elderly, persons with disabilities or persons with limited or low income, which is owned solely and operated by:

1) A limited partnership or a limited liability company formed for the purpose of development of low income housing to utilize income tax credits under section 42 of the internal revenue code of 1986, as amended, and comprised of a general partner or a managing member that is organized not-for-profit under the laws of the state of Kansas or organized not-for-profit under the laws of another state and duly admitted to engage in business in Kansas as a foreign, not-for-profit organization;

2) an organization recognized as a community housing development organization by the Kansas housing resource corporation and organized not-for-profit under the laws of the state of Kansas or by a corporation organized not-for-profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation; or

3) a corporation or limited liability company organized not-for-profit under the laws of the state of Kansas or organized not-for-profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation or limited liability company that is exempt from federal income taxation as recognized by the internal revenue service.

For purposes of this subsection, such property shall meet housing quality standards as defined by the United States department of housing and urban development and *shall be operated in accord with the standards mandated by the applicable state or federal housing programs pursuant to which such property is financed.* ~~and shall be low cost housing at or below fair market rent.~~

b) The provisions of subsection (a) shall apply to all taxable years commencing after December 31, ~~2004~~ 2005.

KANSAS  **HOUSING**
RESOURCES CORPORATION

Date: March 22, 2007

To: Assessment and Taxation Committee, Kansas Senate - Judy Swanson, Sec.

RE: S.B. 383

Dear Committee Members,

This letter is in response to your request for information regarding S.B. 383, a measure concerning property taxation; relating to exemptions; amending K.S.A 2006 Supp. 79-201z. While Kansas Housing Resources Corporation (KHRC) is not the author of the proposed legislation, we are supportive of the general concept to loosen current restrictions allowing a community housing development organization (CHDO) to partner with another entity to benefit from the property tax exemptions.

As originally written, S.B. 383 gave tax exemptions to CHDOs registered with the State of Kansas that develop affordable housing for the elderly, persons with disabilities or persons with limited or low income. However, this exemption would not apply should the CHDO own a property in partnership with another entity.

In our interpretation, the revised legislation expands exemptions to any Corporation, Limited Partnership, Limited Liability Company that utilizes tax credits in the development of low-income housing. The proposed amendments would allow any non-profit registered in Kansas to take advantage of this legislation, so long as they were operating under the standards mandated by the state or federal funding programs. Non-profits that have an "Identity-of-Interest" with a for-profit entity could also benefit under the proposed measure.

If the committee's objective is to tighten the proposed legislation in S.B. 383 so that only non-profits with a proven record of community service would benefit from the tax exemptions, amendment language could include that non-profits must be:

- 1) a CHDO registered with the State of Kansas, or
- 2) a non-profit with 501c3 or 501c4 status
 - o *In this instance, federal code would apply and would help to prevent formation of non-profits solely to obtain tax exemptions.*

In summary, the revised S.B. 383 legislation helps to loosen current restrictions on CHDOs involved in developing low-income housing developments, but the standards for regulating property tax exemptions may need further definition. Fred Bentley, Rental Housing Director for KHRC, is available for further discussion.

*Currently there are 28 certified CHDOs that develop low-income housing properties in Kansas.