

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 26, 2008 in Room 519-S of the Capitol.

All members were present except: Representative Davis

Committee staff present:

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

Conferees appearing before the committee:

Aubrey Abbott Patterson  
Denise Unruh, President, South-central Community Foundation; Tom Fryer, Board President, Manhattan Community Foundation; and Ann Gallagher, Senior Research Associate, Center for Economic Development and Business Research at Wichita State University.

Others attending:

See attached list.

**HB 2500 - Property tax exemption for certain housing for certain low income mothers.**

Gordon Self, Office of the Revisor of Statures, explained that the original **HB 2500** would add a property tax exemption for all real property and tangible personal property actually and regularly used exclusively for housing for limited or low income, single-parent mothers in need of financial assistance. The original bill has been amended and the language on page 4, lines 31-39, has been struck. The Department of Revenue estimates that the loss of revenue from the passage of **HB 2500** would be insignificant.

Gordon Self distributed a balloon amendment on **HB 2500** (Attachment 1). He explained the history of the BOTA decision that denied the exemption for the temporary housing for limited or low income single-parent families in need of financial assistance, which is operated by a charitable or religious organization. He explained the need to separate *housing for the elderly and handicapped persons* from the *temporary housing for limited or low income single-parent families*. To do so the following changes were made:

- Page 3, line 7, *housing* is struck, and *:(a) Housing* is inserted
- Page 3, line 14, after corporation the following language should be inserted *:and (b) temporary housing for limited or low income single-parent families in need of financial assistance*
- Gordon said they need to weave an effective date into the language, and Chairman Wilk suggested they use 2007, the date in the original bill.

Gordon Self answered committee questions regarding: number of other organizations that may fall in this category; need of additional language in the bill and definition of "temporary," that is not defined in the bill.

Representative Siegfried made a motion to amend the balloon amendment, listed on page 3, of **HB 2500** into **SB 444**, as well as change the effective date to 2007. Representative Carlson seconded. The motion passed.

Representative Worley made a motion that *24 months or less* be inserted following "temporary housing", on page 3, line 15. Representative Treaster seconded. The motion carried.

Representative Brown made the motion to reinsert "*who are enrolled in a program to receive life training skills*", after the word assistance, on second balloon on page 3. Representative Kinzer seconded the motion. The motion carried.

Representative Siegfried made the motion to move **SB 444**, as amended, favorable for passage.

## CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 26, 2008 in Room 519-S of the Capitol.

Representative Brown seconded the motion. The motion carried.

The Chairman advised the Committee that he first heard about this subject - **Transfer of Wealth**, during a meeting of an advisory group last summer, and said that it was quite fascinating and a issue that they should all pay attention to in the years to come. He introduced Aubrey Abbott Patterson, President, Hutchinson Community Foundation, who thanked the Chairman for the opportunity to present information on the subject.

She introduced members of the Kansas Association of Community Foundations, who participated in the power point presentation: Denise Unruh, President, South-Central Community Foundation; Tom Fryer, Board President, Manhattan Community Foundation; and Ann Gallagher, Senior Research Associate, Center for Economic Development and Business Research at Wichita State University.

Ms. Patterson said there are sixty Community Associations in Kansas and it was their hope that the information presented today will make excellent rationale for a new tax credit for Community Foundations in Kansas. She presented a Power Point presentation (Attachment 2) that explained what *Transfer of Wealth* is and why Legislators should care about it. Keys points of the presentation included:

- The largest mass of wealth in history will transfer in the next 50 years.
- \$41 trillion is the conservative estimate of the wealth transfer in the U.S.
- Urgency of capturing a portion of this transfer to benefit Kansas

Ms. Gallagher explained the Transfer of Wealth Estimation Process that was conducted by the Center for Economic Development and Business Research, Wichita State University. They used the Boston college model of *Wealth Analysis*, to determine an estimated \$545 billion in net worth across the state as of 2004, which was then allocated to all 105 counties as a starting point. Those figures were adjusted, according to things they know affect the new worth of a family. They used data, such as: population, variables, demographic measures, property valuation and developed another six measures that provided a balanced picture of the wealth holdings of each county. The county-by-county report is due April 30, and they agreed to provide copies to the Legislature.

Ms. Patterson explained in the next 50-year (2060), \$598 Billion will change hands through the Transfer of Wealth in Kansas. In the next 12-years, (2020), \$66 Billion will change hands. They have determined that the peak for transfers in Kansas is 12 years, so that means the planning for those estates is being or has been made. Therefore the urgency to start this new *EndowKansas*, through education and conversations regarding how to secure the future of Kansas. Their objective is to capture 5% of the \$3.3 billion transfer of wealth across the state for the endowment funds. The principal would not be touched, so it will continue to grow, paying out 5% to the local communities on an annual basis. That payout would result in \$165 million annually for community foundations.

Denise Unruh said the Kansas endowment proposal before them is an effective model in developing an estate endowment campaign. They project the results will be dramatic and described positive results from utilizing endowment funds in Michigan, Iowa, Montana, and Nebraska. *EndowKansas* is a proposal in which the Legislature would provide an incentive, through a 70% tax credit to a donor, who has chosen to participate in a charitable gift annuity, one of many trusts, or one of the irrevocable many estate planning tools that is charitable. It would include a \$100,000 cap per year, per donor for the tax credit, which may be taken over a five year period. They believe there is a great opportunity, that has been successful in other states, and she concluded by asking them to consider the difference they can make for Kansans.

A period of questions and answers followed. Chairman Wilk requested that in addition to the county-by-county report, a map be included listing the names and locations of the sixty Community Foundations. Additional requests: List of qualifications for Community Foundations and which foundations would and would not qualify and Data on whether tax credits are refundable in the other states program.

The Chairman thanked Ms. Patterson and her colleagues for the presentation. The meeting adjourned at 10:25 A.M. No further meetings were scheduled.

# HOUSE TAXATION COMMITTEE

DATE: March 26, 2008

NAME	REPRESENTING
Michelle Peterson	Capitol Strategies
Lynn Hellebust	
Isaac Ferguson	Kansas Chamber of Commerce
Sandy Braden	GBBA
Jim Mang	Spirit AeroSystems

**HOUSE BILL No. 2500**

By Committee on Taxation

2-12

Proposed Amendments to  
House Bill No. 2500  
(To be amended into Senate Bill No. 444)

9 AN ACT concerning property taxation; relating to exemptions; certain  
10 housing; amending K.S.A. 2006 Supp. 79-201b and repealing the ex-  
11 isting section.  
12

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

14 Section 1. K.S.A. 2006 Supp. 79-201b is hereby amended to read as  
15 follows: 79-201b. The following described property, to the extent herein  
16 specified, shall be and is hereby exempt from all property or ad valorem  
17 taxes levied under the laws of the state of Kansas:

18 *First.* All real property, and tangible personal property, actually and  
19 regularly used exclusively for hospital purposes by a hospital as the same  
20 is defined by K.S.A. 65-425, and amendments thereto, or a psychiatric  
21 hospital as the same was defined by K.S.A. 59-2902, and amendments  
22 thereto, as in effect on January 1, 1976, which hospital or psychiatric  
23 hospital is operated by a corporation organized not for profit under the  
24 laws of the state of Kansas or by a corporation organized not for profit  
25 under the laws of another state and duly admitted to engage in business  
26 in this state as a foreign, not-for-profit corporation, or a public hospital  
27 authority; and all intangible property including moneys, notes and other  
28 evidences of debt, and the income therefrom, belonging exclusively to  
29 such a corporation and used exclusively for hospital, psychiatric hospital  
30 or public hospital authority purposes. This exemption shall not be deemed  
31 inapplicable to property which would otherwise be exempt pursuant to  
32 this paragraph because any such hospital, psychiatric hospital or public  
33 hospital authority: (a) Uses such property for a nonexempt purpose which  
34 is minimal in scope and insubstantial in nature if such use is incidental to  
35 the exempt purpose enumerated in this paragraph; or (b) is reimbursed  
36 for the actual expense of using such property for the exempt purposes  
37 enumerated in this paragraph or paragraph second of K.S.A. 79-201, and  
38 amendments thereto; or (c) permits the use of such property for the  
39 exempt purposes enumerated in this paragraph or paragraph second of  
40 K.S.A. 79-201, and amendments thereto, by more than one agency or  
41 organization for one or more of such purposes.

42 *Second.* All real property, and tangible personal property, actually and  
43 regularly used exclusively for adult care home purposes by an adult care

1 home as the same is defined by K.S.A. 39-923, and amendments thereto,  
2 which is operated by a corporation organized not for profit under the laws  
3 of the state of Kansas or by a corporation organized not for profit under  
4 the laws of another state and duly admitted to engage in business in this  
5 state as a foreign, not-for-profit corporation, charges to residents for serv-  
6 ices of which produce an amount which in the aggregate is less than the  
7 actual cost of operation of the home or the services of which are provided  
8 to residents at the lowest feasible cost, taking into consideration such  
9 items as reasonable depreciation, interest on indebtedness, acquisition  
10 costs, interest and other expenses of financing acquisition costs, lease  
11 expenses and costs of services provided by a parent corporation at its costs  
12 and contributions to which are deductible under the Kansas income tax  
13 act; and all intangible property including moneys, notes and other evi-  
14 dences of debt, and the income therefrom, belonging exclusively to such  
15 corporation and used exclusively for adult care home purposes. For pur-  
16 poses of this paragraph and for all taxable years commencing after De-  
17 cember 31, 1976, an adult care home which uses its property in a manner  
18 which is consistent with the federal internal revenue service ruling 72-  
19 124 issued pursuant to section 501(c)(3) of the federal internal revenue  
20 code, shall be deemed to be operating at the lowest feasible cost. The  
21 fact that real property or real or tangible personal property may be leased  
22 from a not-for-profit corporation, which is exempt from federal income  
23 taxation pursuant to section 501(c)(3) of the internal revenue code of  
24 1986, and amendments thereto, and which is the parent corporation to  
25 the not-for-profit operator of an adult care home, shall not be grounds to  
26 deny exemption or deny that such property is actually and regularly used  
27 exclusively for adult care home purposes by an adult care home, nor shall  
28 the terms of any such lease be grounds for any such denial. For all taxable  
29 years commencing after December 31, 1995, such property shall be  
30 deemed to be used exclusively for adult care home purposes when used  
31 as a not-for-profit day care center for children which is licensed pursuant  
32 to K.S.A. 65-501 et seq., and amendments thereto.

33 *Third.* All real property, and tangible personal property, actually and  
34 regularly used exclusively for private children's home purposes by a pri-  
35 vate children's home as the same is defined by K.S.A. 75-3329, and  
36 amendments thereto, which is operated by a corporation organized not  
37 for profit under the laws of the state of Kansas or by a corporation or-  
38 ganized not for profit under the laws of another state and duly admitted  
39 to engage in business in this state as a foreign, not-for-profit corporation,  
40 charges to residents for services of which produce an amount which in  
41 the aggregate is less than the actual cost of operation of the home or the  
42 services of which are provided to residents at the lowest feasible cost,  
43 taking into consideration such items as reasonable depreciation and in-

1-2

1 terest on indebtedness, and contributions to which are deductible under  
2 the Kansas income tax act; and all intangible property including moneys,  
3 notes and other evidences of debt, and the income therefrom, belonging  
4 exclusively to such a corporation and used exclusively for children's home  
5 purposes.

6 *Fourth.* All real property and tangible personal property, actually and  
7 regularly used exclusively for housing for elderly and handicapped per-  
8 sons having a limited or lower income, or used exclusively for cooperative  
9 housing for persons having a limited or low income, assistance for the  
10 financing of which was received under 12 U.S.C.A. 1701 et seq., or under  
11 42 U.S.C.A. 1437 et seq., which is operated by a corporation organized  
12 not for profit under the laws of the state of Kansas or by a corporation  
13 organized not for profit under the laws of another state and duly admitted  
14 to engage in business in this state as a foreign, not-for-profit corporation,  
15 and all intangible property including moneys, notes and other evidences  
16 of debt, and the income therefrom, belonging exclusively to such a cor-  
17 poration and used exclusively for the purposes of such housing. For the  
18 purposes of this subsection, cooperative housing means those not-for-  
19 profit cooperative housing projects operating or established pursuant to  
20 sections 236 or 221(d)(3), or both, of the national housing act and which  
21 have been approved as a cooperative housing project pursuant to appli-  
22 cable federal housing administration and U.S. Department of Housing  
23 and Urban Development statutes, and rules and regulations, during such  
24 time as the use of such properties are: (1) Restricted pursuant to such  
25 act, or rules and regulations thereof; or (2) subject to affordability fi-  
26 nancing standards established pursuant to the national housing act during  
27 such time that such not-for-profit corporation has adopted articles of in-  
28 corporation or by-laws, or both, requiring such corporation to continue  
29 to operate in compliance with the United States department of housing  
30 and urban development affordability income guidelines established pur-  
31 suant to sections 236 or 221(d)(3) of the national housing act or rules and  
32 regulations thereof.

(a) Housing

and (b) temporary housing for limited or low income single-  
parent families in need of financial assistance, which is  
operated by a charitable or religious organization

33 *Fifth.* All real property and tangible personal property, actually and  
34 regularly used exclusively for housing for elderly persons, which is oper-  
35 ated by a corporation organized not for profit under the laws of the state  
36 of Kansas or by a corporation organized not for profit under the laws of  
37 another state and duly admitted to engage in business in this state as a  
38 foreign, not-for-profit corporation, in which charges to residents produce  
39 an amount which in the aggregate is less than the actual cost of operation  
40 of the housing facility or the services of which are provided to residents  
41 at the lowest feasible cost, taking into consideration such items as rea-  
42 sonable depreciation and interest on indebtedness and contributions to  
43 which are deductible under the Kansas income tax act; and all intangible

1 property including moneys, notes and other evidences of debt, and the  
2 income therefrom, belonging exclusively to such corporation and used  
3 exclusively for the purpose of such housing. For purposes of this para-  
4 graph and for all taxable years commencing after December 31, 1976, an  
5 adult care home which uses its property in a manner which is consistent  
6 with the federal internal revenue service ruling 72-124 issued pursuant  
7 to section 501(c)(3) of the federal internal revenue code, shall be deemed  
8 to be operating at the lowest feasible cost. For all taxable years com-  
9 mencing after December 31, 1995, such property shall be deemed to be  
10 used exclusively for housing for elderly persons purposes when used as a  
11 not-for-profit day care center for children which is licensed pursuant to  
12 K.S.A. 65-501 et seq., and amendments thereto.

13 *Sixth.* All real property and tangible personal property actually and  
14 regularly used exclusively for the purpose of group housing of mentally  
15 ill or retarded and other handicapped persons which is operated by a  
16 corporation organized not for profit under the laws of the state of Kansas  
17 or by a corporation organized not for profit under the laws of another  
18 state and duly admitted to engage in business in this state as a foreign,  
19 not-for-profit corporation, in which charges to residents produce an  
20 amount which in the aggregate is less than the actual cost of operation of  
21 the housing facility or the services of which are provided to residents at  
22 the lowest feasible cost, taking into consideration such items as reasonable  
23 depreciation and interest on indebtedness and contributions to which are  
24 deductible under the Kansas income tax act, and which is licensed as a  
25 facility for the housing of mentally ill or retarded and other handicapped  
26 persons under the provisions of K.S.A. 75-3307b, and amendments  
27 thereto, or as a rooming or boarding house used as a facility for the  
28 housing of mentally retarded and other handicapped persons which is  
29 licensed as a lodging establishment under the provisions of K.S.A. 36-501  
30 et seq., and amendments thereto.

31 ~~*Seventh. For all taxable years commencing after December 31, 2006,*~~  
32 ~~*all real property and tangible personal property, actually and regularly*~~  
33 ~~*used exclusively for housing for limited or low income, single parent fam-*~~  
34 ~~*ily mothers in need of financial assistance who are enrolled in a program*~~  
35 ~~*to receive life training skills, which is operated by a charitable or religious*~~  
36 ~~*organization, and all intangible property including moneys, notes and*~~  
37 ~~*other evidences of debt, and the income derived therefrom, belonging*~~  
38 ~~*exclusively to such organization and used exclusively for the purposes of*~~  
39 ~~*such housing.*~~

40 The provisions of this section, except as otherwise specifically provided,  
41 shall apply to all taxable years commencing after December 31, 1998.

42 Sec. 2. K.S.A. 2006 Supp. 79-201b is hereby repealed.

1 Sec. 3. This act shall take effect and be in force from and after its  
2 publication in the statute book.



## Kansas Transfer of Wealth



Presentation to  
Kansas State  
Legislators

March 2008

---

---

---

---

---

---

---

---

## Transfer of Wealth



- Largest mass of wealth in history will transfer in the next 50 years
- \$41 trillion is the conservative estimate of the wealth transfer in the U.S.
- Urgency of capturing a portion of this transfer to benefit Kansas

---

---

---

---

---

---

---

---

## Kansas Transfer of Wealth



### Transfer of Wealth Estimation Process

- Conducted by the Center for Economic Development and Business Research, Wichita State University
- Estimated \$545 billion in net worth for the state as of 2004
- Allocated total wealth to all 105 counties
- Review process conducted by Kansas-based technical team and user advisory team

---

---

---

---


---

---

---

---

### The opportunity in Kansas



50-year TOW\* Estimate (2060)  
\$ 598 Billion

12-year TOW Estimate (2020)  
\$66 Billion

\*Transfer of Wealth; TOW amounts reflect estate amounts most likely to be readily transferred at estate creation.

---

---

---

---


---

---

---

---

### The opportunity in Kansas



At 5% capture rate by communities  
\$ 3.3 billion across the state

At 5% annual payout rate  
\$165 million annually

---

---

---

---

---

---

---

---

### The opportunity in Kansas

Typical Examples of Kansas Transfer of Wealth

	2008 to 2020 TOW*	5% of TOW to 2020	Annual 5% Return
Rural	\$77 million	\$3.8 million	\$192 thousand
Small Trade Center	\$145 million	\$7.2 million	\$363 thousand
Large Trade Center	\$552 million	\$27.6 million	\$1.4 million
Metro Adjacent	\$896 million	\$44.8 million	\$2.2 million
Metro	\$5.4 billion	\$266 million	\$13.5 million

\*TOW amounts reflect estate amounts most likely to be readily transferred at estate creation.

---

---

---

---

---

---

---

---

The opportunity in Kansas



"Our assets have more than doubled since we received the Transfer of Wealth Information. I attribute 50-60% of this growth to the Transfer of Wealth analysis."

— Bob Sutton  
South Dakota Community Foundation

---

---

---

---

---

---

---

---

The opportunity in Kansas



An Opportunity to Help Secure our Future

A Community Foundation Tax Credit in Kansas

will create the incentive needed to achieve the 5% capture rate and strengthen and sustain our communities for this and future generations.

---

---

---

---

---

---

---

---

The opportunity in Kansas



Community Foundation Tax Credit

Community foundations of Kansas are the only endowments that support the full range of needs in every community.

---

---

---

---


---

---

---

---

**The opportunity in Kansas**



An Opportunity to Help Secure our Future

EndowKansas

---

---

---

---


---

---

---

---

**The opportunity in Kansas**



Community Foundation Tax Credits

- Michigan
- Iowa
- Montana
- Nebraska

---

---

---

---


---

---

---

---

**The opportunity in Kansas**



Example: Michigan  
Michigan Community Foundation Tax Credit

- Passed by the legislature in 1988
- \$29 million in tax credits received since 1989
- \$3.2 million in tax credits received by the state in 2005
- In 2005, the Kalamazoo Community Foundation received 419 year-end tax credit gifts, raising an additional \$115,000 in November and December

---

---

---

---

---

---

---

---

## The opportunity in Kansas



**Example: Iowa**  
County Endowment Fund Program

- Passed by the legislature in 2004
- \$35 million raised for permanent endowments of community foundations
- First year resulted in \$3.9 million in grants awarded to nonprofits

---

---

---

---

---

---

---

---

## The opportunity in Kansas



**Example: Montana**  
Montana Endowment Qualified Tax Credit

- Passed by the legislature in 1997
- Renewed for Five years in 2002, 2007
- \$74 million added to Montana Nonprofit Endowments in the first five years (including community foundations)
- More than in the previous 100 years

---

---

---

---

---

---

---

---

## The opportunity in Kansas



A Significant Opportunity

- \$66 billion transferred in 12 years
- An amazing \$3.3 billion in community endowments could be realized
- \$165 million could be available for community betterment projects
- An urgent call to action to build community sustainability in large and small communities through community foundation endowments.

---

---

---

---


---

---

---

---

**The opportunity in Kansas**



Secure our future and give Kansas residents from all walks of life the opportunity to contribute and make their communities sustainable and a better place to live, work and raise families.

---

---

---

---


---

---

---

---

**Kansas Transfer of Wealth**



Questions?

---

---

---

---


---

---

---

---

**Kansas Transfer of Wealth**



Thank you.

---

---

---

---

---

---

---

---