

## MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:38 A.M. on February 26, 2008 in Room 519-S of the Capitol.

All members were present except:

Terry Bruce- excused

Anthony Hensley - excused

Committee staff present:

Gordon Self, Office of Revisor of Statutes

Chris Courtwright, Kansas Legislative Research Department

Ryan Hoffman, Kansas Legislative Research Department

Judy Swanson, Committee Assistant

Conferees appearing before the committee:

Roy Jenson, MD, Director, University of Kansas Cancer Center

Patty Dengler, Interfaith Ministries

A Report on First Year Collections - Individual Income Tax Check-off for Kansas Breast Cancer Research Fund, was presented by Roy Jenson, MD, Director, University of Kansas Cancer Center. (Attachment 1) He reported the University of Kansas Cancer Center received approximately \$90,000 from the first year collections for the check-off. The initial grant will fund a research project that studies a tumor suppressor gene called breast cancer susceptibility gene 1 (BRCA1). He thanked the Committee for supporting the check-off legislation and looks forward to moving toward the ultimate goal of eliminating cancer in Kansas.

**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. Patty Dengler, Interfaith Ministries, offered a proposed compromise amendment to the bill and explained it to the Committee. (Attachment 2) If enacted, the amendment would make the bill retroactive to January 1, 2005. The fiscal note for the retroactive change is unknown. Senator Apple expressed concern the bill would bring in many unknown entities. Richard Cram, Kansas Department of Revenue (KDOR), will get information from the Property Valuation Department to clarify what entities would be included under this bill. Ms. Dengler said the bill only includes affordable housing projects. A sunset provision for the bill was discussed.

Senator Donovan moved to adopt the proposed amendments to **SB 383** and make the bill a substitute bill. Senator Pine seconded the motion, and the motion carried.

Senator Donovan moved to pass **Substitute for SB 383** favorably. Senator Pine seconded the motion, and the motion carried.

Senator Donovan moved to amend **SB 592** to include sales tax exemption for Guadalupe Health Foundation Midwest Wine Festival tickets. Senator Apple seconded the motion, and the motion carried.

Senator Jordan moved to further amend **SB 592** by adding sales tax exemption for construction for Shawnee Community Services. Senator Schmidt seconded the motion, and the motion carried.

Senator Lee moved to further amend **SB 592** by adding sales tax exemption on items for sale by the Steve King Foundation. Senator Donovan seconded the motion, and the motion carried.

Senator Allen moved to further amend **SB 592** by inserting the language of **SB 446**, sales tax exemption for educational foundations. Senator Jordan seconded the motion, and the motion carried.

Senator Schmidt moved to further amend **SB 592** by inserting the language of **SB 593**, sales tax exemption for Kansas Legal Services. Senator Apple seconded the motion, and the motion carried.

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:38 A.M. on February 26, 2008 in Room 519-S of the Capitol.

Senator Apple moved to further amend SB 592 by inserting the language of SB 602, sales tax exemption for Wayside Waifs. Senator Donovan seconded the motion, and the motion carried.

Senator Apple moved to amend SB 631, sales tax exemption for Kansas CASA Association, by adding all member CASA programs, then inserting the language of SB 631, as amended, into SB 592. Senator Schmidt seconded the motion, and the motion carried.

Senator Jordan moved to amend SB 632, sales tax exemption for St. Francis Community Services, by including project exemption certificates, then inserting the language of SB 632, as amended, into SB 592. Senator Pine seconded the motion, and the motion carried.

Senator Apple moved to amend SB 635, sales tax exemption for East Central Kansas Economic Opportunity Corporation, into SB 592. Senator Schmidt seconded the motion, and the motion carried.

SB 633--Sales tax exemption for Franklin County agricultural society, Paola Senior Center, Anderson County fair association, Linn county fair association, Miami County Fair Association and Douglas County Senior Center--was discussed. Mr. Cram said he thought the fiscal note for excluding ticket sales for all county fairs would be approximately \$50,000. Discussion was held on how senior centers are organized.

Senator Apple moved to amend SB 633 by limiting proposed sales tax exemption to ticket sales only and expanding proposal to include all county fairs. Senator Pine seconded the motion, and the motion carried.

Senator Apple moved to further amend SB 633 to make the Paola Senior Center sales tax exemption retroactive to include construction beginning January 1, 2007. Senator Pine seconded the motion, and the motion carried.

Senator Apple moved to amend SB 633, as amended, into SB 592. Senator Pine seconded the motion, and the motion carried.

Senator Schmidt requested a fiscal note from KDOR on a sales tax exemption for all senior centers on purchases only, sales only, and purchases and sales combined. Mr. Cram said purchases of food and equipment used in the Meals on Wheels programs in senior centers are the only items currently exempt from sales tax at senior centers.

SB 625--Sales tax exemption for materials and services purchased by contractor for the state capitol restoration project--was discussed. Mr. Cram said a positive fiscal note of \$500,000 per year for three years would be recognized if SB 625 was enacted. Senator Lee reported the State of Kansas has a total of 42,000 employees, and 7,415 of the employees reside in Shawnee County. Mr. Cram said he would check to confirm the fiscal note on SB 625 was figured for bonding in capitol restoration in the same way the fiscal note was figured last year on the prison facility construction. Mr. Cram said sales tax is being paid on materials purchased, but will double check on whether it is being paid on the labor portion of the construction.

Senator Lee moved to amend SB 625 into SB 592. Senator Schmidt seconded the motion, and the motion carried.

Senator Apple moved to report SB 592 as amended favorable for passage. Senator Pine seconded the motion, and the motion carried.

Senator Donovan moved to report SB 550, permanent exclusion from sales taxation of cash rebates on sales or leases of new motor vehicles, favorable for passage. Senator Jordan seconded the motion, and the motion failed.

Being no further business, the Committee adjourned at 11:48 a.m.

Testimony Before the Senate Committee on Assessment and Taxation  
10:30 am, Tuesday, February 26, 2008  
519 South, Kansas State Capitol

Testimony on Kansas Breast Cancer Research Fund Check-Off  
by Roy A. Jensen, MD  
Director, University of Kansas Cancer Center

Madam Chair and Members of the Committee:

I am pleased to appear before you today and provide you an update on funds received from the 2006 Kansas Breast Cancer Research Fund raised from the check-off from the Kansas Income Taxes. On January 15, 2008, the University of Kansas Cancer Center received approximately \$90,000 from this program.

For the 2008 calendar year, these funds will be used to support a breast cancer research project at the University of Kansas Cancer Center. This project studies a tumor suppressor gene called breast cancer susceptibility gene 1 (BRCA1). Mutations in the BRCA1 gene have been found to account for half of the inherited breast cancer cases. The exact role of BRCA1 in sporadic breast cancer is still uncertain, but studies indicate BRCA1 expression is turned off in sporadic tumors. When the BRCA1 gene is turned off the breast cells will grow out of control and form tumors. However, work done by the University of Kansas Cancer Center has shown that if BRCA1 is turned on, tumors that are induced by cancer causing chemicals are slow growing in the mammary glands of mice. Therefore, if we can find a drug that will turn BRCA1 on, we would expect that we could prevent tumors from forming in people.

To find this drug, Dr. Lisa Harlan-Williams screened 100,000 compounds from two different drug libraries and measured their ability to turn BRCA1 on. A number of potential drugs were identified and the top 30 potential drugs from this list were selected for further development. If possible, this drug could potentially help prevent or treat breast cancer.

I appreciate the advances made in breast cancer research that these funds will provide. For the 2009 calendar year, we hope to have our relationship with Kansas State University's Terry Johnson Basic Cancer Research program solidified and can collaborate on projects this funding will foster. We look forward to finding the much needed answers about breast cancer and moving toward our ultimate goal of eliminating this disease.

I would be happy to answer any questions you may have.

Respectfully submitted,

Roy A. Jensen, MD

By

AN ACT concerning property taxation; relating to exemptions; certain housing for the elderly or persons with disabilities or low income housing; amending K.S.A. 2007 Supp. 79-201z and repealing the existing section.

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

Section 1. K.S.A. 2007 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) (1) 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--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 provided:

(A) The property is owned solely and operated by a limited partnership, a limited liability company, an organization recognized as a community housing development organization by the Kansas housing resource corporation, or a corporation, each formed for the purpose of development of low income housing. Low income housing means housing for persons with income at or below 80% of area median income;

(B) The development utilizes income tax credits under section 42 of the federal internal revenue code of 1986 or the home investment partnership program or other funding sources available for low income housing; and

(C) the sole general partner, the sole managing member or the corporation itself is organized not-for-profit under the laws of the state of Kansas or under the laws of another state and duly admitted to engage in business in Kansas as a foreign,

not-for-profit organization and is recognized as a charitable tax exempt organization by the internal revenue service pursuant to section 501(c)(3) of the federal internal revenue code of 1986.

(2) 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 lowest 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.

Sec. 2. K.S.A. 2007 Supp. 79-201z is hereby repealed.

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