

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:00 a.m. on March 4, 2009, in Room 535-N of the Capitol.

All members were present.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Hank Avila, Kansas Legislative Research Department
Chris Courtwright, Kansas Legislative Research Department
Kathy Beavers, Committee Assistant

Conferees appearing before the committee:

Representative Mario Goico
Richard Cram, Kansas Department of Revenue

Others attending:

See attached list.

Bill introductions:

Jim Garner, Secretary, Kansas Department of Labor requested a bill to conform to the Federal Recovery Act in the area of unemployment insurance. Representative Goyle made a motion to accept the bill introduction. Representative Menghini seconded the motion. The motion carried.

Representative Goico made a motion to introduce a bill to extend write off for long term care insurance. Representative Carlson seconded the motion. The motion carried.

HB 2353 - Adding disabled veterans as a class of claimants for purposes of the Homestead Property Tax Refund Act.

The Chairman opened the hearing on **HB 2353**.

Chris Courtwright briefed the committee on **HB 2353**. He stated that this bill would expand the Homestead Act Program by adding two new groups to the demographic test. Persons that would qualify are disabled military personnel wounded in the line of duty and have a 50% or more permanent disability and meet the income guidelines, and surviving spouses of military personnel killed in the line of duty. He stood for questions.

Representative Goico testified in support of **HB 2353** (Attachment 1). In his written testimony he stated that a disabled veteran is:

- A Kansas resident
- Honorably discharged from active service in any branch of the armed forces of the United States or Kansas National Guard
- Certified by the Veterans Administration to have 50% permanent disability sustained through military action or accident or resulting from disease contracted while in such active service.

He stated that **HB 2353** makes a commitment to Kansas veterans, the surviving spouse of military personnel killed in the line of duty and their families.

Richard Cram, Kansas Department of Revenue, testified in opposition to **HB 2353** (Attachment 2). He stated while we honor our veterans that made sacrifices to protect our freedom this proposal will have a significant negative fiscal impact of \$215,000. There are over 7,000 disabled veterans in Kansas and 715 of those veterans would qualify for the Homestead refund. He stood for questions.

The Chairman closed the hearing on **HB 2353**.

HB 2319 - Determination of fair market value of certain rental property for property tax purposes.

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:00 a.m. on March 4, 2009, in Room 535-N of the Capitol.

Chris Courtwright, Kansas Legislative Research Department, briefed the committee on **HB 2319**. Discussion ensued and he stood for questions.

Representative Dillmore made a motion to move out **HB 2319** favorably for passage. The motion was seconded by Representative Menghini.

Representative Dillmore made a motion to amend **HB 2319** with the addition of the words, *including, but not limited to, restrictions on property rented or leased to low income individuals and families as authorized by section 42 of the federal internal revenue code of 1986, as amended*: be incorporated into sub paragraph (h) and (j).

Representative King seconded the motion and the motion carried.

A motion was made by Representative Dillmore to pass **HB 2319** out favorably. Discussion ensued. Chairman Carlson asked Representative Dillmore to close. Representative Dillmore closed the motion to pass **HB 2319** out favorably for passage. The motion carried.

The Chairman closed the hearing on **HB 2319**.

HB 2299 - Sales tax exemption for Goodwill Industries Easter Seals Society of Kansas, Inc., and Goodwill Industries of Kansas, Inc.

The Chairman opened the hearing on **HB 2299**.

Chris briefed the committee on **HB 2299**. He stood for questions. Discussion continued in regard to the legality of the exemption certificate held by Goodwill Industries of Kansas, Inc. Information from the Department of Revenue was sent by e-mail to the members of the committee to clarify the status of the certificate, which is valid but will expire November 2009.

A motion was made by Representative Goico to pass out favorably for passage **HB 2299** with the inclusion of additional businesses provided by Goodwill Industries of Kansas, Inc. Discussion continued.

Chairman Carlson called a recess so that Representative Goyle could contact Mrs. Compton of Goodwill Industries of Kansas, Inc., to clarify the additional organizations under that company.

Representative Goico withdrew his motion and second concurred.

A motion was made by Representative Goyle to pass out favorably **HB 2299** and to amend to by dropping the word *Society* on line 19, page 32. Representative Goico seconded the motion.

Representative Powell made a substitute motion to add the contents of **HB 2048** (All American Beef Battalion, Inc.) into **HB 2299** and pass out favorably. Seconded by Representative Schwartz.

Representatives Goyle, Lukert, Menghini and Dillmore opposed the substitute motion. Discussion ensued. Motion passed on division vote. Twelve in support and 8 opposed. Representative Dillmore requested that his no-vote be recorded.

The next meeting is scheduled for March 5, 2009.

The meeting was adjourned at 10:35 a.m.



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HOUSE OF
REPRESENTATIVES

MARIO GOICO

REPRESENTATIVE, 100TH DISTRICT
SEDGWICK COUNTY
1254 N. PINE GROVE CT.
WICHITA, KS 67212
316-721-3682

STATE CAPITOL
TOPEKA, KS 66612
785-296-7663

TOLL FREE (DURING SESSION) 1-800-432-3924

FAX: 785-368-6385

E-MAIL: mario.goico@house.ks.gov

COMMITTEE ASSIGNMENTS

CHAIRMAN: JOINT COMMITTEE ON KANSAS
SECURITY
VICE CHAIRMAN: VETERANS, MILITARY AND
HOMELAND SECURITY
MEMBER: FINANCIAL INSTITUTIONS
LOCAL GOVERNMENT
TAXATION
VISION 2020

HOUSE BILL 2353

This bill will add a disabled veteran and the surviving spouse of active duty military personnel who died in the line of duty to the homestead property tax refund act.

The United States Department of Veterans Affairs (VA) makes a distinction between veterans' disability based on whether they are service-connected or non-service connected. Any veteran who was disabled by injury or disease incurred or aggravated in the line of duty during active military service receives a permanent disability rating. For the purpose of this bill, a disabled veteran is:

1. A Kansas resident
2. Honorably discharged from active service in any branch of the armed forces of the United States or Kansas National Guard
3. Certified by the VA to have a 50% permanent disability sustained through military action or accident or resulting from disease contracted while in such active service.

This bill makes a commitment to Kansas's veterans, the surviving spouse of military personnel who died in the line of duty, and their families to ensure that they have the possibility to building better lives.

Rep Mario Goico

House Taxation Committee

Richard Cram

March 4, 2009

Department Concerns with House Bill 2353

Representative Carlson, Chair, and Members of the Committee:

House Bill 2353 proposes benefits for disabled veterans. The Homestead Refund Act, K.S.A. 2008 Supp. 79-4502 would be amended to add 2 more groups who can qualify for the homestead refund, subject to the income limitations: veterans with a service-connected disability of at least 50%, the surviving spouse of active duty military personnel who died in the line of duty.

We certainly want to honor our disabled veterans, who have made great sacrifices to protect our freedom. However, as our attached fiscal note indicates, this proposal will have a significant negative fiscal impact:

Homestead refund expansion	-\$215,000
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There are also administrative costs of \$27,490, due to reprogramming and testing costs. Our fiscal note is attached.

Given the current economic environment, with rescissions to the FY 2009 budget, as well as looming substantial reductions to the FY 2010 budget, this is not the time to reduce revenues.

2009 House Bill 2353b Revised Fiscal Note

Introduced as a House Bill

Brief of Bill

House Bill 2353, as introduced, amends K.S.A. 79-4502 to include in the definition of a qualified homestead claimant, a disabled veteran and the surviving spouse of active duty military personnel who died in the line of duty.

“Disabled veteran” means a person who is a resident of Kansas and has been honorably discharged from active service in any branch of the armed forces of the United States or Kansas national guard and who has been certified by the United States department of veterans affairs or its successor to have a 50% permanent disability sustained through military action or accident or resulting from disease contracted while in such active service.

The bill shall be effective after its publication in Kansas statute.

Fiscal Impact

The bill would allow a disabled veteran with a disability rating of 50% or greater to qualify for a homestead refund. There are currently about 7,147 disabled veterans that would meet those qualifications. Since most would already qualify under the age limits, it is assumed this change would allow an additional 10%, or 715, disabled veterans to qualify for an average homestead refund of \$300. The fiscal impact the state general fund would be about \$215,000 (715 x \$300). The impact of including surviving spouses in the definition of claimant would be minimal.

Administrative Impact

The estimated costs necessary to implement this bill are \$27,490 in fiscal year 2010. Those costs include about \$19,440, or 216 hours, of contract APA programming time. The estimated user testing resources necessary to implement the bill are \$8,050, or 280 hours, for testing the new programs..

Administrative Problems and Comments

The amendment would change the definition of claimant to include, in (4), "the surviving spouse of active duty military personnel who died in the line of duty."

How long does the surviving spouse retains the status of "claimant"? What if the spouse remarries, or remarries and then divorces? The department recommends that the "surviving spouse" designation be valid only if the person has not remarried.

Taxpayer/Customer Impact

This bill would benefit certain disabled veterans and surviving military spouses.

Legal Impact

None.