

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:10 a.m. on February 9, 2010, in Room 783 of the Docking State Office Building.

All members were present.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Chris Courtwright, Kansas Legislative Research Department
Brandon Riffel, Kansas Legislative Research Department
Marla Morris, Committee Assistant

Conferees appearing before the Committee:

Joan Wagon, Chairperson, Kansas Advisory Council on Intergovernmental Relations (KACIR)
Representative Julie Menghini, KACIR Representative Designee
John Scott, President, Interfaith Housing Services, Inc.
Emily Hurst, Director of Development, Interfaith Housing Services, Inc.
Sara Nelson, Individual Development Account (IDA) Holder
Lorna Moore, IDA Program Director, Interfaith Housing Services, Inc.
Kevin Carr, Kansas Technology Enterprise Corporation (KTEC)
Julie Riddle, The Family Conservatory
Angela Kreps, President, Kansas BioScience Organization

Others attending:

See attached list.

Introduction of Bills:

Representative King requested introduction of a bill that would allow protest petitions to put property tax mill levy increases to a vote with the approval of a certain percentage of the voting population. The motion was seconded by Representative Siegfried. The motion carried.

Chairman Carlson opened the hearing on:

HB 2621 - Prohibiting transferability of income tax credits and repealing certain income tax credits

Proponents testifying on **HB 2621**:

Joan Wagon, Chairperson, Kansas Advisory Council on Intergovernmental Relations (KACIR) spoke in support of **HB 2621**. **HB 2621** was recommended by KACIR, but stood more to serve the Kansas Department of Revenue to provide a solution to the difficulty in tracking the transfer of tax credits (Attachment 1). The bill would strike the language providing for transferability of the angel investor credit, the deferred maintenance credit, and the community service contribution credit. **HB 2621** would repeal credits for the following due to minimal or lack of use:

Assistive Technology Contribution credit
Plugging an abandoned oil or gas well credit
Swine facility improvement credit
Temporary assistance to families contribution credit
Individual Development Account credit
Law Enforcement Training Center credit

Her testimony provided charts indicating the usage expansion of the historic preservation tax credit in recent years. She described the difficulty the Department has in tracking these transfers. Chairperson Wagon stated the Department of Revenue would not object to the removal of the Individual Development Account (IDA) credit from the proposed repeal. She explained the two year time lag in reporting the use of credits caused the IDA credit to appear to be no longer in use. She stood for questions.

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:10 a.m. on February 9, 2010, in Room 783 of the Docking State Office Building.

Representative Julie Menghini, on behalf of KACIR, testified in support of **HB 2621**. She also supports removal of the IDA credit from the bill. Representative Menghini stated the Historic Tax Credit is not included in this bill, it will be addressed when the Senate Historic Tax Credit bill comes over to House Taxation. She explained the repeals are recommended by KACIR for two reasons: 1) the space on the form is limited, and with the increase in credits each year, the form is crowded and confusing; 2) the added cost of software programming for credits that are rarely or never used (Attachment 2).

Opponents testifying on **HB 2621**:

John Scott, President, Interfaith Housing Services, Inc, testified in opposition to **HB 2621** and proposed a reduction of the Individual Development Accounts (IDA) Tax Credits as an option to the complete repeal of the credit, with review in three years (Attachment 3). He suggested reducing the credit allocation by half, to \$250,000 rather than the \$500,000 currently in place. Interfaith Housing Services, Inc., has successfully applied to the Federal Department of Health and Human Services' and received a matching grant from the Asset for Independence (AFI) program. Loss of the IDA Tax Credits, could result in the loss of the federal AFI matching funds. He also asked for a 70 percent credit rather than the current rate of 50 percent. He stood for questions.

Emily Hurst, Director of Development, Interfaith Housing Services, Inc., testified in opposition to **HB 2621**. She presented research and statistics demonstrating the many benefits and successes of the Interfaith Housing Services, Inc., and the Individual Development Account Program (Attachment 4). Ms. Hurst presented samples of the research completed on the economic impact of IDA's. A copy of the reports will be available to the Committee in Chairman Carlson's office. She stood for questions.

Sara Nelson, IDA account holder testified in opposition to **HB 2621** and described the many opportunities afforded her through Interfaith Housing Services, Inc. She values the success of the program and expressed concerns for other single mothers that may not have the same opportunity should the repeal of the IDA tax credit cause the loss of the program (Attachment 5).

Lorna Moore, IDA Program Director, Interfaith Housing Services, Inc., spoke on behalf of Aimee Knox, a single mother and IDA account holder (Attachment 6). She quoted Aimee, "because of the IDA program I now have the ability to set goals and reach them. I no longer have to depend on social services and rely on others to make sure my children have what they need. I am able to provide a better future for my family." Ms. Moore asked the Committee to consider the proposal presented by Interfaith Housing Services, Inc., to reduce, not repeal.

Kevin Carr, Kansas Technology Enterprise Corporation testified in opposition to **HB 2621** on behalf of 74 companies who have benefited from the Angel Tax Credit since 2002. He testified the credit has raised \$119 million in capital for small companies since 2002, 383 jobs have been added or saved, and \$8.5 of capital raised for every \$1 of credit issued (Attachment 7). **HB 2621** would eliminate the ability for Angel Tax Credits to be sold or transferred and would result in a loss of capital for the state. Mr. Carr will provide the Committee with updated information when it is available. He stood for questions.

Julie Riddle, The Family Conservatory, opposes the inclusion of the IDA Tax Credit in **HB 2621** which Family Conservatory feels will eliminate an opportunity to utilize the tax code to advance economic opportunity and prosperity for low-income Kansans (Attachment 8). She stood for questions.

Angela Kreps, President, Kansas BioScience Organization, prepared a one page summary about the importance of Angel Investor Tax Credits to the merging BioScience economy (Attachment 9). She stated the tax credits stimulate in-state investments, but bringing in out-of-state investors is the biggest challenge. The Kansas BioScience Organization believes the availability for the Angel Investor Tax credits to be transferrable does indicate that Kansas is focused on growing the BioScience economy and that the state is open for business with a business-friendly investment environment for outside investors to our state. She stood for questions.

Michelle Weigand, KTEC, responded to questions from the Committee at the request of Ms. Kreps.

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:10 a.m. on February 9, 2010, in Room 783 of the Docking State Office Building.

Discussion followed and resulted in a request by Chairman Carlson for Secretary Wagnon to consult with Kansas BioScience Corporation and present a recommendation to draft a balloon amendment for presentation to the Committee prior to action on **HB 2621**. Chairman Carlson requested permission from the Committee to direct staff to draft an amendment to retain transferability of the Angel Investor Tax credit and remove the Individual Development Account credits from repeal in **HB 2621**.

Chairman Carlson directed the Committee to the written only testimony in opposition to **HB 2621** from Representative Sydney Carlin (Attachment 10).

Chairman Carlson closed the hearing on **HB 2621**.

The Chair introduced discussion and action on:

HB 2463 - Establishing the simplified state tax structure committee.

Representative Seigfreid made a motion to pass **HB 2463** favorably. The motion was seconded by Representative King. Following discussion, Representative Siegfried moved the motion. The motion carried.

The next meeting is scheduled for February 10, 2010.

The meeting was adjourned at 10:31 a.m.

HOUSE TAXATION COMMITTEE

DATE: February 9, 2010

NAME	REPRESENTING
Kent Eckles	ES Chamber of Commerce
Julie Riddle	The Family Conservancy
Michelle Butler	Capitol Strategies
Jackson Lindsey	Hein Law
Ron Seebur	KARA
Kari Presley	Kearney & Associates
Matt Cary	GBt
Mark DeBetti	KNEA
Tom Bruno	Bruno & Associates
Ed Cross	KIOGA
Emily Hurst	Interfaith Housing
Lindsay Holweck	KBA
Linda Fuld	KACCT
Angela Kruss	Kansas Bio
Natalie Zupfo	KSCPA
Jan Bruning	OR Chamber
Don Murray	WFIB
John Donley	KLA



Kansas Advisory Council on Intergovernmental Relations

Joan Wagnon, Chairperson

Mark Parkinson, Governor

TO: Representative Richard Carlson and Members of the House Taxation Committee
FROM: Joan Wagnon, Chairperson
DATE: February 9, 2010
SUBJECT: Testimony in Support of House Bill 2621

House Bill 2621 strikes the language providing for transferability of the following tax credits: angel investor credit, K.S.A. 2009 Supp. 74-8133(c) (see Section 8); the deferred maintenance credit, K.S.A. 2009 Supp. 79-32,161 (see Section 11); and community service contribution credit, K.S.A. 2009 Supp. 79-32,197a (see Sections 9 and 10). In addition, the bill repeals the following credits:

Table with 4 columns: Statutory Reference, Description, Beg Date, End Date. Rows include credits like Assistive Technology Contribution credit, Plugging an abandoned oil or gas well credit, Swine facility improvement credit, etc.

The credits listed above for repeal are either no longer being used, or their use is minimal, as shown on the attached spreadsheet showing credit usage history for the past 5 years. They should be repealed for two reasons: the space on the tax form is limited, and with the move to electronic filing, the vendors do not want to program for a credit that is not used.

As shown on the attached chart, the usage of the historic preservation tax credit has expanded rapidly in recent years. This chart also shows the large volume of tax credit transfers that occur for the historic preservation tax credit. The transferability feature of this credit makes it very difficult to track, so it is difficult to know how many of the credits issued will be claimed in a given tax year. Because historic preservation credits can be transferred multiple times, they are most often sold as part of the financing package for a commercial redevelopment project. As a result, only about 85 cents on the dollar is generated for the actual funding of the project. The other 15 cents is taken as profit by those providing financing for the project. This makes the credit an inefficient use of state resources (the revenue foregone from the tax credits).

As to the other tax credits that are transferable, the angel investor credit has been transferred, and the community services contribution and deferred maintenance credits are rarely transferred. Eliminating the transferability feature therefore should not harm the usage of the credits and will make tracking them much easier.

Credits to be Repealed

Temporary Assistance to Families with Dependent Children
K.S.A. 79-32,200 and K.S.A. 39-7,132

Individual Development Account Credit
K.S.A. 74-50,208

Swine Facility Improvement Credit
K.S.A. 79-32,204

Credit for Plugging an Abandoned Oil or Gas Well
K.S.A. 79-32,207

Law Enforcement Training Center Credit
K.S.A. 79-32,242

Assistive Technology Contribution Credit
K.S.A. 65-7107

TY 2007		TY 2006		TY 2005		TY 2004		TY 2003	
# of Filers	Amount of Credit Allowed	# of Filers	Amount of Credit Allowed	# of Filers	Amount of Credit Allowed	# of Filers	Amount of Credit Allowed	# of Filers	Amount of Credit Allowed
0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
5	\$7,475	Confidential	Confidential	6	\$2,593	NA	NA	NA	NA
0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Confidential	Confidential	10	\$17,002	6	\$53,053	7	\$23,461	Confidential	Confidential
Confidential	Confidential	0	\$0	NA	NA	NA	NA	NA	NA
0	\$0	0	\$0	0	\$0	0	\$0	0	\$0

Confidential-Information is confidential as there are less than 5 filers.

Historic Preservation Tax Credit

Placed in Service Date Calendar Year	Number of Projects Receiving Credits	Amount of Credits Issued	Number of Times the Credits Have Been Transferred	Number of Projects Within Which Credits Have Been Transferred	Amount of Credits Transferred	Tax Year	Number of Filers Claiming Credit	Amount of Credit Allowed
2001	6	\$731,256	1	1	\$11,316	2001	11	\$120,698
2002	36	\$2,258,184	20	9	\$4,283,736	2002	53	\$1,643,606
2003	59	\$6,137,362	91	23	\$14,776,815	2003	109	\$4,545,134
2004	66	\$4,842,469	45	22	\$8,425,670	2004	167	\$5,007,173
2005	86	\$10,866,390	79	36	\$18,872,407	2005	183	\$6,158,078
2006	112	\$5,070,604	51	37	\$6,488,874	2006	217	\$4,415,214
2007	95	\$8,585,968	119	42	\$17,866,267	2007	263	\$7,924,045
2008	72	\$15,346,354	106	33	\$34,957,423	2008	244	\$9,698,435
	532	\$53,838,587	512	203	\$105,682,508		1,247	\$39,512,383

KANSAS
DEPARTMENT OF REVENUE

Mark Parkinson, Governor
Joan Wagnon, Secretary

www.ksrevenue.org

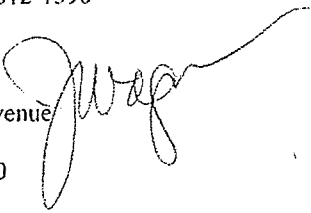
TO: Governor Mark Parkinson
State Capitol, 2nd Floor
Topeka, KS 66612-1590

Senate President Stephen Morris
State Capitol, Room 333-E
Topeka, KS 66612-1590

Senate Minority Leader Anthony Hensley
State Capitol, Room 345-S
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House Speaker Michael O'Neal
State Capitol, Room 370-W
Topeka, KS 66612-1590

House Minority Leader Paul Davis
State Capitol, Room 359-W
Topeka, KS 66612-1590

FROM: Joan Wagnon
Secretary of Revenue 

DATE: February 3, 2010

RE: Annual Report – Higher Education Deferred Maintenance Tax Credit

As Secretary of the Kansas Department of Revenue, I am required by Kansas law [K.S.A. 79-32,261(f)] to submit an annual report to the Legislature providing tax credit information specific to each community college, technical college or postsecondary educational institution.

K.S.A. 79-32,261 passed by the 2007 Kansas Legislature, allows any taxpayer that contributes to a community college located in Kansas for capital improvements, to a technical college for deferred maintenance or the purchase of technology or equipment or to a postsecondary educational institution located in Kansas for deferred maintenance, shall be allowed a credit against the tax imposed by the Kansas income tax act, the premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, or the privilege tax as measured by net income of financial institutions imposed pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated.

The tax credit allowed by this section is applicable for the tax year 2008 for any contributions made on and after July 1, 2008, and for the tax years 2009, 2010, 2011 and 2012 for any contributions made during the entire tax year. The amount of the credit allowed shall not exceed 60% of the total amount contributed during the taxable year by the taxpayer to a community college or a technical college located in Kansas for such purposes. The amount of the credit allowed shall not exceed 50% of the total amount contributed during the taxable year by the taxpayer to a postsecondary educational institution for such purposes.

The total tax credits allowed for taxpayers who contribute to any one such community college or technical college cannot exceed the following amounts: For the tax year 2008, an amount not to exceed \$78,125; for the tax year 2009, an amount not to exceed \$156,250; and for the tax years 2010, 2011 and 2012, an amount not to exceed \$208,233.33.

The total tax credits allowed for taxpayers who contribute to postsecondary educational institutions cannot exceed the following amounts: For the tax year 2008, an amount not to exceed \$5,625,000; for the tax year 2009, an amount not to exceed \$11,250,000; and for the tax years 2010, 2011 and 2012, an amount not to exceed \$15,000,000. The allocation of such tax credits for each individual state educational institution has been determined by the state board of regents in consultation with the secretary of revenue and the university foundation or endowment association of each postsecondary educational institution, and is as follows:

OFFICE OF THE SECRETARY
DOCKING STATE OFFICE BUILDING, 915 SW HARRISON ST., TOPEKA, KS 66612-1588
Voice 785-296-3041 Fax 785-368-8392 <http://www.ksrevenue.org/>

Institution	CY 2008	CY 2009	CY 2010	CY 2011	CY 2012
University of Kansas	\$1,540,566	\$3,081,133	\$4,108,177	\$4,108,177	\$4,108,177
University of Kansas-Medical Center	\$588,471	\$1,176,941	\$1,569,255	\$1,569,255	\$1,569,255
Kansas State University	\$1,624,381	\$3,248,762	\$4,331,682	\$4,331,682	\$4,331,682
Wichita State University	\$553,879	\$1,107,758	\$1,477,011	\$1,477,011	\$1,477,011
Emporia State University	\$324,481	\$648,961	\$865,282	\$865,282	\$865,282
Pittsburg State University	\$370,910	\$741,820	\$989,093	\$989,093	\$989,093
Fort Hays State University	\$371,220	\$742,441	\$989,921	\$989,921	\$989,921
Washburn University	\$251,092	\$502,185	\$669,580	\$669,580	\$669,580
TOTAL	\$5,625,000	\$11,250,001	\$15,000,001	\$15,000,001	\$15,000,001

The tables below summarize by type of institution the number of contributions received, the amount of contributions received and the amount of tax credits issued based on the contributions.

Calendar Year 2008

Institution	2008 Total Number of Contributors	2008 Total Contributions	2008 Total Credit Amount Issued	Allocation Remaining
Community Colleges	181	\$1,302,038	\$781,224	\$703,151
Technical Colleges	39	\$291,808	\$175,085	\$215,540
Designated Universities	37	\$862,220	\$431,110	\$5,193,890
TOTAL	257	\$2,456,066	\$1,387,419	\$6,112,581

Calendar Year 2009

Institution	2009 Total Number of Contributors	2009 Total Contributions	2009 Total Credit Amount Issued	Allocation Remaining
Community Colleges	153	\$1,510,766	\$906,459	\$2,062,291
Technical Colleges	14	\$89,900	\$53,940	\$727,310
Designated Universities	47	\$407,210	\$203,606	\$11,046,395
TOTAL	214	\$2,007,876	\$1,164,005	\$13,835,996

The tables attached provide detailed information regarding the tax credits issued per designated educational institution for calendar years 2008 and 2009.

In addition, the Department can report that of the 2008 credits issued, 169 filers have claimed the credit and \$841,369 in credits have been allowed against the income tax or privilege tax liability. Tax returns for 2009 are now being filed and information regarding the 2009 credit claimed will be provided on the next annual report.

Data tables have been attached. If there are questions, please let me know.

Attachments: Community College Credit Table
 Technical College Credit Table
 Designated Universities Credit Table

Total Designated Universities				
Tax Credits Issued				
Calendar Year 2008				
Allocation \$5,625,000				
Designated University	2008 Total Number of Contributors	2008 Total Contributions	2008 Total Credit Amount Approved	Allocation Remaining
Emporia State University	0	\$0	\$0	\$324,481
Fort Hays State University	15	\$689,270	\$344,635	\$26,585
Kansas State University, Pittsburg State University, and Wichita State University	6	\$102,000	\$51,000	\$2,498,170
University of Kansas	11	\$55,550	\$27,775	\$1,512,791
University of Kansas-Medical Center	5	\$15,400	\$7,700	\$580,771
Washburn University	0	\$0	\$0	\$251,092
Total	37	\$862,220	\$431,110	\$5,193,890
Institutions have been grouped together as less than 5 filers in any one institution is considered confidential.				

Total Community Colleges				
Tax Credits Issued				
Calendar Year 2008				
Allocation \$78,125 per Community College (\$78,125 X 19 community colleges = \$1,484,375)				
Community College	2008 Total Number of Contributors	2008 Total Contributions	2008 Total Credit Amount Approved	Allocation Remaining
Allen County Community College	0	\$0	\$0	\$78,125
Barton County Community College	10	\$112,200	\$67,320	\$10,805
Butler County Community College	7	\$130,208	\$78,125	\$0
Cloud County Community College	24	\$119,300	\$71,580	\$6,545
Coffeyville Community College and Highland Community College	5	\$36,500	\$21,900	\$134,350
Colby Community College	12	\$62,000	\$37,200	\$40,925
Cowley County Community College	12	\$63,900	\$38,340	\$39,785
Dodge City Community College	19	\$54,750	\$32,850	\$45,275
Fort Scott Community College	40	\$85,756	\$51,454	\$26,671
Garden City Community College	16	\$130,208	\$78,125	\$0
Hutchinson Community College, Johnson Community College, Labette Community College, and Pratt Community College	7	\$416,416	\$249,850	\$62,650
Independence Community College	7	\$3,800	\$2,280	\$75,845
Kansas City Kansas Community College	0	\$0	\$0	\$78,125
Neosho County Community College	16	\$70,000	\$42,000	\$36,125
Seward County Community College	6	\$17,000	\$10,200	\$67,925
Total	181	\$1,302,038	\$781,224	\$703,151

Institutions have been grouped together as less than 5 filers in any one institution is considered confidential.

Total Technical Colleges Tax Credits Issued Calendar Year 2008 Allocation \$78,125 per Technical College (\$78,125 X 5 technical colleges = \$390,625)				
Technical College	2008 Total Number of Contributors	2008 Total Contributions	2008 Total Credit Amount Approved	Allocation Remaining
Flint Hills Technical College	0	\$0	\$0	\$78,125
Manhattan Area Technical College	8	\$48,500	\$29,100	\$49,025
North Central Kansas Technical College	21	\$88,000	\$52,800	\$25,325
Northwest Kansas Technical College and Wichita Area Technical College	10	\$155,308	\$93,185	\$63,065
Total	39	\$291,808	\$175,085	\$215,540
Institutions have been grouped together as less than 5 filers in any one institution is considered confidential.				

Total Designated Universities				
Tax Credits Issued				
Calendar Year 2009				
Allocation \$11,250,000				
Designated University	2009 Total Number of Contributors	2009 Total Contributions	2009 Total Credit Amount Approved	Allocation Remaining
Emporia State University	0	\$0	\$0	\$648,961
Fort Hays State University	8	\$136,017	\$68,009	\$674,432
Kansas State University, Pittsburg State University, and Wichita State University	9	\$91,598	\$45,799	\$5,052,541
University of Kansas	22	\$153,700	\$76,850	\$3,004,283
University of Kansas-Medical Center	8	\$25,895	\$12,948	\$1,163,993
Washburn University	0	\$0	\$0	\$502,185
Total	47	\$407,210	\$203,606	\$11,046,395

Institutions have been grouped together as less than 5 filers in any one institution is considered confidential.

Total Community Colleges				
Tax Credits Issued				
Calendar Year 2009				
Allocation \$156,250 per Community College (\$156,250 X 19 community colleges = \$2,968,750)				
Community College	2009 Total Number of Contributors	2009 Total Contributions	2009 Total Credit Amount Approved	Allocation Remaining
Allen County Community College	0	\$0	\$0	\$156,250
Barton County Community College, Cloud County Community College, Coffeyville Community College and Colby Community College	11	\$32,000	\$19,200	\$605,800
Butler County Community College	14	\$201,550	\$120,930	\$35,320
Cowley County Community College	5	\$12,000	\$7,200	\$149,050
Dodge City Community College	15	\$31,650	\$18,990	\$137,260
Fort Scott Community College	40	\$115,335	\$69,201	\$87,049
Garden City Community College	10	\$46,000	\$27,600	\$128,650
Highland Community College and Hutchinson Community College	11	\$317,217	\$190,330	\$122,170
Independence Community College	0	\$0	\$0	\$156,250
Johnson Community College	5	\$150,655	\$90,393	\$65,857
Kansas City Kansas Community College	0	\$0	\$0	\$156,250
Labette Community College	6	\$260,417	\$156,250	\$0
Neosho County Community College	28	\$152,650	\$91,590	\$64,660
Pratt Community College and Seward County Community College	8	\$191,292	\$114,775	\$197,725
Total	153	\$1,510,766	\$906,459	\$2,062,291

Institutions have been grouped together as less than 5 filers in any one institution is considered confidential.

Total Technical Colleges				
Tax Credits Issued				
Calendar Year 2009				
Allocation \$156,250 per Technical College (\$156,250 X 5 technical colleges = \$781,250)				
Technical College	2009 Total Number of Contributors	2009 Total Contributions	2009 Total Credit Amount Approved	Allocation Remaining
Flint Hills Technical College	0	\$0	\$0	\$156,250
Manhattan Area Technical College and North Central Kansas Technical College	6	\$57,900	\$34,740	\$277,760
Northwest Kansas Technical College	8	\$32,000	\$19,200	\$137,050
Wichita Area Technical College	0	\$0	\$0	\$156,250
Total	14	\$89,900	\$53,940	\$727,310

Institutions have been grouped together as less than 5 filers in any one institution is considered confidential.

Angel Investor Tax Credit

Investments Made in Calendar Year	Number of Kansas Qualified Businesses	Amount of Credits Issued Based on Investments in Kansas Qualified Businesses	Number of Investments in Kansas Qualified Businesses	Number of Credits that Have Been Transferred	Amount of Credits Transferred	Tax Year	Number of Filers Claiming Credit	Amount of Credit Allowed
2005	12	\$1,932,500	98	2	\$50,000	2005	90	\$1,032,124
2006	17	\$1,833,832	121	2	\$50,000	2006	123	\$1,145,537
2007	16	\$3,002,701	129	7	\$220,505	2007	163	\$2,030,795
2008	28	\$6,531,082	246	37	\$951,131	2008	239	\$4,263,795
	73	\$13,300,115	594	48	\$1,271,636		615	\$8,472,251

JULIE MENGHINI

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TOPEKA

HOUSE OF
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS
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 ELECTIONS
 JOINT KANSAS SECURITY

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**HOUSE TAXATION COMMITTEE
 TUESDAY, FEBRUARY 9, 2010
 TESTIMONY IN SUPPORT OF HOUSE BILL 2621**

House Bill 2621 strikes the language providing for transferability of the following tax credits: angel investor credit, K.S.A. 2009 Supp. 74-8133(c) (see Section 8); the deferred maintenance credit, K.S.A. 2009 Supp. 79-32,161 (see Section 11); and community service contribution credit, K.S.A. 2009 Supp. 79-32,197a (see Sections 9 and 10). In addition, the bill repeals the following credits:

Statutory Reference	Description	Beg Date	End Date
These credits have no sunset date:			
K.S.A. 65-7101	Assistive Technology Contribution credit	2003	none
K.S.A. 79-32,207 *Confidential	Plugging an abandoned oil or gas well credit	1998	none
K.S.A. 79-32,204	Swine facility improvement credit	1998	none
K.S.A. 79-32,200, K.S.A. 39-7,132	Temporary assistance to families contribution credit	1994	none
K.S.A. 74-50,208 *Confidential	Individual Development Acct credit	2005	none
K.S.A. 79-32,242 *Confidential	Law Enf Training Center credit	2006	none

The credits listed above for repeal are either no longer being used, or their use is minimal. They should be repealed for two reasons: the space on the tax form is limited, and with the continued increase in credits each year, the form is crowded and confusing. The second reason is the added cost for programming for credits that are rarely used if used at all.

Of the tax credits that are transferable, the angel investor credit has been transferred and the community services contribution and deferred maintenance credits are rarely transferred. Eliminating the transferability feature therefore should not harm the usage of the credits and will make tracking them much easier.

The Historic Tax Credit is NOT included in this bill now. We will address this complicated issue separately when the Senate historic tax credit bill comes over to House Taxation.

Thank you and I will stand for questions at the appropriate time.

House Taxation
 Date: 2-9-10
 Attachment: 2

Presentation Regarding House Bill 2621

January 9, 2010

John W. Scott, President
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jscott@ihs-housing.org
www.ihs-housing.org

As you listen to our testimony this morning regarding the repeal of the IDA Tax Credits as proposed in House Bill 2621, please know we fully understand the difficult budgetary decisions that must be made this year. Therefore, we are here to propose that you reduce the IDA Tax Credits allocation by half, rather than repealing them completely. The reason that we are asking you to keep \$250,000 in the program is that we have successfully applied to the Federal Department of Health and Human Services' and received a matching grant from the Asset for Independence (AFI) program. This renewable Federal grant matches Dollar-for-Dollar the local funds raised for the IDA program. If we lose the IDA Tax Credits, we will most assuredly also lose the federal AFI matching funds as well. By keeping at least \$250,000 in the program it will maximize the outside revenue we can bring into the State. This will help meet your budget cuts, without forcing us to close a program we have invested in and worked hard to develop over the past four years. The IDA program is currently budgeted for \$500,000 of 50% Tax Credits per year. We ask you to please keep \$250,000 in the program. We feel this is a win-win compromise. It helps you cut the budget without losing outside revenue, and it does not force us to close the program and possibly cause loss of jobs.

We would further like to request that you make these a 70% credit rather than the current rate of 50%. This will reduce our overhead cost in marketing the credits by making them easier to sell resulting in a faster revenue stream from the federal matching funds. Most of these funds are targeting rural communities, which is consistent with the Community Service Tax allocation.

In 2005, \$500,000 of State Tax Credits was allocated to support the Individual Development Accounts or IDA's as they have come to be known. The IDA's are a savings incentive program for working households, whose income is less than 200% of the federal poverty level. Through the IDA program, participants are able to save for continuing their education, purchasing a home, repairing or renovating a home, capitalizing a small business. As the applicant saves toward their goal, the IDA program matches their savings at a 2:1 ratio. In our program, the participant must attend a minimum of eight hours of financial literacy and then participate in ongoing one-on-one budget and program counseling until their objectives are accomplished. For example if a client needs \$9,000 to purchase a home, the client save \$3,000 and the IDA program adds an additional \$6,000 at closing. The same formula is used for advancing education, starting a small business, or repairing a home. The program is designed to

House Taxation

Date: 2-9-10
Attachment: 3

provide extensive support counseling to the client through the entire process. A homeowner must participate in homeownership counseling and homeownership budget counseling; a client starting a business works with a small business incubator or mentor and develops a viable business plan; and a student will work with a guidance counselor and/or a career counselor at a college or trade school.

As you can see, this program places responsibility for success into the hands of the participant. Dr. Ruby Payne, author of the book *Bridges out of Poverty*¹ puts it this way, we enable people to “rewrite their future story.” Many of our families living in generational poverty work at low or minimum wage jobs. They live paycheck to paycheck and need something that is significant enough to help them break away from the generational poverty mindset. Without some kind of an extraordinary event, their “future story” is their current story. Nothing changes. However, the IDA program is an intervention tool that places seemingly unattainable goals within reach. Put simply, it works!

In 2005 when the program was first funded another nonprofit organization applied for and received the tax credits for July 2005 through December 2006. By the end of 2006, they had not sold any tax credits and were unable to launch the program. Therefore, with our Tax Credit experience and our passion for this program, IHS applied for the IDA Tax Credits, receiving \$100,000 for July 2007 through December 2008. By December 2007, we had raised over \$71,000, enough money that in the spring of 2008 we started offering the program Reno, Kingman and Harper Counties. Since then we have successfully, raised over \$395,000 and are working to expand the program statewide.

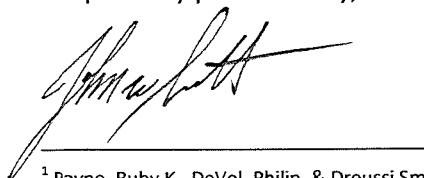
This program was recommended for repeal by KACIR because, “the credits were not used in 2007 and therefore were taking up room on the tax form.” However, this is not true and obviously a reporting error by someone. Attached in this packet is supporting documentation, signed by the Department of Commerce showing that credits were indeed sold and used during 2007. Furthermore, the program has been expanding steadily ever since Interfaith Housing Services took over the implementation and operation of the program in 2007. In fact, Joshua Burton, former IDA program director at the Department of Commerce, openly stated that IHS has the most effective and far-reaching IDA program in the State of Kansas.

Therefore, we respectfully request that you consider the following two actions:

1. Reduce the amount of IDA Tax Credits allocated in 2010 to \$250,000 and not repeal the program completely.
2. Make them a 70% credit rather than the current 50%

Thank you for considering this Win-Win opportunity.

Respectfully presented by,



¹ Payne, Ruby K., DeVol, Philip, & Dreussi Smith, Terie. *Bridges Out of Poverty: Strategies for Professionals and Communities* (Ruby K. Payne, Philip DeVol, & Terie Dreussi Smith © 2001)



STATE OF KANSAS
Individual Development Account Program
Credit Authorization Form

Project Number: 2008-I02

Starting Date: 07/01/07

Project Length: 18 months

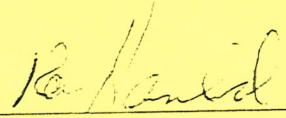
Expiration Date: 12/31/08

Community Organization and Address:

Interfaith Housing Services, Inc.
P.O. Box 1992
Hutchinson, KS 67504

Project Title: IHS-IDA Savings Program


The Kansas Department of Commerce hereby approves this project and has awarded \$ 100,000 in tax credits to this project. Contributions to this project may receive up to 50 % of the amount donated.



Ray Hammarlund
Director of Community Development

6/27/07

Date



J.R. Robl
IDA Program Manager

06/27/07

Date

RECEIVED
AUG 24 2007
COMMUNITY DEVELOPMENT

IDA PROGRAM
TAX CREDIT TRANSMITTAL FORM

NOTE: This form should accompany all submittals of tax credits. It is not necessary to send a cover letter with the tax credit applications.

Project #: 2008-102 Date: _____

Organization: INTERFAITH HOUSING SERVICES, INC.

Contact Person: John W. Scott Phone: 620-662-8370

A) How many tax credit applications are attached? 12
(Please attach required documentation to original tax credit application)

B) The total amount of contributions in this group? \$ 17,500.00

C) Tax Credit Allocation % (50%): ~~8,750~~ 50%

D) The total amount of credits requested in this group (B x C): \$ 8,750

E) BALANCE of credits remaining after the approval of the attached credits:
\$ 91,250.00

PROJECT INFORMATION CHANGES
(Please report any changes in personnel, phone number, or addresses)

Contact Person: _____

Phone #: _____

Address: _____

For State Use Only

Log #'s: 08-001
08-012

Balance Change
\$ 91,250

Status Donation

Reminder:
Quarterly reports are due each calendar quarter, even if you have had no activity.

Approved by: T. Feld

Rev. 2001



IDA PROGRAM
TAX CREDIT TRANSMITTAL FORM

NOTE: This form should accompany all submittals of tax credits. It is not necessary to send a cover letter with the tax credit applications.

Project #: 2008-102 Date: 10/19/07

Organization: INTERFAITH HOUSING SERVICES INC.

Contact Person: John W. Scott Phone: 620-662-8370

A) How many tax credit applications are attached? 22
(Please attach required documentation to original tax credit application)

B) The total amount of contributions in this group? \$ 39,000

C) Tax Credit Allocation % (50%): 50%

D) The total amount of credits requested in this group (B x C): \$ 19,500

E) BALANCE of credits remaining after the approval of the attached credits:
\$ 71,250

<p>PROJECT INFORMATION CHANGES (Please report any changes in personnel, phone number, or addresses)</p> <p>Contact Person _____</p> <p>Phone # _____</p> <p>Address _____</p> <p>Reminder: Quarterly reports are due each calendar quarter, even if you have had no activity.</p>	<p>For State Use Only</p> <p>Log #'s: _____</p> <p>Balance Change \$ _____</p> <p>___ Status ___ Donation</p> <p>Approved by _____</p> <p>Rev. 2001</p>
--	---

RECEIVED
JAN 11 2008
COMMUNITY DEVELOPMENT

**IDA PROGRAM
TAX CREDIT TRANSMITTAL FORM**

NOTE: This form should accompany all submittals of tax credits. It is not necessary to send a cover letter with the tax credit applications.

Project #: 2008-102 Date: 1/7/08

Organization: INTERFAITH HOUSING SERVICES INC.

Contact Person: John W. Scott Phone: 620-662-8370

A) How many tax credit applications are attached? 14
(Please attach required documentation to original tax credit application)

B) The total amount of contributions in this group? \$ 30,550.

C) Tax Credit Allocation % (50%): 50%

D) The total amount of credits requested in this group (B x C): \$ 15,275.

E) BALANCE of credits remaining after the approval of the attached credits:

\$ 64,475

<p align="center">PROJECT INFORMATION CHANGES (Please report any changes in personnel, phone number, or addresses)</p> <p>Contact Person _____</p> <p>Phone # _____</p> <p>Address _____</p> <p align="center">Reminder: Quarterly reports are due each calendar quarter, even if you have had no activity.</p>	<p align="center">For State Use Only</p> <p>Log #'s: <u>08-027</u> <u>to</u> <u>08-040</u></p> <p>Balance Change \$ <u>64,475</u></p> <p><input checked="" type="checkbox"/> Status <input checked="" type="checkbox"/> Donation</p> <p>Approved by <u>J. Peck</u></p> <p align="right">Rev. 2001</p>
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NOTE: This form should accompany all submittals of tax credits. It is not necessary to send a cover letter with the tax credit applications. Rev. 2008

INDIVIDUAL DEVELOPMENT ACCOUNT - TAX CREDIT TRANSMITTAL FORM

Project # 0608-008 Date: 8/28/08 RECEIVED
 Organization: Harshbath Housing Services AUG 28 2008
 Contact Person: Laura Moore Phone # (785) 413-8320 COMMUNITY DEVELOPMENT

Note: Please attach required documentation to each separate original Tax Credit Application for Contributions form, not the Tax Credit Transmittal Form.

- A. How many tax credit applications are attached? 18
- B. The total amount of contributions in this group: \$ 25,100
- C. Tax Credit Allocation: 50%
- D. The total amount of credits requested in this group (B x C): \$ 12,550
- E. BALANCE of credits remaining after the approval of the attached credits: \$ 12,550

PROJECT INFORMATION CHANGES	For State Use Only
<i>Please report any changes in personnel, phone #, or addresses</i>	
Contact Person: <u>Laura Moore</u>	Log # <u>08-041</u> to
Phone # <u>(785) 413-8320</u>	Log # <u>08-050</u>
Address: <u>P.O. Box 1007 Hutchinson, KS 67504</u>	Remaining Credit Balance:
Notes: _____	\$ <u>45,250.00</u>
_____	<input checked="" type="checkbox"/> Status <input type="checkbox"/> Donation(s)
_____	Approved by: <u>LB</u>

Please Mail All Forms & Documentation to: Kansas Department of Commerce - Community Development
 Individual Development Account Program
 1000 SW Jackson Street, Suite 100, Topeka, Kansas 66612-1354

NOTE: This form should accompany all submittals of tax credits. It is not necessary to send a cover letter with the tax credit applications. Rev. 2008

INDIVIDUAL DEVELOPMENT ACCOUNT - TAX CREDIT TRANSMITTAL FORM

Project # 2008 - 102

Date: 11/12/08

Organization: Interfaith Housing Services

Contact Person: Lorna More

Phone # (620) 662-8370

Note: Please attach required documentation to each separate original Tax Credit Application for Contributions form, not the Tax Credit Transmittal Form.

A) How many tax credit applications are attached?

9

B) The total amount of contributions in this group:

\$ 15250.00

C) Tax Credit Allocation:

50%

D) The total amount of credits requested in this group (B x C):

\$ 7625.00

E) BALANCE of credits remaining after the approval of the attached credits:

\$ 37800.00

PROJECT INFORMATION CHANGES

Please report any changes in personnel, phone #, or addresses

Contact Person: _____

Phone # (____) _____ - _____

Address: _____

Notes: _____

For State Use Only

Log # 08 - 059 to

Log # 08 - 067

Remaining Credit Balance:

\$ 37800

Status

Donation(s)

Approved by: JB

Please Mail All Forms & Documentation to: Kansas Department of Commerce - Community Development Individual Development Account Program

1000 SW Jackson Street, Suite 100, Topeka, Kansas 66612-1354

NOTE: This form should accompany all submittals of tax credits. It is not necessary to send a cover letter with the tax credit applications. Rev. 2008

INDIVIDUAL DEVELOPMENT ACCOUNT - TAX CREDIT TRANSMITTAL FORM

Project # 2008-102 Date: 1/5/08
 Organization: Interfaith Housing Services
 Contact Person: Lorna Moore Phone # (620) 662-3730

Note: Please attach required documentation to each separate original Tax Credit Application for Contributions form, not the Tax Credit Transmittal Form.

- A) How many tax credit applications are attached? 28
- B) The total amount of contributions in this group: \$ 67,100.00
- C) Tax Credit Allocation: 50%
- D) The total amount of credits requested in this group (B x C): \$ 33550.00
- E) BALANCE of credits remaining after the approval of the attached credits: \$ 4250.00

<p>PROJECT INFORMATION CHANGES Please report any changes in personnel, phone #, or addresses</p> <p>Contact Person: <u>Lorna Moore</u></p> <p>Phone # <u>(620) 662-3730</u></p> <p>Address: <u>PO BOX 1987 Hutchinson, KS 67504</u></p> <p>Notes: _____</p> <p>_____</p> <p>_____</p>	<p>For State Use Only</p> <p>Log # _____ to _____</p> <p>Log # _____</p> <p>Remaining Credit Balance:</p> <p>\$ _____</p> <p><input type="checkbox"/> Status <input type="checkbox"/> Donation(s)</p> <p>Approved by: _____</p>
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Please Mail All Forms & Documentation to: Kansas Department of Commerce - Community Development

Individual Development Account Program
1000 SW Jackson Street, Suite 100, Topeka, Kansas 66612-1354

RECEIVED
JAN 19 2008
COMMUNITY DEVELOPMENT

STATE OF KANSAS
Individual Development Account Program

Credit Authorization Form

Project Number: 2010-I01 Starting Date: 07/01/09
Project Length: 18 months Expiration Date: 12/31/10

Community Organization and Address:

Interfaith Housing Services Savings Program
PO Box 1987
Hutchinson, KS 67504-1987

Project Title: Interfaith Housing Services Savings Program

The Kansas Department of Commerce hereby approves this project and has awarded
\$ 450,000 in tax credits to this project. Contributions to this project may receive up to
50 % of the amount donated.

Carole Jordan
Carole Jordan
Director of Community Development

7.2.09
Date

To Whom It May Concern,

The Kansas Individual Development Account (IDA) program, formed under the Individual Development Account Program act (74-50,201) in 2005, was designated as an asset-building tool and educational resource for low-income Kansans.

The IDA program provides matching funds for savings accounts toward the purchase of one of four assets: first-time home purchase, post-secondary education and job training, major home repair or improvement, and business capitalization. Currently the program is funded through a fiscal year allocation of \$500,000 in tax credits. Community-based organizations can apply for up to \$100,000 in tax credits, and use the tax credits to leverage donations toward their IDA programs. These donations are eligible for a 50-percent credit.

Since the inception of the Kansas IDA program, Interfaith Housing Services, Inc. (IHS), has aggressively supported the IDA program. They have demonstrated a strong capacity to operate the program, providing financial counseling to dozens of Kansans in several counties. Interfaith Housing, Inc. has successfully managed the marketing of the state tax credits, as well as aggressively obtained grant funding from other sources. In their relationship with the Department of Commerce, Interfaith Housing Services, Inc. has consistently worked to stay in compliance with all rules and laws of the program.

The Department of Commerce would like to express its support of the growth plan for IHS's IDA program. The intention of the program has always been to provide financial support and a hand up for Kansans in need who are also willing to learn and save. It is an excellent example of a hand up instead of a hand out. As IHS branches out to offer the IDA program in other counties around the state, the Department hopes that Kansans from around the state join in support of this excellent program.

Sincerely,



Carole Jordan
Department of Commerce
Director of the Rural Development Division

March 13, 2009

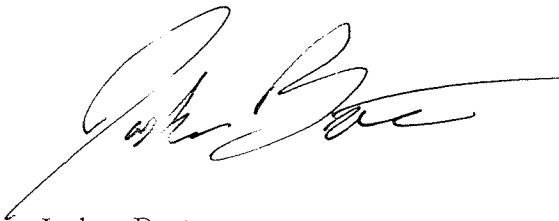
Office of Community Services
370 L'Enfant Promenade, S.W., 5th Floor
Washington, DC 20447

Assets for Independence Program Director:

Interfaith Housing Services, Inc. of Hutchinson, Kansas has successfully managed and implemented a state-funded Individual Development Account program in Reno and Harper Counties for the 2008 and 2009 fiscal award years. IHS has expended approximately \$200,000 in private public dollars toward the goals of the Kansas IDA program.

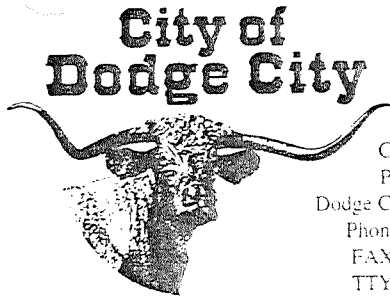
IHS has demonstrated adaptive organizational capacity and responsible management of their funding to this point. I have no reason to believe that IHS would not continue to provide excellent management of funding for individual development accounts, whether state or Federally funded. IHS already has an established framework for administering IDA accounts and supporting internal policies. I believe that IHS is positioned well within their community to continue providing financial education and technical support for asset development.

Sincerely,



Joshua Burton
Kansas State IDA Program Manager

1000 SW Jackson St.
Topeka, KS 66612
785.296.3485



CITY HALL
P.O. Box 880
Dodge City, KS 67801-0880
Phone: 620/225-8100
FAX: 620/225-8144
TTY: 620/225-8115
www.dodgecity.org

June 22, 2009

John Scott, President/CEO
Interfaith Housing Services, Inc.
P.O. Box 1987
Hutchinson, KS 67504-1987

Dear Mr. Scott:

The City of Dodge City has reviewed the many assets that will be offered to our community members through Interfaith Housing Services implementation of the Individual Account Program. The IDA program will assist our low to moderate income citizens with items such as first time home ownership; homeowner occupied housing repairs, post secondary education financial assistance, specialized skills training and small business capitalization.

According to the 2005-07 Census Bureau estimate, nineteen percent (19%) of Dodge City families are below poverty level compared to nine point eight percent (9.8%) nationally and eight point three percent (8.3%) of Kansans. Obviously a program such as the IDA could assist many in our community literally pull themselves up by their boot straps through a variety of methods.

In addition, our City is continuing to experience extreme growth regardless of the nation's economic crisis. We cannot continue this unprecedented growth without appropriate housing in place. The IDA program could assist our citizens through purchasing or improving homes which will assist with this critical condition.

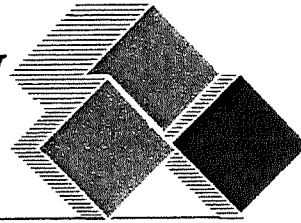
The City of Dodge City offers our support to Interfaith Housing Services, Inc. with their application for tax credits to expand the Individual Development Account Program to our community.

Sincerely,

Rick Sowers
Mayor



Dodge City Ford County



DEVELOPMENT CORPORATION

311 W. Spruce • P.O. Box 818 • Dodge City, KS 67801-0818 • (620) 227-9501 • FAX (620) 338-8734 • 1-800-381-3690
www.dodgedev.org • email: jknight@dodgedev.org

June 18, 2009

John Scott, President/CEO
Interfaith Housing Services, Inc.
PO Box 1987
Hutchinson, KS 67504-1987

Dear Mr. Scott;

The Dodge City/Ford County Development Corporation strongly supports the application for tax credits to fund the Individual Development Account Program through Interfaith Housing Services, Inc. We are very excited to assist your organization in locating to Dodge City.

While many communities seem to be struggling to create and retain jobs, Ford County is not. Our community has a 3.1 percent unemployment rate and is continuing to grow rapidly. Due to this growth, affordable housing is becoming an increased concern. According to an assessment performed in April of 2008, our community has a critical need for housing in a variety of price ranges, primary low income. The IDA program can help fulfill a need within our community; a need that could benefit a great deal of people.

Our organization fully supports Interfaith Housing Services, Inc. with their application for tax credits to expand the Individual Development Account Program to our area. Thank you for your time.

Sincerely,


Joann Knight
Executive Director



Office of the Superintendent

Dodge City Public Schools • Unified School District 443

1000 N 2nd Avenue / Room 208 • Dodge City, KS 67801-4415 • Telephone (620) 227-1700 / Facsimile (620) 227-1695

Monday, June 22, 2009

John Scott, President/CEO
Interfaith Housing Services, Inc.
PO Box 1987
Hutchinson, KS 67504-1987

Dear Mr. Scott;

Dodge City Unified School District No. 443 whole-heartedly endorses the application for tax credits to fund the Individual Development Account Program through Interfaith Housing Services, Inc. We are very excited about the opportunity this presents for our community.

As a growing community, affordable housing is increasingly becoming a greater concern for the families we serve. The IDA program has the potential to help fulfill this need within our community and benefit a large of people.

Our school district fully supports the application by Interfaith Housing Services, Inc. for tax credits to expand the Individual Development Account Program to our area. We look forward to their partnership with us, as well as with many other agencies in our community, in support of the families we serve together.

Sincerely,

Alan R. Cunningham,
Superintendent of Schools



1 North Main | Suite 501
PO Box 298
Hutchinson, KS 67504-0298
620 663-5293
Fax 620 663-9277
info@hutchcf.org
www.hutchcf.org

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President and Executive Director
- Terri L. Eisinger
Vice President of Administration
- Kate Van Canfort
Community Investment Officer
- Eileen Yamauchi
Donor Services Associate
- Sue Courser
Administrative Assistant

March 13, 2009

John Scott, Executive Director
Interfaith Housing Services, Inc.
PO Box 1992
Hutchinson, KS 67502

Dear John:

As the President of Hutchinson Community Foundation, it is my pleasure to support your efforts to grow and enhance the Individual Development Account Program at Interfaith Housing Services.

In 2004, the community foundation board of directors acknowledged the growing rate of poverty in our community as well as the growing number of "working poor" – families who work 2-3 jobs and still struggle to make the ends meet. With the understanding that our community will never be able to "service people out of poverty," the Foundation adopted a Family Economic Success Initiative with the goal of helping the working poor reach economic stability and possibly even learn to save their resources for the future. IDAs are the most innovative and promising strategy we've found for helping families to build their own assets.

Interfaith Housing Services has shown great leadership in starting an IDA program and setting a goal of 100 account holders in the next three years. Certainly, a grant of \$350,000 would allow IHS to expand the program to many more Reno County citizens seeking self-sufficiency.

It's my pleasure to partner with Interfaith Housing, a strong organization that provides important services to our citizens.

Sincerely,

Aubrey Abbott Patterson
President & Executive Director



FIRST NATIONAL BANK
OF HUTCHINSON
Established 1876

Mr. John Scott, Executive Director
Interfaith Housing Services Inc.
P.O. Box 1987
Hutchinson, KS 67504-1987

Dear John:

The First National Bank of Hutchinson values our long relationship with Interfaith Housing Services. We are committed to continuing that partnership through the First Homeownership Opportunity Program (FHOP) and the Individual Development Account (IDA) Program offered in Reno County.

We were introduced to the IDA accounts at a session sponsored in 2003 by the FDIC, and were hopeful this incredible option would be offered in Reno County. Subsequently, we attended meetings sponsored by the Hutchinson Community Foundation who felt IDA accounts would be an innovative way to help lower income families build assets.

Following the FDIC session, we received the materials necessary to teach Money Smart classes. One of our employees has successfully taught Money Smart classes to Spanish speaking individuals. In addition, we have an employee who has taught Dave Ramsey Financial Peace University classes in money management in various community settings. These experienced employees are available to provide the training and goal setting component of the IDA program in conjunction with Interfaith Housing. We can present this training in English or Spanish.

The First National Bank will also continue providing free savings accounts for IDA participants and complete the special reporting requirements as dictated by the program guidelines.

Thank you for taking the lead in providing an IDA program for persons in Reno County. We join with you in celebrating its success and vow to continue doing anything we can to assist in making this initiative available to more residents of our community.

Sincerely,

Carol Berger
E.V.P., Manager Retail Banking



CITIZENS NATIONAL BANK

Phone (620) 254-7256 • Fax (620) 254-7202
114 North Main Street, P.O. Box 414
Attica, Kansas 67009
www.cnbkansas.com

March 13, 2009

John Scott
Interfaith Housing Services, Inc.
PO Box 1987
Hutchinson, KS 67504-1987

Dear John,

Citizens National Bank values the relationship we have established with Interfaith Housing Services and are pleased to serve as the financial institution for the Individual Development Account Program accounts in Attica, KS. Although we currently only have one open account, we anticipate many more as matched funding becomes available. This program will not only help many individual households in our community but also our community as a whole and we look forward to its expansion.

We understand that the Assets for Independence funding only becomes available when matched with other non-federal funding and therefore, to insure the continued success of this program we are committed to assisting IHS with their fundraising efforts in this area.

John, thank you for taking the lead in providing the IDA Program in Harper County. Please contact me with whatever we can do to help insure its success.

Sincerely,



Alan L. Allenbach
Community President

Member FDIC

Presentation Regarding House Bill 2621

January 9, 2010

Emily Hurst, Director of Development
Interfaith Housing Services, Inc.
PO Box 1987
Hutchinson, KS 67504-1987
620-662-8370
emilyh@ihs-housing.org
www.ihs-housing.org

Individual Development Accounts were designed as an economic policy tool and have proven successful in 46 states across the nation.

Corporation for Economic Development¹ (CFED) provides supportive research estimating every government dollar invested will yield a return of approximately \$5 to the economy in the form of new businesses, additional earnings, new and rehabilitated homes, reduced welfare expenditures, and human capital associated with greater educational attainment.

Assets for Independence (AFI), which is currently matching our tax credit contributions, completed an impact study in early 2008². This analysis reports the IDA program's impact on key components of net worth and on the employment status and income of participants. The results of this three year study showed that the monthly earnings of the IDA accountholders increased every year after opening an IDA, while at the same time the study reported a steady reduction in the number of IDA accountholders dependent on government subsidy.

We are seeing similar trends in our Kansas IDA program as those mentioned in the AFI nationwide report. Of our IDA graduates, 100% have continued saving and set new goals even after they completed the program. This is a clear indication of the impact provided by our financial education and life-skill workshops.

In a short amount of time our IDA program has proven its success and ability for growth. IHS started the IDA program in June of 2008 with 10 clients just in Reno County; now we have 28 clients in 3 counties. IHS will have 45 new IDA clients in the next two months over four counties with 85 clients on the waiting list with an expansion projection to 11 Kansas counties by the end of the year.

Kansas' investment in the IDA Program enabled IHS to ensure Kansas receives its fair share of federal funding earmarked for this economic development tool. The IDA tax credit has generated a public-private partnership. Kansas' net cost of this partnership is only about 25%

¹ http://cfed.org/programs/idas/ida_faq_article/

² Assets for Independence Act Evaluation Impact Study: Final Report
http://www.acf.hhs.gov/programs/ocs/afi/AFI_Final_Impact_Report.pdf

House Taxation
Date: 2-9-10
Attachment: 4

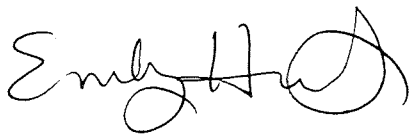
which is before the revenue generated from IDA accountholders which will drastically reduce Kansas' cost. Indiana provides 1.35 million dollars for the Indiana IDA Program, reporting approximately \$482,871 per year generated in new state and local tax revenues from IDA participants.³

In 2008 a report, *Getting Ahead in Kansas*⁴, was written by Karen M. Edwards. This report was generated through organized meetings with Kansas Action for Children (KAC) and Kansas Partners in Asset Development (KPAD) with stakeholders in 5 major Kansas cities. One of the five priorities that came from these discussions was to improve support for IDAs. The report states several large philanthropies have made considerable investments in researching whether or not low-to moderate income families would build wealth if give comparable opportunities to wealthier families and the answer was a resounding **YES**. Their research showed families in the lower income tiers can and will save for the future, build assets and make economic progress that can improve their lives in significant ways. However, these families save only if they also have connections to the financial mainstream and are offered meaningful opportunities to save and invest, opportunities that reflect their needs, goals, and circumstances, such as IDAs. Recommendations for better supporting IDAs in Kansas read "Increasing the percentage of the tax credits appropriated for contributions to IDAs from 50 percent to 75 percent." A portion of the report is in your packet the full report is here.

IHS and many other national and state level organizations, across the nation were shocked and surprised to find that the IDA tax credit would be recommended for repeal in Kansas considering the benefits it provides to the state both financially and economically. Many states have completed IDA impact studies and have kept state IDA funding because of the results, some have also increased funding or created new funding especially with the downturn in their state economy because of the economic benefits of IDAs.

This is just a sample of the research completed on the economic impacts of IDAs. I will leave this with your secretary if you wish to view them. Also in your packets I have provided graphs showing the investment to date by all parties for the IDA program.

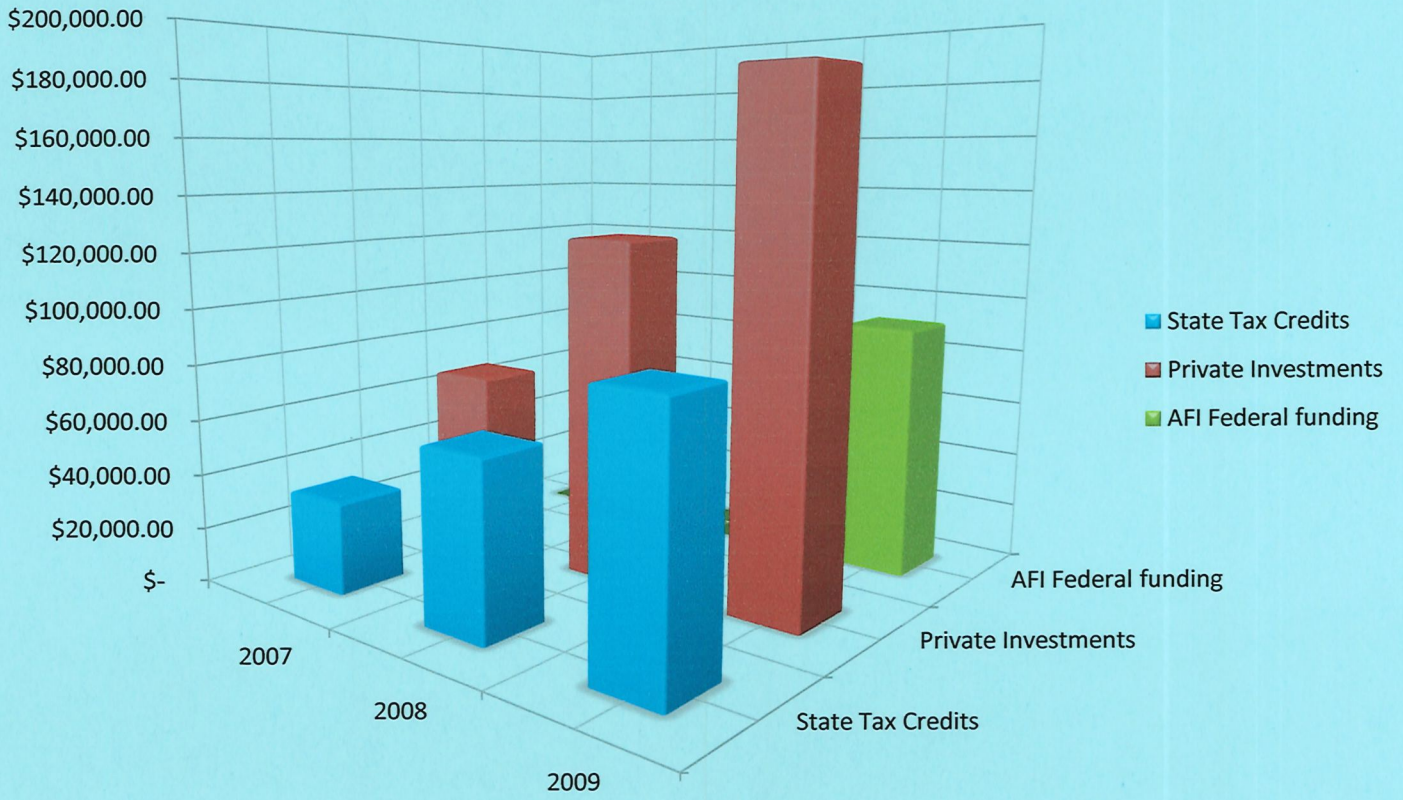
Respectfully submitted,



³ IDAs: An Investment That Pays Off February 2005, A publication of the Indiana Association for Community Economic Development

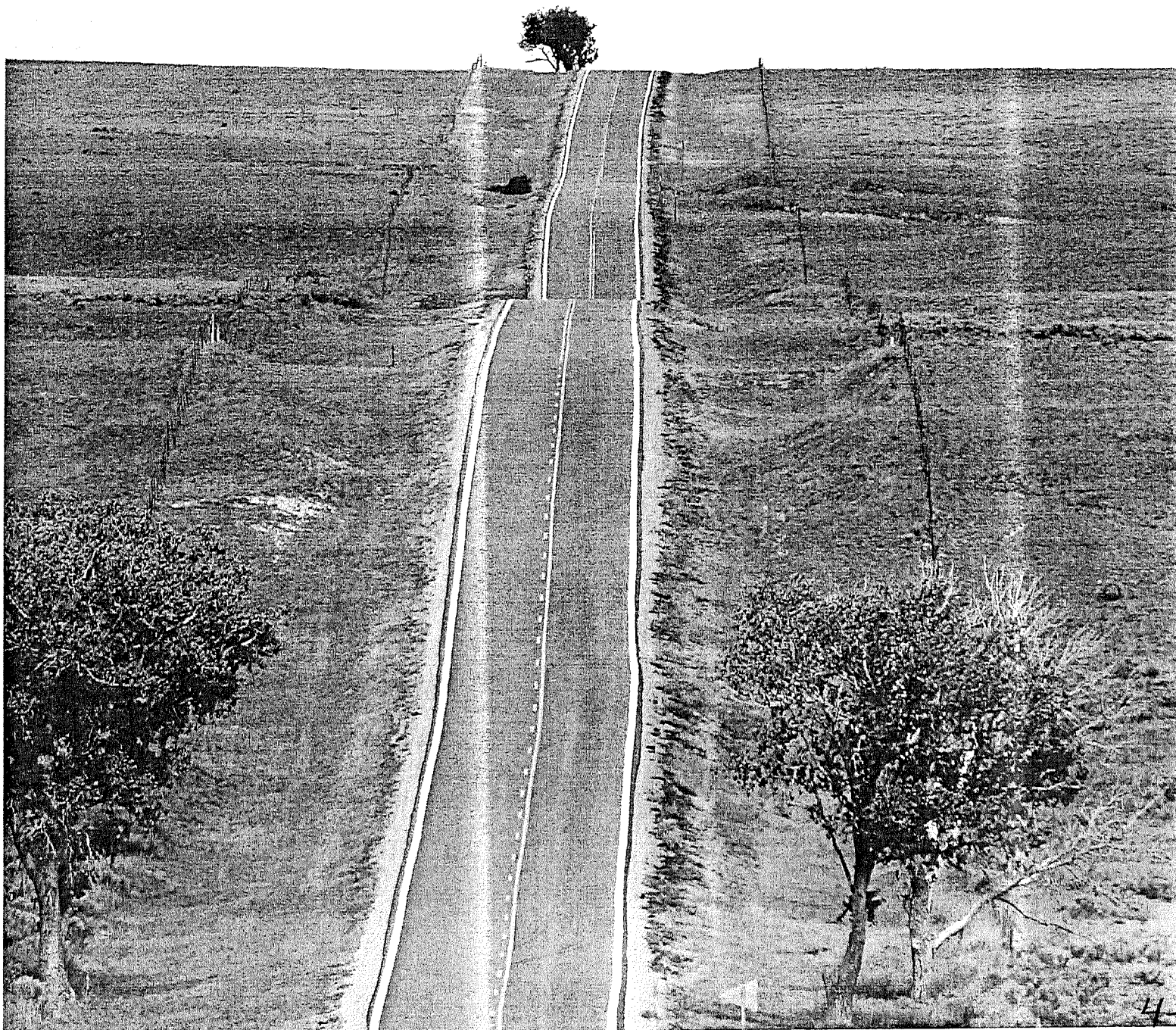
⁴ *Getting Ahead in Kansas An Asset-Building Policy Roadmap for Establishing Real Opportunities for Kansas Families to Achieve Financial Prosperity* <http://www.kac.org/ftp/File/Publications/assetdevroadmap.pdf>

Overall IDA Investment with IHS



GETTING AHEAD IN KANSAS

*An Asset-Building Policy Roadmap
for Establishing Real Opportunities for
Kansas Families to Achieve Financial Prosperity*



An assets roadmap

This report presents a “roadmap” for how we can go about helping Kansas families build and protect assets.

To help prepare this report, Kansas Action for Children and Kansas Partners in Asset Development (KPAD)⁶ organized meetings in Dodge City, Wichita, Parsons, Topeka and Kansas City to discuss with members of those communities the importance of assets and ideas for how we can encourage asset ownership as a state. Based on the community

The core of this roadmap is divided into four sections:

1. A review of asset-building policies at the federal level.
2. A review of asset-building policies at the state level.
3. A review of current Kansas asset-building policies.
4. Recommendations for new policies, and policy amendments that would better encourage the asset-building efforts of Kansans.

discussions and discussions at KPAD meetings, the following five issues emerged as strategic priorities:

1. Support the continuation of the KIDS College Savings Program in Kansas. Few assets are as important as a good education. In a globalized economy, access to post-secondary education is rapidly becoming essential. Learning Quest is the Kansas 529 College Savings Plan program. The Kansas Investments Developing Scholars initiative (KIDS), part of the Learning Quest program, is designed to help qualified low-income Kansans establish 529 accounts and save for their children’s

education. In the KIDS program, every dollar that is contributed to a 529 account is matched up to a maximum of \$600 per year. Additionally, KIDS participants are eligible for a state tax deduction of \$3,000 per year for single taxpayers (or \$6,000 for married couples filing jointly). The policy is up for reauthorization in 2009. Retaining and expanding KIDS is a foundational building block for a Kansas state-level asset-building policy agenda.

2. Enact a Financial Education Initiative in Kansas. Build upon existing financial education efforts in Kansas to institute a comprehensive financial education initiative mandated by law that serves both children and adults. This initiative would most desirably be offered through the public school system. Financial education courses offered would include components such as basic budgeting, credit worthiness, debt management, homeownership, business ownership, and investor education.

3. Improve Support for Individual Development Accounts (IDAs). Amend current Individual Development Account (IDA) legislation⁷ to make IDAs more “user-friendly” in Kansas, including increasing the state tax credit percentage allowed for contributions from 50 percent to 75 percent and instituting a system of funds apportionment whereby contributions obtained through the granting of state tax credits are leveraged and distributed by one or two lead organizations, chosen by the state on a competitive basis, to approved community-based organizations.

4. Inhibit Predatory Lending Practices and Promote Accessible Fair Lending Practices. A limitation on the number of loans that can be offered consecutively to consumers and a cap on the percentage of interest that can be charged would be effective policy restrictions on predatory

3. Improve Support for Individual Development Accounts (IDAs)

IDAs were also a high-priority item for many people in the community meetings. There is an IDA law in Kansas. Several IDA programs are currently being implemented, and several others are in the planning or early implementation stages. Over the last several years, IDAs have played a pivotal role in building interest in asset-building initiatives in the state. However, according to participants in all of the community discussions, IDAs in Kansas are currently underfunded, underutilized, and the current legislation and funding appropriations are not effective for successful implementation of such an innovative policy.

According to research on IDAs by the Center for Social Development at Washington University in St. Louis, participants in IDA programs (most participants were at 150 to 200 percent of the federal poverty line) reported that saving in IDAs changed their financial expectations and attitudes for the better. Most participants stated that because of the program they are more likely to work and seek further education for themselves and their children. More than four in five participants stated that the IDA program helped them feel more economically secure, in control of their lives, and confident about their futures.¹⁶

Several large philanthropies have made considerable investments in researching whether or not low- to moderate-income families would build wealth if given comparable opportunities to wealthier families, and the answer seems to be a resounding “yes.” The Ford Foundation and its grantees learned that families in the lower income tiers can and will save for the future, and they can and will build assets and make economic progress that can improve their lives

in significant ways. However, these families save only if they also have connections to the financial mainstream and are offered meaningful opportunities to save and invest, opportunities that reflect their needs, goals, and circumstances, such as IDAs offering homeownership as a goal.

Some IDA programs in Kansas have already proven successful for participants, however, not many programs have been able to successfully leverage their portion of the Kansas state tax credits issued for IDAs. Many Kansas IDA programs must seek additional funding to stay viable over the term of their IDA programs. Recommendations for better supporting IDAs in Kansas include that:

- Increasing the percentage of the tax credits appropriated for contributions to IDAs from 50 percent to 75 percent.
- A more effective structure for leveraging the credits should be established – such as providing additional funding for outreach and assisting non-profits to leverage the credits; or the state contracting with one or two non-profit organizations (on a competitive basis) to leverage all the credits and disperse the funds to state-approved community-based IDA program sites. This method is currently being successfully utilized in Oregon, where millions of dollars in 75 percent state IDA tax credits are leveraged and utilized annually.
- Additional funds should be allocated to operational funds for IDA programs. IDA programs report that case management for IDA participants - who are often clients in other programs at their sites, such as homeownership or microenterprise programs - can be staff intensive, but worth the effort.

- TANF funds could be allocated to IDAs, especially for operational expenses. TANF funds can be used for IDA program operational expenses, as well as for matching dollars. This concept is being successfully implemented in Virginia, Arkansas, New Jersey, and other states.

State general funds could also be appropriated for IDAs, in addition to the tax credits, to create a more sustainable pool of funding for IDAs. Other states, including Indiana, Arkansas, and Pennsylvania use a combination of state tax credits and state general funds successfully. States such as Minnesota, Washington, New Mexico, and Pennsylvania are successfully utilizing an annual appropriation of state general funds for IDAs, and have been for several years. Utilizing non-federal funds for IDA matches enables the state and approved non-profit IDA program partners to receive double the funds raised for IDAs by applying for a matching federal IDA program funding grant (AFIA IDA program).

4. Inhibit Predatory Lending Practices and Promote Available and Accessible Fair Lending Practices

The fourth policy priority for asset-building advocates in Kansas is to place effective restrictions on so-called “predatory” lenders. Policy recommendations include:

By using non-federal funds for IDA matches, the state and approved non-profit IDA partners can receive double the funds raised for IDAs by applying for a matching federal IDA program funding grant.

- Limit the number of loans that can be offered consecutively to consumers.
- Limit the percentage of interest that can be charged consumers.
- Encourage and support affordable alternative financial services and products in the state, which may include state support for the development and utilization of innovative low-cost banking products and pools of funding for small loans.

In 1993, there were 53 payday lenders in Kansas, but by August 2008, there were 444 payday lending locations in Kansas and 60 car title loan locations. This means that there are eight times as many predatory lenders currently established in the state as there were only 15 years ago. A major factor in this growth could be the high rural population in the state, since predatory lenders are most prevalent in rural areas. The growing number of predatory lenders implies a great cost to both Kansas consumers and the state.

Nationally, in 2004, nearly 97,000 – 17.4 percent - of loans originated in rural areas were classified as high-cost loans. Out of the manufactured homes purchased in rural areas in that same year, over 50 percent of buyers received high-cost loans. These loans include a higher than normal Annual Percentage Rate of interest and excessive fees, creating extraordinary financial stresses for people who can least afford them.¹⁷

Additionally, many consumers in rural and remote areas do not have reputable financial institutions close to where they reside, and use storefront loan businesses to cash checks and take out small emergency loans. These loans often end up costing two to 10 times as much than the original loan amount. According to the Center for Responsible

Presentation Regarding House Bill 2621

January 9, 2010

Sara Nelson
1539 Eastland Dr
Hutchinson, KS 67501
620.931.7370

My name is Sara Nelson and I am the owner of Sara Smiles, a small business bringing big new photography options to southcentral Kansas.

I grew tired of being constantly laid-off by manufacturing companies and wanted something more in life than working for \$2.13 an hour, 20 to 30 hours per week as a waitress. I wanted to provide a more stable future for my three children.

I have always enjoyed photography and have a keen eye for what makes a good picture, but I had no idea of how to start a business and at \$2.13 an hour, I never could have saved the nearly \$4,500 I needed to cover the cost of the equipment to get started.

Interfaith Housing Services and the IDA Program gave me the opportunity to do something I had only dreamed about. Financial Education classes opened my eyes to where my money was being wasted and taught me the skills I needed to make a budget and live on that budget. The matched savings proved just the incentive I needed to save my tips and deposit them into my Individual Development Account.

The small business mentor and coach that IHS connected me with was tremendously helpful as I began writing a business plan and preparing a budget. They helped me research and find the best prices on the equipment I needed. Mr. Scott even went with me to a local computer store to make sure they gave me what I needed at the very best price. This is not your typical program where they sign you up, tell you to save money and then leave you on your own to do it. They are there with you every step of the way, answering questions, giving advice and constantly providing support and encouragement.

Sara Smiles only started booking photography sessions and events in December and while it is not bringing in enough income to fully support my children and myself, I have several dates already booked for the spring and I am finding that less and less I have to ask my grandmother to help me out with routine expenses.

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I know what this program has done for me which is why I have recommended it to so many others, especially single mothers, who are struggling to stay caught up and who cannot even imagine getting ahead. Please don't take this program away. Please help them, too.

Respectfully presented,

Sara Nelson

Presentation Regarding House Bill 2621

January 9, 2010

Lorna Moore, IDA Program Director
Interfaith Housing Services, Inc.
PO Box 1987
Hutchinson, KS 67504-1987
620-662-8370
lornam@ihs-housing.org
www.ihs-housing.org

Good Morning, Ladies and Gentleman.

My name is Lorna Moore and I am the IDA Program Director at Interfaith Housing Services. I appreciate the opportunity to testify before you this morning but I am speaking not for myself but on behalf of Aimee Knox, an IDA Program graduate and now a first time homeowner.

Aimee is a single mother with two small children, a daughter Fallon and a son Guage. Aimee's mother heard about the IDA Program on a local radio station and suggested that Aimee attend our very first Informational Meeting.

At the time, she was working nights as a CNA at a local nursing home in Hutchinson and driving the 20 miles back and forth to Arlington where she lived. Aimee desperately wanted to buy a house and move to Hutchinson but with two small children to support and only a CNA's salary she knew that was an impossible dream....until she heard about the Individual Development Account Program.

Aimee opened her account in June 2008 and began saving everything she could. She took her stimulus package money and deposited it into her IDA. She took two part time jobs, one on weekends as a waitress at a local resident, the other working for a local caterer whenever possible. And, all the while she continued working full-time every night at the nursing home, even picking up overtime when it was available.

By November, Aimee had scraped together \$1500.00 and began looking at houses in Hutchinson. She soon found one she could afford that would meet their needs and made an offer. On December 23, 2009, Aimee and her children moved into their new home, their own home. And with boxes stacked all around them, they immediately put up their Christmas tree.

As I said, Aimee found a house she could afford and a house she could afford meant a house that needed some repairs. Since moving in, Aimee has continued saving and been able to paint, put new flooring in her kitchen and this fall she put new storm doors on the front and back doors, She wanted to get it done to help lower her energy bills and take advantage of the Energy Tax Credit she learned about in the First Time Homebuyer classes that we provided for her before she purchased her house.

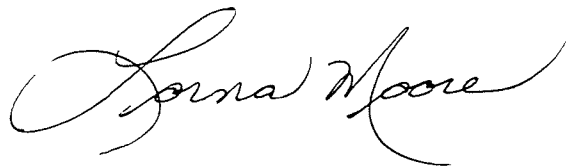
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A mother and her young children have a home of their own. That alone is a nice story but Aimee's story goes beyond the purchase of her asset. Aimee gained so much confidence from learning to manage her own finances and save for the purchase of her first home that she began setting other goals for herself. You are not getting the privilege of hearing from Aimee directly today because she is now enrolled in nursing school and had practicum at the hospital this morning.

The young girl who came to IHS earning minimum wage is now a homeowner and will soon become a registered nurse. Here are Aimee's own words, "because of the IDA program I now have the ability to set goals and reach them. I no longer have to depend on social services and rely on others to make sure my children have what the need. I am able to provide a better future for my family."

There are others just like Aimee and Sara who have purchased their assets; this program is important to them. There are some who have completed financial education and learned to live on a budget. Every month they save and dream of the day when they will reach their goal; this program is important to them. There are many who are waiting to enroll, hoping for the chance to finally find the financial stability that provides them a brighter future; this program is important to them. This program is also important to our state and its economic growth. Therefore, we hope it is important to you and respectfully ask you to please give careful consideration to our proposal.

Respectfully presented by,

A handwritten signature in cursive script that reads "Sara Moore". The signature is written in black ink and is positioned below the text "Respectfully presented by,".

House Taxation

Date: 2-9-10

Attachment: 6-2

Written Testimony in Opposition to House Bill 2621

Submitted by Kevin Carr, Interim CEO of KTEC

**House Taxation Committee
Tuesday, February 9, 2010**

Chairman Carlson and Committee Members:

I am Kevin Carr, Interim CEO of KTEC, and am writing today on behalf of the 74 companies who have benefited from the Angel Tax Credit program since 2002. I would like to share with you the following metrics:

From 2002 through 2008

- Raised **\$119MM** in capital for small companies since 2002
- **\$8.5 of capital for every \$1 of tax credit issued**
- **383 jobs** added or saved (958 jobs with a 2.5 multiplier effect)
- **\$119.5MM** in revenue over the last 4 years

2009 metrics will be available by mid February.

What is at risk?

Section 8(e) of HB 2621 would eliminate the ability for Angel Tax Credits to be sold or transferred. Currently the statute allows for a transfer to be made only once and only in its entirety. KTEC works closely with the Department of Revenue to ensure only eligible credits are transferred or sold. The statute does not allow any individual with Kansas tax liability in the past three years, nor expected in the current year, to transfer or sell their tax credit. Buyers of tax credits must be accredited investors, as defined by the SEC.

Over the past three years, **\$8MM** of capital has been raised from out-of-state investors for Kansas companies. This influx of capital into the state will be lost if this bill passes. Section 8(e) of HB 2621 would not have any impact Kansas State revenues.

We believe that the attraction of out-of-state capital into the state to help Kansas companies to get off the ground is beneficial, and would ask you to consider allowing the one-time transfer to stay the way it currently is in statute. Thank you for your consideration.

House Taxation
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February 9, 2010

Testimony before the House Taxation Committee

Regarding HB 2621

Submitted by Julie Riddle, Director of Family Support Services at

The Family Conservancy (626 Minnesota Avenue, Kansas City, KS 66101)

Chairman Carlson and Members of the Committee,

The Family Conservancy respectfully opposes the inclusion of the Individual Development Account Tax Credit in House Bill 2621. We do understand the bind of this committee as well as the entire legislature when the state of Kansas is in such desperate need for tax revenue. However, we believe the elimination of state funding for Individual Development Accounts (IDAs) will also eliminate an opportunity to utilize the tax code to advance economic opportunity and prosperity for low-income Kansans.

As you have heard from representatives of Interfaith Housing in Hutchinson, IDAs are matched savings accounts designed to help low-income and low-wealth Kansans save for and purchase appreciable assets: to start or expand a small business, to pay for post-secondary education and training or to purchase a first home or to make repairs to a home they already own. IDAs mirror asset building structures designed to help middle and upper income families such as employer-matched and tax advantaged retirement accounts, federal incentives to encourage IRA contributions and the mortgage interest deduction. But more than a transfer of funds, IDAs are also accompanied by financial education and coaching, credit counseling and case management to help guide participants toward smart and sustainable financial decisions, something many of us can use in this increasingly complicated and difficult economic climate.

The Family Conservancy has offered Individual Development Accounts as part of our Family Asset Building program since 1997, providing services to over 1000 working poor individuals and families and yielding the following results: 197 first-home purchases; 51 home repairs; 211 students enrolled in post-secondary education; 85 small businesses started. These families saved nearly two million dollars toward their goals, infusing their local communities with capital and an increased tax base. Currently our Family Asset Building has 47 Kansas families enrolled. Yet With just this relatively small number of individuals, we anticipate the economic impact of their participation in the program to exceed \$4 million. Not only does the IDA tax credit help incent our families to save their own money, we also use it as a match draw down federal funds for Kansas Communities. Every dollar expended by the state yields two dollars of federal investment.

To address the issue of utilization, it appears that incorrect information was provided to the legislature concerning the IDA tax credit. Between August 2006 and December 2007 The Family Conservancy processed \$67,201.30 tax credit donations with the Department of Commerce, roughly \$34,000 in tax credits.

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And while the numbers tell one side of the story, it is the people we serve, whose lives have been transformed by participation in Family Asset Building, that really convey the power of Individual Development Accounts and the urgency of retaining state support for them:

Luis and his wife Percy learned of the Family Asset Building Program sponsored by The Family Conservancy through their church.. The matched savings accounts represented the dream that Luis was holding on to, to open his own painting company. Luis and Percy both signed up for an Individual Development Account to help them expand their painting business. During his involvement with the program Luis began to study home repair courses and became certified. He attended every seminar, did all of his homework and exceeded all of the program requirements. His longing to be his own boss was the aspiration behind all of his hard work and commitment. Luis took advantage of the financial education classes offered through the IDA program as well as the business classes offered in Spanish. Attending the business seminars provided Luis an opportunity to discuss his business concept and generate new ideas and better ways of expanding his business. That helped him make the right choices for his business and cemented the idea of moving forward with his dream.

Upon graduating from the IDA program, Luis and Percy were able to offer a full painting service to their clients. With the help of the IDA program they were able to purchase proper painting equipment and machinery. Immediately, his company grew and expanded, generating a broader customer base and more revenue for the company to continue to grow.

Luis now serves as a mentor to his family and other members of the Latino community. Luis is proud of his work and the fact that he has helped his 3 brothers open and establish painting companies like himself. Luis also hires extended family members during the summer there by creating a job source for the youth and encourages them to follow their dreams and to stay in school. Now that Luis is a successful businessman he encourages other people like him self to strive for their dreams. He uses himself as an example of what hard work and determination can bring.

Percy sees life and their personal success like a soccer game, "Our dream was like a soccer ball, and you have to keep kicking it and kicking it and guiding it until you make it in side the net and score."

Angel Investor Tax Credit Testimony for the House Tax Committee, February 9, 2010
 by Angela Kreps, President of Kansas Bioscience Organization, a 501c3

Emerging bioscience companies spend up to \$800M developing a new drug over 10 -15 years.
 (See the information below by a leading provider of healthcare information, LWW.)

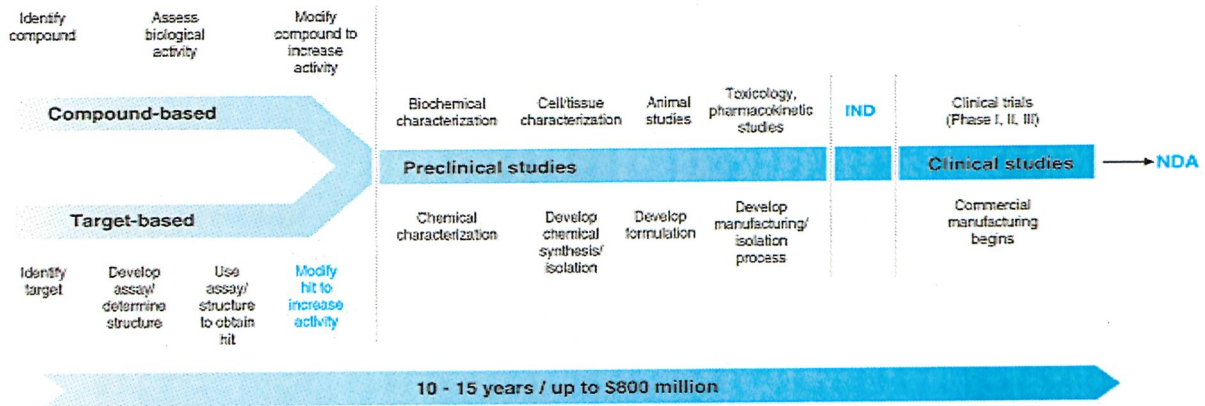


Figure 48-2 Timeline for the Steps of Drug Discovery and Development. The drug discovery process can proceed through either a compound-based or target-based approach; most modern approaches use elements of both. Concurrent with drug discovery, drug development involves chemical and biological characterization as well as synthetic optimization and manufacturing. These processes overlap considerably, and the results of iterative processes are used to improve the lead; this process is called lead optimization. Clinical trials and regulatory approval (Chapter 51) are also required before a drug may be marketed. The entire process from compound identification to drug approval can take 10–15 years and cost up to \$800 million. IND, investigational new drug application. NDA, new drug application.

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Prior to reaching the IND phase, companies raise money through Angel Investors primarily. Kansas has built strong angel investor networks throughout the state. The main stimulation is a result of the tax incentives available. The incentives benefit the investor by mitigating their risk and encouraging syndication with other angel investors. By reducing or eliminating the angel investor tax credit, fewer investors will invest in our biotech start-up companies. These companies may be forced to leave the state and seek funding elsewhere. One of the greatest beneficiaries of the tax credits are the communities with high-paying jobs in these companies.

Commercialization opportunities will accompany NBAF, and we will see even more start-up companies develop in Kansas. We must not lose focus. We must continue to invest in developing a strong investor ecosystem now. These transformations take years. We cannot lose ground by taking our eye off the ball.



KANSASBIO
 KANSAS BIOSCIENCE ORGANIZATION

8527 Bluejacket Street | Lenexa, KS 66214 | www.kansasbio.org

House Taxation
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Background: Kansas is one of four states recognized by the Biotechnology Industry Organization for leadership in developing ROI stimulators within the bioscience industry.

The one thing that drives state governments as well as investors to invest in bioscience industry development is the potential for Return on Investment (ROI). ROI is a quantitative performance measurement used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. ROI has been of particular interest to elected officials as they review budget priorities in the face of shrinking state budgets.

For venture capitalists/angel investors ROI comes in the form of recouping their investments, hopefully at a healthy premium. For states it is a bit more intangible. ROI for states could mean creation of high skill, high wage jobs; an opportunity to retain the best and brightest students from state universities; or, even the induced economic impact of numerous construction and service jobs associated with a vibrant bioscience industry cluster.

In 2007 and 2008 several states analyzed the economic impact of funding for the biosciences industries. The results provide lawmakers and other stakeholder's timely and comprehensive numbers that measured the performance of state investments in the industry. Here are four examples of state and region efforts to measure the quantitative value of the biosciences industry.

Hawaii: High Technology Business Investment Credit

The purpose of the High Technology Business Investment Credit is to increase investment in Hawaii's emerging science & tech companies. In order to create high-paying jobs the State supports the early stage growth of Hawaii's emerging innovation economy with targeted investor tax credits. These tax incentives have been put in place to correct the previous lack of early state investment in Hawaii. This has helped to establish Hawaii as a tech-friendly place to do business. During the period 2002 to 2006, results with 287 Qualified High Technology Businesses (QHTB's), benefiting from this incentive were:

- Investments received totaled \$821.6 million
- Spending by these companies in Hawaii totaled \$1.043 billion
- Salaries paid totaled \$505.8 million
- The 157 QHTB's that filed in 2006 created, since their inception, 5,383 jobs
- The 157 QHTB's that filed in 2006 had an average salary of \$67,020
- The Tax Credit claimed by Hawaii residents totaled \$195.6 million

The direct benefit to the state totals nearly \$2 billion, with a cost to the state of less than 10% of that amount. In other words, this is a return on investment for the state of approximately 10 times or 1000%

- Link to the legislation: <http://bio.org/local/industryDev/HawaiiHighTechnologyBusinessInvestmentTaxCredit.pdf>
- For more information: http://hawaii.gov/tax/pubs/2007hitec_rpt07a.pdf

OHIO Third Frontier Ohio's Third Frontier program has become an important part of Ohio's efforts to build a strong, technology-based economy. Its continuing purpose is to provide

financial support to projects that contribute to technology-based economic development in Ohio including the biosciences. The Third Frontier Project was initiated in February 2002. This project is the state's largest-ever commitment to expanding Ohio's high-tech research capabilities and promoting innovation and company formation and the return on investment over the past five years has been substantial. The cumulative effect of the program has provided new investment leverage outside state government, retention, expansion, and attraction of companies, and well-paying jobs. As of January 2008 the state jobs initiative spurred growth in the following areas:

- State Funds Awarded \$638 million/Co-Investment and Leverage \$2.4 billion
- Jobs Created/Retained 5,641/ Direct and Indirect Jobs Created 14,101
- Companies Created/Attracted 383
- Average Salary \$67,277
- Link to the legislation:
http://www.legislature.state.oh.us/BillText124/124_HB_675_ENR.html
- For more information: <http://www.thirdfrontier.com>

Kansas Economic Growth Act

The Kansas Economic Growth Act of 2004 demonstrated the state's deep commitment to continued bioscience growth. The act created the Kansas Bioscience Authority and appropriated \$581 million to invest in the expansion of the state's bioscience clusters, research capacity, startups, and business expansion. The 2008 Kansas Bioscience Index 2008 reported the following economic return on state investments:

- Kansas had 981 private biosciences companies in 2004 and 1,075 in 2006, a 9.6% increase in two years
- Employment rose from 14,889 in 2004 to 16,135 in 2006
- Bioscience venture capital investment amounted to \$101.4 million
- Academic R&D spending in bioscience accounted for 62% of total academic R&D spending in the state
- Link to the legislation: <http://www.kslegislature.org/bills/2004/2647.pdf>
- For more information: <http://kansasbioauthority.org/news/Kansas-Bioscience-Index.pdf>

San Jose, CA -Incubator Programs

In 2004, San Jose's incubator program created the San Jose BioCenter (SJBC) was created. The SJBC provides high tech office and wet lab space for fourteen small bioscience companies. According to a preliminary report, the bioscience sector in San Jose experienced a year- to-year growth rate of approximately 28 percent from 2002 to 2008-a rate that outpaces the Bay Area and the U.S. by a healthy margin.

A recent PriceWaterhouseCoopers' MoneyTree survey found that of 40 investments in the first quarter of 2008 in biosciences, \$436.5 million was raised from the San Jose region. These are more investments and dollars raised than any other region in the nation. According to BayBio, a nonprofit trade association serving the life sciences industry in Northern California, Santa Clara County has the largest concentration of bioscience companies of all counties in the Bay Area, \$5.9 billion or 50 percent of the life sciences gross product of the entire metropolitan Bay Area, \$12 billion, is generated there.

STATE OF KANSAS

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HOUSE OF
REPRESENTATIVES

Committee Assignments:
Ranking Minority Member:
Agriculture and Natural Resources Budget
Member:
Appropriations
Aging and Long-Term Care
Joint Committee on Arts and Cultural Resources

February 9, 2010

Chairman Richard Carlson
Members of the House Taxation Committee

Thank you for the opportunity to provide testimony today regarding Tax Credits for Individual Development Accounts (IDA).

Five years ago today, I expressed my support of House Bill 2222 because I believed it encouraged individuals in poverty to save money for worthy projects ---- and to have those savings matched by a trust fund. The idea of IDAs help people pull themselves up by the bootstraps and it has been a very successful program in other states.

When I requested this legislation in 2004, I learned that Rep. Ed O'Malley , Olathe, was also working on a similar bill. We combined our efforts and were eventually successful in passing this involved and intricate legislation. After it was passed, I followed up during the interims by setting up regional meetings and speaking at conferences to promote the use of this tool through social service organizations and KSU Extension agents throughout the state. We had plenty of qualified people who wanted to save for the specified purposes, but the marketing of the tax credits proved to be a weak link.

As the IDA was a new program for the state of Kansas, there was little state guidance for organizations seeking to implement the IDA's within their service area; furthermore, as they began creating their programs, little funding was available for marketing and selling the tax credits necessary for the initial and long-term success of the program.

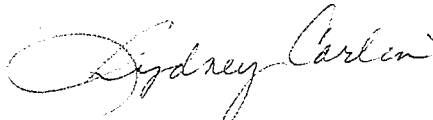
However, in 2007, Interfaith Housing Services began their IDA program and has proven to be the missing link between the Department of Commerce, local organizations, and the clients this bill was designed to serve. IHS continues making headway for individuals who desire saving what they can, developing their assets and in turn assists them toward realizing the American dream of self-sufficiency. Having employed a full-time fundraiser to sell the tax credits, IHS continues designing and implementing the IDA program.

Recognizing IHS as the most effective program in the State, the Department of Commerce approached them to consider becoming the statewide administrator of the program. This simply means that under the direction of the KDOC, IHS would act as a clearinghouse and route all allocated tax credits to local agencies utilizing a consistent program statewide, managed and

administered to create an entire network of effective programs. IHS presently acts informally to this end as they continue designing the processes and procedures for implementing this plan.

I am confident that due to the consistent marketing efforts that are now in place this program will mature and offer the potential for personal and financial growth of individuals who want to establish their own business, purchase a home, receive special skills training or a post secondary education.

I propose funding continue and approval be granted for IHS to continue as intended. The real benefits of the program need to have true opportunities for success before prematurely ending the potential of providing countless individuals the opportunity for self-sufficiency. It is my recommendation to you, my fellow representatives, that funding continue for tax credits for the Individual Development Account (IDA) program.



Rep. Sydney Carlin
District 66