

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 3:38 p.m. on March 8, 2011, in Room 783 of the Docking State Office Building.

All members were present except:

- Representative Donohoe-excused
- Representative Hayzlett-excused
- Representative Phelps-excused
- Representative Prescott-excused

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
- Michael Wales, Kansas Legislative Research Department
- Marla Morris, Committee Assistant
- Allen Jeffus, Office Assistant

Conferees appearing before the Committee:

- Senator Garrett Love
- Representative Terry Calloway
- Gary Haulmark, Legislative Director, Kansas Social and Rehabilitation Services (SRS)
- Jan Lewis, Catholic Charities of Northeast Kansas
- Gary Brunk, Kansas Action for Children
- Jill Quigley, United Community Services of Johnson

Conferees providing written-only testimony:

- Sister Mary Bangert, Sisters of Charity of Leavenworth
- Michael Schuttloffel, Kansas Catholic Conference

Others attending:

See attached list.

Chairman Carlson opened the hearings on:

- HB 2348 - Requiring social security numbers on Kansas income tax returns**
- HB 2349 - Requiring social security numbers in support of dependent care expenses**
- HB 2355 - Requiring social security numbers in support of claims for food sales tax refunds**
- SB 193 - Requiring social security numbers in support of claims for food sales tax refunds**

Due to the commonality concerning requirements of social security numbers, the four bills will be heard in one hearing. The Chairman invited the conferees to address an individual bill, some, or all of the bills as it applies to their testimony. He directed the Committee to the fiscal notes, in their daily packet, on **HB 2348** (Attachment 1), **HB 2349** (Attachment 2), **HB 2355** (Attachment 3) and **SB 193** (Attachment 4).

Gordon Self, Office of the Revisor of Statutes, briefed the Committee on each bill.

**HB 2348** relates to requirements with regard to the Kansas Income Tax returns in general. It provides that no reductions or credits will be allowed unless a valid social security number is provided by the taxpayer, the taxpayers spouse and dependent(s). He explained the exceptions and requirements in the bill.

**HB 2349** relates to dependent care expense credits, which is in addition to a federal credit. This bill provides that a taxpayer cannot claim this credit unless the taxpayer provides a valid social security number for the individual(s) claiming the credit.

**HB 2355** relates to the food sales tax refund and provides that a social security number is required for the claimant and each household member and dependent child applying for the credit. The bill further provides for a requirement of the applicant to provide a clear statement indicating which category the applicant is qualified.

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**SB 193** is identical to **HB 2355** with exception of an technical amendment that corrected a reference in line 21. He stood for questions.

Representative Terry Calloway spoke in support of the combined bills. Kansas does not currently require identification from applicants receiving benefits, whereas, the federal government guidelines require any one filing a return for benefits must have a ITIN (Individual Taxpayer Identification Number). Kansas should “true-up” to require the same identification numbers as the federal government to allow for quick validation between federal and returns (Attachment 5). He stood for questions.

Senator Garrett Love, spoke in support of the provisions of **HB 2355** as it mirrors **SB 193**. State tax forms do not require any information to verify any dependents the filer is claiming. The Kansas Department of Revenue is able verify the number of applicants within one or two years of the filing of their federal forms, however, if the applicant files only a state return, the department has no way of verifying the number of dependents (Attachment 6). Senator Love urged passage of the bill. He stood for questions.

There were no other conferees to appear before the Committee on the bills. Chairman Carlson closed the hearing on **HB 2348**, **HB 2349**, **HB 2355** and **SB 193**.

Chairman Carlson opened the hearing on:

### **HB 2347 - Earned income tax credit amount decreased and made nonrefundable**

The Division of Budget fiscal note on **HB 2347** is available in the daily packet (Attachment 7).

Gordon Self, briefed the committee on the bill. Current law provides for changes in the percentage of the federal Earned Income Tax Credit (EITC) allowed to be claimed as the Kansas EITC. The bill would also change the Kansas EITC from refundable to non-refundable and would calculate the amount of Kansas EITC allowed after the tax liability has been reduced by all other tax credits. He stood for questions.

Representative Calloway testified in support of **HB 2347**. He stated the research for this bill is a result of a comparison of the Kansas responsibility on earned income tax credit with the national average of 12.5 percent for the 23 states participating in EITC's. Currently Kansas awards an 18 percent EITC against the federal amount, which is 5.5 percent greater than the national average, and above the levels of neighboring states. Missouri and Colorado pay zero percent, Oklahoma pays 5 percent, and Nebraska pays 10 percent. He recommends a reduction in the amount to a more competitive level, both regionally and nationally (Attachment 8). He stood for questions.

Gary Haulmark, Legislative Director, Kansas Social and Rehabilitation Services (SRS), spoke to the fiscal implications affecting SRS due to the change from refundable to non-refundable (Attachment 9). The SRS presents a neutral position on **HB 2347**. He asked that the State return \$29 million of any savings realized by the passage of **HB 2347** to the SRS to be used towards (Temporary Assistance for Needy Families) TANF activities. He stood for questions.

Jan Lewis, Catholic Charities of Northeast Kansas, testified in opposition to **HB 2347**. She identified the Kansans benefiting from earned income tax credits, and asked the committee to visualize these Kansans when considering **HB 2347**. Reducing the Earned Income Tax Credit (EITC) percentage and eliminating the refundable portion of that credit will work in direct opposition to increasing net personal income and decreasing childhood poverty (Attachment 10). She stood for questions.

Gary Brunk, Kansas Action for Children, spoke in opposition to **HB 2347**. Asked cmt to think about the families that will be affected by **HB 2347**. He believes the bill will hurt working families already battered by a bad economy, burden the families who already pay the highest effective tax rate, and hinders the ability to reduce child poverty (Attachment 11).

Jill Quigley, United Community Services of Johnson County, testified in opposition to **HB 2347**. She presented testimony in the absence of Karen Wulfkuhle. United Community Services believes the

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Kansas EITC, when combined with federal EITC, is an effective anti-poverty program for working families, and if Kansas is committed to reducing child poverty, the EITC credit is one of the best strategies to use (Attachment 12). She stood for questions.

Chairman Carlson directed the Committee to the written-only testimony in opposition to **HB 2347** from Sister Theresa Bangert (Attachment 13), Sister of Charity of Leavenworth, and Michael Schuttloffel, Kansas Catholic Conference (Attachment 14).

Chairman Carlson closed hearing on **HB 2347**.

The next meeting is scheduled for 3:30 p.m., March 9, 2011, in Room 783 of the Docking State Office Building for the purpose of hearing:

**SB 212 – Annual report by secretary of revenue of abatements of tax liability**  
**HCR 5011 – Constitutional amendment creating a contingency reserve fund and debit prepayment fund in the state treasury, annual transfers and withdrawals only under certain circumstances.**

The meeting was adjourned at 5:00 p.m