

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman David Corbin at 10:45 a.m. on February 20, 2004, in Room 519-S of the Capitol.

All members were present except:

Senator Lana Oleen- excused

Committee staff present:

Chris Courtwright, Legislative Research Department

Gordon Self, Revisor of Statutes Office

Shirley Higgins, Committee Secretary

Conferees appearing before the committee:

Don Giffin, Metro Kansas City Salvation Army

Ric (Gary R.) Evans, Salvation Army Shield of Service treatment program

Captain Charles Kennedy, Salvation Army Harbor Light Alcohol and Drug Dependency programs

Dan Hermes, Kansas Alcohol and Drug Service Providers Association

Hal Hudson, National Federation of Independent Business

Marlee Carpenter, Kansas Chamber of Commerce

Others attending:

See Attached List.

SB 435—Income tax credits for contributions to community service providers for addiction recovery and crime prevention facilities

Don Giffin, a volunteer and advisory board member of the Metropolitan Salvation Army Board in Kansas City, testified in support of **SB 435** on behalf of the Kansas and Western Missouri Division of the Salvation Army. At the outset, he introduced the following Salvation Army staff and advisory board members: Donn Camlin, Director, Comprehensive Alcohol and Drug Treatment Centers; Captain Eduardo Vasquez, Associate Corps Officer, Kansas City, Kansas, Hispanic Ministry; Ernest Jones, Director, Correctional Services; and Michael Klein, Divisional Government Relations Director.

Mr. Giffin explained that the bill creates a new class of community service tax credits dedicated to addiction recovery and crime prevention facilities, which will enable charitable organizations to build facilities for the treatment of drug offenders and other addicts. The credits would be issued only to contributors of \$10,000 or more and would be freely transferable in minimum amounts of \$1,000. The bill would increase the total amount of community service tax credits available annually on a statewide basis for fiscal years 2005, 2006, and 2007. The total tax credits allowed for these contributions would be increased from \$4.13 million to \$6.0 million. At least 50% of all the tax credits in those years would be given for contributions to addiction recovery and crime prevention services. Mr. Giffin went on to inform the Committee that the Salvation Army is launching a campaign in Kansas City, Kansas, to raise \$11.5 million for the construction of a Harbor Light facility which will include a 120 bed drug and rehabilitation unit. He noted that the existing 88 bed Salvation Army facility in Kansas City has deteriorated to the point that the construction of a new facility cannot be further delayed. The focus of the new facility will be on crime prevention and the reduction of incarceration and recidivism. He pointed out that Wyandotte County is not a wealthy county, and charitable giving has markedly declined in recent years. The bill would provide a program through which the Salvation Army can apply for substantial tax credits for the construction of the proposed Harbor Light facility. In conclusion, Mr. Giffin called attention to letters in support of the proposed drug and alcohol abuse facility and the Salvation Army's effective treatment program which provides hope for addicts who want to break their addiction and return to society as productive citizens. In addition, he quoted portions of an article regarding the impact of substance abuse which was placed on the Internet by the National Center on Addiction and Substance Abuse at Columbia University. (Attachment 1)

Senator Donovan commented that passage of the bill, which provides that 50% of the tax credits be applied to the Salvation Army, would result in creating a longer waiting period for those persons who are already qualified and on a waiting list. Mr. Giffin acknowledged that the bill would cause a legislative priority to be imposed upon what previously has been an administrative group assigning priority to various applications.

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Mr. Giffin introduced Ric Evans, the Director of Therapy for the Salvation Army Shield of Service (SOS) program in Kansas City, who discussed the Salvation Army's alcoholism and drug addiction treatment program. He noted that he is a text book example of an alcoholic, drug addict. He grew up in a very dysfunctional family, and failed at just about everything. He started smoking when he was nine and started drinking when he was eleven. He went into the service to keep from going to a reform school and got "kicked out." Over a period of 30 years, he drank unless he was in prison. In all that time, he never seriously considered stopping. In 1987, he had been out of prison for a few years and did not want to go back. However, he had not stopped drinking, and his wife had "kicked him out." While away from home and alone in Tulsa, Oklahoma, he had no money to buy a drink and seriously considered breaking into a liquor store near his hotel in order to get just one drink. At that point, he realized that he was "crazy." He returned to his hotel and noticed a newspaper article about a Salvation Army treatment center in Tulsa. After reading it, he called his wife to ask if he could come home if he got treatment. Her answer was, "Maybe." Because he did not want to lose his wife, he went home and entered a Salvation Army treatment program. He has not had a drink or any other mood altering chemical since finishing the treatment program. Mr. Evans noted that he went back to school five months after completing the program. Six months after that, the Salvation Army Shelter Service called him and asked him if he was interested in a part time job. He has been there ever since. He has earned three degrees, and he is a member of several addiction and prevention professional associations. (Attachment 2) Mr. Evans noted that he sees treatment work every day, but unfortunately, the building in which the treatment is provided is falling down and is no longer cost effective to operate. The cost to operate the SOS building is money that should be spent on providing treatment. He went on to comment that, the majority of people doing time in the penitentiary are there for things directly related to drugs and alcohol. He emphasized, "We can make a bigger difference if we're given the opportunity to do so." With this, he urged the Committee to recommend **SB 435** favorably.

Captain Charles Kennedy, Corps Officer and Supervisor of Salvation Army Harbor Light Alcohol and Drug Dependency treatment programs in Wyandotte County, followed with further testimony in support of **SB 435**. He noted that passage of the bill will provide an opportunity for a broader community investment and expanded partnership with the state in building a state-of-the-art comprehensive alcohol and drug treatment center. (Attachment 3)

Senator Goodwin asked Mr. Giffin if he would agree to the bill being amended to change the amount of the contribution to a much lower amount so that the credits would be available to smaller organizations in need in the western part of the state where it is unlikely that there are persons able to contribute \$10,000. Mr. Giffin noted that the contribution involves a relationship between the Department of Commerce, which issues the tax credits, and the Department of Revenue, which keeps track of them. In his opinion, lowering the amount would result in more administrative work for the state due to an increase in the number of small contributions.

Dan Hermes, representing Kansas Alcohol and Drug Service Providers Association, stood in support of the concept of **SB 435**. He noted that the bill limits the tax credits to the actual construction of a facility. Therefore, it would not apply to the operation of or the maintenance of facilities. He suggested that, if the Committee chooses to broaden the bill, it could be amended to include the purchase of an existing facility to be used for a treatment center.

Senator Corbin reminded the Committee that **SB 435** was referred by the Senate Federal and State Affairs Committee; therefore, it will remain alive bill after "turn around." There being no others wishing to testify, the hearing on **SB 435** was closed.

SB 532--Sales tax remittance credit, income tax credit, waiver of penalty and time for returns and payment of tax

Hal Hudson, National Federation of Independent Business (NFIB), testified in support of **SB 532**, noting that the provisions in **SB 470** had been amended incorporated in **SB 532**. He explained that NFIB supports **SB 532** primarily because Section 1 would require less frequent filing and report of sales taxes collected by its smallest members. NFIB also supports Section 2 because it would allow the Secretary of Revenue to waive additional liability for a retailer due to a reasonable error in implementing or applying the destination sourcing rule. However, Mr. Hudson suggested that New Section 4 be amended to increase the \$500 limit on the

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amount of income tax credit for expenditures to perhaps \$10,000. In addition, he noted that a survey of NFIB members showed that they believe that only allowing retailers 2% retention of the sales tax they collect as compensation for collecting the taxes would not be worth the additional bookkeeping effort. He explained that NFIB would support the bill with the suggested changes; however, the support is half-hearted because, to be more meaningful, it should take effect in a timelier manner. (Attachment 4)

Marlee Carpenter, Kansas Chamber of Commerce, testified in support of **SB 532**. The Chamber is in favor of the income tax credit provided in New Section 4. However, in order to help those it intends to help, Ms. Carpenter suggested that it needs to be either a refundable income tax credit, a carry forward, or a tax credit against sales tax liability. She noted that the Chamber fully supports Section 5 of the bill allowing an administrative allowance. In this regard, she called attention to a 1993 Price Waterhouse study showing that, in 1993, it cost retailers 3.42 % to collect and remit sales taxes to the Department of Revenue. She noted that switching from origin to destination based sourcing will in all probability increase the cost to remit for many retailers. In conclusion, she called attention to a list of the types of taxes for which retailers are already compensated for collection and remittance and to a chart listing state sales tax rates and vendor discounts. (Attachment 5) Ms. Carpenter noted that New Section 5 caps the total credit for retailers at \$1,000 per month and suggested that, as a way to keep the amount low but help the small retailer, perhaps the cap should be changed to \$500 and increase the administrative percentage.

Joan Wagon, Secretary, Kansas Department of Revenue, responded to questions from the Committee.

There being no others wishing to testify, the hearing on **SB 532** was closed.

The meeting was adjourned at 11:50 a.m.

The next meeting is scheduled for February 23, 2004.