

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 16, 2007 in Room 519-S of the Capitol.

All members were present except:

Representative Davis - E

Committee staff present:

Chris Courtwright, Legislative Research Department

Martha Dorsey, Legislative Research Department

Gordon Self, Office of Revisor of Statutes

Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Lynn Jenkins, Kansas State Treasurer

Tony Scott, KS Society of CPA's

Joan Wagnon, Secretary, KDOR

John Pinegar, Pinegar, Smith and Associates

Others attending:

See attached list.

HB 2335 - Deduction from federal adjusted gross income for interest income for Kansas income tax purposes.

Chris Courtwright, Legislative Research Department, said the bill would allow a new subtraction modification from federal adjusted gross income for an amount not to exceed the first \$100 in interest income for single filers or \$200 for joint filers. He reviewed language changes, page 5 and 6 of the bill. The fiscal note FY 2009 is \$4.3 million.

The Chairman opened the public hearing on **HB 2335**.

Treasurers Jenkins, Treasurer of the State of Kansas, testified that this bill simply provides a state tax incentive to Kansans who save for future needs (Attachment 1). She said that financial literacy is her passion, and through cooperative efforts of businesses, legislators and the Treasurer's Department they are making strides in that area. The current generation of students have a better grasp of finances and are more responsible for their finances than perhaps their parents generation.

She said that Kansas and the nation have a serious problem, related to personal savings. She called attention to the chart, in her testimony, by the U.S. Bureau of Economic Analysis, that reflected personal savings rates have been in the negative since early 2005 and has continued into 2007. The last time this happened was in 1932-33, during the great depression. People are spending more than they are bringing home and she added that trend should worry everyone.

She described ongoing education programs, which have been developed and presented by the Treasurer's Department and multiple businesses, for high school and college aged students. She concluded by stating **HB 2335** is proactive and focuses on prevention and planning and will be less expensive in the long run by rewarding Kansas families to save at the front end, rather than deal with all sorts of financial crisis at the back end. She urged passage of the bill.

A committee request was made to see the documentation on a similar program in Oklahoma. Secretary Jenkins agreed to provide any information that Oklahoma was willing to share.

Tony Scott, KS Society of CPA's, testified as a proponent of **HB 2335**. He provided statistics on savings program and credit card debt by young Americans. He described an education program, *Takin' Care of Business*, developed by the Kansas Society of CPA's, which trains teachers on financial literacy issues of finances. Financial illiteracy is a national crisis and the bill is a small, yet meaningful way to encourage Kansans to save. He urged members of the Committee to vote in favor of the bill (Attachment 2).

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on February 16, 2007 in Room 519-S of the Capitol.

Secretary Wagon - KDOR, rose in opposition to the bill (Attachment 3). She agreed with Treasurer Jenkins that financial illiteracy is a real problem in our society and suggested that all legislators should avail themselves of the existing education programs in order to ensure their constituents are aware of the problems. She suggested the issue is whether or not this particular vehicle will accomplish what has been promised.

She referred to the Kansas Tax Brochure (copy on file at KDOR), presented to Committee members previously. She explained Schedule S in the Kansas Tax Brochure and how the bill would impact the current formula. The most recent federal data shows that 567,000 Kansas taxpayers reported taxable interest of \$1.1 billion in tax year 2004. If those taxpayers take the maximum exclusion allowed under this proposal, the fiscal impact in tax year 2007, using a 5% average rate, would be about \$4.3 million. As policymakers, they need to determine if this program will actually change behavior, or if \$4.3 million could be used more effectively to educate and bring about saving behavior.

The Chairman closed the hearing on **HB 2335**.

HB 2434 - An act concerning property taxation; relating to growth in assessed valuation; authorizing certain interlocal cooperation agreements, provisions.

Chris Courtwright, Legislative Research Department, said the bill would authorize two or more counties to go together through inter-local agreement to form a multi-jurisdictional economic development entity. Under the bill, counties would enter into a bit of revenue sharing agreement, and he described a scenario in which this would apply.

Representative King made a motion to amend HB 2434, to change the language in Section 1, (b)(4). On page 2, starting on line 14, after the phrase the growth in assessed valuation, strike all the language in that paragraph (lines 15, 16, 17 and 18), and insert the property subject to the interlocal agreement. Starting on line 24, after the phrase increase in assessed valuation, strike all the language in lines 24, 25 through the word facility on line 26, and insert of the property subject to the interlocal agreement. In line 27, after the phrase county on or before, they would strike May 1 and insert June 15. Representative Whitham seconded the motion.

In response to a Committee question regarding support from the counties of this amendment, John Pinegar, Pinegar, Smith and Associates, clarified the intent of the amendment, stating it was a friendly amendment in which the counties are supportive.

Representative King closed on his motion to amend. The motion carried.

Representative Owens made the motion that they move HB 2434, as amended, favorable for passage. Representative Whitham seconded the motion.

After discussion, Representative Owens closed his motion. The motion carried.

The Chairman adjourned the meeting at 11:00 a.m. The next meeting is February 20, 2007.