

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 9, 2005 in Room 519-S of the Capitol.

All members were present except:

Representative Bruce Larkin- excused

Committee staff present:

Chris Courtwright, Legislative Research Department

Martha Dorsey, Legislative Research Department

Gordon Self, Revisor of Statutes

Richard Cram, Department of Revenue

Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Representative Ed O'Malley

Julie Riddle, Family Conservancy

Karen Yarbrough, Individual Development Account Participant

Gabrielle Yarbrough, Individual Development Account Participant

Turner Pettway, U.S. Bank

Lance Rutledge, Emporia Community Housing Organization

Deborah Adams, Ph.D. University of Kansas, School of Social Welfare

(Written testimony only)

Denise Unrah, South Central Community Foundation

Carol Smith, United Community Services of Johnson County

Tiffany Jarvis, MOKANSave

Melinda Lewis, , El Centro, Inc.

Others attending:

See attached list.

The Chairman opened the floor for bill introductions.

Representative Craft requested that a conceptual bill be introduced that would impose the collection and remittance of a transient guest tax on state entities. Representative Owens made the motion to introduce the bill. Representative Huff seconded the motion. The motion carried.

Representative Dillmore made the motion to introduce a bill relating to liquor by the drink tax and the disposition of funds back to municipalities. Representative Menghini seconded the motion. The motion carried.

The Chairman announced the appointment of a Sub-Committee for **HB 2023 - Classes of cities for sales tax purposes; uniformity**. (Representative Siegfried-Chair, Representative Owens and Representative Davis) The Chair requested a sub-committee report be given to the Committee on February 18, 2005.

HB 2222 - Establishing the Individual Development Account Program

Ms. Dorsey distributed a briefing paper on **HB 2222** (Attachment 1). She stated the major parties involved in the bill are: Secretary of Commerce/Department of Commerce, Secretary of Revenue, Community Based Organizations, and Financial Institutions. The intent of the bill is to provide for savings accounts with matching moneys for those people within 200% of the federal poverty guidelines. The fiscal note could reduce fiscal year 2006 state general fund revenues by \$502,500.

Representative Ed O'Malley stated that **HB 2222** creates the Kansas Individual Development Account Act,

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an economic development opportunity, aimed at aiding Kansans who truly want to help themselves ([Attachment 2](#)).

Representative O'Malley explained the following key points:

- There are three components necessary for an IDA program: a local non-profit organization to administer the program, a local financial institution to house the IDA accounts and an account holder.
- Account holders must have a household income less than or equal to 200% of the federal poverty level.
- Account holders must agree to participate in financial literacy workshops sponsored by the local non-profit organization.
- Account holder will save money to be used for any of five predetermined reasons.
- All withdrawals from an account must meet the approval of the local non-profit organization serving as the local administrator.
- Account holder savings will be matched up to a three-to-one ratio.
- Financial institutions can choose whether or not they wish to house IDA accounts.
- Individuals or entities that donate to "individual development account reserve funds" will receive an income tax credit worth 50% of the donation.
- The total tax credits authorized shall not exceed \$500,000 in any fiscal year.

Currently there are IDA programs in Kansas, however they do not receive any financial support from the state of Kansas. He concluded his testimony by reading a statement from Kansas Congressmen Jerry Moran and Jim Ryun: "Just as current (tax) incentives have helped create our nation's great middle-class, IDA tax credits will help ensure that low-income families and individuals will finally be able to take advantage of similar incentives...(IDAs) are designed to help people who want to help themselves...hundreds of thousands of working poor families will finally be able to achieve their piece of the American Dream."

Julie Riddle, IDA Program Manager - The Family Conservancy, rose in support of **HB 2222**. She explained the mechanism of an IDA program and provided testimony of IDA Participants.. She stated that the bill offers Kansas an opportunity to broaden its economic development vision and enable low-income families a greater chance to positively impact the communities in which they live ([Attachment 3](#)).

Karen Yarbrough, former IDA Participant, appeared in support of **HB 2222**. She told her personal story and how the IDA program turned her life around. She is now living in a new house with her daughter Gabrielle; the results of the education and savings program offered through the IDA program ([Attachment 4](#)).

Gabrielle Yarbrough, thanked the Committee for the IDA savings program that had provided her the opportunity to attend college. She has learned to use applications from the IDA programs not offered anywhere else. She praised the workers administering the IDA program who, in her opinion, helped empower her to not fear but embrace life's hardships ([Attachment 5](#)).

Turner Pettway, Community Development Manager, U.S. Bank, stated that they were proud supporters of the IDA concept, because it helps low and moderate income families build wealth and purchase assets. U.S. Bank holds over 800 accounts in the Kansas City Metro area in partnership with three nonprofit IDA administrators ([Attachment 6](#)).

Dr. Adams, Associate Professor, School of Social Welfare, University of Kansas appeared in support of **HB 2222** ([Attachment 7](#)). She shared results of research that is being done in a national study of IDAs called the American Dream Demonstration (ADD). Beyond savings outcomes, their study included possible effects of asset building in the lives of lower-income IDA participants. Data on demographics, self-employment, homeownership, money management and participant perceptions of the Family Asset Building program was included in her testimony.

Lance Rutledge, Executive Director of Emporia Community Housing Organization, appeared in support of **HB 2222** ([Attachment 8](#)). Emporia's IDA program is privately funded through The Family Conservancy from a grant given by the Kauffmann Foundation, however, she believes that it is time for Kansas to put up the resources to help its lower income citizens save responsibly and to grow the IDA program.

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Written testimony in support of **HB 2222** was received and distributed from:

- Denise Unruh, LMSW, South Central Community Foundation ([Attachment 9](#))
- Carol Smith, United Community Services of Johnson County ([Attachment 10](#))
- Tiffany M. Jarvis, MOKANSave ([Attachment 11](#))
- Melinda Lewis, El Centro, Inc. ([Attachment 12](#))

Representative Carlin rose in support of **HB 2222**, stating that she had been part of a Kansas team that had attended a conference in Philadelphia on IDAs. She had worked on this legislation and believed that a key point of the bill is that it allowed individuals to save money while they receive various government benefits through public assistance.

Discussions followed regarding the administration of the program by the Department of Commerce, how tax credits worked, possible use of the funds for emergency needs and possible resulting penalties.

The Chairman requested that staff confer with the Department of Commerce and others to provide information on the tax credit process involved with IDAs. Several scenarios should be included reflecting how it has worked in the community.

Dr. Adams suggested that Committee members may contact her for additional information. For a full copy of the full research report she spoke of, contact Deborah Adams at the University of Kansas School of Social Welfare. Her email address is debpa@ks.edu and her telephone number (913) 897-8444. She also suggested that an excellent additional resource would be the final report on the national IDA research that is available through the Center for Social Development, Washington University. In response to the Chairman's question, Dr. Adams stated the hypothesis of the study is about behavioral change as much as financial gain.

Discussions followed regarding the probability of a pilot program relating to medical savings accounts, safeguards against fraud, and qualifications of participants for the IDA program.

The Chairman closed the hearing on **HB 2222**.

The meeting adjourned at 10:30 a.m. The next meeting is scheduled for February 10, 2005.