

## MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:44 A.M. on February 19, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research Department  
Martha Dorsey, Kansas Legislative Research Department  
Gordon Self, Office of Revisor of Statutes  
Jason Thompson, Office of Revisor of Statutes  
Judy Swanson, Committee Assistant

Conferees appearing before the committee:

State Treasurer Lynn Jenkins  
Sheila Frahm, Kansas Association of Community College Trustees  
Diane Duffy, Kansas Board of Regents  
Richard Cram, Kansas Department of Revenue

Others attending:

See attached list

**Hearing on SB 344—Income tax credit for contributions to programs for savings for higher education expenses**

State Treasurer Lynn Jenkins testified **SB 344** would double the deduction for contributions to the Learning Quest Education Savings Program from \$3,000 to \$6,000 for single filers and from \$6,000 to \$12,000 for joint filers. (Attachment 1) American Century has again been contracted to manage the program. Initial contribution requirement has been lowered from \$500 to \$250 for Kansans who do not sign up for automatic monthly contributions. If enacted, **SB 344** would move the contribution deadline from the end of the calendar year to April 15. There is one other state which has the April 15 deadline. There will be no additional cost to the Treasurer's office, but KDOR would incur costs to change its software. The hearing was closed.

**Hearing on SB 215—Income tax credit for contributions to community colleges for capital improvements**

Sheila Frahm, Kansas Association of Community College Trustees, reviewed the 19 community colleges and service areas in Kansas which showed the calculation of building renewal cost to be \$149.5 million. (Attachment 2) Major remodeling is needed on buildings built in the 1960s. Community college leaders would have a concern if tax credit incentives specifically for deferred maintenance cause a loss for other traditional "planned giving" programs. During discussion, Ms. Frahm said enrollment in community colleges has been increasing, especially during tough economic times. Even though the economy has been good recently, enrollment has stayed constant. She included a report with her testimony showing the amount of money community colleges receive from federal funds.

Diane Duffy, Kansas Board of Regents, testified if **SB 215** was enacted, it would require additional work by the Board of Regents' architect and legal staff to draft regulations and review projects. (Attachment 3) It would cost \$4.5 billion to replace the state university buildings and \$700 million to replace the community college buildings. If in-kind gifts are included, the Board recommends clarification on how these gifts are to be valued. The KBOR currently is not involved with community college and technical school capital improvements.

Richard Cram, KDOR, testified KDOR supports the intent of the bill because there is a strong need to provide for capital improvements. (Attachment 4) However, KDOR has several concerns. With each new tax credit, KDOR incurs significant administrative expense. He suggested folding this idea into the current community service contribution program. A sunset provision is needed in **SB 215**, along with rule and regulation authority. **SB 215** is not clear whether the credit cap is \$400,000 total or \$400,000 per community college. Senator Schmidt said the intent is \$400,000 per community college. KDOR Secretary Joan Wagnon said KDOR would support the bill if the tax credit program was put into the current community service contribution program. KDOR strongly opposes transferable credits, as it expands opportunities for fraudulent

## CONTINUATION SHEET

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or abusive credit claims. During discussion it was noted there are currently no tax credits available for charitable contributions to colleges, only tax deductions.

Due to the complexity of the bill, Chairman Allen will request **SB 215** be blessed so it may be considered further. Senator Schmidt volunteered to work with interested parties on finding a way to help community colleges help themselves. The hearing was closed.

Committee discussion was held on **SB 115** and **SB 126**. Gordon Self distributed a balloon amendment which amends the provisions of **SB 126** into **SB 115**. He said this bill would bring retail businesses more into line with car dealers in terms of licensing and registration penalties. Secretary Wagnon said with **SB 115**, KDOR is pursuing businesses that are in fulltime operation, and are chronically delinquent in remitting their sales taxes. The Secretary of KDOR has the authority to make the final ruling if there are circumstances beyond control of the owner, which make it impossible to comply with the law regarding submission of state sales taxes collected,. Senator Pine expressed concerns about swap meets, etc. being caught up in a situation where persons running the swap meet could actually be incarcerated. KDOR has agents who help swap meet-type businesses get their participants registered with KDOR. Secretary Wagnon will provide the Committee a list of how often businesses must remit their sales tax to the state, based on the amount of sales tax they collect annually. KDOR agreed to work with Mr. Self to refine the balloon and bring it back to the Committee for further consideration.

Being no further business, the meeting adjourned. The next meeting will be February 20.