

Written Testimony In Support of Senate Bill No. 515

It is with pleasure that I, Eric Parkhurst, attorney for the Dane G. Hansen Foundation (the “Hansen Foundation”), submit this written summary of my upcoming testimony on March 6, 2024, in support of Senate Bill No. 515, which proposes a sales tax exemption for the Hansen Foundation.

The Hansen Foundation is seeking a sales tax exemption for its charitable initiatives, programs and grants, including but not limited to, the unique LIFE Center Project it is funding in Logan, Kansas. The LIFE Center consists of a new pre-k through 4th grade school building, a new gymnasium and associated locker room complex, connecting to a new long-term care facility housing 36 residents. The completed facility will serve as a unique community center, encouraging daily intergenerational activities from the youngest to the oldest citizens. The anticipated completion date for the LIFE Center will be in the Fall of 2024.

The entire facility is being built on real estate owned by USD No. 326, a tax-exempt entity, with grant funding coming from the Hansen Foundation. Upon completion of the entire facility, USD 326 will deed (as a gift) that portion of land upon which the long-term care portion of the facility is located to Logan Manor Community Health Services, a component unit of the City of Logan (the “Logan Manor”).

While the existing Logan Manor is exempt from sales tax when it comes to medical supplies and equipment, pursuant to K.S.A. 79-3606(hh), there is no existing exemption that covers the construction or enlargement of a nursing home, and the existing exemption available for construction of improvements on school property specifically excludes any building used primarily for human habitation (see K.S.A. 79-3606 (c)).

The current limitations of KSA 79-3606 have resulted in the expenditure thus far of \$397,319 in sales tax related to the construction of the new Logan Manor, with another \$139,599 of sales tax that will be paid over the course of the next 6 months until the project is completed. The net result is that sales tax dollars allocable to the construction of the nursing home would have otherwise been able to be used for additional charitable purposes.

While it is anticipated that the bulk of the sales tax expenditures will already have occurred on the LIFE Center before the possible passage of this Bill, it is still estimated that it could save as much as \$50,000 or more in sales tax should this Bill be signed into law this session.

Aside from the expenditure of funds for sales tax that would have otherwise been able to be used for charitable or tax-exempt purposes, the current grant funding and sales tax exemption process is obviously somewhat cumbersome for both the Hansen Foundation and USD 326. Given the uniqueness of this project, and the fact that when the facility is completed, it will be operated by two tax-exempt entities (USD No. 326 and the Logan Manor), the Hansen Foundation believes there is merit in a statutory amendment exempting the LIFE Project as a whole and exempting future projects similar to the LIFE Project.

This exception would not be unprecedented. For example, a sales tax exemption was granted to the Cerebral Palsy Research Foundation (CPRF) in Wichita and Multi Community Diversified Services, Inc. (MCDSI) in McPherson. Both of those facilities offer residential service programs to individuals with disabilities (i.e. their facilities are primarily used for human habitation). Similar amendments to K.S.A. 79-3606 have also been made for a variety of different educational, benevolent or charitable purposes in the past, such as subparagraphs (oo), (nnn), (ppp), (zzz), (iiii) and (mmm).

The scope of Senate Bill No. 515 obviously extends to any other charitable initiatives, programs and grants funded by the Hansen Foundation. This would be of significant help in furthering the goals of the Hansen Foundation for future grant projects, which include (1) strengthening and supporting the communities of Northwest Kansas, (2) creating an environment for growth, and (3) increasing economic opportunities in those communities. Significant initiatives in the past couple of years have focused on solving the shortage of affordable childcare facilities and housing in Northwest Kansas, as well as work-force development.

The above goals are facilitated by grant making for education, health care, economic development, community social services, conservation and environment, arts and culture and community beautification. The Hansen Foundation is limited to making grants to qualified tax-exempt entities, so much of the funding of its grants and initiatives by nature fit within an existing sales tax exemption. However, there are several projects that inevitably do not fit within an existing exemption. The passage of this Bill would ensure a comprehensive means to extend the impact of all available charitable dollars to further the objectives of the Hansen Foundation.

I appreciate your time and consideration of this proposed Bill. I would be happy to answer any additional questions or concerns that you or your fellow legislators may have.