

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Vice Chairman Richard Carlson at 9:00 A.M. on February 25, 2009 in Room 519-S of the Capitol.

All members were present except:

Representative Kenny Wilk- Excused

Committee staff present:

Chris Courtwright, Legislative Research Department

Gordon Self, Office of Revisor of Statutes

Ryan Hoffman, Legislative Research Department

Scott Wells, Office of Revisor of Statutes

Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Phil Perry, Director of Governmental Affairs, Home Builders Association of Greater Kansas City

Tom Woods, T.E. Woods Construction

Mike Taylor, Unified Government-Wyandotte County/Kansas City, Kansas

Robert Vancrum, Greater Kansas City Chamber of Commerce

Mike Brown, Brown Midwest (written only)

Erik Sartorius, City of Overland Park (written only, which I believe you have)

Tony Folsom, KDOR

Others attending:

See attached list.

Representative Owens requested a bill introduction that would prohibit any financial institution in the state of Kansas from reopening a credit account once it has been closed by a customer without the written consent of the customer. Representative Carlson seconded. The motion carried.

HB 2543 - Assessment for property tax purposes of newly constructed residential property.

Chris Courtwright, Legislative Research Department, said that under current law, individuals who purchase newly constructed residences have their property taxes for the year they purchase the property based on the partial construction value determined as of January 1. **HB 2543** would base the property taxes on the full value of the newly constructed property and would have the taxes at the new rate prorated for the number of months the property is occupied. County or district appraisers would be responsible for determining the date of occupancy. If a new assessment was made after the deadline for filing appeals, the bill would allow the property owner to pay all taxes under protest or appeal the assessment the following year.

Gordon Self, Office of Revisor of Statutes, explained a recent Attorney General's opinion on the original version of **HB 2543**, in which the bill, as constituted in that draft, was an unconstitutional classification. Mr. Self explained the details of the ruling. After that opinion came down, the proponents worked on legislation, which is contained in **Substitute for House Bill No. 2543 (Attachment 1)**.

Phil Perry, Director of Governmental Affairs, Home Builders Association of Greater Kansas City, said the proponents worked with Mr. Self to address questions raised by the Attorney General. The new bill has been simplified and basically means that improvements to property, basically the home, would be classified as inventory and therefore would be exempt from taxation until it was occupied as a residence or as a commercial office. This change will bring the legislation into alignment with the constitution.

He called attention to his testimony that contained detailed facts and examples of comparable taxes under the current and new system(Attachment 2). Their association believes that this bill is a critical step toward stimulating the state's housing market at this critical juncture and will level the playing field for home builders and new-home buyers in Kansas. He spoke of the difference in tax structures between Missouri and Kansas that were advantages for Missouri builders.

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Gordon Self said there were two versions of the bill and this bill does not contain the *prorata* language. Mr. Perry said that was an oversight, and would have to be changed. Discussion followed regarding the pros and cons of the bill concerning the homeowner. There is no fiscal note for the state, and from the information they have received it will be a positive note for the taxing entities at the county and local levels.

Tom Woods, T. E. Woods Construction, said this bill would eliminate what their industry considers "the inventory tax" for homebuilders. He spoke of his experience in building homes in both Missouri and Kansas and the advantages of the passage of the bill to their industry (Attachment 3). He spoke of factors people consider when purchasing a home and said his company and their buyers both want good schools, police and fire protection, parks and recreation and other community services. These are qualities that help them sell new homes. If they can generate more revenue for these services while keeping new-home prices low and making property tax payments more fair and streamlined, it's a win for home builders and home buyers.

Mike Taylor, Unified Government-Wyandotte County/Kansas City, Kansas stood in support of **HB 2543**. They are confident the bill will benefit area homebuilders, will fuel the continued construction of new homes in Wyandotte County and would be positive for a communities economy(Attachment 4).

Robert Vancrum, Greater Kansas City Chamber of Commerce, appeared in favor on **HB 2543**. He said that the current means of assessment means that new home buyers actually enjoy a long tax free period in many cases where a previously owned buyer must pay taxes from day one. Missouri adopted the tax treatment embodied in this bill nearly two decades ago. Many builders that used to be active in Kansas are now exclusively building across the state line (Attachment 5).

It was noted that written testimony was received from: 1) Mike Brown, Brown Midwest; 2) Erik Sartorius, City of Overland Park; and 3) David Lindstrom, Johnson County resident and business owner (Attachment 6) A memorandum from Tony Folsom, Deputy Director, Kansas Department of Revenue was distributed. It provided an overview of the law and posed discussion questions regarding various sections of the bill(Attachment 7).

John Federico, Homebuilders Association of Greater Kansas City, testified that **HB 2543** is an equalization bill. It puts the homebuilders association on equal footing with other industries. He gave an example of a person buying a pre-existing home compared to a owner of a new home under the current law. He suggested that perhaps the focus should be put on the fairness of the current law to the two homeowners that are using the same city and county services (No written testimony).

HB 2500 - Property tax exemption for certain housing for certain low income mothers.

Ryan Hoffman, Legislative Research Department, said **HB 2500** would add a property tax exemption for all real property and tangible personal property used exclusively for housing for limited or low income, single parent mothers in need of financial assistance. In order to qualify for the property tax exemption, the individual would have to be enrolled in a program to receive life training skills, and the program would have to be operated by a charitable or religious organization. The bill would exempt from property taxation all intangible property, including monies, notes, and other evidence of debt, as well as the income derived from any of the mentioned that belongs exclusively to the organization and is used exclusively for the purposes of low-income housing for single mother.

Representative Siegfried testified in support of **HB 2500**. He said the bill is intended to provide property tax relief for three duplexes that are the foundation for a charitable outreach to single parent mothers. These mothers lack the financial and other life skills to properly care for their families. He introduced Chad Cook for the details of the bill(Attachment 8).

Chad Cook explained the outreach program offered by the College Church of the Nazarene, located in Olathe. He explained that the Board of Tax Appeals denied the request for exemption because the property did not fit within a statutory exemption for residential housing. Unfortunately, there is not a statutory exemption within K.S.A. 79-201b that this housing and life skills training program fits.

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Therefore, College Church supports **HB 2500** since it would provide a new exemption under which the property of College Church would qualify (Attachment 9).

There was a question concerning the changes in BOTA, and whether a new exemption would complicate the process. Richard Cram agreed to check and return with that information.

The meeting adjourned at 10:30 A.M. The next meeting is February 26, 2008.