Approved: 3/8/94
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Keith Roe at 9:00 a.m. on February 25, 1994 in Room 519-S of the Capitol.

All members were present except:

Representative Adkins, excused	Representative Brown, excused
Representative Glasscock, excused	Representative Lahti, excused
Representative Lowther, excused	Representative Pottorff, excused
Representative Wagnon, excused	Representative Wilk, excused

Committee staff present: Chris Courtwright, Legislative Research Department
Tom Severn, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Bill Edds, Revisor of Statutes Office
Lenore Olson, Committee Secretary

Conferees appearing before the committee:
Representative Elaine Wells
Tama Wagner, Special Assistant to the State Treasurer

Others attending: See attached list

Chairperson Roe opened the hearing on HB 2775.

HB 2775 - property tax deferral for certain persons.

Representative Elaine Wells testified in support of HB 2775 and said property tax deferral offers the best means of unlocking home equity for most older homeowners. Representative Wells also said there are safeguards built into the system by requiring the equity in the home to be greater than the mortgage, plus the deferral which would prevent the state from losing money in the program (Attachment 1). Representative Wells also reviewed the annual report and analysis of the Colorado Tax Deferral for the Elderly Program for FY 1992-93 (Attachment 2).

Tama Wagner, Special Assistant to the State Treasurer discussed HB 2775. She said the State Treasurer does not object to the philosophy prescribed by this bill but there are concerns if they are asked to take on this new role: 1) the cost of administering this program and, 2) the increased liability this program would place on the State of Kansas (Attachment 3).

The Chair concluded the hearing on HB 2775.

The minutes of February 22 and 23, 1994, were approved as read.

The meeting adjourned at 9:25 a.m.
The next meeting is scheduled for March 3, 1994.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

HOUSE TAXATION COMMITTEE

DATE 2/25/94

NAME	ADDRESS	REPRESENTING
Bill Waters	Topeka, KS	PVD KDOR
Eldon Glanville	Leoti Ks	spectator
BEV BRADLEY	TOPEKA	KS Assoc of Counties
Bob Corkins	"	KCCI
Michelle Clum	Topeka	atty. Jon Small
Ray Menendez	TOPEKA	Ks Dep't Aging

STATE OF KANSAS

ELAINE L. WELLS
REPRESENTATIVE, FIFTY-NINTH DISTRICT
OSAGE AND NORTH LYON COUNTIES
R.R. 1, BOX 166
CARBONDALE, KANSAS 66414
(913) 665-7740

STATE CAPITOL
RM. 182-W
TOPEKA, KS 66612-1504
(913) 296-7637

TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMEN
VICE-CHAIR: GOVERNMENT ORGANIZATION AND ELECTIONS
MEMBER: PUBLIC HEALTH AND WELFARE
JUDICIARY

HOUSE COMMITTEE ON TAXATION
TESTIMONY
ON
PROPERTY TAX DEFERRAL

by
REPRESENTATIVE ELAINE L. WELLS

This bill was introduced last year with thirty-one sponsors. It passed the House and was referred to an interim study committee this past summer. The interim committee discussed the merits of this proposal but did not make a recommendation. The bill this year is drafted as the one that passed the House last year but after receiving the interim committee report I've asked the Revisor's office to draft some amendments which I feel would address any and all concerns with the bill.

Eighteen states currently have a Property Tax Deferral program including California, Colorado, Connecticut, Florida, Georgia, Illinois, Iowa, Maine, Nebraska, New Hampshire, Minnesota, Oregon, Tennessee, Texas, Utah, Virginia, Washington and Wisconsin. HB 2276 is fashioned after the Colorado law.

Most older people own a home and want to remain living in it. While inflation is boosting their homes' value, it is also eroding their already low and moderate incomes. They are becoming increasingly "house-rich and cash-poor". Unless they sell their home and move, most older people will not be able to cash in on their most important long-term investment. They've spent a lifetime acquiring their nest egg of home equity but they can't use it when they need it most unless they give up their home.

Turning home equity into a state-run loan program (home equity conversion) is strongly responsive to creating a new way for older home-owners to pay for but to pay later their property taxes. It is clear that property tax deferral offers the best means of unlocking home equity for most older homeowners.

2/25/94
House Taxation Cmte
Attachment 1

Each year older homeowners could request the State of Kansas to pay the property taxes they owe their local governments. These annual payments would accrue with interest as a loan from the State to the homeowner, secured by equity in the home. Upon the death of the homeowner or prior sale of the home, the total loan (less any prior voluntary repayments) would be repaid to the State from the proceeds of the estate or sale.In effect, this would allow the elderly to "postpone" or "defer" their tax payments until they cash in on their home equity. Their local taxes would be fully paid each year by the State, and they would repay the State upon the sale of their home or settlement of their estate.

Tax deferral could be wholly financed by the homeowners who choose to do so. The interest rate charged on deferred tax liabilities would cover the cost of state borrowing, administrative expenses, and a loss reserve fund. This approach would require no long-term support from the general revenue fund.This new way to pay property taxes would result in a significant amount of added disposable income for elderly homeowners each year. Tax deferral would give the elderly a simple, flexible, and relatively inexpensive means of cashing in on their lifetime investment in a home--without having to sell or move.

Property tax deferral would reward a lifetime of productive labor by enhancing the utility of the principal asset it has produced. This in turn would let the elderly use more of their own resources to meet their own personally determined needs. If older people do more for themselves, then public resources can be more efficiently targeted to the neediest elderly. Financial self-reliance among the elderly becomes increasingly important but is limited by low to moderate incomes, inflation, and decreased earnings capacity. Also, no part of the elderly's most important financial asset can currently be converted to income without having to sell their homes and move.

It is a fact that most older Kansans hold substantial equity in a real, appreciating asset: their home. Home equity is often the only or most significant asset held by older people. For low income elderly in particular, a home is typically their only substantial asset.

For these reasons, property taxes are a major financial concern of our older citizens. In a survey in Wisconsin when asked what they liked least about owning a home, one in three older homeowners cited property taxes (1980 survey). Nearly 1/3 of respondents in a 1978 Wisconsin Tax Reform Commission survey of older homeowners said that "all" or "most" of their friends and family had "serious difficulty" paying their property taxes. Another 20% said "about half" were faced with this situation. Over 20% reported having had a property tax payment due but not the funds to pay it.

For most older homeowners, property tax deferral will be the single most efficient, secure, and flexible method of converting home equity into income. Especially for the elderly, tax bills can represent a significant proportion of income. For example, a person with $7000 income and a $35,000 home would realize anywhere from an 8% to 16% increase in annual income from tax deferral. Because taxes go up each year, the income supplement from tax deferral would also rise. The greater the rate of tax increase, the faster the income supplement would rise.

Many public policy concerns support the development of a property tax deferral program. Tax deferral would provide a significant annual income supplement to older homeowners from their own resources--at no public cost. The taxpaying public in general is likely to be very supportive of tax deferral. Tax deferral would provide the most simple, efficient, and flexible means of converting home equity into income. For most older homeowners it may be the only acceptable conversion option available to them.

Tax deferral would enhance retirement options and security for current and future generations. It would increase the asset management choices of a group with low to moderate incomes whose principal asset is now frozen.

Tax deferral could be wholly financed by program participants. The interest rate charged on deferred liabilities would cover the cost of state administrative expenses. Older homeowners would not have to fear being forced out of their homes due to property taxes. This element of security will be highly valued by the elderly.

Older homeowners may be the most conscientious and desirable borrowers the state would have. As paid-up homeowners, they have a life history of creditworthiness. Because their life expectancy is shorter than that of younger people, the elderly will be borrowing for a shorter period of time.

Tax deferral would increase the capacity of older homeowners to pay property taxes to support their local governments. This will help preserve the stake that older people have in local government activities. It will also provide a mechanism for easing the burden of local property reassessments. And, it will enhance the ability of local governments to determine and meet local needs at the local level.

As the economic efficiency of households increases due to greater liquidity, there are marginal improvements in the allocative function of the economy. This in turn makes possible increased levels of consumer demand, savings, and potential economic growth. To the degree that these changes promote the health of the economy as a whole, the general public benefits. It is conceivable that these economic factors could produce a net financial gain to the state--a return on the investment of its borrowing power.,

Tax deferral will be one of the few equity conversion plans that will meet the needs of the least profitable market segment--low income households with inexpensive homes. In addition, low-income households tend to prefer flexible plans rather than long-term contracts involving substantial amounts of equity.

Property tax deferral is an innovative tax collection mechanism especially appropriate for the elderly. In most areas, it must be paid in an annual lump sum or two semi-annual installments. This creates a cash flow problem for many older homeowners. Indeed, the overall burden of property tax may have as much to do with the payment method as the absolute amounts involved. Reassessments exacerbate this collection problem for owners and officials.

Taxes on consumption are paid at the point of sale. Income taxes are withheld at the point of wage or salary payment. Property taxes are usually paid by mortgagors on a monthly escrow basis. But, housing transactions are much less divisible once a mortgage is fully paid--and that is the situation of most older homeowners. Coincidentally, these paid-up homeowners are also the property taxpayers with the shortest life expectancy, the longest record of creditworthiness, and the greatest need and capacity to convert home equity into income. In addition, their annual tax bills are less than their annual increase in home value.

All of these factors form the theoretical basis for a new tax payment method; a future cumulative lump sum payment that coincides with the sale of the house or settlement of the estate. This new way to pay reflects the realities of the older homeowners' situation, and provides a more convenient means for them to meet their civic responsibilities. It reflects the logic of income tax withholding and sales tax collection by relating tax payment to the natural transactions and circumstances which characterize the item being taxed and the taxpayer's situation.

I have attached to my testimony copies of the reports to the Colorado General Assembly from their State Treasurer. After the first year, only 26 applications were received with a total of $16,391.25 deferred. But after ten years, in 1988, the number of applications per year increased to 458 with a total of $484,630.42 deferred.

According to the National Association of State Units on Aging, the average rate of participation of eligible homeowners runs about 2% in most states. In Oregon which has the oldest, most liberal and best publicized program, the participation rate is roughly 10%. In Wisconsin 300-320 applications are received each year for the program.

There are safeguards built into the system by requiring the equity in the home to be greater than the mortgage, plus the deferral. This prevents the state from losing money in the program.

Further safeguards which were addressed by the Interim Committee are included in the amendments I've requested.

Offering this alternative of property tax deferral to our older citizens for meeting the demands of paying property taxes when they are already strapped financially is an idea which not only helps our senior Kansans but also is one that benefits the state by not having to fund programs such as the circuit breaker. The taxpayor still pays, but pays later.

I hope you will agree and will recommend HB 2276 for passage. I'll be happy to respond to any questions.

REPORT TO THE GENERAL ASSEMBLY CONCERNING PROPERTY TAX DEFERRAL FOR THE ELDERLY FOR FISCAL YEAR 1988-89

COUNTY	# of Apps	Curr Yr Deferrals	Curr Amts Pd Prior to 5/1/89	Prior Yrs Liens	TOTAL
Adams	52	$44,650.64		$117,680.67	$162,331.31
Arapahoe	75	124,667.34		347,619.55	472,286.89
Boulder	37	41,537.51		129,801.41	171,338.92
Clear Creek	2	1,872.40		13,491.09	15,363.49
Delta	2	1,041.20	629.04	0.00	412.16
Denver	96	85,013.03		278,295.79	363,308.82
Douglas	3	4,082.45		1,599.53	5,681.98
Elbert	1	1,439.28		7,883.63	9,322.91
El Paso	12	10,470.06		85,981.35	96,451.41
Fremont	1	886.94		0.00	886.94
Garfield	2	1,370.43		760.15	2,130.58
Grand	1	627.58		0.00	627.58
Huerfano	1	817.02		967.08	1,784.10
Jefferson	128	129,769.11		350,596.53	480,365.64

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COUNTY	# of Apps	Curr Yr Deferrals	Curr [illegible]s Pd Prior to 5/1/88	Prior Yrs Liens	TOTAL
Lake	1	518.52		1,440.23	1,958.7
Larimer	20	17,612.30		61,351.54	78,963.8
Logan	1	468.74		1,325.71	1,794.4
Mesa	4	3,188.29		6,025.96	9,214.2
Montrose	1	794.98		1,824.22	2,619.2
Morgan	3	2,851.47		2,678.45	5,529.9
Park	3	1,977.68		5,501.19	7,478.8
Routt	1	948.41		9,577.71	10,526.1
Summit	2	1,377.26		6,119.70	7,496.9
Teller	2	1,181.92		1,047.62	2,229.5
Weld	7	5,465.86		23,064.56	28,530.4
Yuma	0	0.00		1,242.82	1,242.8
GRAND TOTAL FY 1989	458	$484,630.42	$629.04	$1,455,876.49	$1,939,877.8

	# Apps	Prev Balance	Int Earned	Amnt of Taxes Deferred	Total	Prin Payoffs	Int Payoffs	Ending Balance
1978	26	0.00	0.00	16,391.25	16,391.25	522.96	19.52	15,848.77
1979	45	15,848.77	1,014.29	29,735.08	46,598.14	2,675.93	172.47	43,749.74
1980	60	43,749.74	2,543.49	43,077.41	89,370.64	7,023.93	878.49	81,468.22
1981	62	81,468.22	5,656.68	49,874.32	136,999.21	4,433.33	612.50	131,953.38
1982	68	131,953.38	10,046.76	56,485.82	198,485.96	8,554.59	619.64	189,311.73
1983	129	189,311.73	13,471.83	115,015.23	317,798.79	19,579.89	852.86	297,366.04
1984	280	297,366.04	22,251.28	241,161.85	560,779.17	13,605.20	834.35	546,339.62
1985	315	546,339.62	36,818.52	299,536.53	882,694.67	80,284.14	4,428.37	797,982.16
1986	296	797,982.16	53,155.67	302,158.43	1,153,296.26	88,014.86	5,319.39	1,059,962.01
1987	430	1,059,962.01	68,392.63	459,008.60	1,587,363.24	100,151.23	10,465.76	1,476,746.25
1988	458	1,476,746.25	113,477.85	484,630.42	2,074,854.52	125,350.90	9,625.75	1,939,877.87

1-8

FISCAL YEAR 1978-79

County	Application No.	Amount of Taxes Deferred	Assessor's Actual Value of Property	Value of Outstanding Mortgages, Deeds of Trust, and Liens Against Property	Effective Interest Rate Received by State[1]
Jefferson	1	$ 540.04	$ 23,000.00	$ 8,201.35	12.0%
	2	$ 922.52	$ 42,800.00	-0-	12.0%
	3	$1,405.42	$ 59,570.00	-0-	12.0%
	4	$ 409.15	$ 18,700.00	-0-	12.0%
	5	$ 868.97	$ 39,230.00	-0-	12.0%
County Total		$4,146.10	$183,300.00	$ 8,201.35	
Larimer	1	$1,100.76	$47,833.33	-0-	12.0%
	2	$ 987.30	$40,750.00	-0-	12.0%
	3	$ 555.58	$ 7,310.00	-0-	12.0%
County Total		$2,643.64	$95,893.33	-0-	
Park	1	$ 218.33	$10,360.00	435.86	12.0%
County Total		$ 218.33	$10,360.00	435.86	
Summit	1	$ 256.76	$15,007.00	-0-	12.0%
County Total		$ 256.76	$15,007.00	-0-	
GRAND TOTAL	26	$16,391.25	$700,110.33	$91,614.07	

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[1]State is to be paid interest from January 1, 1979, though the monies are not to be distributed until May 1, 1979.

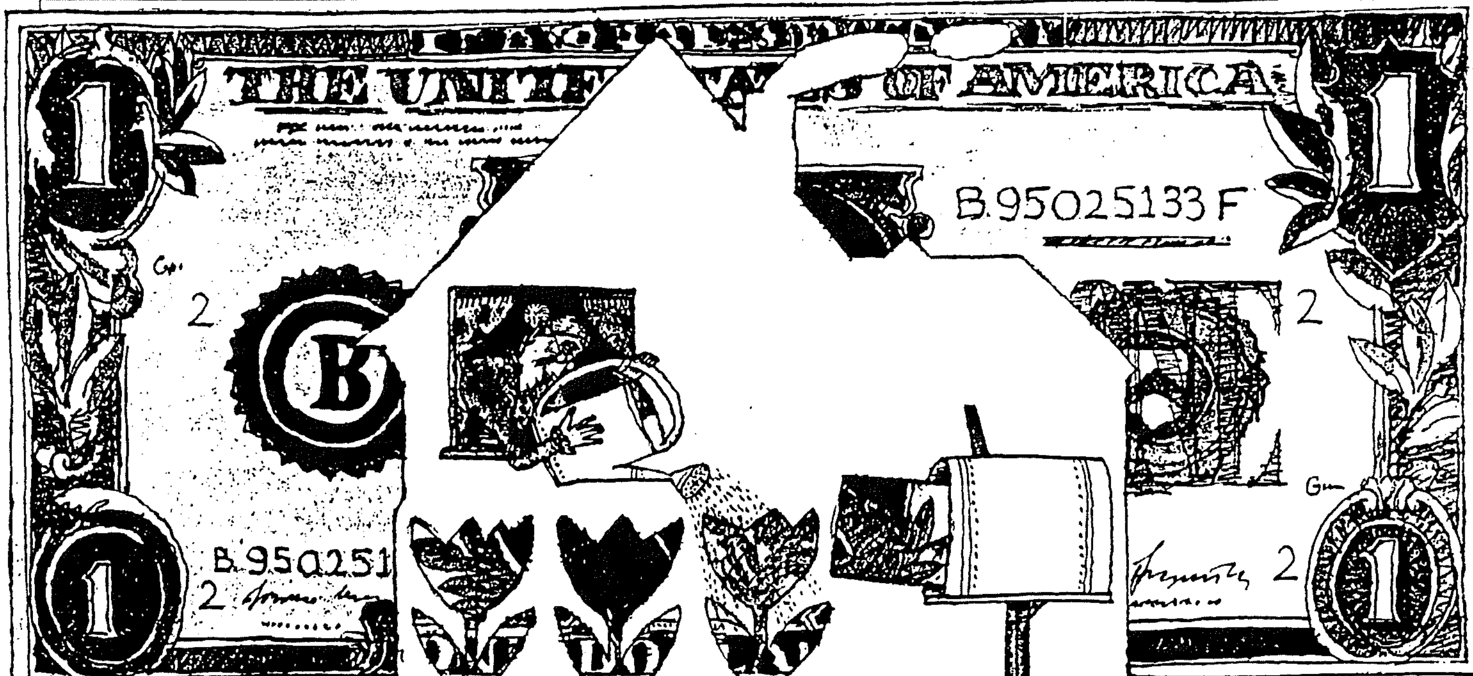
[2]Includes the effect of the $10.00 filing fee paid by the applicant in calculation of the effective interest rate to the applicant.

[3]Last half-year taxes

EDITED BY PETER FINCH

Finances

HOUSE-RICH AND CASH-POOR? THEN LET THE BANK PAY YOU



DEVIS GREBU

Their home is worth many times what they paid for it, and the mortgage is a distant memory. Yet they live frugally on a fixed income, fretting as medical bills or even property taxes eat away at their savings. Nearly everyone knows somebody in this "house-rich, cash-poor" dilemma.

Until recently, many such homeowners faced the possibility of having to sell the beloved house and move. But lately, an alternative has begun to gain widespread attention: the reverse mortgage.

NO TAXES. A reverse mortgage provides homeowners with a fixed monthly sum for the rest of their lives—and as a loan, the money is tax-free. The borrower lives in the house and maintains it. After his or her death, the estate sells the house and pays off the loan from the proceeds.

American Homestead in Mt. Laurel, N.J., pioneered the reverse-mortgage concept in the mid-1980s. It now has more than 4,000 reverse-mortgage holders, who receive average monthly checks of $800. In just the past year, some 800 mortgagees were signed up by two new entrants in the field: Capital Holding in Louisville, which provides loans in seven states, and Providential Corp. in San Francisco, whose Home Income Plan offers them in California. To encourage more lenders, the U.S. Housing & Urban Development Dept. recently agreed to insure 2,500 small reverse mortgages issued by banks nationwide.

Unlike a home equity loan, which gives the homeowner a lump sum to be repaid in monthly installments, a reverse mortgage grows larger with each monthly check. But in theory at least, borrowers needn't worry about paying back the loan and interest, because they won't be around at payback time. That's left to the estate lawyers.

Lenders set the size of the monthly check according to several factors: the borrower's age (usually 62 and up) and life expectancy, the worth of the house now and its projected value at the time of death, and how much equity the owner chooses to give up. The lender's goal is a return of 11.5% on the cash it lays out—more than on an ordinary mortgage.

The more equity you put up, the larger your monthly check

Lenders work with a higher rate because reverse mortgages are something of a gamble: A borrower might outlive the mortality tables, collecting monthly checks all the while; or if the house fails to appreciate as the lender projects, its sale won't produce the expected return. In such cases, the actual interest rate paid on the loan can be considerably below the 11.5% figure. "If a person lives long enough, we won't get any interest and could do worse than break even on the deal," says James Burke, chairman of American Homestead.

CUSHIONING. On the other hand, if the borrower dies earlier than expected, or if the house appreciates rapidly, the lender can get an extra return. Upon selling the house, the estate pays back the entire sum of cash doled out plus the lender's share of any appreciation during the loan period.

Giving the lender only a partial share of the house permits borrowers to keep something to bequeath to any heirs. About 75% of Providential Home Income's current mortgagees retain one-third or more of their equity, says President William Texido.

The more equity you put

1-10

RE: PROPOSAL NO. 4 -- PROPERTY TAX DEFERRALS

Proposal No. 4 charged the Special Committee to consider whether a property tax deferral program (1990 H.B. 2918) similar to those in effect in other states would be a desirable policy option to reduce the short-term property tax burden on senior citizens. The Committee was to study this topic on a time-available basis.

Background

According to testimony presented by proponents, at least 18 states have some form of property tax deferral for the elderly. Oregon implemented the first such program in 1963.

H.B. 2918, as amended in 1990 by the House Committee of the Whole, would have established a program whereby the state would finance the deferral of qualifying property taxes on the homesteads of qualifying low-income elderly taxpayers. Deferred taxes would constitute a lien on the homestead property of the taxpayer and would accrue interest at the rate of 8 percent. Taxpayers would qualify if they were at least 65 years of age with annual income of less than $15,000. Properties would qualify if they met all of the following conditions: were the homestead of the taxpayer; were owned in fee simple or were being purchased under a written instrument; were not income-producing; were not subject to a mortgage or deed of trust for less than five years (unless the mortgage holders agree to subordinate the mortgage); had all prior years' taxes paid; and had appraised values greater than the deferred taxes plus other recorded levies and mortgages.

Application would be made to the county treasurer on forms provided by the State Treasurer. The forms would provide for establishing eligibility for the program. When the county treasurer had reviewed and approved the application, a lien would be recorded against the homestead property, or, if the homestead property was a mobile home, a lien would be entered on the title to the mobile home.

Any person holding escrow funds for the payment of property taxes on the homestead would be required to remit those funds to the owner within 30 days of receipt of a certificate certifying that the taxes on that homestead had been deferred.

The State Treasurer would pay to the county treasurer the amount of taxes deferred. The deferred taxes would be owed to the State Treasurer and the associated lien would be vested in the State Treasurer; however, the county treasurer could accept payments of deferred taxes and would then transmit the funds to the State Treasurer.

All deferred taxes, including accrued interest at 8 percent, compounded annually, would become due in 90 days and no further taxes could be deferred whenever any of the following occur: the taxpayer who claimed the deferral died; the property was sold or otherwise transferred; the property ceased to be the owner's homestead (except when due to ill health); the homestead property ceased to qualify as described above; or the property (if a mobile home) was moved. The county treasurer would be required promptly to notify the State Treasurer if at any time there was reason to believe that any of these changes had occurred.

The spouse of a deceased taxpayer could elect to continue a deferral upon the death of the original claimant if that spouse was at least 60 years of age and occupied the homestead.

Reports of deferrals under the program would be made annually by the State Treasurer to the Governor and to the Legislature.

The bill would have been effective January 1, 1991.

The bill was passed by the House but died in the Senate Committee on Assessment and Taxation at the end of the 1990 Session. Its subject matter was assigned for study at the request of Representative Elaine Wells.

Committee Activity

The Committee held public hearings on Proposal No. 4 at the July meeting. Representative Elaine Wells appeared as a proponent and said that 1990 H.B. 2918 had been patterned after a Colorado law. Secretary on Aging Esther Wolf appeared as a proponent and said that such legislation would be an effective, low-cost way to help older Kansans meet their property tax obligations. The McPherson County Treasurer also appeared as a proponent.

During Committee discussion, several policy questions were raised with respect to 1990 H.B. 2918. One of these was whether the interest rate on deferred taxes should be 8 percent or whether it should be indexed according to some economic indicator. Another question was whether eligibility for a deferral program should be mutually exclusive from eligibility for the Homestead Property Tax Refund Act program. The Committee also spent a considerable amount of time discussing the prioritization of liens against estates.

Committee Conclusions and Recommendations

The Committee makes no recommendations regarding this proposal.

SESSION OF 1990

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2918

As Amended by House Committee of the Whole

Brief*

H.B. 2918 would establish a program whereby the state would finance the deferral of qualifying property taxes on the homesteads of qualifying low-income elderly taxpayers. Deferred taxes would constitute a lien on the homestead property of the taxpayer and would draw interest at the rate of 8 percent. Taxpayers would qualify if they were at least 65 years of age with annual income of less than $15,000. Properties would qualify if they met all of the following conditions: be the homestead of the taxpayer, be owned in fee simple or being purchased under a written instrument, were not income-producing, were not subject to a mortgage or deed of trust for less than five years (unless the mortgage holders agree to subordinate the mortgage), have had all prior years taxes paid, and have appraised values greater than the deferred taxes plus other recorded levies and mortgages.

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The state treasurer would pay to the county treasurer the amount of taxes deferred. The deferred taxes would be owed to the state treasurer and the associated lien would be vested in the state treasurer; however, the county treasurer could accept payments of deferred taxes and would then transmit the funds to the state treasurer.

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* Supplemental Notes are prepared by the Legislative Research Department and do not express legislative intent.

All deferred taxes, including accrued interest at 8 percent, compounded annually, would become due in 90 days and no further taxes could be deferred whenever any of the following occur: the taxpayer who claimed the deferral died; the property is sold or otherwise transferred; the property ceases to be the owner's homestead (except when due to ill health); the homestead property ceases to qualify as described above, or (if a mobile home) is moved. The county treasurer would be required promptly to notify the state treasurer if at any time there is reason to believe that any of these changes has occurred.

The spouse of a deceased taxpayer could elect to continue a deferral upon the death of the original claimant if that spouse is at least 60 years of age and occupies the homestead.

Reports of deferrals under the program would be made annually by the State Treasurer to the Governor and to the Legislature.

The bill would be effective January 1, 1991.

Background

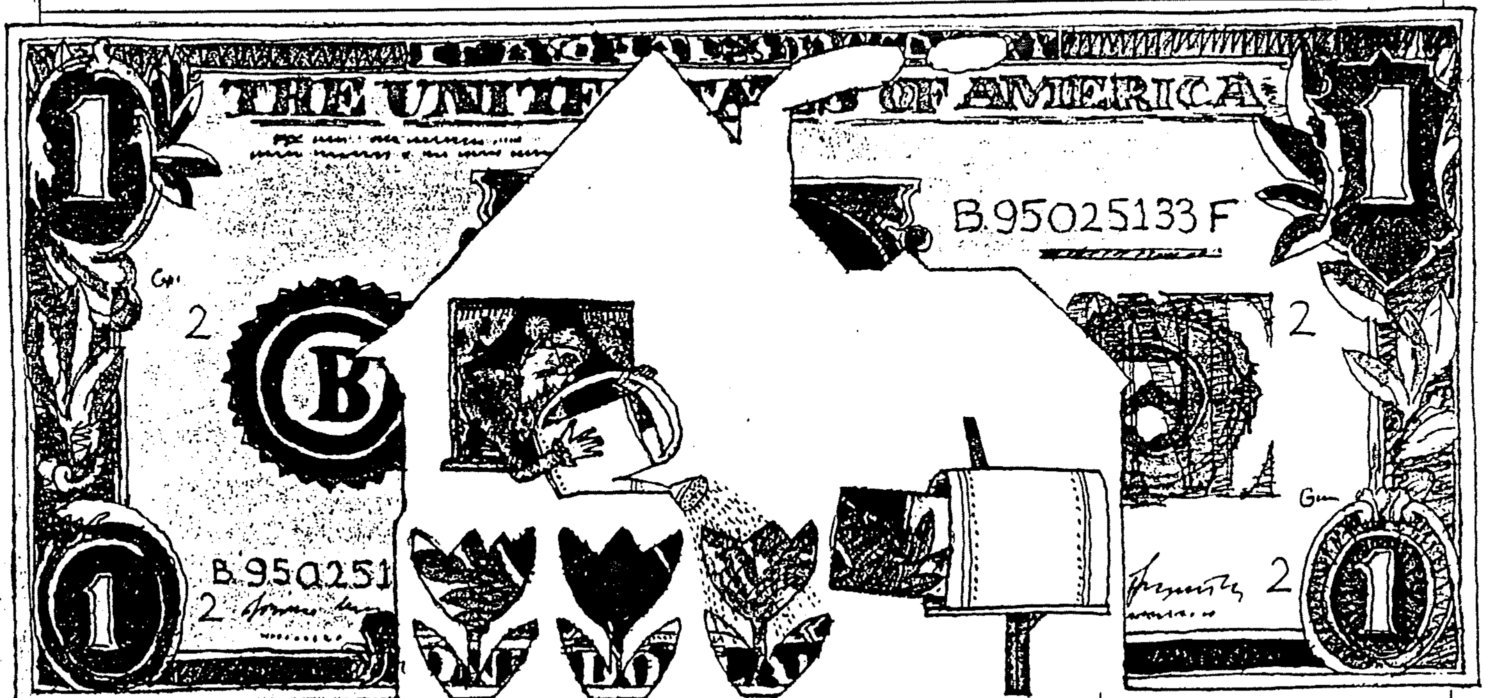
According to proponents, 18 states currently have a tax deferral program.

The House Committee of the Whole amendments included reducing the qualifying income threshold from $35,000 to $15,000.

EDITED BY PETER FINCH

Finances

HOUSE-RICH AND CASH-POOR? THEN LET THE BANK PAY YOU



DEVIS GREBU

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> The more equity you put up, the larger your monthly check

Lenders work with a higher rate because reverse mortgages are something of a gamble: A borrower might outlive the mortality tables, collecting monthly checks all the while; or if the house fails to appreciate as the lender projects, its sale won't produce the expected return. In such cases, the actual interest rate paid on the loan can be considerably below the 11.5% figure. "If a person lives long enough, we won't get any interest and could do worse than break even on the deal," says James Burke, chairman of American Homestead.

CUSHIONING. On the other hand, if the borrower dies earlier than expected, or if the house appreciates rapidly, the lender can get an extra return. Upon selling the house, the estate pays back the entire sum of cash doled out plus the lender's share of any appreciation during the loan period.

Giving the lender only a partial share of the house permits borrowers to keep something to bequeath to any heirs. About 75% of Providential Home Income's current mortgagees retain one-third or more of their equity, says President William Texido.

The more equity you put

1-15

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nterprise Association

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Enterprise Association

for you with people you have ments with, provided you major decisions for you. v. 22) If you are of ose today, your ac- e very impressive. The u are apt to experience are upon yourself.
(Nov. 23-Dec. 21) If there ation you didn't fare too well sures can be taken today to u lost. Make an effort to bal-

(Dec. 22-Jan. 19) Double rces today regarding informa- to you that directly affects sts. Big strides can be made if is reliable.
r Enterprise Association

Senior forum

What to ask about reverse mortgages

By KENT S. COLLINS

Q. Another widow at church says she is signing up for a reverse mortgage on her house. She's got me very interested in this plan to get more monthly income. But she's no expert, so would you please tell me what questions to ask when I go to the bank to inquire about one. — MRS. R.P.

A: The federal government is running a pilot program of reverse mortgages for senior citizens. The program promises to pay back private financial institutions if they get into trouble making such loans. Only a handful of these government-guaranteed loans are available, but the existence of the program has given courage to other finance companies to get into the business. The reverse mortgage is a fast-growing tool of the golden years.

Ask first: Does the reverse mortgage pay for a fixed number of years or for a lifetime? The fixed-year plan pays more per month, but could leave you without a house some day. The lifetime or open-ended program pays less, but keeps you under a roof. In an open-ended agreement the homeowner promises to share with the finance company any appreciation in the value of the property.

Ask second: How much of your home equity will be left to your estate when you die? Get some examples in writing based on death at various ages.

Ask third: How much will you get each month. That is determined by the age and life expectancy of the homeowner, the value of the house, and the amount of house appreciation the owner is willing to share with the lender.

The Providential Home Income Plan Inc. of San Francisco, for example, says that on a $200,000 house it will pay $595 per month to a 65-year-old, $825 monthly to a 70-year-old, and $1,143 monthly to a 75-year-old. You've got to do some "price shopping" in your own region of the country, however.

The monthly payments are tax-free and do not affect Social Security benefits. Fees to set up the reverse mortgage can be wrapped into the loan so you have no significant out-of-pocket expenses. "Closing costs" vary, so again, you must comparison shop.

Los Angeles Times Syndicate

Topeka Capital Journal January 24, 1990

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STATE OF COLORADO
DEPARTMENT OF THE TREASURY

GAIL S. SCHOETTLER
STATE TREASURER

GREGORY DIAMOND
DEPUTY TREASURER

MAY 3 2 23 PM '93
DEPT. OF LOCAL AFFAIRS

April 30, 1993

MEMBERS OF THE FIFTY-NINTH GENERAL ASSEMBLY

Ladies and Gentlemen:

Attached is the annual report and analysis of the Tax Deferral for the Elderly Program for Fiscal Year 1992-93.

If you have any questions concerning the attached material, please do not hesitate to call me or Tom Hancock at 866-5649.

Sincerely,

Gail Schoettler

Gail Schoettler
State Treasurer

Attachment

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To Chris	From Mary Huddleston
Co. Courtwright	Co. Colo Div of Prop Tax
Dept.	Phone # 303 866 2371
Fax # 913-296-3824	Fax #

2/25/94

House Taxation Cmte
Attachment 2

REPORT TO THE GENERAL ASSEMBLY
CONCERNING PROPERTY TAX DEFERRAL FOR THE ELDERLY
FOR FISCAL YEAR 1992-93

COUNTY	# of Deferrals	Curr Yr Deferrals	Prior Yrs Liens	TOTAL
Adams	44	$34,700.94	$219,590.50	$254,291.44
Alamosa	1	546.58	295.46	842.04
Arapahoe	75	144,250.75	904,392.08	1,048,642.83
Bent	0	0.00	326.58	326.58
Boulder	46	54,736.42	237,767.80	292,504.22
Clear Creek	3	3,203.50	27,380.83	30,584.33
Delta	1	235.92	0.00	235.92
Denver	88	81,137.67	543,259.84	624,397.51
Douglas	3	5,788.34	13,154.97	18,943.31
El Paso	13	13,013.16	148,861.72	161,874.88
Grand	1	612.38	2,928.39	3,540.77
Huerfano	1	902.70	5,454.81	6,357.51
Jefferson	101	114,648.50	717,773.69	832,422.19
Larimer	30	28,040.42	169,823.07	197,863.49
Mesa	5	5,495.67	8,662.54	14,158.21
Morgan	0	0.00	8,143.67	8,143.67

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COUNTY	# of Deferrals	Curr Yr Deferrals	Prior Yrs Liens	TOTAL
Park	1	1,990.24	7,775.42	9,765.66
Pitkin	1	3,840.10	0.00	3,840.10
Pueblo	2	1,306.04	0.00	1,306.04
Routt	0	0.00	7,890.51	7,890.51
Summit	1	1,031.88	7,891.05	8,922.93
Teller	0	0.00	2,285.00	2,285.00
Weld	6	4,481.36	41,578.87	46,060.23
GRAND TOTAL FY 1993	423	$499,962.57	$3,075,236.80	$3,575,199.37

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Reporting Year	# Apps	Prev Balance	Int Earned	Amnt of Taxes Deferred	Total	Prin Payoffs	Int Payoffs	Ending Balance
1979	26	0.00	0.00	16,391.25	16,391.25	522.96	19.52	15,848.77
1980	45	15,848.77	1,014.29	29,735.08	46,598.14	2,675.93	172.47	43,749.74
1981	60	43,749.74	2,543.49	43,077.41	89,370.64	7,023.93	878.49	81,468.22
1982	62	81,468.22	5,656.68	49,874.32	136,999.21	4,433.33	612.50	131,953.38
1983	68	131,953.38	10,046.76	56,485.82	198,485.96	8,554.59	619.64	189,311.73
1984	129	189,311.73	13,471.83	115,015.23	317,798.79	19,579.89	852.86	297,366.04
1985	280	297,366.04	22,251.28	241,161.85	560,779.17	13,605.20	834.35	546,339.62
1986	315	546,339.62	36,818.52	299,536.53	882,694.67	80,284.14	4,428.37	797,982.16
1987	296	797,982.16	53,155.67	302,158.43	1,153,296.26	88,014.86	5,319.39	1,059,962.01
1988	430	1,059,962.01	68,392.63	459,008.60	1,587,363.24	100,151.23	10,465.76	1,476,746.25
1989	458	1,476,746.25	113,477.85	484,630.42	2,074,854.52	125,350.90	9,625.75	1,939,877.87
1990	484	1,939,877.87	137,852.87	556,079.87	2,633,810.61	184,902.22	17,992.76	2,430,915.63
1991	479	2,430,915.63	183,940.61	537,766.45	3,152,622.69	203,239.96	7,287.00	2,942,095.73
1992	466	2,942,095.73	220,706.68	543,187.50	3,705,989.91	392,562.11	23,086.57	3,290,341.23
1993	423	3,290,341.23	238,622.84	499,962.57	4,028,926.64	432,591.20	21,136.07	3,575,199.37

STATE OF KANSAS

Sally Thompson
TREASURER

900 JACKSON, SUITE 201
TOPEKA, KANSAS 66612-1235

TELEPHONE
(913) 296-3171

February 25, 1994

Office of the State Treasurer
Testimony: HB 2775-Committee on Taxation
Tama Wagner, Special Assistant to the State Treasurer

Mr. Chairman and members of the Committee, it is a pleasure to come before you this morning to discuss HB 2775.

First, let me say the State Treasurer does not object to the philosophy prescribed by this bill. In fact the Treasurer finds this measure to be compassionate public policy. However, it would be irresponsible on our part not to discuss the impact HB 2775 would have on the Office of State Treasurer.

As written, HB 2775 provides for the state to finance the deferral of property taxes on the homesteads of qualifying low-income elderly taxpayers. In effect the State would hold a lien on the homestead property in place of a tax payment. Repayment of taxes plus accrued interest would be payable after the taxpayer's death or when the property no longer meets statutory requirements. If not paid at the appropriate time, the state must foreclose on the lien. Should the state take title of any property in the event of foreclosure, the property would need to be sold by the state in order to recover the deferred taxes and accrued interest.

The provisions of this bill require the Office of the State Treasurer to assume duties that at this point in time we are not equipped to take on. The Office of State Treasurer serves the state as its bank and investment manager--we do not currently play a role in tax collection or enforcement.

Our primary concerns if we are asked to take on this new role are: 1) The cost of administering this program and, 2) the increased liability this program would place on the State of Kansas. First of all, with the implementation of this program, the Office of State Treasurer would need to contract with or hire personnel that have real estate, appraisal and legal expertise. The State Treasurer does not have an attorney on staff.

There are other costs associated with real estate transactions that would also be incurred by the implementation of this program. Those costs include: county recording fees, appraisal costs--according to KSA 75-3043a anytime the State acquires a title, the property must be appraised by 3 separate disinterested parties, property management fees, holding costs, insurance costs and finally closing costs upon eventual sale of the property.

There would also be an increase in our staff hours to track and maintain the accounts. At this point it is unclear whether administering this program would require additional staff members. Our uncertainty about the true impact of this program leads to our next concern

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Attachment 3

which is the overall impact on the agency's general fund budget. We are unable to estimate the impact because we don't know the number of persons who would participate in the program, the value of properties on which taxes would be deferred or the amount of deferred taxes to be paid to local governments. According to statistics from the Kansas Department on Aging, more than 145,000 households could be eligible to participate in this program.

Our final area of concern is the increased liability this program would place on the State of Kansas and its taxpayers. Under the lien position, the state's lien would take a junior position to any existing mortgage. This translates to the state buying out the mortgage holder in the case of a foreclosure for any reason. Where do the funds come from to payoff a mortgage holder? And does the State really want the State Treasurer's Office to delve into the foreclosure business--which opens a new legal door--and could involve the State in estate battles for years. Additionally, the State would also assume risk from possible real estate losses resulting from inadequate market values on the deferred properties.

While the goal of this legislation is laudable, in reality this program, with its potential cost and increased risk to the State, makes it a questionable investment for Kansas. While the State Treasurer recognizes it is more of a social program than an investment. We would argue that because the program would likely be subsidized with state idle funds, funds that are currently used for investment purposes, that this program should meet the criteria for a state investment. Those criteria are: safety, liquidity and yield. Clearly, this program does not meet those criteria.