

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 3:32 p.m. on February 15, 2011, in Room 783 of the Docking State Office Building.

All members were present except:

Representative Schwab-excused
Representative Frownfelter-excused

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Chris Courtwright, Kansas Legislative Research Department
Michael Wales, Kansas Legislative Research Department
Marla Morris, Committee Assistant
Allen Jeffus, Office Assistant

Conferees appearing before the Committee:

Nick Jordan, Secretary, Kansas Department of Revenue
Richard Cram, Kansas Department of Revenue
Kevin J. Robertson, Kansas Dental Association
Kent Heermann, Regional Development Association of East Central Kansas

Conferees presenting written only testimony:

Ronald C. Seeber, Kansas Agribusiness Retailers Association, Kansas Grain and Feed Association, and Kansas Cooperative Council
Chad Austin, Kansas Hospital Association

Others attending:

See attached list.

Chairman opened the hearing on **HB 2331-Creating rural opportunity zones.**

The Chairman directed the Committee to the Fiscal Notes on **HB 2331** from Richard Cram, Kansas Department of Revenue (Attachment 1), and the Kansas Division of Budget (Attachment 2).

Scott Wells, Office of the Revisor of Statutes, briefed the Committee on **HB 2331**.

Nick Jordan, Secretary, Kansas Department of Revenue, spoke in support of the bill, providing an overview of the economic growth of rural areas in Kansas (Attachment 3). His testimony included a map of Kansas reflecting the counties with a more than 10 percent population loss (Attachment 4). He explained that counties eligible for Rural Opportunity Zone designation must have experienced a population loss of 10 percent or more since the 2000 census, and eligible counties will be updated with the 2010 census.

Richard Cram, Kansas Department of Revenue, testified in support of **HB 2331**, offering an explanation of the provisions in the new individual income tax exemption presented in the bill (Attachment 5). His testimony provided details of a necessary balloon amendment (Attachment 6). He stood for questions.

Kevin J. Robertson, Kansas Dental Association (KDA), testified in support of **HB 2331**. The KDA believes that **HB 2331** will encourage dental school graduates to locate in the less populous areas of the state, and would be a positive step toward increasing access to oral health care in rural Kansas. (Attachment 7).

Kent Heermann, Regional Development Association of East Central Kansas (RDA), supports passage of **HB 2331**. His testimony included a map depicting the metropolitan and micropolitan areas in Kansas, and a chart indicating population changes in Kansas counties from 2000 to 2009 (Attachment 8). The RDA proposes consideration of areas beyond the 40 counties identified in **HB 2331**. He stood for questions.

Chairman Carlson directed the committee to the written testimony in support of **HB 2331** from Ronald C.

CONTINUATION SHEET

The minutes of the House Taxation Committee at 3:32 p.m. on February 15, 2011, in Room 783 of the Docking State Office Building.

Seeber, Kansas Agribusiness Retailers Association, Kansas Grain and Feed Association, and Kansas Cooperative Council (Attachment 9); Chad Austin, Kansas Hospital Association (Attachment 10).

Chairman Carlson closed the hearing on **HB 2331**.

The next meeting is scheduled for February 16, 2011, in Room 783 of the Docking State Office Building for the purpose of hearing **HB 2317 - Authorizing expensing of investment expenditures as a deduction in calculating Kansas income tax liability and IMPACT program changes.**

The meeting was adjourned at 4:27 p.m.

HOUSE TAXATION COMMITTEE

DATE: February 15, 2011

[illegible]

From: Richard.Cram@kdor.ks.gov
Sent: Monday, February 14, 2011 5:56 PM
To: Chris Courtwright; Marla Morris; Gordon Self; sean.tomb@budget.ks.gov
Subject: HB 2331 fiscal note
Attachments: pic23805.jpg

----- Forwarded by Richard Cram/Revenue/KDOR on 02/14/2011 05:55 PM -----

2011 House Bill 2331b Fiscal Note
Introduced as a House Bill

Fiscal Note Development

Bill Assigned: 02/14/2011

Responses Due: 02/16/2011

Note Due to Budget: 02/17/2011

Status: Sent to Budget

Prepared By: Steve A Stotts

Preliminary Completed: 02/14/2011

Reviewed by P&R: 02/14/2011

Approved by Secretary: 02/14/2011

Sent to Budget: 02/14/2011

Fiscal Impact: Passage of this bill would reduce state general fund revenues in fiscal year 2012 by about \$1.1 million and by \$3.3 million in fiscal year 2013.

Administrative Impact: There will be administrative costs associated with this bill. When those costs have been estimated a revised fiscal note will be issued. Taxpayers qualifying for this credit will have to be tracked in order to verify whether or not they still qualify for the credit.

M E M O R A N D U M

To:
Division of Budget

From: Kansas Department of Revenue

Date: 02/14/2011

Subject: House Bill 2331
Introduced as a House Bill

Brief of Bill

House Bill 2331, as introduced, creates a rural opportunity zone.

Section 1 defines certain terms used in the bill. A rural opportunity zone means Barber, Chautauqua, Cheyenne, Clark, Decatur, Edwards, Gove, Graham, Greeley, Greenwood, Harper, Jewell, Kingman, Kiowa, Lane, Lincoln, Logan, Marion, Morton, Ness, Norton, Osborne, Pawnee, Phillips, Rawlins, Republic, Rooks, Rush, Russell, Scott, Sheridan, Sherman, Smith, Stanton, Trego, Thomas, Wallace, Washington, Wichita or Woodson counties.

Student loan means a federal student loan and a nonfederal loan issued by a lender to help students and parents pay expenses for attendance at an institution of higher learning.

Section 2 provides for an income tax credit equal to the tax liability of resident individual taxpayer, when the resident individual was domiciled outside the state for five or more years immediately prior to establishing the domicile in a rural opportunity zone, had no Kansas source income for five or more years immediately prior to establishing their domicile in a rural opportunity zone, and was domiciled in a rural opportunity zone during the entire tax year for which the credit is claimed. The credit may be claimed for no more than five consecutive years following establishment of the taxpayer's domicile in a rural opportunity zone.

No credit shall be allowed if the resident individual's income tax return is not timely filed, the resident individual is delinquent in filing any return, or paying any tax due to the state or any political subdivision, or the resident individual does not establish domicile in a rural opportunity zone prior to January 1, 2016.

This credit is for tax years beginning after December 31, 2011 and before January 1, 2017.

Section 3 provides that any county designated a rural opportunity zone may participate in a program, by resolution, to agree to pay in equal shares with the state of Kansas, the outstanding student loan balance of any resident individual over a five year period up to a maximum of \$15,000.

The amount of the repayment shall be equal to 20% of the outstanding student loan balance over the five year period.

A resident individual shall have his or her outstanding student loan balance paid for attendance at an institution of higher education where the resident individual earned an associate, bachelor or post-graduate degree when the resident individual was domiciled outside the state for three or more years and had no Kansas source income for two or more

years or was a resident of Kansas prior to attending an out of state institution of higher education.

The provisions of this act shall be subject to appropriation acts. Nothing in this act guarantees a resident individual a right to the benefits provided in this section. The county may continue to participate even if the state does not participate.

The effective date of this bill is on publication in the statute book.

Fiscal Impact

Passage of this bill would reduce state general fund revenues in fiscal year 2012 by about \$1.1 million and by \$3.3 million in fiscal year 2013.

Based on the most recent information from the IRS and Census bureau, about 1,550 individual taxpayers from out-of-state moved to counties designated as a rural opportunity zone. Those taxpayers reported federal adjusted gross income of about \$48.3 million. Assuming an average tax rate of 4.5% and also assuming only 50% of these individuals would meet the requirement of residing in Kansas the entire year in order to qualify for the credit, the estimated fiscal impact in fiscal year 2012 would be about \$1.1 million ($\$48.3 \text{ million} \times 4.5\% \times 50\%$), and \$3.3 million in fiscal year 2013.

No information exists to accurately estimate the number and amount of student loans that would qualify for this bill. Assuming 50 taxpayers would qualify for the maximum amount, the state general fund would be reduced by about \$75,000 ($50 \times \$15,000 \times 50\% \times 20\%$) the first year.

Administrative Impact

There will be administrative costs associated with this bill. When those costs have been estimated a revised fiscal note will be issued. Taxpayers qualifying for this credit will have to be tracked in order to verify whether or not they still qualify for the credit.

Administrative Problems and Comments

Taxpayer/Customer Impact

Legal Impact

Approved By:

(Embedded image moved to file: pic23805.jpg) Nick Jordan Secretary of Revenue

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Steven J. Anderson, CPA, MBA, Director

Division of the Budget

Sam Brownback, Governor

February 15, 2011

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 274-W
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2331 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2331 is respectfully submitted to your committee.

HB 2331 would create Rural Opportunity Zones in 40 counties that have lost population of 10.0 percent or more since the 2000 Census. The counties that would be designated as Rural Opportunity Zones would be Barber, Chautauqua, Cheyenne, Clark, Decatur, Edwards, Gove, Graham, Greeley, Greenwood, Harper, Jewell, Kingman, Kiowa, Lane, Lincoln, Logan, Marion, Morton, Ness, Norton, Osborne, Pawnee, Phillips, Rawlins, Republic, Rooks, Rush, Russell, Scott, Sheridan, Sherman, Smith, Stanton, Trego, Thomas, Wallace, Washington, Wichita, and Woodson. Individuals who relocate from outside the state to a Rural Opportunity Zone would be eligible for an income tax credit equal to their tax liability, if they meet the following eligibility requirements:

1. Was domiciled outside of Kansas for five or more years immediately prior to establishing the domicile in a Rural Opportunity Zone;
2. Had no Kansas source income for five or more years immediately prior to establishing their domicile in a Rural Opportunity Zone; and
3. Was domiciled in a Rural Opportunity Zone during the entire tax year for which the credit is claimed.

The taxpayer would be allowed to claim the Rural Opportunity Zone tax credit for no more than five consecutive years following establishment of the taxpayer's domicile in a Rural Opportunity Zone. No tax credits would be allowed if the resident individual's income tax return is not timely filed, the taxpayer is delinquent in filing any return or paying any tax due to the state or any local government, or if the individual does not establish a domicile in a Rural Opportunity Zone prior to January 1, 2016. The tax credit would be available beginning in tax year 2012 and would sunset after tax year 2016.

The bill would also allow any county that has been designated as a Rural Opportunity Zone to be eligible to participate in a student loan forgiveness program. If the county chooses to participate, the county would be required to pass a resolution agreeing to pay in equal shares with the State of Kansas, the outstanding student loan balance of up to \$15,000 of any resident

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Date: 2-15-11
Attachment: 2

individual over a five-year period. The amount of the repayment would be equal to 20.0 percent of the outstanding student loan balance over the five-year period. In order to qualify for this program, the resident individual would be required to have earned an associate, bachelor, or post-graduate degree when the resident individual was domiciled outside the state for three or more years and had no Kansas source income for two or more years, or was a resident of Kansas prior to attending an out of state institution of higher education. The student loan forgiveness program would be administered by the Department of Commerce and would begin on January 1, 2012. Benefits under this program are not guaranteed and state funding would be subject to appropriation acts. The county would be allowed to continue funding the program even if the state does not provide funding.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	(\$1,100,000)	(\$1,100,000)
Expenditure	--	--	--	\$1,329,210
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2331 would decrease State General Fund income tax revenues by \$1.1 million in FY 2012. The decrease in revenues and how the November 2, 2010 consensus revenue estimate for FY 2012 would be affected are shown in the following table:

Effect on FY 2012 Consensus Revenue Estimates
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 2, 2010)	Change in Revenue FY 2012	Proposed Adjusted CRE FY 2012
Motor Carrier	\$ 27,000	\$ --	\$ 27,000
Income Taxes:			
Individual	2,705,000	(1,100)	2,703,900
Corporate	275,000	--	275,000
Financial Institutions	21,000	--	21,000
Excise Taxes:			
Retail Sales	2,090,000	--	2,090,000
Compensating Use	295,000	--	295,000
Cigarette	97,000	--	97,000
Corporate Franchise	8,000	--	8,000
Severance	94,300	--	94,300
All Other Excise Taxes	96,400	--	96,400
Other Taxes	127,000	--	127,000
Total Taxes	\$5,835,700	(\$ 1,100)	\$5,834,600
Other Revenues:			
Interest	\$ 11,800	\$ --	\$ 11,800
Transfers	(93,700)	--	(93,700)

Agency Earnings	<u>56,800</u>	<u>--</u>	<u>56,800</u>
Total Other Revenues	(\$ 25,100)	\$ --	(\$ 25,100)
Total Receipts	\$5,810,600	(\$ 1,100)	\$5,809,500

To formulate this estimate, the Department of Revenue reviewed data on the most recent information from the Internal Revenue Service and the U.S. Census Bureau. It is estimated that about 1,550 individual taxpayers from out-of-state moved to counties that would be designated as a Rural Opportunity Zone. Those taxpayers reported federal adjusted gross income of about \$48.3 million. Assuming an average tax rate of 4.5 percent and also assuming only 50.0 percent of these individuals would meet the requirement of residing in Kansas the entire year in order to qualify for the Rural Opportunity tax credit, the estimated fiscal effect in FY 2012 would be about \$1.1 million (\$48.3 million x 4.5% x 50%), and would increase to \$3.3 million in FY 2013. The potential cumulative effect on other taxes at the state and local level is not accounted for in this fiscal note.

No information exists to accurately estimate the number of counties that would choose to participate in the student loan forgiveness program or the number of individuals who would move to a Rural Opportunity Zone in order to participate in this program. The Governor's budget recommends a total of \$2,213,887 from the Economic Development Initiatives Fund for the Department of Commerce to manage the new Rural Opportunity Zones Program in FY 2012. Included in this funding is \$884,677 to continue to provide operational support for the Kansas Small Business Development Centers located across the state and \$1,329,210 for administrative expenses of the new Rural Opportunity Zone tax credit program and matching funds for the new student loan forgiveness program. The Governor's recommendations would require the Department of Commerce to use existing staff to manage this new program.

The Department of Revenue indicates that the bill would require administrative costs to implement the new income tax program and modify the automated tax system. However, at the time this fiscal note was prepared, the Department was unable to estimate the administrative costs associated with this bill. If the Department determines that the costs associated with implementing this bill cannot be absorbed within existing resources, a revised fiscal note will be prepared. Any fiscal effect associated with HB 2331 is reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,



Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Steve Neske, Revenue
Traci Herrick, Commerce
Melissa Wangemann, KS Association of Counties

TESTIMONY

House Taxation Committee

February 15, 2011

House Bill 2331

by

Secretary of Revenue Nick Jordan

Rural Opportunity Zones

Mr. Chairman and members of the committee, I appreciate the opportunity to present an important component of the Governor's economic growth strategy: Rural Opportunity Zones. With economic growth as the Governor's top priority, he is making a strong effort to create an environment for success in every part of Kansas, for every Kansan, and for every business.

Kansas is caught up in a century-old trend related to population shifts in the Great Plains. This transformation has had, and continues to have, a direct economic influence on the declining populations of rural counties. We must take a keen interest in promoting the prosperity of rural Kansas, and initiatives in this area complement broader economic initiatives.

Research on the economic growth of rural areas has produced some consistent findings:

- Income support payments to farmers do not spillover to the nonfarm sector. Counties that have a higher share of income from farm sources grow more slowly. Counties with a higher share of farm income derived from farm support payments also grow more slowly.
- Rural areas grow faster when they have a diversified economic base.
- Businesses formed in rural areas tend to have longer life spans than businesses that start in urban areas. However, entrepreneurs must perceive the potential for higher after-tax profits in rural areas to compensate for the additional risk of business failure in rural areas.
- Rural economic growth is best executed in the context of a region-specific focus – an execution that effectively leverages state and local resources in a manner that acknowledges the unique resources, opportunities, and market knowledge of each region.

One of the nation's true challenges is effectively enhancing prosperity in rural America, and the creation of Rural Opportunity Zones is an innovative way of doing so in Kansas.

Rural Opportunity Zones

- Offer an income tax rebate for a period of five years to residents who move from out-of-state into a Kansas Rural Opportunity Zone, defined as counties that have suffered double-digit percentage population decline over the past decade.
- Offer state-county partnerships (50 percent state and 50 percent for counties who opt-in) for paying down student loans of residents who move to a participating Rural Opportunity Zone from out of state.
- The proposed Governor's Council of Economic Advisors will monitor the program's effectiveness through established return-on-investment metrics.
- It is anticipated that, because the incentives inherent in the Rural Opportunity Zones are targeted to new businesses and the migration into the state by persons previously living in other states, there will be minimal fiscal impact.
- Counties eligible for Rural Opportunity Zone designation must have experienced a population loss of 10 percent or more since the 2000 census. Eligible counties will be updated with the 2010 census.

The Department of Commerce also recognizes the importance of regionalization in rural success. The department will be reorganizing to better serve rural Kansas through regionalization.

Thank you, Mr. Chairman and committee members.

Policy & Research
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Nick Jordan, Secretary
Richard Cram, Director



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Sam Brownback, Governor

February 15, 2011

House Taxation Committee

House Bill 2331 Rural Opportunity Zone Income Tax Exemption Explanation

Presented by Richard Cram

Chairman Richard Carlson and Members of the Committee:

House Bill 2331 will provide a new individual income tax exemption, in the form of a nonrefundable income tax credit up to the amount of the individual's Kansas income tax liability, for a 5-year period, starting in Tax Year 2012, and ending after Tax Year 2016. This credit will be available to an individual who establishes domicile (residence) in one of the "rural opportunity zone" counties identified in Section 1(b) if the individual has met the following criteria:

- a. domiciled outside of Kansas for at least 5 years immediately prior to establishing domicile in a rural opportunity zone" county;
- b. no Kansas source income for at least 5 years immediately prior to establishing domicile in a rural opportunity zone county; and
- c. domicile in a rural opportunity zone county exists for the entire tax year.

These criteria are to ensure that the individual truly had a long-term domicile outside of Kansas before moving to a rural opportunity zone county, the individual did not already have income from a Kansas source (employment, business, etc.) prior to moving to a rural opportunity zone county, and the individual moved to the county and resided there the entire calendar year before the exemption can first be claimed for that tax year.

The credit is available for a maximum of 5 years, but is not available for any tax year after 2016.

In order to claim the exemption, the individual must timely file an income tax return, must not be delinquent in the filing or any return or payment of any state or local government tax, and domicile must have been established in a rural opportunity zone county prior to January 1, 2016.

Our fiscal note is attached.

student loan balance of any resident individual over a five year period up to a maximum of \$15,000. The amount of the repayment shall be equal to 20% of the outstanding student loan balance over the five year period.

A resident individual shall have his or her outstanding student loan balance paid for attendance at an institution of higher education where the resident individual earned an associate, bachelor or post-graduate degree when the resident individual was domiciled outside the state for three or more years and had no Kansas source income for two or more years or was a resident of Kansas prior to attending an out of state institution of higher education.

The provisions of this act shall be subject to appropriation acts. Nothing in this act guarantees a resident individual a right to the benefits provided in this section. The county may continue to participate even if the state does not participate.

The effective date of this bill is on publication in the statute book.

Fiscal Impact

Passage of this bill would reduce state general fund revenues in fiscal year 2012 by about \$1.1 million and by \$3.3 million in fiscal year 2013.

Based on the most recent information from the IRS and Census bureau, about 1,550 individual taxpayers from out-of-state moved to counties designated as a rural opportunity zone. Those taxpayers reported federal adjusted gross income of about \$48.3 million. Assuming an average tax rate of 4.5% and also assuming only 50% of these individuals would meet the requirement of residing in Kansas the entire year in order to qualify for the credit, the estimated fiscal impact in fiscal year 2012 would be about \$1.1 million ($\$48.3 \text{ million} \times 4.5\% \times 50\%$), and \$3.3 million in fiscal year 2013.

No information exists to accurately estimate the number and amount of student loans that would qualify for this bill. Assuming 50 taxpayers would qualify for the maximum amount, the state general fund would be reduced by about \$75,000 ($50 \times \$15,000 \times 50\% \times 20\%$) the first year.

Administrative Impact

There will be administrative costs associated with this bill. When those costs have been estimated a revised fiscal note will be issued. Taxpayers qualifying for this credit will have to be tracked in order to verify whether or not they still qualify for the credit.

Administrative Problems and Comments

Taxpayer/Customer Impact

KDOR

Session of 2011

SENATE BILL No. 198

By Committee on Assessment and Taxation

2-11

1 AN ACT concerning economic development; creating rural opportunity
2 zones; relating to income taxation, credit for certain taxpayers, amount
3 and requirements; student loan repayment program.
4

5 *Be it enacted by the Legislature of the State of Kansas:*

6 Section 1. ☐ As used in sections 1 through 3, and amendments thereto:

7 (a) ☐ "Institution of higher education" means a public or private
8 nonprofit educational institution that meets the requirements of
9 participation in programs under the higher education act of 1965, as
10 amended, 34 C.F.R. 600;

11 (b) ☐ "rural opportunity zone" means Barber, Chautauqua, Cheyenne,
12 Clark, Decatur, Edwards, Gove, Graham, Greeley, Greenwood, Harper,
13 Jewell, Kingman, Kiowa, Lane, Lincoln, Logan, Marion, Morton, Ness,
14 Norton, Osborne, Pawnee, Phillips, Rawlins, Republic, Rooks, Rush,
15 Russell, Scott, Sheridan, Sherman, Smith, Stanton, Trego, Thomas,
16 Wallace, Washington, Wichita or Woodson counties;

17 (c) ☐ "secretary" means the secretary of commerce; and

18 (d) ☐ "student loan" means a federal student loan program supported by
19 the federal government and a nonfederal loan issued by a lender such as a
20 bank, savings and loan or credit union to help students and parents pay
21 school expenses for attendance at an institution of higher education.

22 Sec. 2. ☐ (a) ☐ For taxable years commencing after December 31, 2011,
23 and before January 1, 2017, there shall be allowed as a credit against the
24 tax liability of a resident individual taxpayer an amount equal to the
25 resident individual's income tax liability under the provisions of the
26 Kansas income tax act, when the resident individual:

27 (1) ☐ Was domiciled outside this state for five or more years
28 immediately prior to establishing their domicile in a rural opportunity
29 zone in this state;

30 (2) ☐ Had no Kansas source income for five or more years immediately
31 prior to establishing their domicile in a rural opportunity zone in this
32 state; and

33 (3) ☐ Was domiciled in a rural opportunity zone during the entire
34 taxable year for which such credit is claimed.

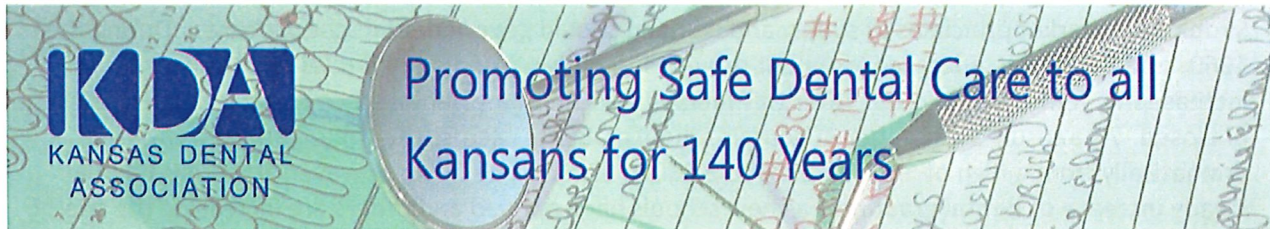
35 (b) ☐ A resident individual may claim the credit authorized by this
36 section for not more than five consecutive years following establishment

Establishes domicile in a rural opportunity zone on or after July 1, 2011 and prior to January 1, 2016 and

House Taxation

Date: 2-15-11

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Date: February 15, 2011

To: House Committee on Taxation

From: Kevin J. Robertson, CAE
Executive Director

RE: HB 2331 – Rural Opportunity Zones

Chairman Carlson and members of the committee I am Kevin Robertson, executive director of the Kansas Dental Association representing 1,250, or some 77% of the state's licensed dentists.

The Kansas Dental Association (KDA) believes that all Kansans deserve access to quality oral health care and to a dentist to provide for their comprehensive oral health needs. As such, the KDA supports HB 2331 to provide an incentive for dentists to locate in the 44 most needy counties of Kansas

Communities from Atwood to Elwood struggle to recruit dentists into their communities. Many have dental office facilities that a previous dentist simply abandoned after unsuccessful attempts to sell the practice at any price. New dental school graduates seem to be less willing to locate in rural areas. Though the reasons vary from student to student, we commonly hear concerns about dental school debt that now averages \$140,000 and the financial viability of rural practices.

Financial factors and dental school loans force new dental school graduates to seek opportunities within busy metropolitan practices as an associate because it provides an opportunity to practice without bearing additional debt or overhead. Because of the indebtedness, purchasing or starting practices directly out of school has become less common. Depending upon infinite variables, a dentist starting a new practice would need a minimum of \$250,000 in capital to purchase equipment, hire staff, lease office space, etc.

HB 2331 will help reduce some of the financial stresses of a dental student and put them in a better financial position when they graduate. Currently, there is loan funding available to students through the National Health Service Corps (NHSC), however, this funding is not well utilized as the requirements for the dental practices are not desirable for a new dentists trying to establish a successful practice in a rural area. For example, the NHSC loan requires that the recipient provide care to all patients on a sliding fee schedule based on income. Though this appears to be a fair expectation of a loan recipient, in actuality it is a barrier by creating an environment by which a new dentist cannot produce the appropriate income to pay the 60-65% overhead, and others loans needed to purchase and begin a new business venture.

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February 11, 2011

Chairman Carlson and members of the Kansas House Tax Committee:

Good afternoon, my name is Kent Heermann, CEcD, President of the Regional Development Association of East Central Kansas (RDA). We serve as the lead economic development organization for the City of Emporia and Lyon County.

I come to you today to speak in support of HB 2331. The proposed bill is an excellent first step in the right direction. I would agree that definition of the rural opportunity zone in Section 1 (h) on page 1 of HB 2331 is correct; however I would like you all to consider the following attached data to expand the rural opportunity zone(s).

In Governor Brownback's Economic Strategic Plan issued in memorandum on February 10, 2011, on page 15, it states "counties eligible for Rural Opportunity Zone designation must have experienced a population loss of 10% or more since the 2000 census. And for the purposes of the programs, defined as an incorporated community of less than 10,000 population,"

Forty Kansas counties have been identified as eligible for the rural opportunity zone incentives. The five counties with the largest population loss were Marion with -1,379, Republic with -1,027, Pawnee with -1,027, Kingman with -1,102 and Greenwood with -1,007. So in essence, all the counties with less than 10,000 in population with population losses than range from a loss of 1,379 persons to 300 persons. Refer to the attached table entitled Population Change in Kansas Counties from 2000 to 2009. Marked in yellow are the proposed Rural Opportunity Zones.

Consider if you will that other Kansas performance-based incentive programs, such as the enhanced enterprise zone classifies the state into urban counties and non-urban counties. Those counties which are urban are Douglas, Johnson, Leavenworth, Sedgwick, Shawnee and Wyandotte. All other Kansas Counties are considered non-urban or one may consider rural.

Now let's consider the micropolitan areas in Kansas. Attached is a map that depicts the metropolitan and micropolitan areas in Kansas. Referring to the same table, the micropolitan counties are marked in green.

There are 14 micropolitan areas – Atchison (Atchison County), Great Bend (Barton County), Emporia (Lyon & Chase Counties), Winfield & Arkansas City (Winfield County), Pittsburg (Crawford County), Hays (Ellis County), Garden City (Finney County), Dodge City (Ford County), Parsons (Labette County), McPherson (McPherson County), Independence & Coffeyville (Montgomery County), Salina (Saline & Ottawa Counties), Hutchinson (Reno County) and Liberal (Seward County).

Of the fourteen (14) micropolitan areas only six had population growth. Those six areas were Garden City with 1,551, Dodge City with 1,234, Pittsburg with 621, Salina with 578, Liberal with 503 increase and Hays with 232.

The other eight (8) micropolitan areas had a reduction in population. Five of the eight had population losses of 1,000 or more. Winfield/Arkansas City lost 2,657 persons, Emporia lost 2,566, Independence/Coffeyville lost 2,000, Hutchinson lost 1,433 and Parsons lost 1,059,

I believe consideration should be given to include Cowley, Lyon, Chase, Montgomery, Reno and Labette counties in the rural opportunity zones. We need to assist these rural Kansas counties to grow.

Attached to this testimony are three additional Kansas maps from the Kansas Statistical Abstract 2009. Those are Metropolitan and Micropolitan Areas in Kansas, Percent Population Change in Kansas, by County April 2000 – July 2009, and Projected Percent Population Change for Kansas by County 2009 – 2030.

Thank you for your time today.

**Population Change in Kansas Counties
from 2000 to 2009**

83

County	April 1, 2000 Census	July 1, 2009 Estimate	Percent Change	Pop Gain/(Loss)
Allen	14,385	13,203	-8.22	(1,182)
Anderson	8,110	7,872	-2.93	(238)
Atchison	16,774	16,411	-2.16	(363)
Barber	5,307	4,593	-13.45	(714)
Barton	28,205	27,464	-2.63	(741)
Bourbon	15,379	14,884	-3.22	(495)
Brown	10,724	9,927	-7.43	(797)
Butler	59,484	64,084	7.73	4,600
Chase	3,030	2,798	-7.66	(232)
Chautauqua	4,359	3,745	-14.09	(614)
Cherokee	22,605	21,064	-6.82	(1,541)
Cheyenne	3,165	2,700	-14.69	(465)
Clark	2,390	2,081	-12.93	(309)
Clay	8,822	8,704	-1.34	(118)
Cloud	10,268	9,263	-9.79	(1,005)
Coffey	8,865	8,436	-4.84	(429)
Comanche	1,967	1,873	-4.78	(94)
Cowley	36,291	33,634	-7.32	(2,657)
Crawford	38,242	38,869	1.64	627
Decatur	3,472	2,855	-17.77	(617)
Dickinson	19,344	19,015	-1.70	(329)
Doniphan	8,249	7,624	-7.58	(625)
Douglas	99,962	116,383	16.43	16,421
Edwards	3,449	3,071	-10.96	(378)
Elk	3,261	3,001	-7.97	(260)
Ellis	27,507	27,739	0.84	232
Ellsworth	6,525	6,179	-5.30	(346)
Finney	40,523	42,074	3.83	1,551
Ford	32,458	33,692	3.80	1,234
Franklin	24,784	26,441	6.69	1,657
Geary	27,947	31,751	13.61	3,804
Gove	3,068	2,480	-19.17	(588)
Graham	2,946	2,435	-17.35	(511)

County	April 1, 2000 Census	July 1, 2009 Estimate	Percent Change	Pop Gain/(Loss)
Gray	5,904	6,005	1.71	101
Greeley	1,534	1,234	-19.56	(300)
Greenwood	7,673	6,666	-13.12	(1,007)
Hamilton	2,670	2,625	-1.69	(45)
Harper	6,536	5,667	-13.30	(869)
Harvey	32,869	34,247	4.19	1,378
Haskell	4,307	4,006	-6.99	(301)
Hodgeman	2,085	1,906	-8.59	(179)
Jackson	12,657	13,412	5.97	755
Jefferson	18,426	18,207	-1.19	(219)
Jewell	3,791	3,059	-19.31	(732)
Johnson	451,479	542,737	20.21	91,258
Kearny	4,531	4,169	-7.99	(362)
Kingman	8,673	7,571	-12.71	(1,102)
Kiowa	3,278	2,322	-29.16	(956)
Labette	22,835	21,776	-4.64	(1,059)
Lane	2,155	1,742	-19.16	(413)
Leavenworth	68,691	75,227	9.52	6,536
Lincoln	3,578	3,123	-12.72	(455)
Linn	9,570	9,335	-2.46	(235)
Logan	3,046	2,549	-16.32	(497)
Lyon	35,935	33,601	-6.50	(2,334)
McPherson	29,554	28,866	-2.33	(688)
Marion	13,361	11,982	-10.32	(1,379)
Marshall	10,965	10,123	-7.68	(842)
Meade	4,631	4,407	-4.84	(224)
Miami	28,351	30,969	9.23	2,618
Mitchell	6,932	6,344	-8.48	(588)
Montgomery	36,254	34,254	-5.52	(2,000)
Morris	6,104	5,994	-1.80	(110)
Morton	3,496	3,031	-13.30	(465)
Nemaha	10,717	9,968	-6.99	(749)
Neosho	16,997	16,046	-5.60	(951)

Counties marked in yellow are Rural Opportunity Zones.

Counties marked in green are Micropolitan Areas.

Source: Kansas Statistical Abstract, 2009, Pages 242 -244

**Population Change in Kansas Counties
from 2000 to 2009**

8-4

County	April 1, 2000 Census	July 1, 2009 Estimate	Percent Change	Pop Gain/(Loss)
Grant	7,909	7,353	-7.03	(556)
Norton	5,953	5,330	-10.47	(623)
Osage	16,712	16,104	-3.64	(608)
Osborne	4,452	3,849	-13.54	(603)
Ottawa	6,163	5,974	-3.07	(189)
Pawnee	7,233	6,206	-14.20	(1,027)
Phillips	6,001	5,272	-12.15	(729)
Pottawatomie	18,209	19,994	9.80	1,785
Pratt	9,647	9,304	-3.56	(343)
Rawlins	2,966	2,425	-18.24	(541)
Reno	64,790	63,357	-2.21	(1,433)
Republic	5,835	4,808	-17.60	(1,027)
Rice	10,761	10,079	-6.34	(682)
Riley	62,852	71,341	13.51	8,489
Rooks	5,685	4,984	-12.33	(701)
Rush	3,551	3,143	-11.49	(408)
Russell	7,370	6,596	-10.50	(774)
Saline	53,597	54,364	1.43	767
Scott	5,120	4,560	-10.94	(560)
Sedgwick	452,869	490,864	8.39	37,995

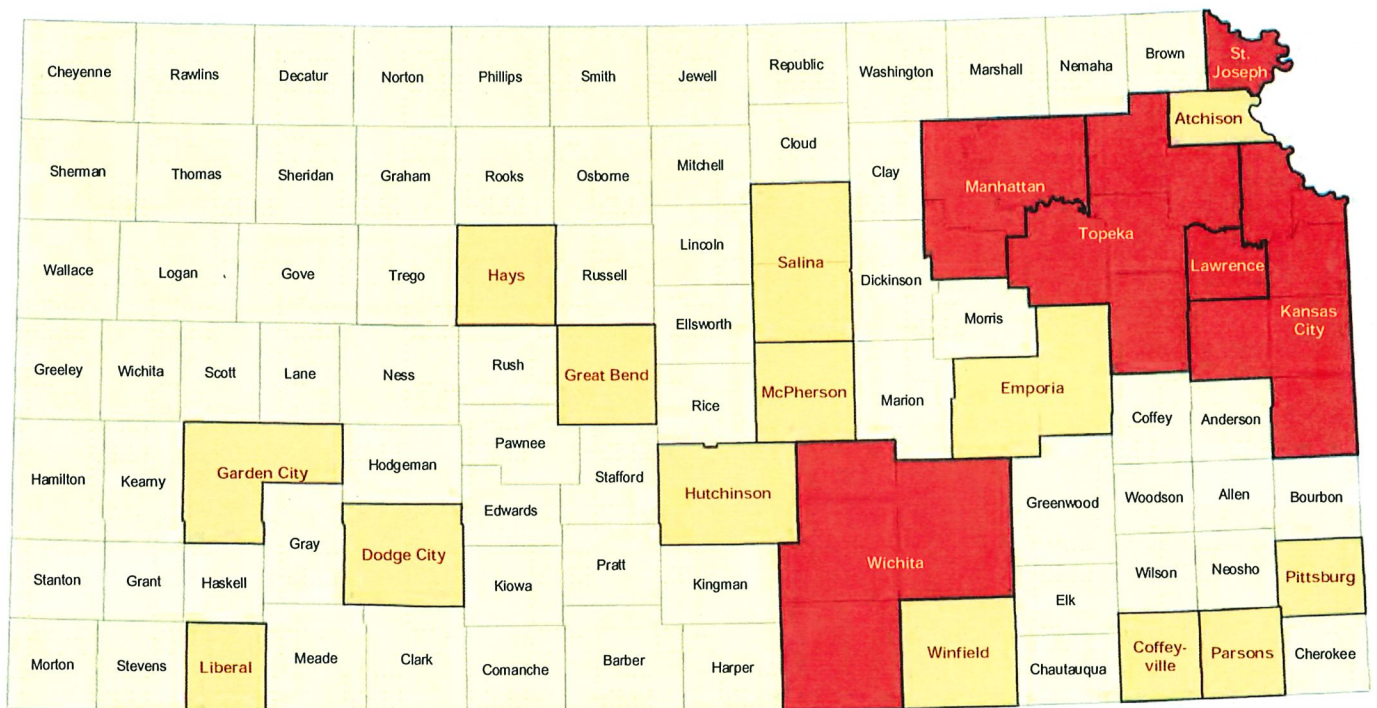
County	April 1, 2000 Census	July 1, 2009 Estimate	Percent Change	Pop Gain/(Loss)
Ness	3,454	2,835	-17.92	(619)
Seward	22,510	23,013	2.23	503
Shawnee	169,871	176,255	3.76	6,384
Sheridan	2,813	2,435	-13.44	(378)
Sherman	6,760	5,860	-13.31	(900)
Smith	4,536	3,753	-17.26	(783)
Stafford	4,789	4,342	-9.33	(447)
Stanton	2,406	2,107	-12.43	(299)
Stevens	5,463	5,129	-6.11	(334)
Sumner	25,946	23,488	-9.47	(2,458)
Thomas	8,180	7,343	-10.23	(837)
Trego	3,319	2,920	-12.02	(399)
Wabaunsee	6,885	6,846	-0.57	(39)
Wallace	1,749	1,408	-19.50	(341)
Washington	6,483	5,683	-12.34	(800)
Wichita	2,531	2,109	-16.67	(422)
Wilson	10,332	9,474	-8.30	(858)
Woodson	3,788	3,240	-14.47	(548)
Wyandotte	157,882	155,085	-1.77	(2,797)
Kansas	1,359,542	1,412,252	3.88	52,710

Counties marked in yellow are Rural Opportunity Zones.

Counties marked in green are Micropolitan Areas.

Source: Kansas Statistical Abstract, 2009, Pages 242 -244

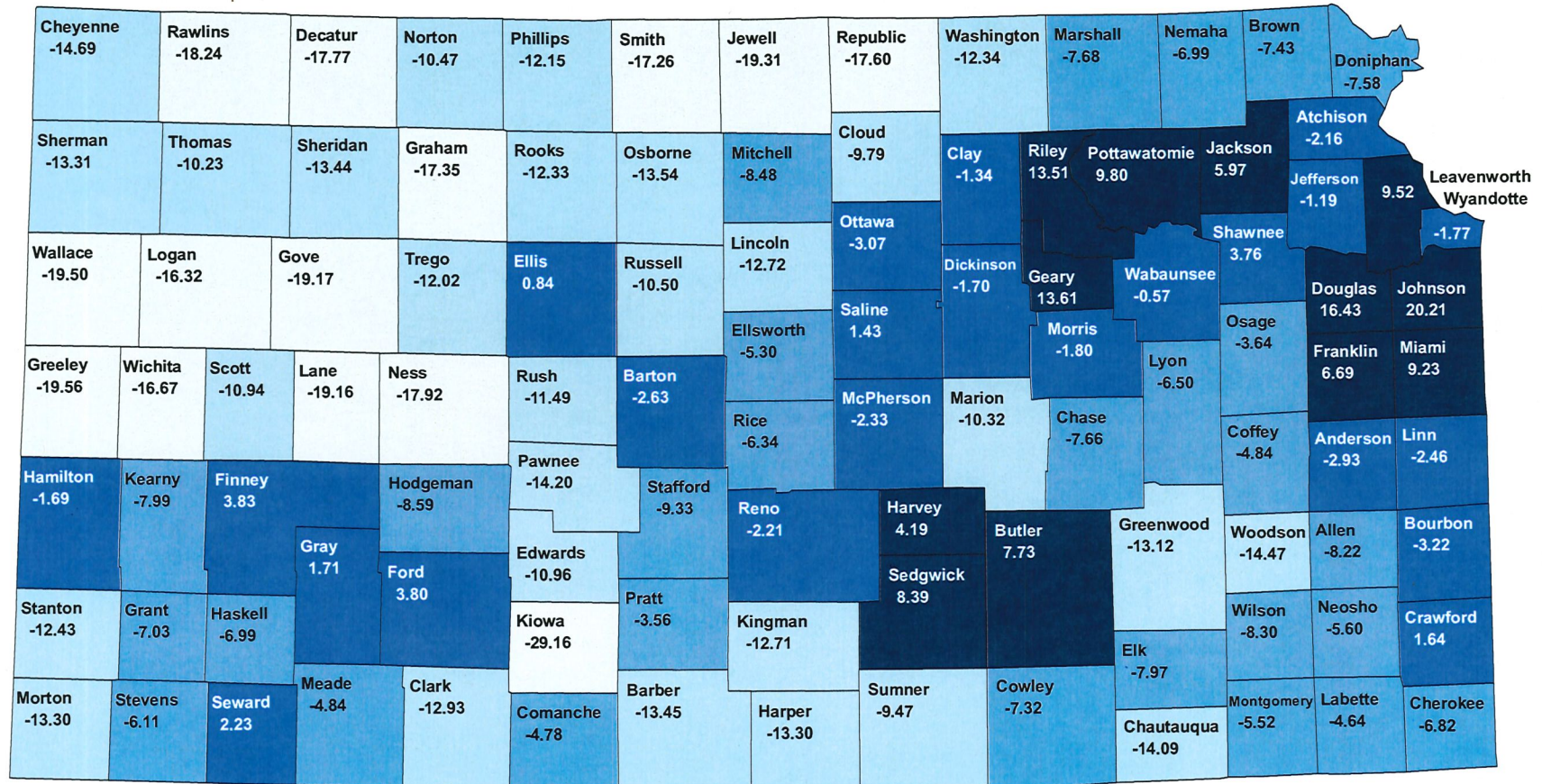
Metropolitan and Micropolitan Areas in Kansas



Source: Institute for Policy & Social Research; data from the Executive Office of the President, Office of Management and Budget, Bulletin 09-01 released 11/20/2008. This release upgraded the Manhattan Micropolitan Area to a Metropolitan Area.

- Metropolitan Area
- Micropolitan Area
- Outside Core-Based Statistical Area (CBSA)

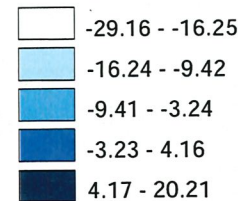
Percent Population Change in Kansas, by County April 2000–July 2009



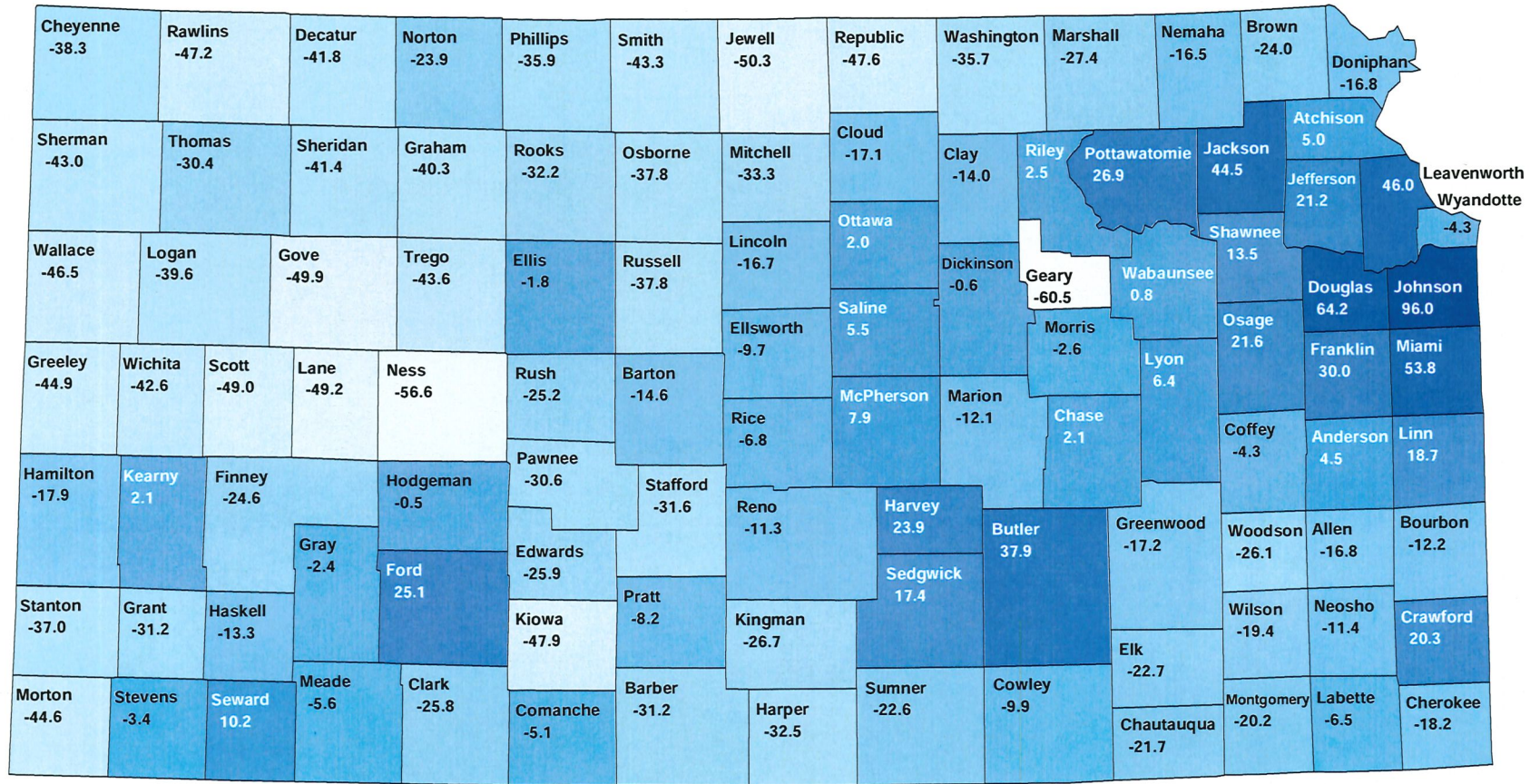
Source: Institute for Policy & Social Research; data from U.S. Census Bureau, Population Estimates.

State: 4.83

Percent Population Change



Projected Percent Population Change for Kansas, by County 2000–2030



Source: Institute for Policy & Social Research; data from Wichita State University, Center For Economic Development and Business Research, 2008.

Kansas: 16.2



**House Taxation Committee
Written Testimony in Support of HB 2331
Creating Rural Opportunity Zones
Submitted by Ron Seeber
on behalf of the
Kansas Agribusiness Retailers Association, Kansas Grain and Feed
Association, and Kansas Cooperative Council
February 15, 2011**

Thank you Chairman Carlson, members of the House Taxation Committee, I Ron Seeber, Vice President of Government Affairs of the Kansas Grain and Feed Association (KGFA) and the Kansas Agribusiness Retailers Association (KARA). The KGFA is a voluntary state association with a membership encompassing the entire spectrum of the grain receiving, storage, processing and shipping industry in the state of Kansas. KGFA's membership includes over 950 Kansas business locations and represents 99% of the commercially licensed grain storage in the state. KARA's membership includes over 700 agribusiness firms that are primarily retail facilities which supply fertilizers, crop protection chemicals, seed, petroleum products and agronomic expertise to Kansas farmers. KARA's membership base also includes ag-chemical and equipment manufacturing firms, distribution firms and various other businesses associated with the retail crop production industry. I am also representing Leslie Kaufman with the Kansas Cooperative Council. The KCC is a voluntary, statewide trade association representing all forms of cooperative businesses across the state -- agricultural, utility, credit, financial, refining and consumer cooperatives.

The Kansas Agribusiness Retailers Association, Kansas Cooperative Council, and Kansas Grain and Feed Association enthusiastically support HB 2331, the Governor's forward thinking proposal to bring new residents to many Kansas counties with declining populations. By offering income tax rebates for a five year period and a state-county partnership to pay down students loans for relocating out of state residents, this legislation will inject a desperately needed economic boost for parts of our state. Population loss in rural Kansas has shown to be as costly as any drought or ice storm. While the weather can change, rural workforce decline has proven to be a consistent blight on our state. This pattern has resulted in loss of state revenue, loss of our best and brightest young adults, and loss of the livelihood of hard working citizens. Rural agribusiness greatly appreciates the vision of the Governor to focus on increasing the workforce in rural Kansas which will, in turn, benefit Kansas as a whole. We urge the committee to support HB 2331, establishing Kansas Rural Opportunity Zones.

House Taxation
Date: 2-15-11
Attachment: 9



Tom Bell
President and CEO

TO: House Committee on Tax

FROM: Chad Austin
Vice President, Government Relations

DATE: February 15, 2011

SUBJECT: House Bill 2331

The Kansas Hospital Association appreciates the opportunity to provide testimony in support of House Bill 2331, which establishes the Governor's proposed rural opportunity zones. KHA believes this legislation would assist in the recruitment of health care providers to many of our rural communities.

Kansas is facing a shortage of the individuals most important to a strong healthcare system — physicians, nurses and other allied practitioners. As been reported by the U.S. Department of Health and Human Services, more than 80 Kansas counties are designated with some type of health professional shortage area. Kansas averages barely more than 200 physicians per 100,000 population compared to a national average of 245. Accordingly, hospitals from all parts of the state continually report difficulty in recruiting and retaining physicians and other health care professionals. House Bill 2331 would complement the workforce recruitment efforts already underway in our state by providing additional incentives through income tax rebates and student loan forgiveness for those individuals relocating from out of state.

The success of the Kansas health care system in rural areas depends upon the availability of properly educated and trained health care professionals. The Kansas Hospital Association and its members request your support for House Bill 2331. Thank you for your consideration of our comments.

House Taxation
Date: 2-15-11
Attachment: 10

Kansas Hospital Association • *celebrating 100 years of Kansas hospitals working together*

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