

## MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 3:38 p.m. on March 8, 2011, in Room 783 of the Docking State Office Building.

All members were present except:

- Representative Donohoe-excused
- Representative Hayzlett-excused
- Representative Phelps-excused
- Representative Prescott-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:

- Senator Garrett Love
- Representative Terry Calloway
- Gary Haulmark, Legislative Director, Kansas Social and Rehabilitation Services (SRS)
- Jan Lewis, Catholic Charities of Northeast Kansas
- Gary Brunk, Kansas Action for Children
- Jill Quigley, United Community Services of Johnson

Conferees providing written-only testimony:

- Sister Mary Bangert, Sisters of Charity of Leavenworth
- Michael Schuttloffel, Kansas Catholic Conference

Others attending:

See attached list.

Chairman Carlson opened the hearings on:

**HB 2348 - Requiring social security numbers on Kansas income tax returns**

**HB 2349 - Requiring social security numbers in support of dependent care expenses**

**HB 2355 - Requiring social security numbers in support of claims for food sales tax refunds**

**SB 193 - Requiring social security numbers in support of claims for food sales tax refunds**

Due to the commonality concerning requirements of social security numbers, the four bills will be heard in one hearing. The Chairman invited the conferees to address an individual bill, some, or all of the bills as it applies to their testimony. He directed the Committee to the fiscal notes, in their daily packet, on **HB 2348** (Attachment 1), **HB 2349** (Attachment 2), **HB 2355** (Attachment 3) and **SB 193** (Attachment 4).

Gordon Self, Office of the Revisor of Statutes, briefed the Committee on each bill.

**HB 2348** relates to requirements with regard to the Kansas Income Tax returns in general. It provides that no reductions or credits will be allowed unless a valid social security number is provided by the taxpayer, the taxpayers spouse and dependent(s). He explained the exceptions and requirements in the bill.

**HB 2349** relates to dependent care expense credits, which is in addition to a federal credit. This bill provides that a taxpayer cannot claim this credit unless the taxpayer provides a valid social security number for the individual(s) claiming the credit.

**HB 2355** relates to the food sales tax refund and provides that a social security number is required for the claimant and each household member and dependent child applying for the credit. The bill further provides for a requirement of the applicant to provide a clear statement indicating which category the applicant is qualified.

## CONTINUATION SHEET

The minutes of the House Taxation Committee at 3:38 p.m. on March 8, 2011, in Room 783 of the Docking State Office Building.

**SB 193** is identical to **HB 2355** with exception of an technical amendment that corrected a reference in line 21. He stood for questions.

Representative Terry Calloway spoke in support of the combined bills. Kansas does not currently require identification from applicants receiving benefits, whereas, the federal government guidelines require any one filing a return for benefits must have a ITIN (Individual Taxpayer Identification Number). Kansas should "true-up" to require the same identification numbers as the federal government to allow for quick validation between federal and returns (Attachment 5). He stood for questions.

Senator Garrett Love, spoke in support of the provisions of **HB 2355** as it mirrors **SB 193**. State tax forms do not require any information to verify any dependents the filer is claiming. The Kansas Department of Revenue is able verify the number of applicants within one or two years of the filing of their federal forms, however, if the applicant files only a state return, the department has no way of verifying the number of dependents (Attachment 6). Senator Love urged passage of the bill. He stood for questions.

There were no other conferees to appear before the Committee on the bills. Chairman Carlson closed the hearing on **HB 2348**, **HB 2349**, **HB 2355** and **SB 193**.

Chairman Carlson opened the hearing on:

### **HB 2347 - Earned income tax credit amount decreased and made nonrefundable**

The Division of Budget fiscal note on **HB 2347** is available in the daily packet (Attachment 7).

Gordon Self, briefed the committee on the bill. Current law provides for changes in the percentage of the federal Earned Income Tax Credit (EITC) allowed to be claimed as the Kansas EITC. The bill would also change the Kansas EITC from refundable to non-refundable and would calculate the amount of Kansas EITC allowed after the tax liability has been reduced by all other tax credits. He stood for questions.

Representative Calloway testified in support of **HB 2347**. He stated the research for this bill is a result of a comparison of the Kansas responsibility on earned income tax credit with the national average of 12.5 percent for the 23 states participating in EITC's. Currently Kansas awards an 18 percent EITC against the federal amount, which is 5.5 percent greater than the national average, and above the levels of neighboring states. Missouri and Colorado pay zero percent, Oklahoma pays 5 percent, and Nebraska pays 10 percent. He recommends a reduction in the amount to a more competitive level, both regionally and nationally (Attachment 8). He stood for questions.

Gary Haulmark, Legislative Director, Kansas Social and Rehabilitation Services (SRS), spoke to the fiscal implications affecting SRS due to the change from refundable to non-refundable (Attachment 9). The SRS presents a neutral position on **HB 2347**. He asked that the State return \$29 million of any savings realized by the passage of **HB 2347** to the SRS to be used towards (Temporary Assistance for Needy Families) TANF activities. He stood for questions.

Jan Lewis, Catholic Charities of Northeast Kansas, testified in opposition to **HB 2347**. She identified the Kansans benefiting from earned income tax credits, and asked the committee to visualize these Kansans when considering **HB 2347**. Reducing the Earned Income Tax Credit (EITC) percentage and eliminating the refundable portion of that credit will work in direct opposition to increasing net personal income and decreasing childhood poverty (Attachment 10). She stood for questions.

Gary Brunk, Kansas Action for Children, spoke in opposition to **HB 2347**. Asked cmte to think about the families that will be affected by **HB 2347**. He believes the bill will hurt working families already battered by a bad economy, burden the families who already pay the highest effective tax rate, and hinders the ability to reduce child poverty (Attachment 11).

Jill Quigley, United Community Services of Johnson County, testified in opposition to **HB 2347**. She presented testimony in the absence of Karen Wulfsuhle. United Community Services believes the

## CONTINUATION SHEET

The minutes of the House Taxation Committee at 3:38 p.m. on March 8, 2011, in Room 783 of the Docking State Office Building.

Kansas EITC, when combined with federal EITC, is an effective anti-poverty program for working families, and if Kansas is committed to reducing child poverty, the EITC credit is one of the best strategies to use (Attachment 12). She stood for questions.

Chairman Carlson directed the Committee to the written-only testimony in opposition to **HB 2347** from Sister Theresa Bangert (Attachment 13), Sister of Charity of Leavenworth, and Michael Schuttloffel, Kansas Catholic Conference (Attachment 14).

Chairman Carlson closed hearing on **HB 2347**.

The next meeting is scheduled for 3:30 p.m., March 9, 2011, in Room 783 of the Docking State Office Building for the purpose of hearing:

**SB 212 – Annual report by secretary of revenue of abatements of tax liability**  
**HCR 5011 – Constitutional amendment creating a contingency reserve fund and debit prepayment fund in the state treasury, annual transfers and withdrawals only under certain circumstances.**

The meeting was adjourned at 5:00 p.m

**HOUSE TAXATION COMMITTEE**

Date: 3/8/11

[illegible]

March 1, 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 2348 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2348 is respectfully submitted to your committee.

HB 2348 would require taxpayers claiming a deduction or tax credit on their Kansas individual income tax return to provide the Department of Revenue with a valid Social Security number issued by the Social Security Administration. The bill would require that unless another identifying number has been assigned to the individual by the Internal Revenue Service (IRS) to file the individual's federal income tax return, the Social Security number issued to an individual, the individual's spouse, and all dependents would be required to be included on the individual's Kansas income tax return. The bill would not apply to the tax credit for taxes paid to other states.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	\$15,300,000	\$15,300,000
Expenditure	--	--	\$64,080	\$64,080
FTE Pös.	--	--	--	--

The Department of Revenue estimates that HB 2348 would increase revenues to the State General Fund by \$15.3 million in FY 2012. The increase in revenues and how the November 2, 2010 consensus revenue estimate for FY 2012 would be affected are shown in the following table:

House Taxation  
Date: 3-8-11  
Attachment: /

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	15,300	2,720,300
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	<u>127,000</u>	<u>--</u>	<u>127,000</u>
Total Taxes	\$5,835,700	\$ 15,300	\$5,851,000
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	\$ 15,300	\$5,825,900

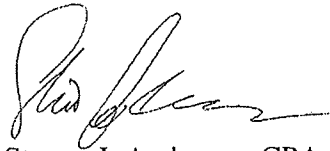
To formulate this estimate, the Department of Revenue reviewed data on individual Kansas income tax returns that were filed using an Individual Taxpayer Identification Number (ITIN) that was issued by the IRS. In tax year 2009, about 21,000 taxpayers with an ITIN filed Kansas income tax returns. For tax year 2012, it is estimated that these taxpayers would claim approximately \$323.0 million in deductions, which would be disallowed, increasing tax liability by \$12.9 million in FY 2012. Disallowing all tax credits would increase tax liability by approximately \$2.4 million in FY 2012.

The Department of Revenue indicates the bill would require \$64,080 from the State General Fund in administrative costs to modify the automated tax system. The Department estimates that the bill would require 1,440 hours of in-house programming and 720 hours of testing which would be performed by existing staff of the Department of Revenue. However, if the combined effect of implementing this bill and other enacted legislation exceeds the

The Honorable Richard Carlson, Chairperson  
March 1, 2011  
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Department's programming resources, or if the time for implementing the changes is too short, expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with HB 2348 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Anderson", with a long horizontal flourish extending to the right.

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

cc: Steve Neske, Revenue



March 1, 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 2349 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2349 is respectfully submitted to your committee.

HB 2349 would require any person claiming the Child and Dependent Care Tax Credit to provide the Department of Revenue with a valid Social Security number issued by the Social Security Administration for every claimant, household member, and dependent child.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	\$16,720	\$16,720
Expenditure	--	--	\$57,700	\$57,700
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2349 would increase revenues to the State General Fund by \$16,720 in FY 2012. The increase 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	17	2,705,017
Corporate	275,000	--	275,000
Financial Institutions	21,000	--	21,000

House Taxation

Date: 3-8-11

Attachment: 2

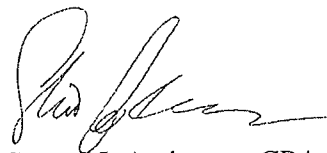


Excise Taxes:			
Retail Sales	2,090,000	--	2,090,000
Compensating Use	295,000	--	295,000
Cigarette	97,000	--	97,000
Corporate Franchise	8,000	--	8,000
Severance	94,300	--	94,300
All Other Excise Taxes	96,400	--	96,400
Other Taxes	<u>127,000</u>	<u>--</u>	<u>127,000</u>
Total Taxes	\$5,835,700	\$ 17	\$5,835,717
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	\$ 17	\$5,810,617

To formulate this estimate, the Department of Revenue reviewed data on the Child and Dependent Care Tax Credit. The Department indicates there were 72,000 taxpayers that claimed this credit in tax year 2009, with credits totaling \$9.5 million. Of this total, 125 taxpayers were allowed to claim \$16,720 in Child and Dependent Care Tax Credits without having a valid Social Security number for each individual, child, or dependent. Requiring a valid Social Security number to claim the food sales tax refund in tax year 2011 is estimated to increase revenues to the State General Fund by an estimated \$16,720 in FY 2012.

The Department of Revenue indicates the bill would require \$57,700 from the State General Fund in FY 2012 for administrative costs to modify the automated tax system. The Department estimates that the bill would require 1,460 hours of in-house programming and 480 hours of testing which would be performed by existing staff of the Department of Revenue. However, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with HB 2349 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,



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

cc: Steve Neske, Revenue

Landon State Office Building  
900 S.W. Jackson, Room 504  
Topeka, KS 66612



phone: 785-296-2436  
fax: 785-296-0231  
steve.anderson@budget.ks.gov

Steven J. Anderson, CPA, MBA, Director

Division of the Budget

Sam Brownback, Governor

March 1, 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 2355 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2355 is respectfully submitted to your committee.

HB 2355 would require any person claiming a food sales tax refund to provide the Department of Revenue with a valid Social Security number issued by the Social Security Administration for every claimant, household member, and dependent child, in addition to a clear statement showing that the claimant qualifies for the refund.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	\$2,391,751	\$2,391,751
Expenditure	--	--	\$42,690	\$42,690
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2355 would increase revenues to the State General Fund by \$2,391,751 in FY 2012. The increase in revenues and how the November 2, 2010 consensus revenue estimate for FY 2012 would be affected are shown in the following table:

House Taxation  
Date: 3-8-11  
Attachment: 3.

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	2,392	2,707,392
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	<u>127,000</u>	<u>--</u>	<u>127,000</u>
Total Taxes	\$5,835,700	\$ 2,392	\$5,838,092
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	\$ 2,392	\$5,812,992

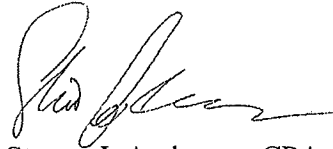
To formulate this estimate, the Department of Revenue reviewed data on total number of claimants for food sales tax refunds. The Department indicates there were 322,248 claims for food sales tax refunds in FY 2009, with refunds totaling \$42.4 million. Of this total, 9,773 taxpayers were allowed to use an Individual Taxpayer Identification Number (ITIN) to claim the refund for not having a valid Social Security number. Refunds to taxpayers using an ITIN in FY 2009 totaled \$2,391,751. Requiring a valid Social Security number to claim the food sales tax refund is estimated to increase revenues to the State General Fund by \$2,391,751 in FY 2012.

The Department of Revenue indicates the bill would require \$42,690 from the State General Fund in FY 2012 for administrative costs to modify the automated tax system. The Department estimates that the bill would require 600 hours of in-house programming and 800 hours of testing which would be performed by existing staff of the Department of Revenue. However, if the combined effect of implementing this bill and other enacted legislation exceeds

The Honorable Richard Carlson, Chairperson  
March 1, 2011  
Page 3—Fisc\_Note\_Hb2355

the Department's programming resources, or if the time for implementing the changes is too short, expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with HB 2355 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

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

cc: Steve Neske, Revenue

**Marla Morris**

---

**From:** Richard.Cram@kdor.ks.gov  
**Sent:** Monday, March 07, 2011 8:16 AM  
**To:** Chris Courtwright; Marla Morris; Gordon Self; sean.tomb@budget.ks.gov  
**Subject:** Fiscal Note SB 193  
**Attachments:** pic02002.jpg

----- Forwarded by Richard Cram/Revenue/KDOR on 03/07/2011 08:14 AM -----

2011 Senate Bill 193c Fiscal Note  
Amended by Senate Committee

Fiscal Note Development

Bill Assigned: 02/23/2011

Responses Due: 02/25/2011

Note Due to Budget: 02/28/2011

Status: Sent to Budget

Prepared By: Yi Geng

Preliminary Completed: 02/23/2011

Reviewed by P&R: 02/23/2011

Approved by Secretary: 02/23/2011

Sent to Budget: 02/24/2011

Fiscal Impact: Passage of this bill would increase SGF by approximately \$2.4 million for FY 2012 and thereafter.

Administrative Impact: \$42,690.

M E M O R A N D U M

To:

Division of Budget

From: Kansas Department of Revenue

Date: 02/23/2011

Subject: Senate Bill 193  
Amended by Senate Committee

Brief of Bill

2011 Senate Bill 193, as amended by Senate Committee on Assessment and Taxation, would require food sales tax claimants to: (1) list valid social security numbers for the claimant, each household member, and each dependant child; and (2) provide a "clear statement" showing the claimant qualifies for the claimed food sales tax refund.

The amendment by Senate Committee corrects an error in Section 2 of the bill. Line 21 of the original bill references "(a)(1), (a)(2) or (a)(3)" of K.S.A. 79-3633. The amendment changes the reference to "(c)(1), (c)(2) or (c)(3)" of K.S.A. 79-3633, which refers to the qualification criteria to be a "claimant" for the food sales tax rebate.

The bill shall be effective after its publication in Kansas statute book.

Fiscal Impact

For tax year 2009, food sales tax refunds reached \$42.36 million, and the total number of claimants reached 322,248.

Kansas allows taxpayers with an ITIN to claim the food sales tax rebate. In tax year 2009, the number of returns with an ITIN claiming a food sales tax rebate and the total rebate amount are listed below:

Returns	with ITIN	Rebate amount
9,773		\$2,391,751

Passage of this bill would increase the state general fund by approximately \$2.4 million for FY 2012 and thereafter.

Administrative Impact

The Department of Revenue needs to update K40 form and instructions by adding a qualifier checkbox and field to list name and SSN of dependents.

We also need to design new ATP, Channel and Electronic edits. The estimated IS resources necessary to implement this bill are 623 hours of APA time.

The estimated user testing resources necessary to implement the bill are 800 hours of MSAI time. At \$30/hour contract rate, the total administrative costs is \$42,690.

Administrative Problems and Comments

Food sales tax refund claimants currently determine the right to and the amount of their refund claim by completing the "Qualifying Worksheet for the Kansas Food Sales Tax Refund." KS Package XK, p. 49: see also P. 36.

Claimants are instructed to retain the worksheet as part of their tax records and not to mail it to the department. The refund amount established by the worksheet is entered on Line 25 of the claimant's K-40 or claimed by e-file. Enactment of SB 193 would require changes to

the current individual income tax return so the taxpayer indicates the specific reason for qualification status (age, disability, household income/dependency status). This will enable the Department to track from information indicated on the return the reason for qualification, which should improve compliance.

#### Taxpayer/Customer Impact

The bill would impose additional reporting requirements for all claimants.

This should improve compliance. The number of claimants in tax year 2008 reached 322,248.

#### Legal Impact

None.

#### Approved By:

(Embedded image moved to file: pic02002.jpg) Nick Jordan Secretary of Revenue

STATE OF KANSAS  
HOUSE OF REPRESENTATIVES

STATE CAPITOL  
300 S.W. TENTH AVENUE  
TOPEKA, KS 66612  
(785) 296-7677  
terry.calloway@house.ks.gov

DISTRICT ADDRESS  
301 WINWOOD DRIVE  
PITTSBURG, KS 66762  
(620) 875-9450



COMMITTEE ASSIGNMENTS  
EDUCATION  
HEALTH & HUMAN SERVICES  
TAXATION

TERRY CALLOWAY  
3RD DISTRICT

March 8, 2011

Memorandum

To: Members of the House Taxation Committee

Re: Support for HB 2355 and SB 193

Mr. Chairman and Members of the House Taxation Committee:

The current system in place that provides low-income Kansas's families' rebates for food sales tax thru application on the state personal income tax return is flawed in that the applicant's credentials are unverifiable.

In recognizing this problem, HB 2355 and SB 193 corrects the possibility for fraud by requiring Social Security numbers for the claimant and the claimant's dependents. Additionally each claimant would be required to provide supporting documentation regarding the claim of reasonable proof of age or disability.

Mr. Chairman, the concepts addressed in the bills represent an important change to inhibit or eliminate the possibility of fraud in application for the Food Sales Tax Refund. I support the flexibility of this legislation and respectfully ask the members of this committee join me in supporting the bill.

Respectfully,

Terry L. Calloway  
Representative 3<sup>rd</sup> District

House Taxation  
Date: 3-8-11  
Attachment: 5



# State of Kansas

Senate Chamber

HOME ADDRESS:  
P.O. BOX 1  
MONTEZUMA, KS 67867  
(620) 869-4318

ROOM 237-E, STATE CAPITOL  
TOPEKA, KANSAS 66612  
(785) 296-7359  
garrett.love@senate.ks.gov



GARRETT LOVE  
SENATOR, 38TH DISTRICT

## Testimony before the

## House Taxation Committee

Regarding HB 2355 on March 8, 2011

Chairman Carlson, Members of the Committee:

Thank you for the opportunity to testify in support of HB 2355 this morning. This bill will take a huge step forward in limiting fraud, waste & abuse in one of the Kansas Department of Revenue programs which disburses over \$50 million of Kansas taxpayers' money to Kansans all across the state.

This is a very simple bill. It requires a valid social security number for anyone filing to receive this refund along with every household member and/or dependent they also receive a refund for. The intent is to create more accountability within this program.

In discussing this program with Kansas Department of Revenue (KDOR) staff, we recognized a concern that there were many individuals who were filing their return and claiming a high number of dependents without having to verify any of the dependents actually existed. The KDOR staff recognized there was a certainly a possibility of fraud, but were powerless to do anything about it.

Our state's tax system relies heavily on a department which has the responsibility of cross-checking the state return with the filer's federal tax returns. State tax forms do not require any information to verify any dependents the filer is claiming. In the majority of instances where the one filing the state form is also filing a federal return, the KDOR in the next 1-2 years is able to verify whether or not the filer's numbers align. In the instances where the filer is only filing a state tax return (and not filing a federal return), there is NO way to verify if the number of dependents claimed by the filer is valid.

I ask for your support of HB 2355.

Garrett Love  
State Senator, 38<sup>th</sup> District

House Taxation  
Date: 3-8-11  
Attachment: 6

March 8, 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 2347 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2347 is respectfully submitted to your committee.

Under current law, the Kansas Earned Income Tax Credit (EITC) is calculated as 18.0 percent of the federal EITC claimed against the taxpayer's federal income tax liability for tax year 2010 through tax year 2012 and 17.0 percent for tax year 2013 and each tax year thereafter. HB 2347 would reduce the amount of the Kansas EITC to 12.5 percent for tax year 2011, 8.75 percent for tax year 2012, and 5.0 percent for tax year 2013 and each year thereafter. The bill would change the Kansas EITC from refundable to non-refundable and would calculate the amount of Kansas EITC allowed after the tax liability has been reduced by all other tax credits.

The Department of Revenue estimates that HB 2347 would increase State General Fund revenues by \$56.3 million in FY 2012. The increase 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	56,300	2,761,300
Corporate	275,000	--	275,000
Financial Institutions	21,000	--	21,000
Excise Taxes:			
Retail Sales	2,090,000	--	2,090,000

House Taxation  
Date: 3-8-11  
Attachment: 7

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	<u>127,000</u>	<u>--</u>	<u>127,000</u>
Total Taxes	\$5,835,700	\$ 56,300	\$5,892,000
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	\$ 56,300	\$5,866,900

The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
State General Fund	\$56,300,000	\$62,000,000	\$63,200,000	\$64,500,000

To formulate these estimates, the Department of Revenue reviewed data on the number of taxpayers and the amount of credits claimed under the Kansas EITC. In tax year 2009, the Kansas EITC was 17.0 percent of the federal EITC claimed and 228,000 taxpayers claimed \$81.4 million in tax credits. In tax year 2011, it is estimated that approximately \$88.1 million in tax credits will be claimed with the Kansas EITC calculated at 18.0 percent of the amount of federal EITC claimed. Reducing the amount of the credit to 12.5 percent for tax year 2011, would reduce the amount of credits claimed and increase State General Fund revenues by an estimated \$23.5 million in FY 2012. Making the credit non-refundable and requiring that the amount of Kansas EITC allowed be calculated after the tax liability has been reduced by all other tax credits is estimated to increase State General Fund revenue by \$32.8 million in FY 2012. Under the provisions HB 2347, it is estimated that the amount of tax credits claimed would decrease by a total of \$56.3 million in FY 2012, from \$88.1 million to \$31.8 million.

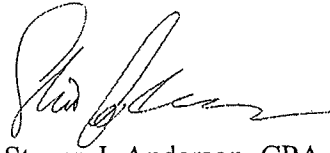
The Department of Revenue indicates the bill would require \$41,640 from the State General Fund in FY 2012 for administrative costs to modify the automated tax system. The Department estimates that the bill would require 692 hours of in-house programming and 720 hours of testing which would be performed by existing staff of the Department of Revenue. However, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, expenditures for outside contract programmer services beyond the Department's current budget may be required.

The Department of Social and Rehabilitation Services uses the refundable Earned Income Tax Credit as maintenance of effort (MOE) for its federal Temporary Assistance for Needy

The Honorable Richard Carlson, Chairperson  
March 8, 2011  
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Families (TANF) block grant. Passage of HB 2347 would jeopardize the agency's MOE requirements and cause the loss of some portion of the annual \$101.9 million TANF grant. The agency estimates the state would have to spend an additional \$29.0 million from the State General Fund or other state resources to keep its MOE at required levels. In sum, the bill would increase revenues \$56.3 million but require additional expenditures of \$29.0 million. Any fiscal effect associated with HB 2347 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

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

cc: Steve Neske, Revenue

STATE OF KANSAS  
HOUSE OF REPRESENTATIVES

STATE CAPITOL  
300 S.W. TENTH AVENUE  
TOPEKA, KS 66612  
(785) 296-7677  
terry.calloway@house.ks.gov

DISTRICT ADDRESS  
301 WINWOOD DRIVE  
PITTSBURG, KS 66762  
(620) 875-9450



COMMITTEE ASSIGNMENTS

EDUCATION  
HEALTH & HUMAN SERVICES  
TAXATION

TERRY CALLOWAY  
3RD DISTRICT

March 8, 2011

Memorandum

To: Members of the House Taxation Committee

Re: Support for HB 2347

Mr. Chairman and Members of the House Taxation Committee:

The current Kansas Earned Income Tax system in place that provides low-income Kansas's families' rebates for income tax paid thru application on the state personal income tax return. This system is flawed in that the applicant may receive income tax rebates and having never paid in any income tax during the period.

In recognizing this problem, HB 2347 corrects this by requiring the claimant EITC will not exceed the taxpayer's income liability imposed during the claiming period.

Finally, in recognizing that Kansas is in the business of allowing EITC to it's low income taxpayers I compared the amounts of EITC in Kansas to other states and this revealed that Kansas pays 5 ½% greater than the national average. With this knowledge HB 2347 lowers the amount in the first year to 12.5 % and in the subsequent two years lowers the amount similar to that of surrounding states.

Mr. Chairman, these changes addressed in this bill represent an important plan in saving Kansans hundreds of thousands of dollars each year. I support the flexibility of this legislation and respectfully ask the members of this committee join me in supporting the bill.

Respectfully,

Terry L. Calloway  
Representative 3<sup>rd</sup> District

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Date: 3-8-11  
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**State Earned Income Tax Credit:**  
**Fiscal Implications Affecting SRS to Change from Refundable to Non-Refundable**

A policy change in HB 2347 alters the state's Earned Income Tax Credit (EITC) from refundable to non-refundable.

SRS currently claims the refundable portion of EITC (\$43.6 million) as Maintenance of Effort (MOE) towards our TANF Block Grant. The \$43.6 million makes up 66% of our entire MOE claim.

HB 2347 would eliminate the ability of the state to claim the EITC towards the TANF Block Grant MOE which would result in substantial penalties.

**To avoid the penalties associated with not meeting our MOE, SRS would require an estimated \$29 million of the SGF savings back to allocate towards TANF approved programs.**

- This is needed to meet the basic and excess MOE for TANF to provide a reachable target for TANF work participation rates. The \$29 million would replace SGF in either TANF assistance or TANF non-assistance. Either way the funds would be available for TANF initiatives and work programs.
- If Kansas falls short on our MOE requirement, we face a reduction of our TANF block grant by the amount of the shortfall plus we would be required to replace the lost TANF dollars with SGF. In other words, if the state fails to meet its MOE requirement by \$10 million our TANF block grant would be reduced by \$10 million AND the state would be required to replace the \$10 million the subsequent year with SGF.
- In addition, the state is allowed to lower their TANF required work participation rate by claiming state MOE in excess of the required level (referred to as TANF caseload reduction credit.) By removing EITC as a claimable MOE source, HB 2347 would eliminate the Kansas Caseload Reduction credit and cause the state to fail the TANF work participation requirement rates indefinitely. The penalty is a maximum reduction in the TANF Block Grant by 5% for the first failure; for each successive year of failure the penalty would be increased by 2% up to a maximum of 21%.
- Many factors or pieces play into the \$29 million estimate. If any of the assumptions are incorrect, the \$29 million estimate would be incorrect. The estimate is based on several assumptions:
  - ✓ The work participation rates will not fall below the FY 2010 rates
  - ✓ The FY 2012 TAF caseload estimate
  - ✓ Maintenance of effort amounts from all sources
  - ✓ TANF expenditures
  - ✓ The ratio of TANF assistance expenditures to total TANF expenditures

## House Taxation Committee

Tuesday, March 8, 2011

### Testimony in Opposition of House Bill 2347

#### Earned Income Tax Credit Changes

Jan Lewis, President/CEO, Catholic Charities of Northeast Kansas

Chairman Carlson and members of the Committee, my name is Jan Lewis and I am the President/CEO of Catholic Charities of Northeast Kansas. Catholic Charities of Northeast Kansas is a non-profit, faith-based, human services organization that offers Family Stabilization & Strengthening programs in the 21-counties of Northeast Kansas and serves more than 85,000 people of all faiths annually. I am honored to be with you today representing our organization and the people that we serve.

While on the campaign trail our new Republican governor outlined five key goals for his administration: increase net personal income of Kansans; increase private jobs; increase the percentage of fourth graders reading at grade level; increase college-ready high school graduates; and decrease childhood poverty. A recommendation by this committee to reduce the Earned Income Tax Credit (EITC) percentage and eliminate the refundable portion of that credit will work in direct opposition to increasing net personal income and decreasing childhood poverty.

When it was created, the EITC was specifically designed to target low-income working families. Many children in these families live in poverty – in Johnson County nearly 10% of our children live below the federal poverty line. In Wyandotte County the number is closer to 30%. Families with incomes modestly above the federal poverty line, currently around \$22,000 for a family of four, also face significant difficulty in meeting the rising costs of food, housing, transportation, clothing, and other necessities. The federal Earned Income Tax Credit was specifically designed to incent parents to work and help keep families stable and off of other government assistance programs. The Center on Budget and Policy Priorities estimates that the federal EITC alone lifted more than 6.5 million people – including 3.3 million children – above the poverty line in 2009. It is this country's, and this state's, most effective anti-poverty program for *working* families. Empirical research has repeatedly shown that federal and state EITC's in fact *increase* workforce participation among eligible families.

The State of Kansas was a leader in implementing the Earned Income Tax Credit on a state level and over the years thousands of working families have benefitted. The actual dollars per family are modest – the maximum credit is only \$855 per family with two children. Last year, our organization supported two Volunteer Income Tax Assistance sites which served nearly 1,000 individuals and families. The average federal EITC was between \$1,500 and \$3,000 per family which resulted in a modest state tax credit of \$270 to \$540. They may seem like small dollars to each of us, but to the working families that receive them, they can be life changing.

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Those credits result in additional net personal income for these families and ultimately they flowed back into our local economy where they paid for things like car repairs, home improvements and gas and electric bills. These families were able to spend their own money to take care of their needs rather than having to apply for assistance from government agency or a non-profit organization like Catholic Charities. While we stand ready to serve those in need, it is our dream that someday our services will not be needed; that families will have access to living wage jobs, affordable healthcare and housing, and reliable transportation alternatives.

Until then, it is imperative that federal, state and local governments continue to work with the business and non-profit sectors to develop avenues out of poverty. In addition, we must be careful not to implement policy changes that can take a family that is making it, and tipping them back into poverty. One of the people that we have been able to help lost her job when the company she worked for outsourced her manufacturing job overseas. Unable to find comparable work for her skills, she took on a paper route using her old family van for the deliveries. When the van needed repairs, she had to decide between getting it fixed and keeping her job or putting food on the table. The earned income tax credit provided the resources she needed to fix the van – and she was able to continue to work and feed her family without additional assistance.

I know that there are no easy answers to the crisis that we face as a state and as a country. Many difficult decisions will be required. As you deliberate this specific piece of legislation, and others, I urge you to not take a step that is ultimately a tax increase on the poorest of our working families. They are least able to bear the burden.

#### **About Catholic Charities of Northeast Kansas**

Founded in 1956, Catholic Charities of Northeast Kansas is a nonprofit human and health services agency that assists annually more than 85,000 people of all faiths. Catholic Charities serves 21 counties in northeast Kansas with service site locations in Emporia, Leavenworth, North Johnson County, South Johnson County, Topeka and Wyandotte County. The goal is to offer help and hope and to move the families from a situation of poverty and anxiety to one of self-sufficiency and stability. Catholic Charities provides a wide range of programs including: Emergency Assistance and Case Management, Early Child Care and Education, Support for Refugees, Children and Families Services and Hospice Care.

#### **About Jan Lewis, President and CEO**

Jan Lewis has more than 30 years of experience in both the corporate and non-profit sectors. Lewis has a bachelor's degree in civil engineering from the University of Nebraska and a MBA from Rockhurst University. Prior to joining the leadership team at Catholic Charities, she spent 20 years with Butler Manufacturing Company, her last two and a half years as President of BUCON, Inc. d/b/a Butler Construction. As President and CEO of Catholic Charities, Lewis oversees all of the organization's efforts to help more than 85,000 people of all faiths in need annually. She works to promote and maintain Catholic Charities' mission to be the "Good Samaritan" to our neighbors in need by providing help, hospitality and hope. Lewis has always viewed leadership as a servant role, recognizing that she is called to lift up and support the staff and volunteers who are daily touching the lives of so many in need. Lewis, along with her husband Ralph, volunteers with Worldwide Marriage Encounter, ministering to married couples throughout Northeast Kansas.

###



Gary Brunk  
Kansas Action for Children  
Testimony to the House Taxation Committee  
Regarding HB 2347  
March 8, 2011

Good afternoon Chairman Carlson and members of the Committee. Thank you for the opportunity to testify in opposition to House Bill 2347.

I want to start by recalling that we owe the first big expansion of the federal Earned Income Tax Credit to President Reagan, who included it in what many think was the signature domestic policy measure of his second term, the Tax Reform Act of 1986. In his remarks before signing the Tax Reform Act, President Reagan noted that "taxation fell most cruelly on the poor," making it harder for them to climb out of poverty. Reagan praised the Act because "[m]illions of working poor will be dropped from the tax rolls all together," which was made possible because of his expansion of the EITC.

President Reagan's remarks help underscore how the Earned Income Tax Credit supports the efforts of low- and moderate-income working families struggling to enter the middle-class. And let me stress that word, "working," because no one who doesn't work is eligible for the federal or state EITC.

Studies make it clear that EITCs encourage families to obtain jobs and remain employed. It enhances their economic security and helps them build a future.

This legislation would hurt working families in two ways:

First, it drastically reduces the amount of the tax credit, from the current 18% of the federal EITC to just 5% when the proposed phase-in is complete. That few hundred dollars a year means a lot to a family trying to climb its way to self-sufficiency.

Second, it ends refundability. This is a feature of the federal EITC and almost every other state EITC. It means that if a family's income is so low they don't have any income taxes on which to get a credit they get a check for the amount they would have been eligible for. This is important because the EITC isn't designed just to offset a working family's income tax. It also is designed to help against sales, property and other taxes – which combine to make it so that low-income families pay a greater share of their income in taxes than anyone else does.

As you consider this bill, I ask that you keep in mind the families that would be most affected by its enactment. To that end, I want to highlight three points:

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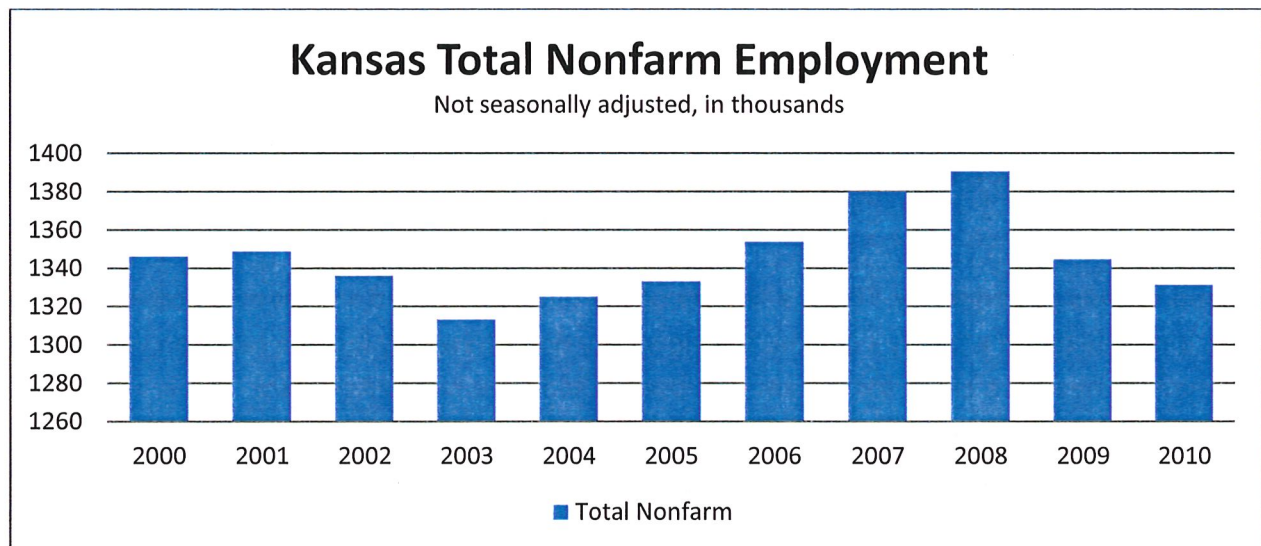
- The families that would be most affected by the proposed changes in the Kansas Earned Income Tax Credit are the working families that have been hardest hit by the two recessions of the last decade.
- These are also the families who already pay the highest effective tax rate.
- Kansas' EITC supplements the federal credit in fighting child poverty.

#### HB 2347 hurts working families already battered by a bad economy

A look back at the history of ups and downs in the Kansas economy is in order. Our first recession of the decade was in 2001. It was followed by the weakest economic recovery since World War II, with Gross Domestic Product growing 40% slower than the average for the 10 economic expansions since the 1949. In Kansas the total number of non-farm jobs did not return to the pre- 2001 recession level until 2006 – five years later - and the unemployment rate never fell to the pre-recession level.

This weak recovery was followed by the Great Recession of 2007-2009. Measured by its length and the drop in economic activity, it was the deepest recession since the Great Depression. During the recession, in Kansas

- 46,000 jobs were lost in one year, the largest year-to-year loss in over 60 years.
- The annual unemployment rate reached 6.7 percent, the highest rate in over 30 years. At one point, 122,000 Kansans were unemployed.
- Median hourly wages declined, extending a 30-year pattern of relatively flat or stagnant wages for most workers in spite of continued productivity increases.



Source: Current Employment Statistics, U.S. Department of Labor

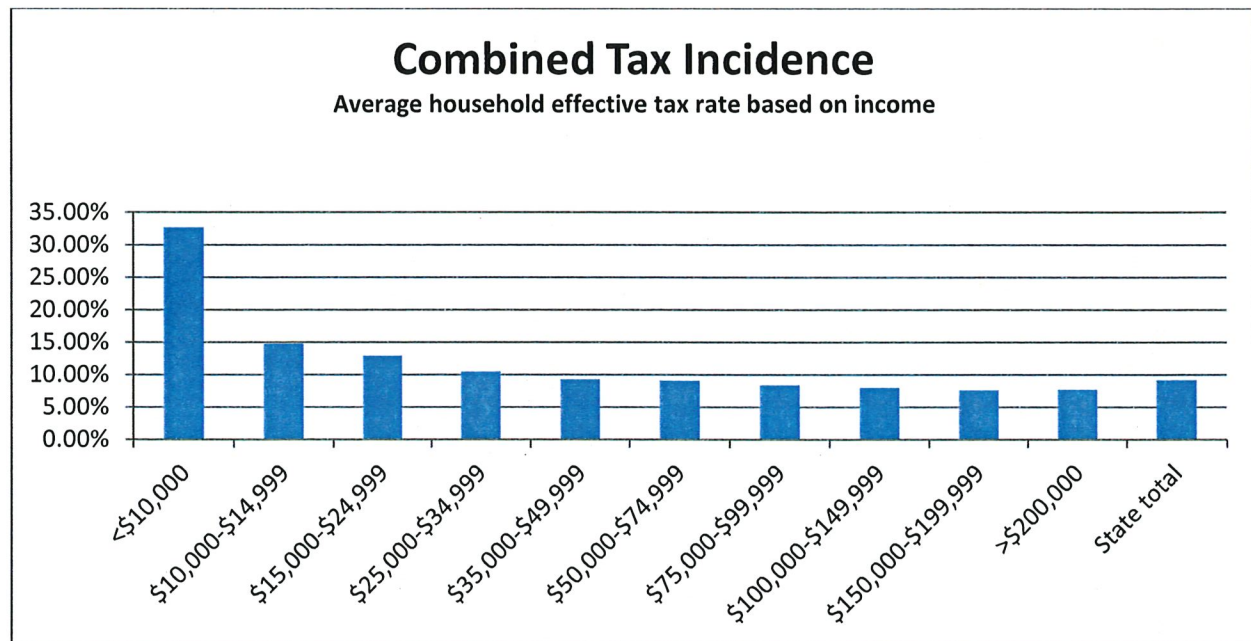
The fact that the weakest recovery since World War II was followed by such and long and deep recession means Kansas communities and tens of thousands of workers who had been unemployed or underemployed during much of the prior business cycle had barely two or three years before the Great Recession to regain their economic footing. That's like being hit by a blizzard before having a chance to fully dig out of the last severe winter storm.

Families today continue to struggle to dig themselves out of the blizzard that was the Great Recession, and for many this bill takes away their shovel.

HB 2347 further burdens the families who already pay the highest effective tax rate

Kansas' low-income working families devote a higher share of what they make to sales taxes and property taxes than high-income families do. The EITC helps to even out the playing field and gives working families a chance to get ahead. Ending the credit's refundability, as proposed in this bill, will take away the EITC's ability to help working families recover some of what they pay in sales and property taxes and fees.

A 2006 study by Dr. John Wong from Wichita State University found that the combined impact of the state income, residential property and retail sales taxes means that lower income households in Kansas pay a higher effective tax rate than do higher income households. Those making less than \$10,000 pay an effective tax rate of 32.7 % compared to 7.6% for households making between \$150,000 and \$199,999.



Source: John D. Wong, "Kansas Tax Incidence Study: Who Pays Kansas Individual Income, Residential Property, and Retail Sales Tax," Wichita State University, March 2006.

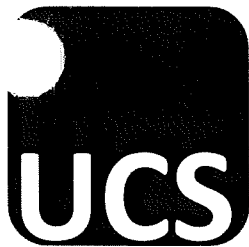
The proposed changes take us backwards; low- and moderate-income Kansas working families would pay an even higher effective tax rate than they do now. It is worth noting that when the Kansas legislature has increased the Earned Income Tax Credit it has been in conjunction with increases in the retail sales tax, in recognition that the EITC blunts the regressive impact of the sales tax on low- and moderate-income families.

HB 2347 will hinder our ability to reduce child poverty

Governor Brownback has made reducing child poverty one of his priorities. This is laudable goal and one that I would ask this Committee to keep in mind as you consider this legislation.

The federal EITC lifted 6 million people out of poverty in 2009, more than 3.3 million of them children. Over 90 percent of our state's EITC dollars go to families with children and the average credit is about \$360. This small boost in income keeps about 6,500 Kansans above the poverty line and eases the poverty of another 128,000. Nearly 55,000 Kansas children would be pushed into poverty or, if already poor, pushed deeper below the poverty line under HB 2347.

The Earned Income Tax Credit is a doorway to reducing child poverty and to the historic American promise of a thriving middle class. I urge you to keep that door open.



Catalyst for Positive  
Community Change

## United Community Services of Johnson County

### Board Members

Carol Gonzales, President

Wes Ashton

Doug Davidson

Carol Lehman

Katie Logan

Patty Mach

Hon. Laura L. McConwell

Brent A. McCune

Tim McKee

Penny Postoak Ferguson

Jill Quigley

Henry Sewing

Brad Stratton

Loretta Summers

Rebecca Tilden

Karlyn B. Wilkins

Eugene R. Wilson

Marc S. Wilson

### Council of Advisors

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Mary Birch

Dick Bond

Dr. Terry Calaway

Dr. Robert Clark

Ben Craig

Hon. Peggy Dunn

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Jeffrey O. Ellis

SuEllen Fried

Hon. Terrie Huntington

Betty Keim

Audrey Langworthy

Rabbi Mark Levin

Laura McKnight

Dr. Janis McMillen

Dr. Robert Meneilly

Carol Sader

Charlie Sunderland

Dr. Elaine Tatham

Stephen Tatum

Dr. Tom Trigg

David Warm

Dr. Ron Wimmer

David Wysong

Hannes Zacharias

### Executive Director

Karen Wulfkuhle

### House Taxation Committee

### Testimony in opposition of HB 2347

March 8, 2011

My name is Karen Wulfkuhle. I am the executive director of United Community Services of Johnson, a nonprofit human service planning agency that advocated for the passage of the state earned income tax credit in 1998.

Today, the evidence is even clearer that the state earned income tax credit, when combined with the federal earned income tax credit, is an effective anti-poverty program for working families. **If Kansas is committed to reducing child poverty, the earned income tax credit is one of the best strategies that we can use.**

If the Kansas EITC is reduced from 17 percent to 5 percent of the federal EITC and converted from a refundable credit to a non-refundable credit 6,500 Kansans would have their family incomes (based on annual cash income plus the federal and state EITC) drop below the poverty line. An additional 128,000 Kansans already in poverty, including more than 50,000 children, would be pushed deeper below the poverty line with passage of HB 2347.\*

Currently, the refundable state EITC provides low-income workers with a needed income boost, and helps the Kansas economy as well. For the most part, working families spend their refund on necessities such as food, utilities, housing and transportation. Often the tax credit refund is used to pay past due bills, which can prevent a family from spiraling into homelessness.

A large body of evidence has shown that state EITCs serve a number of important public policy goals. States that have refundable EITCs can reduce child poverty, cut taxes for low-income families, and increase the incentive to work. Please retain this important tool to help lift Kansas families and children out of poverty and help near-poor families make ends meet.

\*The calculations are based on estimates by the Center on Budget and Policy Priorities using data from the U.S. Census Bureau. The Federal EITC is calculated for each Kansas household using tax year 2011 tax parameters. For calculating the non-refundable portion of an EITC in Kansas, 2009 Kansas state tax parameters are converted to 2011 dollars.



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## SISTERS OF CHARITY

OF LEAVENWORTH

**House Taxation Committee  
Written Testimony  
Opposing HB 2347  
Sister Therese Bangert  
Social Justice Coordinator, Sisters of Charity of Leavenworth  
March 8, 2011**

Chairman Carlson and members of the Committee,

I am very sorry not to be here in person to speak about HB 2347. I was in these Capitol halls in 1998 when the legislators passed a Kansas refundable earned income tax credit. This policy was only one part of a much larger tax package – a package hailed as the largest tax reduction in state history.

The \$252,454,000 bill was an across the board slashing of property, income, inheritance, low-income, sales and business tax. In their totality, the cuts represented more than 6 percent of Kansas' general fund revenue.

The refundable earned income credit was the tax relief package's component for low-income working families. (The earned income credit is calculated only on identifiable wage income.) The 1998 percentage was at 10% of the federally calculated earned income credit that a family would receive. Through the years the credit has been raised when other tax relief packages have been passed.

President Ronald Reagan called the Earned Income Credit (EIC) **"the best anti-poverty, the best pro-family, the best job creation measure to come out of Congress."**

Senator Bob Dole was quoted as saying in 1988 **"... if we really want something to truly help the poor, why not look at an earned income tax credit ..."**

The EIC has had numerous studies. Families use this money to pay bills, buy new tires or do needed repairs on their car, improve their housing, increase their skills through education, buy their children shoes. The majority of this money is spent in the local economy. Local communities in Kansas benefit from these state dollars.

**I understand that legislators during this session, have a much more difficult job than legislators back in 1998 when the budget was balanced and they could cuss and discuss over the ways to return \$252 million dollars to taxpayers in Kansas. I think that it is only fair that during this 2011 session that all of the tax policy in the 1998 bill be put up for reconsideration – not just the refundable earned income credit that impacts persons whose jobs yield \$40,000 a year or less.**

In our Sister of Charity ministries throughout this state we serve many of the parents who receive this credit through education, our hospitals and our clinics. Also, many of these parents work with us in our clinics and hospitals. Policies that protect and support them and their families are important to all of us.

Catholic Charities USA has long been an advocate for refundable earned income tax. They recognize that it is the most important policy tool to lift children out of poverty.

There is so much more that I could say about this tax policy but for now I will leave my part of the discussion here.

Thank YOU for hearing me. Peace be with YOU!





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## House Committee on Taxation – Hearing on HB 2347

March 8, 2011

Chairman Carlson and Members of the Committee:

The Kansas Catholic Conference is the public policy arm of the Catholic Church in Kansas and speaks on behalf of the state's four Catholic bishops. We appreciate the opportunity to offer our perspective on HB 2347, legislation that would significantly reduce Kansas' Earned Income Tax Credit (EITC) and make it non-refundable.

The Catholic Church recognizes the difficult task facing legislators as they work to balance the state's budget, and we do not claim any special competence over the many budgetary decisions that you are required to make. However, we do believe that we have a role in drawing attention to the moral dimension of the choices before you.

Despite some positive indications that the economy may be improving, these remain difficult times for many Kansans. The Catholic Church has always taken a special interest in the plight of the poor, and we are concerned that passage of this legislation would effectively increase the taxes paid by low-income working Kansans at precisely a time when few can afford it.

It should be borne in mind that the federal Earned Income Tax Credit was designed not as a welfare program, but instead as a mechanism for offsetting increased payroll taxes that low-income workers pay at the same rate as high-income earners. Indeed, at the time of its passage, the credit was seen by supporters as being tantamount to a payroll tax cut. Since then, the EITC has enjoyed wide support from both parties. Ronald Reagan called it "the best anti-poverty, the best pro-family, the best job creation measure to come out of Congress." The state credit is modeled after the federal EITC.

The Catholic Church has long taught that there is dignity in work, not only as a way to make a living, but as a crucial component of human flourishing. We therefore appreciate public policies that incentivize work, which the EITC is crafted to do.

**House Taxation**

Date: 3-8-11

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MOST REVEREND MICHAEL O. JACKELS, S.T.D.  
DIOCESE OF WICHITA

MOST REVEREND JOSEPH F. NAUMANN, D.D.  
*Chairman of Board*  
ARCHDIOCESE OF KANSAS CITY IN KANSAS

VERY REVEREND BARRY E. BRINKMAN, J.C.L.  
DIOCESAN ADMINISTRATOR – DIOCESE OF SALINA

MOST REVEREND JOHN B. BRUNGARDT, D.D.  
DIOCESE OF DODGE CITY

MICHAEL M. SCHUTTLOFFEL  
EXECUTIVE DIRECTOR



If the state's finances are to be put in order, we realize that the Legislature has no choice but to make painful decisions in the coming days. However, as you work to balance the budget, we would ask that, as a general principle, you give special consideration and protection to programs and policies that protect the poor and those with low incomes.

Thank you for your consideration.

Michael Schuttloffel  
Executive Director