

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 8, 2007 in Room 519-S of the Capitol.

All members were present except:

Representative Davis - E

Committee staff present:

Chris Courtwright, Legislative Research Department

Martha Dorsey, Legislative Research Department

Gordon Self, Office of Revisor of Statutes

Richard Cram, Department of Revenue

Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Representative Pat George

Representative Bill Otto

Representative Ann Mah

Chad Austin - KS Hospital Association

Gary Reser, Kansas Veterinary Medical Association

Sheila Frahm - Kansas Association of Community College Trustees (written testimony only)

Richard Hoffman - Kansas Association of Technical Schools & Colleges

David G. Monical, Washburn University

Others attending:

See attached list.

The Chairman called for bill introductions.

Karl Peterjohn requested that a bill be introduced that would add property taxes to the provision requiring voter approval at the local level. Representative Wilk moved the introduction, seconded by Representative Carlson. The motion carried.

HB 2139 - Income tax credit for taxpayer contributions to educational institutions for programs designed to train and educate licensed medical professionals.

Chris Courtwright, Legislative Research Department, briefed the committee on **HB 2139**. The bill would create a refundable and transferable income tax credit for contributions to Kansas educational institutions. He explained credit terms in the bill and said it had a \$10 million fiscal note.

The Chairman opened the public hearing on **HB 2139**.

Representative Pat George testified that **HB 2139** provides income tax credits to individuals, or entities, that make contributions to higher education institutions. There is a critical shortage of nurses, technicians, therapists, and other health care professionals and this bill was designed to provide high education with some immediate help in this critical area (Attachment 1).

Chad Austin, KS Hospital Associations, said that the bill is a significant step establishing an adequate and qualified supply of health care professionals in Kansas. The success of the Kansas health care system depends on the availability of properly educated and trained professionals and he urged passage of **HB 2139** (Attachment 2).

Discussion followed regarding whether it would be wiser to provide scholarships to prospective health care professionals instead of giving money to institutions. There was a request to see if other states had similar tax credit programs. Mr. Austin agreed to check and report back to the Committee.

Representative Bill Otto, testified in support of **HB 2139**. He said the funding supply is inadequate to provide the necessary funds to institutions to build new facilities as well as assure retention of qualified teachers to meet the expanding need for medical professionals (No written testimony).

It was noted that written testimony had been received from Sheila Frahm, Kansas Association of Community College Trustees (Attachment 3).

CONTINUATION SHEET

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Gary Reser, Kansas Veterinary Medical Association, testified from a neutral position. He suggested that if the bill goes forward, the Committee might consider adding veterinarians to the list of prospective recipients. It would specifically apply to Kansas State University and the College of Veterinarian medicine (No written testimony).

Seeing no other conferees the Chairman closed the public hearing on **HB 2139**.

HB 2226 - An act concerning income taxation; relating to credit; education expenses

Chris Courtwright, Legislative Research Department, said **HB 2226** would create a non-refundable income tax credit for qualified tuition and related expenses that are paid to a Kansas education institution. The credit would be 25.0 percent of the credit claimed against the taxpayer's federal income tax liability under Section 25A of the federal internal Revenue code. The unused portion of the credit could be carried forward until the total amount of the credit has been deducted. He explained the details on the HOPE and Lifelong Learning Credits. The fiscal effect to state revenues during subsequent years would be as follows: FY 2009 - \$8,000,000, FY 2010 - \$8,320,000, FY 2011 - \$8,653,000, and FY 2012 - \$9,000,000.

The Chairman opened the public hearing.

Representative Ann Mah testified that there was a similar bill in the Legislature last year, however, it did not pass. Therefore, it was decided to lower the percentage point from 25% to 10% of the federal education tax credit. She said the bill would return approximately \$6.5 million in the first year. Since the taxpayer must meet the federal guidelines, they will get the state credit without further complications or verification procedures, making it an easy credit to administer. She urged the Committee's favorable consideration (Attachment 4).

Richard Hoffman, Kansas Association of Technical Schools & Colleges, said the return on this investment to the state of Kansas will be significant. There is still the perception that Career and Technical Education (CTE) is for entry-level, dead-end jobs. That's just plain wrong: Engineering technology, business, and health care are consistently at the top of the list of associate's degrees earned by community technical education students. With 90% of technical graduates remaining in Kansas, there is not a better return on the dollar than what the state invests in technical training (Attachment 5).

It was noted that written testimony in favor of **HB 2226**, had been received and distributed from David G. Monical, Washburn University (Attachment 6).

With no other conferees, the Chairman closed the public hearing on **HB 2226**.

Chairman Wilk asked Richard Cram, KDOR, to the podium to explain how tax credits for education work. He said that as a policy matter, the Department of Revenue strongly discourages providing assignable or sellable tax credits. Although they can set up a tracking mechanism, it is very difficult and they believe it is an area very vulnerable to abuse. He explained the difference in terms used in the tax credits; details of several existing tax laws; and KDOR's current process of tax credits tracking and refunds. He added that refundable tax credits are the easiest to administer.

There was a request of Richard Cram, to provide the latest list of all current tax credits, with descriptions, dollar amounts if capped, and whether they are refundable or transferable. Mr. Cram said there are approximately 40 such tax credits on the books. A second request was made of staff to provide a list of tax credits, currently in circulation in all house and senate committees, with a brief description, and dollar amount for each.

The meeting was adjourned at 10:30 a.m. The next meeting is February 9, 2007.