

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson Les Donovan at 9:30 am on Thursday, March 05, 2015, 548-S of the Capitol.

All members were present except:

Senator Anthony Hensley – Excused

Senator Larry Powell – Excused

Committee staff present:

Chris Courtwright, Legislative Research Department

Edward Penner, Legislative Research Department

Adam Siebers, Office of Revisor of Statutes

Gordon Self, Office of Revisor of Statutes

Judy Seitz, Kansas Legislative Committee Assistant

Conferees appearing before the Committee:

Michael Hale, Attorney, Legal Services Bureau, Kansas Department of Revenue (KDOR)

R.E. "Tuck" Duncan, Kansas Vapors Association

Whitney Damron, Swisher International, Inc.

Curt Diebel, Diebel's Sportsmen's Gallery

Tom Palace, Executive Director, Petroleum Marketers and Convenience Store Association of Kansas

Doug Mays, The Cigar Association of America

Others in attendance:

[See Attached List](#)

Bill introductions

Senator Jim Denning requested the introduction of a tax bill concerning the exempt guaranteed payments from pass through of income and consider guaranteed payments as owner wages. *There being no objection from any member present, the Chair declared a motion to introduce the bill adopted by consensus.*

Senator Mitch Holmes requested the introduction of a bill concerning income taxation relating to the sale of timber and Christmas trees. *There being no objection from any member present, the Chair declared a motion to introduce the bill adopted by consensus.*

Chairperson Donovan requested the introduction of a bill regarding a transportation related item concerning traffic fines which will be blessed in this committee but be referred to the Transportation Committee. *There being no objection from any member present, the Chair declared a motion to introduce the bill adopted by consensus.*

Senator Petersen requested the introduction of a bill concerning the exception from height and length vehicle limitations for forage cutters and customer harvesters to be blessed by this Committee. *There being no objection from any member present, the Chair declared a motion to introduce the bill adopted by consensus.*

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

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by consensus.

Senator Abrams requested the introduction of a bill concerning Article 5 - the convention of a state's delegate selection and requested that it be blessed. There being no objection from any member present, the Chair declared a motion to introduce the bill adopted by consensus.

Hearing on: SB203 — Cigarette and tobacco products acts, amendments; authorizing governor to enter into compacts with native american tribes.

Michael Hale appeared in support of **SB203** ([Attachment 1](#)) stating that while some of the amendments are "clean-up" in nature the bulk of the proposed amendments are offered in order that the state can meet its obligations of enforcement of the cigarette and tobacco products acts under the Master Settlement Agreement (MSA) and the 2012 Settlement. Mr. Hale said there is a companion bill, **SB255 - Amendments relating to the sale of cigarettes and tobacco products** which was introduced by the Federal and State Affairs Committee.

R.E. "Tuck" Duncan testified in opposition to **SB203** ([Attachment 2](#)) stating that this bill would expand the definition of e-cigarettes, take licenses from Kansas business owners and raise the corporate surety bond from \$1,000 to \$10,000 which is too high.

Whitney Damron appeared in opposition to **SB203** ([Attachment 3](#)) noting that on page one of the bill, lines 19-27 the definition of "cigarette" appears to be amended to include products defined and taxed as "little cigarettes." Mr Damron said these changes are not needed and are simply a 200+ percent tax increase masked as an unneeded change to a longstanding state policy. There was a proposed amendment submitted with his testimony.

Curt Diebel testified in opposition to **SB203** stating that the system and procedures in place are not broken. ([Attachment 4](#)) He said that he sells only cigars and does not sell cigarettes or e-cigarettes but this bill attempts to treat all tobacco the same.

Tom Palace offered testimony in opposition to **SB203** because there are issues with the sections increasing the license fee and the increase in the penalty. ([Attachment 5](#)) He has also been authorized to speak on behalf of Casey's General Stores. Mr. Palace said that he can't find one section of the bill that assists small businesses in Kansas. He said what he does see are ways for the state to charge more fees and penalties on small businesses to fill tax revenue holes in the general fund all on one product, tobacco.

Doug Mays presented testimony in opposition to **SB203** ([Attachment 6](#)) saying this bill raises taxes or fees but also redefines a product that has been manufactured and sold for decades - little cigars. Mr. Mays said that little cigars are different from cigarettes and the two products are not interchangeable.

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Senator Bruce said his general observation on **SB203** is that the inflammatory parts of this bill have nothing to do with the enforcement and regulation of the MSA. He further stated that this is a power grab using the MSA as a guise in order to get the amendments passed and the changes which would include the little cigar. He stated that there are only 9 (nine) sections of the bill and 1/2 of another section that deals with the MSA. Senator Bruce asked if there is any way a substitute bill or a balloon amendment could be prepared so the Committee doesn't have to work through each section.

There were questions for the KDOR conferee.

Adjournment

The meeting adjourned at 10:31 am. The next scheduled meeting is Tuesday, March 10.