

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson Les Donovan at 1:00pm on Tuesday, March 24, 2015, 548-S of the Capitol.

All members were present

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:

Richard Carlson, Legislative Liaison, Kansas Department of Revenue
Reagan Cussimano, Government Relations Director - KS, American Cancer Society, Cancer Action Network
Dr. Roy Jensen, Director, University of Kansas Cancer Center
Jeff Willett, Vice President for Programs, Kansas Health Foundation
Jodi Radke, Regional Director, Campaign for Tobacco Free Kids
Jason Watkins, Executive Director, Kansas Beer Wholesalers Association
R.E. "Tuck" Duncan, Kansas Wine & Spirits Wholesalers Association
James Franko, Vice President & Policy Director, Kansas Policy Institute
William Keip, Government Solutions/Consultant, RAI Services, Co.
Bill Nigro, Business Owner
Curt Diebel, Diebel Sports Gallery
Whitney Damron, Swisher International
Doug Mays, The Cigar Association of America
Tom Palace, Executive Director, Petroleum Marketers & Convenience Store Association of Kansas
Brad Smoot, Distilled Spirits Council of the U.S.
Jeff Jones, Kansas Association of Beverage Retailers
Tom Jacob, Cigar Chateau, LLC

Others in attendance:

[See Attached List](#)

Possible bill introductions

Senator King requested the introduction of a bill concerning working after retirement requirements for certain KPERs retirants. *There being no objection from any member present, the Chair declared a motion to introduce the bill adopted by consensus.*

Hearing on: SB233 — Increasing rates of taxation on cigarettes, tobacco products and alcoholic beverages.

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CONTINUATION SHEET

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Chairperson Donovan opened the hearing on **SB233**.

Richard Carlson testified in support of **SB233** which would increase the tax on cigarettes July 1, 2015 from .79 cents per pack to \$2.29 per pack. He said this bill will also increase the wholesale tax on tobacco products from 10 percent to 25 percent. Mr. Carlson said the total increase in revenues from the cigarette and tobacco products is \$80.8 million in FY 2016 and \$76.2 million in FY 2017. His testimony included a chart showing state cigarette excise tax rates and rankings and the overall all states' average is \$1.54 per pack. Mr. Carlson said this bill would also increase the tax for liquor enforcement from 8.0 percent to 12.0 percent. He also noted that there is no proposal for an increase in liquor, wine, beer gallonage tax. Mr. Carlson said the present gallonage tax on liquor is \$2.50/gallon which is well below the U.S. medium of \$3.75/gallon. ([Attachment 1](#))

Reagan Cussimano spoke in favor of **SB233** stating the public health benefits from reduced smoking are reason enough to support the increase in the cigarette tax. She said that a \$1.50 increase would generate just under \$72 million. ([Attachment 2](#))

Dr. Roy Jensen presented testimony in support of **SB233** saying that cancer is currently the leading cause of death in our state killing 5,460 Kansans each year. He said that increasing the cost of tobacco at the register has been shown to be the most effective mechanism to decrease the number of smokers. ([Attachment 3](#))

Jeff Willett appeared in support of **SB233** noting that smoking rates are highest among Kansas with the lowest levels of income. He said that raising the cigarette tax will reduce the number of children who smoke by 20 percent. ([Attachment 4](#))

Jodi Radke offered testimony in support of **SB233**. She said that she is the regional director of the campaign for tobacco-free kids and their mission is to reduce tobacco use and its devastating effects, particularly among kids. Ms. Radke said her organization is concerned with these issues: sustainability of revenues, cross border sales and smuggling. ([Attachment 5](#))

Written testimony in support of **SB233** was submitted by:

Tanya Dorf Brunner, Oral Health of KS ([Attachment 6](#))

Christie Appelhanz, Kansas Action for Children ([Attachment 7](#))

Jodi Jackson, American Heart Assoc ([Attachment 8](#))

Carolyn Gaughan, Executive Director, KS Academy of Family Physicians ([Attachment 9](#))

Diane Daldrup, March of Dimes ([Attachment 10](#))

Bridget McCandless, M.D., President/CEO, Health Care Foundation of Greater Kansas City ([Attachment 11](#))

Frank Chaloupka, Ph.D. ([Attachment 12](#))

Kansans For a Healthy Future ([Attachment 13](#))

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Kirsten Bruce & Peggy Johnson, Susan G. Komen ([Attachment 14](#))

Aaron Dunkel, Deputy Secretary, Kansas Department of Health & Environment ([Attachment 15](#))

Joyce Cussimano, President, Tobacco Free Kansas Coalition (TFKC) ([Attachment 16](#))

James Gardner, M.D., Director, The University of Kansas Cancer Center ([Attachment 17](#))

Leah Martin, Director of Advocacy, American Lung Association ([Attachment 18](#))

Chad Austin, Senior Vice President, Government Relations, Kansas Hospital Association ([Attachment 19](#))

Rachelle Colombo, Kansas Medical Society ([Attachment 20](#))

Jason Watkins testified in opposition to **SB233** pointing out that this 50percent tax increase would lead to a loss of 1,319 jobs in Kansas. It would result in \$38.3 million less in wages and benefits and the overall Kansas economy would be reduced by \$120 million per year. ([Attachment 21](#))

R.E. "Tuck" Duncan testified in opposition to **SB233** noting that the state is collecting more money to spend when the legislature should figure out how to lower spending. He said that there are currently four levels of liquor tax already. Mr. Duncan said that the 12 percent tax rate will motivate Kansans to make purchases in Missouri where taxes on liquor, cigarettes and gas are lower. ([Attachment 22](#))

James Franko spoke in opposition to **SB233** saying that no tax increases are necessary as Kansas does not have a revenue problem; it has a very large spending problem. ([Attachment 23](#))

William Keip offered testimony in opposition to **SB233**. He said the excise tax of 190 percent per pack increase will affect Kansas retailers. Mr. Keip said that additional cross-border sales are likely to place Kansas higher than all border states. ([Attachment 24](#))

Bill Nigro spoke in opposition to **SB233** because he doesn't want to see Kansas make a mistake by passing a large cigarette or liquor tax when he lives next to Missouri, which has the lowest tax in the nation. ([Attachment 25](#))

Curt Diebel presented testimony in opposition to **SB233** because he feels this bill would affect his business negatively. Mr. Diebel said that customers have the option of paying more in Kansas, shop in his Missouri store, shop on the internet or not shop. ([Attachment 26](#))

Whitney Damron testified in opposition to **SB233** saying that Kansas currently taxes Other Tobacco Products (OTP) at 10 percent of the wholesale price, which is the same as Missouri. He noted that if this bill passes it would increase the OTP tax to 25 percent. ([Attachment 27](#))

Doug Mays spoke in opposition to **SB233** stating that the passage of this bill and the resulting higher taxes on cigars and OTP will not significantly increase tax revenues in Kansas, nor will it change the smoking habits of its citizens. ([Attachment 28](#))

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Tom Palace presented testimony in opposition to **SB233** noting that if a person smokes one pack of cigarettes a day it will cost an extra \$547.50 in taxes per year. He also said that cigarette related products are approximately 31 percent of a convenience stores business. ([Attachment 29](#))

Brad Smoot offered testimony in opposition to **SB233** offering the projection that this bill would cost Kansas businesses (wholesalers and retailers) tens of millions of dollars annually in lost sales and job loss of several hundred jobs. ([Attachment 30](#))

Jeff Jones gave oral testimony in opposition to **SB233** mentioning that Kansas taxes liquor products three times. He said that the Sunday sales law helped Kansas retailers to be competitive but this tax increase could once again chase their customers back to Missouri. ([Attachment 31](#))

Tom Jacob spoke in opposition to **SB233** specifically the proposal to increase tax on OTP from ten to twenty-five percent. He said that this most assuredly guarantees the death of the brick and mortar tobacconist in Kansas. Mr. Jacob is also in opposition to Section 8 of the bill which would increase the liquor enforcement tax from 8 percent to 12 percent on the gross receipts. ([Attachment 32](#))

The following submitted written testimony opposing **SB233**:

Philip Bradley, Kansas License Beverage Association ([Attachment 33](#))

Spencer Duncan, Kansas Vapors Association ([Attachment 34](#))

Brenda Ellsworth, Director of Operations, Pete's of Erie ([Attachment 35](#))

Steve Nelson, Brown Bag Liquor, Kansas Association of Beverage Retailers ([Attachment 36](#))

John Bottenberg & Pat Hubell, Altria ([Attachment 37](#))

Jon McCormick, CEO, Kansas Food Dealers Association & Retail Grocers Association of Greater Kansas City ([Attachment 38](#))

Eric Stafford, Vice President of Government Affairs ([Attachment 39](#))

Rich Marianos, Senior Law Enforcement, RAI Services, Inc. ([Attachment 40](#))

Rodger Woods, Deputy State Director, Americans for Prosperity ([Attachment 41](#))

Scott Schneider, Kansas Restaurant & Hospitality Association ([Attachment 42](#))

Adjournment

The meeting adjourned at 2:00pm. The next scheduled meeting is at 2:00 pm. Wednesday, March 25 to hear **SB 234 - State finances; relating to state general fund tax receipts and expenditures; providing a tax amnesty; creating a budget stabilization fund, tax reduction fund; ending balances; income tax rates, itemized deductions; reports to the legislature.**