

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Representative Jim Braden at
Chairperson

9:00 a.m./~~p.m.~~ on February 3, 1983 in room 519-S of the Capitol.

All members were present except:

Representative Robert Frey who was excused.

Committee staff present:

Wayne Morris, Research Department
Tom Severn, Research Department
Don Hayward, Revisor of Statutes' Office
Nancy Wolff, Secretary to the Committee

Conferees appearing before the committee:

Allen Alderson, Revenue Department
Paul Mages, Schendel Pest Control, Inc.
Vernon McKinzie, Emporia
Ernie Mosher, League of Kansas Municipalities
Ron Gaches, Kansas Association of Commerce & Industry
Charles Carey, Mechanical Contractors Association
Dan Morgan, Associated General Contractors

The meeting was called to order by the Chairman who asked if there were any corrections or additions to the minutes of January 26 and 27. There being none, the minutes were declared approved as written.

Allen Alderson of the Revenue Department gave a brief review of what the Supreme Court action has done with relation to the assessment of sales taxes when work is performed by a retailer outside of the city where his business is located. What has happened is that a retailer must now break down sales tax and pay according to the location where such service is performed which is causing a great deal of bookwork on the part of the retailers. HB 2154 would once again require retail service companies to assess sales tax at the business situs of the retailer rather than where the service is performed. HB 2154 would also specifically exclude a business whose location is outside the State of Kansas.

The Chairman read a statement from Mr. Harold Coleman, Legislative Chairman of the Kansas Termite and Pest Control Association who was unable to be in attendance today. His statement related that the amount of sales tax collected in some instances is less than the cost of the paperwork to process this tax to the state. (Attachment I)

Paul Mages, Schendel Pest Control, Inc. and President of the Kansas Termite and Pest Control Association appeared in support of HB 2154 and gave testimony as to the cost of changing their computer system to facilitate transferring records to the new system required by the Supreme Court decision. (Attachment II)

Vernon McKinzie, Emporia, Kansas, also appeared in support of the legislation and gave testimony as to the cost of complying with the current law. (Attachment III)

Ernie Mosher, League of Kansas Municipalities, appeared in support of HB 2154 and stated that it was his organization's opinion that due to the shift of sales taxes from one taxing authority to another, it will be pretty much a "wash" between the counties.

Ron Gaches, Kansas Association of Commerce and Industry, appeared in support of the legislation and stated that compliance with the new interpretation of the law will work a tremendous administrative burden on those retailers performing services in more than one taxing jurisdiction. Compliance will be very difficult, if not impossible, to audit. (Attachment IV)

Charles Carey, Mechanical Contractors Association of Kansas, stated that the legislation advocated in HB 2154 contains inequities for the members of the construction business. It was his opinion that when a contractor in a city that does not have a local option sales tax is bidding against a contractor in a city that does have a local option sales tax, there is a great inequity between the two which would unfairly penalize the contractor that is having to collect the sales tax.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON Assessment and Taxation,
room 519S, Statehouse, at 9:00 a.m./~~p.m.~~ on February 3, 1983.

Dan Morgan, Associated General Contractors, appeared in support of an amendment that would correct the inequities voiced by Mr. Carey.

The Chairman stated that he had spent a considerable amount of time on Wednesday, February 2, in a telephone conversation with Mr. Tom Puckett, attorney for the Kansas Electrical Contractors Association, and Don Hayward, of staff, in an effort to draft language that would accomplish what the contractors are proposing and would welcome any suggestions on the part of the contractors in getting this language drafted.

The Committee then held discussions on HB 2054 which relates to the calculation of the total amount which may be levied under the city and county tax lid. It would change the present method of using a percentage to using the taxable value of motor vehicles taxed under the tax and tags law. Representative Rolfs made a conceptual motion to take the previous year's taxable value into account in figuring the current year's taxing authority. Representative Roe seconded the motion. Motion carried.

Representative Aylward made a motion that HB 2054 be reported favorably as amended and Representative Rolfs seconded the motion. Motion carried.

The meeting was adjourned.



FAULTLESS PEST CONTROL, INC.

TELEPHONE (913) 236-8660 / 1905 WEST 43RD STREET (AT STATE LINE) / KANSAS CITY / KANSAS 66103

February 1, 1983

Representative Braden, Chairman
Assessment & Taxation Commission.
Topeka, Kansas.

Dear Representative Braden:

The Supreme Court ruling on Sales Tax had made a burdensome amount of bookkeeping for our small Company.

In our area Zip Codes overlap cities. The Postoffice prefers we use Shawnee Mission instead of the City name, and the amount of sales tax in some cities is for less than the cost of processing the paper work. The attached list is our list of Sales Tax for areas we serviced in January.

Most of our industry is having the same problem.

Sincerely,

Harold Coleman
Legislative Chairman,
Kansas Termite & Pest Control Assn.

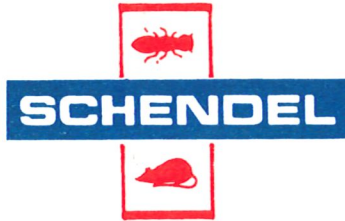


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KANSAS SALES TAX FOR JANUARY, 1983

CITY	AMOUNT OF TAX
Mission Hills	\$ 51.62
Overland Park	54.70
Kansas City	124.06
Roeland Park	10.16
Shawnee	16.04
Prairie Village	21.16
Mission	13.88
Olathe	8.90
Lenexa	4.14
Edwardsville	15.40
Fairway	6.70
Leawood	14.80
Bonner Springs	33.92
Basehor	2.04
Wichita	18.50
Merriam	1.40
Bucyrus	14.40
De Soto	7.96
Linwood	.70
Lake Quivira	2.40
Leavenworth	3.16
Westwood Hills	1.08
Tonganoxie	3.72



PEST CONTROL, INC.

1828 KANSAS AVENUE, TOPEKA, KANSAS 66612, 913-232-9344

February 3, 1983

Representative Braden, Chairman
Assessment & Taxation Commission
Topeka, Kansas

Dear Representative Braden:

Due to the Kansas Supreme Court ruling in December, 1982, service operations operating in more than one local taxing authority will be bound to comply with new regulations, concerning the collection of sales tax based on where services are performed, rather than from the location of the servicing company.

Schendel Pest Control, Inc., a Kansas Corporation provides pest control services in 19 counties in eastern Kansas. The financial impact of the new sales and excise tax bureau regulation on Schendel Pest Control, Inc., is as follows:

I. Estimated one time costs for compliance -

	<u>Minimum</u>	<u>Maximum</u>
Computer Program changes	\$1,500.00	\$3,000.00
Tax rate identification of accounts	2,136.00	2,136.00
Data input	1,064.00	1,064.00
Overhead due to changes	4,000.00	4,000.00
Adjustment of A/R records	400.00	400.00
Direct sales tax paid by Schendel Pest Control rather than by consumer	<u>100.00</u>	<u>300.00</u>
	\$9,200.00	\$10,900.00

II. Estimated additional monthly operating costs until changes are completed.

Additional operating costs -

1066 man hours at \$6.00/hour = \$6,400.00 monthly

Continued next page . . .

ATTACHMENT II

(2-3-83)



OFFICES:

TOPEKA, LAWRENCE, EMPORIA, CONCORDIA, MANHATTAN, GREAT BEND, LEAVENWORTH,
SENECA, WICHITA, PARSONS, KANSAS, MARSHALLTOWN, IOWA



III. Total cost to change operating sales tax system to comply with new regulation.

Minimum 1 month to make changes
Maximum 4 months to make changes

	<u>Minimum Cost</u>	<u>Maximum Cost</u>
1 month	\$15,600.02	\$17,300.02
2 months	22,000.04	23,700.04
3 months	28,400.06	30,100.06
4 months	34,800.08	36,500.08

The duration of the additional operating cost is a variable due to the fact that the programming time frame is not fixed. 3 weeks will be allowed for data input from the time the programming is completed and on line.

Conclusion

The net cost of \$15,600.02 to 36,500.08 to Schendel Pest Control, Inc. will produce a negligible change in revenue recovered for the state. Had the state given notice to the taxpayer more than the 9 days received, we could have conceivably held the cost of change to \$15,600.02

Best estimate of cost - \$28,400.06

Sincerely,



Paul F. Mages
Schendel Pest Control, Inc.

PFM:mag

My name is Vernon McKinzie. I live in Emporia, Kansas. Thank you for allowing me the opportunity to make this statement. I own and operate my own incorporated pest control business and have monthly scheduled service accounts throughout Southeast Kansas. I am here to speak in support of House Bill 2154. We service customers in 16 cities and 8 counties where a local sales tax presently exists. If we comply with the directive from the Kansas Department of Revenue, which became necessary because of the recent Supreme Court ruling, it will require us to keep a minimum of twenty-four separate account books in order to accurately compute the gross sales, tax exempt sales, net sales and sales tax due for each taxing jurisdiction. In my opinion, the amount of time and effort required of my business to accurately compute a few hundred dollars annually in local jurisdiction tax is foolish.

Our gross sales for 1982 were just under \$300,000.00 and approximately 15 % or \$45,000.00 of that was tax exempt work. Our sales tax collections for 1982 were \$7,519.77.

Let me give you some illustrations, of what I think border on the ridiculous, that the new interpretation of the current law requires us to do. 1.) We perform a once a year service for a customer in Toronto, Kansas (local sales tax rate of 0.5 %) for \$40.00. This computes to twenty cents local tax a year. 2.) We service a customer every month in Williamsburg, Kansas (local tax rate of 0.5 %) for a monthly fee of \$14.50, that computes to a monthly local sales tax collection of seven cents, or eighty-four

cents for a year. Allowing \$5.00 per hour, which is extremely conservative, for clerical time, our cost to collect eighty-four cents tax for the state would be about one dollar. Strange economics don't you think?

The more common example is that we service approximately 50 customers in each of seven or eight different tax jurisdictions. (A few examples are, Allen County, Anderson County, Labette County, Morris County, Iola, Coffeyville and Yates Center.) The special tax collections from each of these jurisdictions I estimate will range from five to fifteen dollars per month. It simply is not worth it to me to handle a separate set of books for every 50 or so customers, and I think those of you who are in business would feel the same way.

I am confident the legislature and Supreme Court in their boundless wisdom had not intended to create such a monster for small business as evolved from this issue.

I want to express my appreciation to this committee of the Legislature for prompt responsible action to correct what could be a costly unbearable burden on many small service businesses in Kansas, and urge the Legislature to pass House Bill 2154 with promptness and expediency.



Legislative Testimony

Kansas Association of Commerce and Industry

500 First National Tower, One Townsite Plaza

Topeka, Kansas 66603

A/C 913 357-6321

February 3, 1983

TESTIMONY BEFORE THE HOUSE ASSESSMENT AND TAXATION COMMITTEE

PRESENTED BY RON GACHES

REGARDING HB 2154

Thank you Mr. Chairman for this opportunity to express KACI's support for the revisions of the local sales tax law embodied in HB 2154.

The Kansas Association of Commerce and Industry (KACI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KACI is comprised of more than 3,200 businesses plus 215 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KACI's members having less than 25 employees, and 86% having less than 100 employees.

The KACI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Undoubtedly, many of you have had calls from local business people telling you of the administrative difficulties caused by the new requirements from the Department of Revenue regarding the collection of local sales taxes on services. Those new requirements were the result of the Kansas Supreme Court decision in the Capital Electric case in December 1982.

Compliance with the new interpretation of the law will work a tremendous administrative burden on those retailers performing services in more than one taxing jurisdiction. Compliance will be very difficult, if not impossible, to audit.

The bill is designed to restore the original legislative intent to the application of the local sales tax law. The practical administration of the law requires that some changes be made. KACI finds this proposal an acceptable solution.