

Approved On: \_\_\_\_\_

Minutes of the House Committee on Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on January 21, 1988 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Crowell and Leach

Committee staff present:

Tom Severn, Legislative Research  
Chris Courtright, Legislative Research  
Don Hayward, Reviser of Statutes  
Millie Foose, Committee Secretary

Representative O'Neal discussed HB-2117 - AN ACT exempting purchases of non-profit historical societies and museums therefrom. He introduced Max Ary who emphasized the importance of historical societies to people of all ages. He distributed two brochures - Cosmosphere Experience and Teachers & Space -- attachments 1 and 2. He answered questions from committee members and asked that the committee get it out of committee.

R. E. Nispel, Treasurer Unified School District No. 259, spoke about some issues about sales tax that deal with school districts in Kansas. (Attachment 3) His examples covered Activity Tickets, Student Projects, Uniforms, Musical Instrument Rental, Yearbooks and Newspaper Sales, and Lock Rental.

Harley Duncan, Secretary of Revenue, discussed HB-2663 which exempts sales of certain machinery and equipment from the state and local retail sales and compensating use tax. His presentation included two tables showing Kansas rating by Industry and by Tax Liability. (Attachment 4)

Bud Grant, Vice President Kansas Chamber of Commerce & Industry, appeared in support of HB-2663 and answered questions from committee members. (Attachment 5)

The meeting adjourned at 9:55 so members could attend the House of Representatives session. It reconvened at 10:15 a.m.

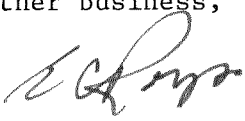
Tim Witsman, representing Wichita Chamber of Commerce, also presented sales tax testimony as it affects the national problem and the state competitiveness problem. (Attachment 6)

Gary Toebben, President of the Lawrence Chamber of Commerce and Past President of the Kansas Industrial Developers Association, spoke for these two groups. He emphasized that the state sales/use tax on machinery and equipment is a serious anomaly in the Kansas tax structure. (Attachment 7) Mr. Toebben then answered questions from committee members.

Ronald N. Gaches, Public Affairs Manager for the Boeing Military Airplane Company, shared with the committee the views of his firm -- emphasizing that the state tax on the purchase of machinery and equipment imposes a burden on Kansas capital expenditures that is not present in most other states and could result in lost job opportunities. (Attachment 8)

Sharon Olmstead, Arkansas City, emphasized the importance of historical museums and submitted a brochure concerning Old Cowntown Museum. (Attachment 9)

There being no further business, the chairman adjourned the meeting.

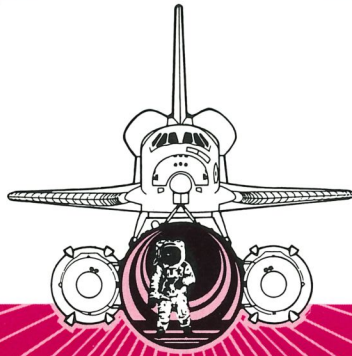


E. C. Rolfs, Chairman

# COSMOSPHERE EXPERIENCE

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1987-88  
School  
Brochure

THE KANSAS COSMOSPHERE & SPACE CENTER

1100 N. Plum • Hutchinson, Kansas 67501

*Home of the Future*

*Advanced Training Program*

Attachment 1

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# Information Center

The Kansas Cosmosphere & Space Center, also known as “Right Stuff Central,” is the Midwest’s largest space museum and one of the most significant in the country. Our purpose is to provide each student with a better understanding of science and space by combining a perfect blend of education and entertainment.

The KCSC has the following four areas in which to expand the students’ knowledge of the world in which they live:

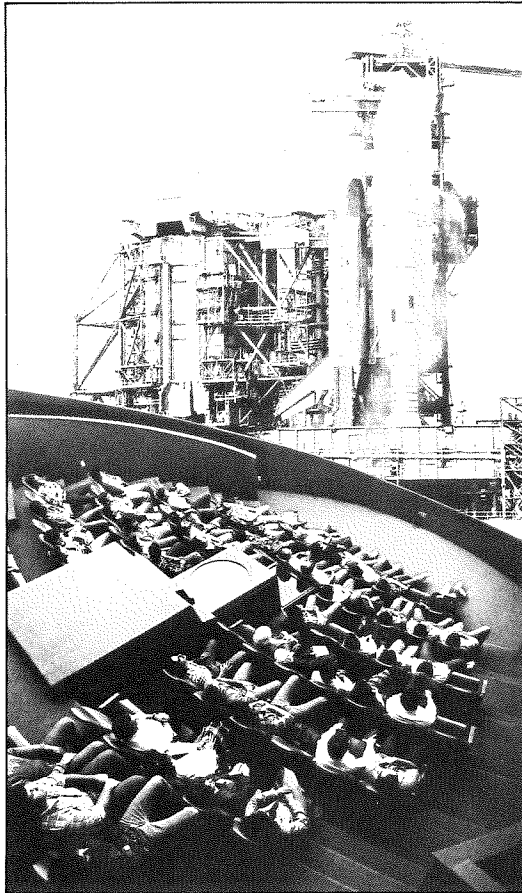
- OMNIMAX® Theater
- Planetarium Shows (**ALL NEW!**)
- Discovery Workshops
- The Hall of Space

Your field trip can include all of the above activities or separate parts, depending on your time and interests. In all areas, however, taking time before and after your visit will increase the value of the KCSC as a learning experience. We encourage you to consider the KCSC as MORE than just a field trip! It will be a COSMIC EXPERIENCE each student will long remember.





# OMNIMAX®



Seeing an OMNIMAX® film on the 44-ft. tilted dome in the Cosmosphere Theater is a rare opportunity for every student. The largest and most sophisticated movie projection system available, OMNIMAX® does more than just show a movie. It involves the audience. Viewers are surrounded by a tilted projection dome and a custom six-channel sound system that provides a remarkable sense of "being there."

The KCSC is proud to have one of only twenty-six OMNIMAX® projectors in the world!

Showtimes are scheduled Tuesday through Friday at 11:00 a.m., 12:00 p.m., 1:00 p.m., and 2:00 p.m. Other showtimes are available by appointment only.

Seating capacity in the William and Moscelene Carey Theater is 107.



# Hall of Space

The Hall of Space is a museum displaying more than \$100 million worth of space artifacts. Showing the chronological development of the space program, each exhibit gives students a better understanding of man's pursuit of space with particular emphasis on America's role. Although most of the exhibits in the Hall of Space relate to the American program, there are portions dealing with the role that other countries played in this endeavor. For this reason, the Hall of Space offers educational opportunities not only in the field of science but history as well.



*Flightsuits worn by Kansas astronaut Steve Hawley are on exhibit in the main rotunda.*

## **NEW EXHIBIT** - The Kennedy Theater

The Kennedy Theater in the Hall of Space Museum has been completely renovated. Parts and pieces of a Mercury/Atlas capsule and the unsuccessful Vanguard satellite depict a series of America's space failures. A videotape of exploding rockets vividly demonstrates the thwarted attempts of this country's desire to put man in space.

In the background, one hears the voice of President John F. Kennedy challenging this nation to land man on the moon and return him safely to earth. The scene is quite a dichotomy - the consequence was one of the greatest technological achievements in history.



# Planetarium

During the past twenty-five years, the KCSC Planetarium has introduced thousands of students of all ages to the wonders of the universe. A planetarium is the most powerful teaching tool ever devised for introducing astronomy, earth motions, and related science topics. Teachers may select programs from the following graded list:



## **I. STORIES IN THE STARS (grade levels K-3) (Sept. thru May)**

This program will introduce the younger student to the planetarium and the evening sky. The sun, the Big Dipper, and the North Star will be used to establish the concept of the four directions. The sun, moon, visible planets, bright stars, and a few constellations will be presented through several simple stories about the night sky. "Stories In The Stars" will change with the seasons and is recommended for all younger students.



## **II. OUR SKY TONIGHT (grade levels 4-12) (Sept. thru May)**

This introduction to the current evening sky features the prominent constellations, bright stars, planets, and the moon. The program will change with the seasons and feature current information about visible objects in the night sky. A few "deep sky" objects visible in small telescopes will also be featured, as the students view the sky from sunset to sunrise.

## **III. FAMILY OF THE SUN (grade levels 4-12) (Sept. thru May)**

The Sun and its systems of planets, moons, asteroids, and comets make up our "family" in the Milky Way. This program will show their relationships to each other, as the students view the major members of the solar system through cameras and instruments on board a variety of manned and robot spacecraft.

## **IV. THE MOON AFTER APOLLO (grade levels 4-12) (Sept. thru Feb.)**

Studies of the moon rocks gathered by the Apollo astronauts, and data from the ALSEP stations left on the lunar surface have given our scientists a new view of our "old" moon. This program will show the moon as we see it today, fifteen years after Eugene Cernan stepped off the moon to return to earth in Apollo 17.

**IT IS RECOMMENDED THAT DISCOVERY WORKSHOP "A", APOLLO TO THE MOON, BE A PREREQUISITE TO THIS PROGRAM.**

## **V. TO THE EDGE OF THE UNIVERSE (grade levels 7-12) (Sept. thru Feb.)**

Where are we in the vast, seemingly incomprehensible organization we call the Universe? During their journey of exploration, the students will investigate the life cycles of stars, pulsars, black holes, exploding galaxies, and quasars as they travel to the edges of the Universe as we see it today.

## **VI. ARE WE ALONE? (grade levels 7-12) (Sept. thru Feb.)**

Is it possible that the Earth is the only planet in the Universe where life exists? This program will take a close look at the unique set of conditions in the Earth's area of the solar system where life is abundant, and then search for the possibility of similar conditions in the solar system and the Milky Way galaxy. Modern space age attempts to communicate with and searches for extraterrestrial life will be featured.





# Discovery Workshops



Each of the eight Discovery Workshops at the Kansas Cosmosphere offers an excellent opportunity for students to gain additional knowledge about space exploration. The Workshop is an informal environment allowing the students to ask questions and participate in the discussions. Teachers may choose from the following topics:

## **A. APOLLO TO THE MOON (grade levels 4 to 12)**

The ultimate goal of man's landing on the moon was achieved on July 20, 1969. Recent NASA recommendations advocate a return to the moon. How that goal was accomplished in 1969, and how and why it needs to be pursued again will be the highlights of this Workshop.

This Workshop along with Planetarium #4 combine for an excellent overview of far-reaching space exploration.

## **B. AMERICA'S WORKHORSE - THE SPACE SHUTTLE (grade levels K-12)**

The Space Shuttle will be the key for building America's Space Station. With the use of video, models and diagrams, students can gain a better understanding of the Orbiter and its capabilities. Students witness a vivid demonstration of the effectiveness of the heat tiles that protect the Orbiter upon reentry. An excellent program as America looks forward to the return of Shuttle missions.



**NEW!**

**C. SPACE TRAVELER'S SURVIVAL WORKSHOP**  
(grade levels 6-12)

So you want to travel in space. Your trip will be hazardous. Keep in mind that the hostile environment of space welcomes no one and for the ill-prepared, it can ruin your day. This Workshop includes a quiz to test your knowledge of what you need for the expedition.

**D. SPACE STATION - A HOME IN SPACE** (grade levels 4-12)

The 1990s will see America return to long-term space exploration. Space Station will be assembled in space and become not only a laboratory for scientific experiments but a stepping-stone for manned exploration of Mars.

Space Station will greatly affect our students' futures. This Workshop focuses on the fascinating thread that paves the way to further exploration of the Universe.

**E. ARE YOU READY FOR SPACE?** (grade levels K-3)

How difficult is it to stay alive in space? When men and women leave our good earth, they are at the mercy of a hostile environment. Without a spacesuit and advance preparations, an astronaut could not stay alive.

Students are shown the various layers of an actual spacesuit, as well as the boots, gloves and helmet. Students learn why suiting up for outer space is like putting on a house!

**F. WHAT HAVE YOU DONE FOR ME LATELY?**  
(grade levels 4-12)

Space Benefits - we use them daily and rarely think about their origin. But the ease with which we do so many tasks is a direct result of the space program. Our standard of living has been vastly upgraded through meeting the challenge of launching man into space.

Many of the direct results of the space program will be discussed and demonstrated: advances in daily living, technology, medicine, agriculture, meteorology and communications.

**G. TOYS IN SPACE** (grade levels K-6)

Rat Stuff, gyroscope, paddle ball, wheelo, slinky and other toys went into space on April 12, 1985, on board Space Shuttle Discovery. Experiments were conducted by the astronauts using 11 familiar toys. The results will be demonstrated with the toys and space video scenes from the mission.

**NEW!**

**H. CAREERS IN AMERICA'S SPACE PROGRAM**  
(grade levels 9-12)

Thousands of Americans work with the U.S. Space Program. Today's students can look forward to the future by participating in this great endeavor. Jobs with the astronaut corps, as a NASA employee or working for the contractors who support the program could provide an exciting and challenging future. This is an excellent Workshop to help students with career choices.



# Planning Your Visit

## RESERVATIONS

Reservations must be made in advance for all school groups. We encourage schools to schedule reservations early to assure the availability of desired times and dates. Call (316) 662-2305 today!

Schools are requested to arrive at least 15 minutes ahead of schedule and report to the reservationist in the main lobby. Because of the large number of schools in attendance, it is imperative that the KCSC maintain a strict schedule. All programs will start at the exact time stated.

## KCSC GIFT SHOP

Our gift shop has a wide variety of popular souvenirs. Students may purchase items which range in price from 10¢ to \$1.00 and more. In addition, we have excellent educational materials such as books, slides, space patches, science experiment kits, models, globes, and telescopes.

## LUNCH BREAKS

Students are welcome to eat lunch on the lawn. Lunch will not be permitted to be eaten inside the facility.

## A WORD ABOUT CONDUCT

The KCSC is also open to the public during days when school groups may visit. Because there may be other groups or visitors in the building, we cannot tolerate any disturbances or rowdiness. We reserve the right to dismiss, without refund, any groups that misbehave.

It is required that students be under supervision at all times. Teachers and parents must accompany their groups throughout the entire building, even though a staff member is present.

## HALL OF SPACE

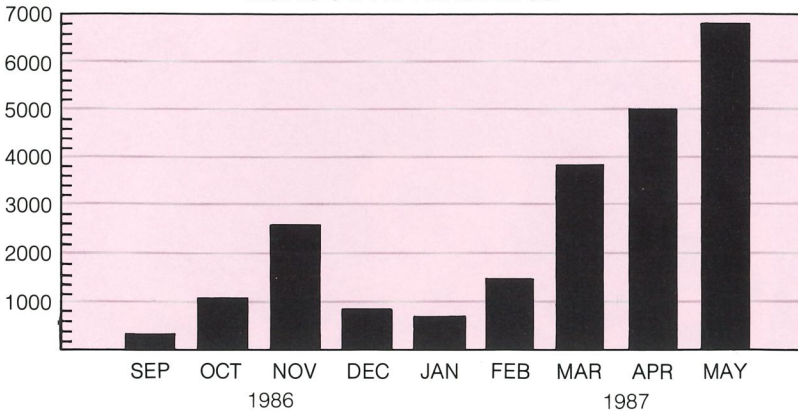
**A guided tour of the Hall of Space can be scheduled with either Plan A, B or C at no charge.** Tours *must* be scheduled when making reservations. No groups will be permitted into the Hall of Space without an accompanying docent.



# Prices

As is evident by this graph, the KCSC has periods during the year when the pace is slower. School groups seem to benefit more, educationally, during these times. For this reason, we encourage schools to also consider field trips during months other than March, April and May. Special school rates are available September through May, Tues.-Fri. only.

## SCHOOL ATTENDANCE



*One Teacher and Bus Driver (per class of 30) attend FREE for any plan!*

### PLAN A:

Experience the entire Kansas Cosmosphere & Space Center by attending the OMNIMAX® Theater, a Discovery Workshop, a Planetarium Program, and a tour through the Hall of Space Museum.

Cost: \$3.75 for students, accompanying parents and teachers' aides. Allow three hours for Plan A.

### PLAN B:

Capture the thrill of the OMNIMAX® Theater.

Cost: \$2.50 for students, accompanying parents and teachers' aides. Allow one hour for Plan B (seating capacity 107).

### PLAN C:

Attend a Discovery Workshop plus a Planetarium Show.

Cost: \$2.00 for students, accompanying parents and teachers' aides. Allow one hour for Plan C (seating capacity 75).



# Future Astronaut Training Program



The Future Astronaut Training Program sponsored by The Kansas Cosmosphere is held throughout the summer in week long sessions. Campers are housed and fed at The Hutchinson Community College while training and briefing workshops are at the KCSC facilities.

Students entering the 7th, 8th and 9th grades in the '88-'89 fall school year are eligible to apply.

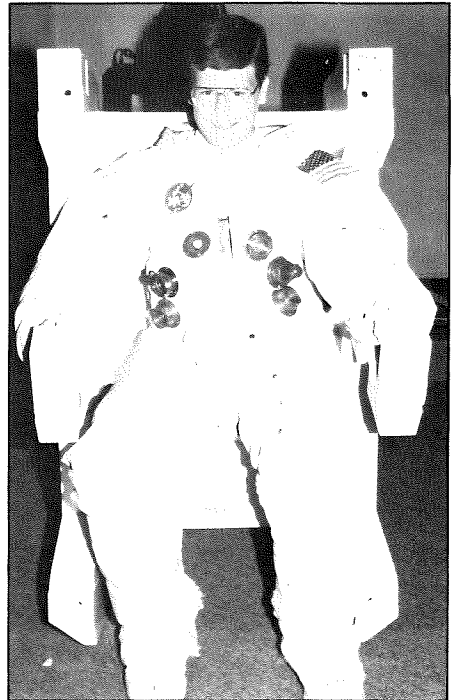
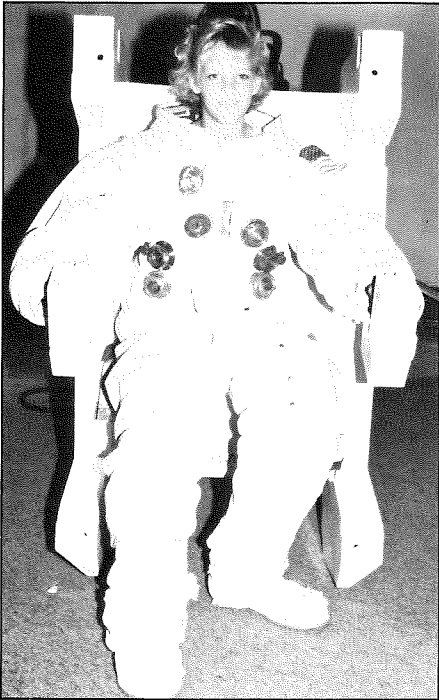
Each day of camp, different aspects of space flight are taught. The schedule of training builds towards the final day when students use their newly acquired knowledge to conduct a complete simulated shuttle mission.

Teachers and students interested in more information about the camp should write or call the KCSC.





*KCSC Executive Director Max Ary instructs future astronauts at mission control.*



*Future astronauts try on a NASA spacesuit and learn about the MMU — The Manned Maneuvering Unit.*

# **“The Cosmosphere Experience”**

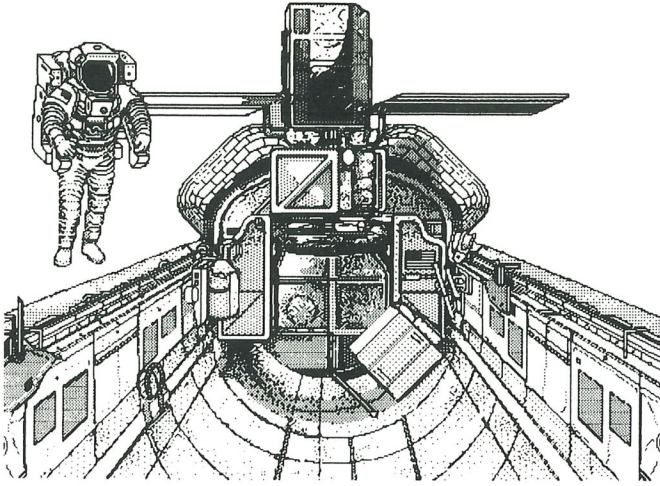
This 39-minute video on VHS and BETA cassettes presents a guided tour of the Kansas Cosmosphere and Space Center.

The narrated tour traces the history of the manned exploration of space as presented in the Cosmosphere’s Hall of Space Museum by combining comprehensive discussions of our extensive public exhibits with actual footage from NASA and other archival resources.

Subjects covered range from Robert Goddard’s earliest rocket experiments to the last shuttle launch of STS 51-L.

The video was professionally produced as a memento of one’s visit to the Cosmosphere but stands alone as an excellent audio-visual learning resource about America’s Space Program.

The video is an excellent introduction to the space program and prepares students for a field trip to the KCSC.



Please send me (\_\_\_\_\_) copy(ies) of "The Cosmosphere Experience"  
at \$21.95 each. (Price includes postage and sales tax)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_

Zip: \_\_\_\_\_ Phone #: \_\_\_\_\_

I have enclosed a check for \$ \_\_\_\_\_

Please charge to my VISA/MASTERCARD Account

Account #: \_\_\_\_\_

Expiration Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Send orders to: KCSC Gift Shop  
1100 N. Plum  
Hutchinson, KS 67501

Phone Orders: (316) 662-2305



1100 N. Plum  
Hutchinson, KS 67501

Non Profit Organization  
U.S. Postage  
PAID  
Permit No. 98  
Hutchinson, KS 67501



## join us for lunch ...

three convenient locations near the Kansas Cosmosphere:

**603 E. 30th — 662-6462**

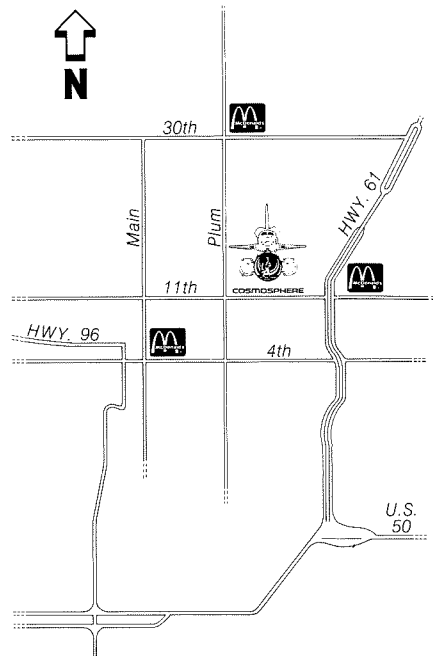
**20 E. 4th — 665-5642**

**1407 E. 11th — 662-4014**

*CALL AHEAD FOR BETTER SERVICE — BUSES WELCOME*

# IT'S A GOOD TIME FOR THE GREAT TASTE

SM



## Instructors

Mr. Roger Hoefler  
KCSC Planetarium Director

Mrs. Helen Unruh  
KCSC Space Science Educator

Assisted by other Kansas Cosmosphere & Space  
Center staff members

Clip and Mail to:

Helen Unruh  
Kansas Cosmosphere & Space Center  
1100 N. Plum  
Hutchinson, Kansas 67501  
(316) 662-2305

Name \_\_\_\_\_

Address \_\_\_\_\_

City/State \_\_\_\_\_

Check One:

Elementary Level - March 9, 1988

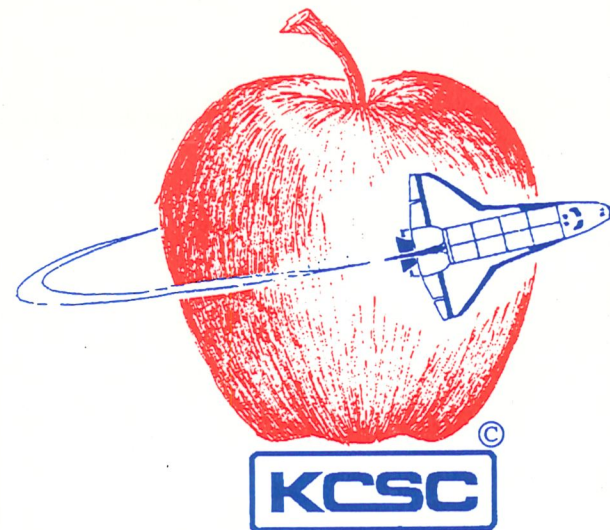
Middle/Secondary - March 10, 1988

Make \$20.00 check payable to  
Kansas Cosmosphere

**DEADLINE: FEB. 25, 1988**

**Teachers & Space**  
The Kansas Department of Education  
and  
The Kansas Cosmosphere & Space Center

**KCSC**  
1100 N. Plum  
Hutchinson, Kansas 67501



# Teachers & Space

## Teacher In-Service Training

Presented by  
**The Kansas Department of  
Education  
and  
The Kansas Cosmosphere**

## Teachers & Space In-Service

The educational staff at the Kansas Cosmosphere & Space Center is now offering Teacher In-Service Training. It is the purpose of the KCSC to provide teachers with a more comprehensive background on the development, current status and future of America's Manned Space Program. Teachers will be given activities and hand-outs to incorporate into their classroom curriculum. The future of today's students will be deeply involved with tomorrow's space program.

Packets containing information on the Space Sciences and Astronomy will be distributed. Classroom activities, bibliographies and general information will be included. Packets will be categorized as elementary and middle school/secondary.

One day In-service includes:

- \* 2 Space Workshops
- \* 2 Planetarium Programs
- \* An OMNIMAX Film
- \* Hall of Space Museum Tour

Cost: \$20.00 per teacher

Maximum number - 30

Minimum number - 20

Teacher & Space In-Service will be offered at the Kansas Cosmosphere on:

**March 9, 1988 - Elementary Level**

**March 10, 1988 - Middle/Secondary Level**

## Planetarium Program

1.) **Our Evening Sky** - The major constellations, bright stars, and positions of the members of the solar system during the present school year will be featured. Observing tips and previews of interesting astronomical events and alignments will familiarize the teachers with the evening sky as it appears to the unaided eye.

2.) **Exploration of the Solar System** -Ranger, Surveyor, Explorer, Apollo, Viking, Voyager - the list of manned and unmanned missions of scientific discovery to the planets and moons of the solar system gets longer as the months and years go by. This program will review the science discoveries made by our NASA programs of planetary exploration during the first 25 years in space.

## Space Workshops

### A.) Our Future - The Space Station

From America's first space station, Skylab, to the proposed station, this discussion centers on the merits of long term space habitation. What will Space Station include? What are the hazards of living in space? Included are demonstrations using the vacuum jar, liquid nitrogen, models and videos.

### B.) The Space Shuttle

The need for the development of a reusable spacecraft and boosters, and the versatility of the Shuttle have become essential elements of the space program. The use of the Shuttle for satellite deployment and repair, as a laboratory, and especially the Shuttle's value with Space Station construction will be presented. Shuttle stack model, video and Shuttle tile demonstration are included. (offered to Elementary level)

### C.) The Space Shuttle and Space Careers

The importance of the Space Shuttle (refer to Workshop B) is presented along with a discussion of career opportunities in the space program. Students need to be made aware of the wide variety of careers they can consider as they prepare for their futures.

## Schedule

8:30 - 8:45	Registration
8:45 - 9:45	Planetarium Program Our Evening Sky
9:45 - 10:00	Break - snack
10:00 - 11:00	Space Workshop Our Future-- the Space Station
11:00 - 11:45	Hall of Space Museum Tour
11:45 - 12:45	Lunch (On your own)
12:45 - 1:45	Planetarium Explorations of the Solar System
1:45 - 2:00	Transfer to OMNIMAX theater
2:00 - 2:45	OMNIMAX Film
2:45 - 3:00	Break - snack
3:00 - 4:00	Space Workshop The Space Shuttle (Elementary) The Space Shuttle & Space Careers (Middle/Secondary)
4:00 - 4:30	Debriefing

## Hall of Space Museum

This internationally renowned museum exhibits more than \$100 million worth of space artifacts. The guided tour will show the development of America's space program from Robert Goddard's first liquid fuel rocket, to flight-ready spacecraft from the Mercury, Gemini, and Apollo programs, to the Challenger tragedy.

## OMNIMAX Theatre

OMNIMAX is the largest and most sophisticated movie projection system in the world. Utilizing a wrap-around 44' tilted dome and spectacular six-channel stereo sound system -- the OMNIMAX experience is magical, unforgettable and overwhelming. Films featuring science, space or geography topics are presented in this unique format.



WICHITA PUBLIC SCHOOLS  
428 South Broadway  
Wichita, Kansas 67202

January 21, 1988

Division of Business Services

TO: CHAIRMAN ROLFS  
MEMBERS OF HOUSE TAXATION COMMITTEE

FROM: R. E. NISPEL, TREASURER,  
UNIFIED SCHOOL DISTRICT NO. 259

SUBJECT: KANSAS RETAILERS SALES TAX ASSESSMENT

LADIES AND GENTLEMEN:

I would like to thank you for this opportunity to appear before you for a few minutes to discuss some issues about sales tax that deal with school districts of Kansas.

In 1983, the Kansas Department of Revenue conducted a retailers' sales tax audit of Unified School District No. 259. The audit covered the three year period of January 1, 1980 to December 31, 1982. There were many issues raised as a result of this audit that apply to school districts and the collection of sales tax. In my opinion, many of the issues dealt with an interpretation of the tax law. These issues were appealed by USD 259 to the Director of Taxation. Although some of the issues were resolved, many were not, and in the end USD 259 paid over \$135,000 in taxes, penalties and interest.

In the time available today, not all issues can be discussed, but I would like to point out a few areas of concern.

1. Activity Tickets - All high schools in Wichita sell activity tickets to students which allows them to attend school functions such as athletic events, school plays and musical programs. The activity ticket also includes the yearbook, newspaper and other such items. Such extra-curricular activities are an important part of the total educational process and as such should not be subject to sales tax. We contend that students who attend and become involved in extra-curricular activities are participants and therefore sales tax should not be collected or, for that matter, on any other student gate tickets, whether they are for musicals, athletic events, plays, lyceums, or other school events. It has been interpreted that only the student who is playing or acting in the game, musical, play, or such, is participating and the student who is in the audience is not. We disagree with this interpretation. It is interesting that tickets to a school dance are not taxable.
2. Student Projects - Unified School District 259 purchases materials to be available to students in industrial arts, home economics, and art classes for projects the students make as part of the class and as part of the learning process. The student is charged for the material he/she uses in



that project. The student has to pay tax on that project if it is taken home. **Example:** If a student takes a course in electricity and is required to build a little DC motor, the student pays for the copper wire and magnet used in building the motor and also has to pay sales tax. We contend that the real value in building the DC motor was the education that took place and the motor itself has no real useful value and therefore should not be taxed. Students who can not afford to pay for materials are not charged.

3. **Uniforms** - All high schools and junior high schools of USD 259 have organizations such as pep clubs, musical groups, cheerleaders, etc. that require a unique uniform. In most cases the school purchases the uniforms and then sells or rents the uniforms to the students. The advantages in doing it this way is to assure that colors and styles are the same, and buying in volume usually gives a better price. Another advantage is that the principal and sponsor of these groups can provide a uniform to that student who wants to participate but can not afford it. These uniforms are unique and usually not the kind of clothing that would be worn outside of a school setting and since they are worn as a part of participation in a school extra-curricular activity, we feel they should not be taxed.
4. **Musical Instrument Rental** - Unified School District 259 has a program where a student can pay a rental fee rather than purchase a musical instrument. These fees are taxable; however, students also pay fees for the rental of textbooks and these fees are exempt from taxes. We think this is very inconsistent.
5. **Yearbooks and Newspaper Sales** - It has been interpreted that the sale of yearbooks and newspapers is taxable. Yearbooks and newspapers are educational products of the journalism and yearbook classes and as such are not produced to make a profit. In fact, USD 259 supports these programs with budgeted money. We believe that the real value of yearbooks and newspapers is the education the students receive in producing them and as such should not be taxed.
6. **Lock Rental** - Almost all of our schools purchase locks and rent them to students for a fee which will help the school pay for the locks over a period of years. It is interesting that the fee charged a student for a lock rental is taxable, but we do not have to collect taxes on the fee for a locker that has a built-in lock. In our opinion this is very inconsistent. Our schools have both types of lockers - those with built-in locks and those with a hasp that require a lock.

These are but a few of the items that were involved in the sales tax audit. Time does not allow for me to go into all of them.

During the period of July 1, 1986 through June 30, 1987, USD 259 paid sales tax in the amount of \$104,615.13 on taxable sales of \$2,092,302.43. Although we are collecting the sales tax, it is most difficult and very time consuming to do so in over 100 different locations.

Thank you for hearing our concerns and we would be most happy to provide any additional information you might desire.

In summary, we in USD 259 believe the sales tax laws as they now stand and are interpreted need to be reviewed as to how they apply to school districts in Kansas. Should one taxing agency tax another taxing agency?

We would like to recommend that KSA 79-3606 (h) be amended from:

"all rentals of nonsectarian textbooks by public or private elementary or secondary schools;"

to read as follows:

"all sales or rentals of non-sectarian textbooks, uniforms, instruments, activity tickets, or materials used for education purposes by public or private elementary or secondary schools;"

MEMORANDUM

TO: The Honorable Ed C. Rolfs, Chairman  
House Committee on Taxation

FROM: Harley T. Duncan  
Secretary of Revenue

RE: HB 2663

DATE: January 21, 1988

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Thank you for the opportunity to appear before you today on HB 2663 which exempts sales of certain machinery and equipment from the state and local retail sales and compensating use tax. This bill is part of Governor Hayden's tax reform plan. On behalf of the Administration, I recommend your passage of it.

The bill exempts, effective January 1, 1989, sales of machinery and equipment used directly and exclusively for the purposes of manufacturing, assembling, processing, finishing, storing, warehousing or distributing articles of tangible personal property in this state for resale. The bill goes to some lengths to define what is and is not intended to be covered by the exemption. The language is the result of a thorough review of similar statutes in other states as well as similar statutes in Kansas. Our intent is to be maximize the understanding of the exemption and minimize the litigation of the issue.

This proposal was recommended to the Governor by his Task Force on Tax Reform among other groups including Kansas Inc. In arriving at its recommendation, the Task Force was attempting to improve the competitiveness of our tax structure with other states and to recommend initiatives which could have a real effect on business decisions. In its deliberations, the Task Force reviewed certain research work sponsored by Kansas Inc.

The research, conducted by the University of Kansas Institute for Policy and Business Research, estimated the total federal, state and local tax burden that a new or expanding firm would face over a 15-year period in Kansas and the surrounding states of Colorado, Iowa, Missouri, Nebraska, and Oklahoma. The estimates were made for firms in each of nine industry groups. The taxes estimated were federal income, state income, sales, unemployment and workers' compensation, real and personal property, and franchise taxes. The structure, asset mix, and employment were based on industry-wide averages, and the study assumed a new or expanding firm would take advantage of all available incentives.

The table below presents the ranking of each state for each industry based on the total estimated tax liability for all federal, state and local taxes. Kansas ranks third (with one being the lowest tax burden) on average for all the industries as a group. Kansas is also about at the midpoint for each industry except that it ranks toward the high end for telecommunications and below average for motor vehicle and construction machinery manufacturing. The lowest tax

state is Missouri in all instances. Kansas is generally grouped in the middle with Colorado and Oklahoma while Nebraska and Iowa tend to have higher burdens in this study.

Total Tax Liability of Hypothetical New and Expanding Firms  
Ranking of States by Industry

Industry	Kansas	Colo.	Iowa	Mo.	Nebr.	Okla.
Meat Products	4	6	3	1	2	5
Grain Mill Products	4	3	5	1	6	2
Misc. Plastic Products	3	4	5	1	6	2
Fabricated Structured Metal	3	6	4	1	2	5
Construction and Rel. Machinery	2	4	5	1	6	3
Electronic Components and Acc.	4	2	5	1	6	3
Motor Vehicles and Acc.	2	6	4	1	5	3
Telecommunications	5	2	6	1	4	3
Data Processing and Computer Ser.	4	2	6	1	5	3
Average	3.44	3.89	4.78	1.00	4.67	3.22
Overall Rank (Based on Average)	3	4	6	1	5	2

SOURCE: Darwin Daicoff and Patricia Oslund, **Tax Structure of Kansas and Nearby States**, Part 2, Hypothetical Firm Study. Final Report to Kansas, Inc., Report No. 131, October, 1987, Institute for Policy and Research, University of Kansas, Lawrence, KS.

The Kansas Inc. study found that Kansas tended to rank higher in the corporation income tax and the sales tax than for other taxes. As shown below, with some exceptions, the Kansas rank for sales and corporation income tax was generally fifth highest among the six states analyzed. This is generally consistent across all industry groups.

Ranking of Kansas by Industry and by Tax  
Tax Liability of Hypothetical New and Expanding Firms

Industry	Income	Unemp.	Ppty.	Franch.	Sales	Total
Meat Products	5	2	1	4	5	3
Grain Mill Products	5	4	1	4	5	4
Misc. Plastic Products	3	6	1	4	5	2
Fabricated Structured Metal	5	3	1	4	5	3
Construction and Rel. Machinery	3	3	1	4	5	2
Electronic Components and Acc.	5	3	1	4	5	3
Motor Vehicles and Acc.	5	3	1	4	5	2
Telecommunications	2	3	5	4	1	5
Data Processing and Computer Ser.	4	4	5	4	2	4
Average	4.11	3.44	1.89	4.00	4.22	3.11

SOURCE: Darwin Daicoff and Patricia Oslund, **Tax Structure of Kansas and Nearby States**, Part 2, Hypothetical Firm Study. Final Report to Kansas, Inc., Report No. 131, October, 1987, Institute for Policy and Research, University of Kansas, Lawrence, KS.

Based on this information, as well as other studies by Drs. Redwood and Krider and testimony of such groups as KCCI and other businesses, the Task Force and the Governor recommended a sales tax exemption for manufacturing and distribution machinery and equipment as its number one priority for business tax changes. This exemption has the following strategic benefits to recommend it.

- It will improve our competitive posture and remove an area where we tend to stand out (in a negative sense) from the majority of states.
- It will reduce directly the cost of capital investment and job creation in Kansas, rather than being an indirect inducement.
- It is limited to machinery used directly and exclusively in key production processes in primary job creation industries. This is intended to maximize the impact of the state's investment.
- It will supplement our enterprise zone benefits which tend to focus on new businesses and facilities by aiding existing firms (which are responsible for creating 80 percent of all new jobs) to maintain their capital stock and thereby their employees.

We estimate the fiscal impact of this measure at \$16 million annually, and at \$6.5 to \$7.0 million in FY 1989. This is based on statistics from the Census of Manufacturers, the Annual Survey of Manufacturers and estimates of the proportion of equipment currently exempt under the enterprise zones.

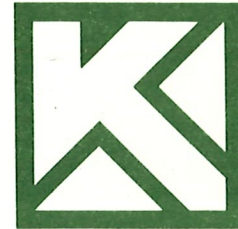
Thank you for the opportunity to appear before you. I would be glad to attempt to answer any questions.



# LEGISLATIVE TESTIMONY

## Kansas Chamber of Commerce and Industry

500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the  
Kansas State Chamber  
of Commerce,  
Associated Industries  
of Kansas,  
Kansas Retail Council

January 21, 1988

### KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

House Committee on Assessment and Taxation

by

Bud Grant  
Vice President

Mr. chairman and members of the committee. My name is Bud Grant and I appreciate the opportunity of appearing before you today in support of a proposal which would exempt manufacturing machinery and equipment from sales tax.

The Kansas Chamber of Commerce and Industry (KCCI) 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.

KCCI is comprised of more than 3,000 businesses which includes 200 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 KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI 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.

To quote from the recommendations prepared by the Institute for Public Policy and Business Research at the University of Kansas "Kansas will lose its attractiveness



relative to competing states if its tax structure and levels contain significant anomalies or fail to send the right 'signals' about business climate. In particular, the state must avoid having a tax not generally found in other states that negatively impacts business in any significant way. The Kansas tax structure does contain some impediments to business development, and the tax burden on business is perceived as slightly high."

There is little doubt that one of the major anomalies which exist in the Kansas tax structure is the state's practice of collecting sales and use tax on machinery and equipment. Not only do 42 of the 50 states exempt such equipment from their state sales tax, Kansas is the only state in this region which does not do so. Missouri, Colorado, Iowa, Nebraska, and Oklahoma have this exemption.

Kansas took a very important first step towards achieving this total exemption when the legislature, in 1986, passed legislation exempting machinery and equipment from the state sales tax when a firm is located in an enterprise zone. It is now time to extend this exemption to all Kansas manufacturers. Doing so will offer significant encouragement to modernize at a time when competition requires the most up-to-date facilities, and to expand and create the additional jobs needed in Kansas today.

Mr. Chairman, I would mention one additional point. The KU study also recommended that the exemption under study be applied to computers used in business because of its anticipated effect of creating jobs in high technology sectors. The 1986 Kansas Legislature created the Kansas Technology Enterprise Corporation (KTEC). The organization was created to promote, develop, and coordinate education, research, and economic development programs in the fields of advanced technology. To assist KTEC in achieving these goals, I recommend that this point be part of the committee's deliberations.

Thank you for the opportunity of appearing before you today and I would be pleased to attempt to answer any questions.

*Jim Watson*

## Sales Tax Testimony

### The National Problem

Between 1984 and 1987 over two million manufacturing jobs were lost in this country. One third of those people are still out of work. Over half of those who found work took 30-50% pay cuts. How did this happen? Some point to import restrictions in Japan and elsewhere and there is some truth to that. But our most serious wounds are self-inflicted. In previous decades we consumed 90% of our increased production. Since 1980 we have been consuming 325% of our increased production.

While we were busy consuming we ignored the driving forces of a market economy -- savings and investment. Since 1980 Japanese investment has averaged 16.1%. U.S. investment, over the same period has averaged 5.3%. In 1986 Japanese net investment totalled \$300 billion, while American net investment equalled \$270 billion. In the same year Japanese net savings amounted to \$380 billion, compared to a mere \$125 billion in the United States. That amounts to a six to one ratio of Japanese saving per capita compared to American saving.

What is the product of these rather dry economic facts? Each Japanese worker is supported by twice the plant and equipment as his or her American counterpart. We have allowed manufacturing, the engine of economic growth, to wither while aggressive competitors played our own game better than we were willing to.

### The State Competitiveness Problem

At Kansas Inc. we heard the complaints of businesses about particular taxes in Kansas. But there is no absolute answer as to how high or low a specific tax should be. Rather the question is: "Does the tax structure of the State of Kansas serve the purpose of revenue raising without harming the very industry which is subject to the tax?" To answer that question in a factual manner we commissioned a study of business taxes by the Institute for Public Policy and Business Research at Kansas University.

Since businesses typically locate based on either access to supplies or access to markets, Kansas' main competition comes from the states in our region. We, therefore, wanted to compare our business tax structure with those of Missouri, Nebraska, Oklahoma, Colorado, and Iowa. The first phase of the study examined the tax structures of the six states from which we discovered that only Nebraska and Kansas placed a sales tax on replacement machinery and in manufacturing. Having three of our neighboring states with a sales tax exemption on machinery and equipment serves as a considerable disincentive for any manufacturer to locate or expand business in Kansas. Why stay here when you can go across three of four borders and not pay sales tax on your machinery and equipment?

In making our recommendations we were sensitive, however, to the impact of tax changes on the state's fiscal condition. We, therefore, did not recommend wholesale elimination of the sales tax on machinery and equipment. We purposely focused on productive equipment to maximize the impact on investment and minimize the impact on the state's finances.

### A Local Example of the Problem

Just over a week ago I visited a metal products manufacturer in Wichita who employs less than one hundred people. The manager was anxious to replace old machinery and modernize his operation. His equipment varied from nearly fifty years old to the most modern computer designed and applied production methods. It was the equipment which caught my attention. His oldest equipment still had the "War Products Administration" insignia, along with the words, "Do not finish." The latter phrase was an instruction not to place a finish on the machine but to hurry it into the war effort. Conversely, every machine which he had bought in the last five years was Japanese. That firm embodies precisely what is wrong with our national and state policies. By discouraging the replacement of productive equipment we have handed the business to foreign competition without a contest.

### The State Policy Question

The issue we face is not whether or not we are willing to make an investment in our state's future -- we are all obviously committed to that end. The issue is how do we best achieve that end, at the state level, by targeting changes in the tax structure to facilitate competition and economic growth? Faced with underinvestment in plant and machinery and with neighbors who exempt what we tax it is, I submit, poor public policy to tax business input thus increasing costs of production and reducing the value of the final product and the company's ability to compete in the marketplace.

Businesses make decisions on both replacement and additional equipment purchases based on the length of time it will take to generate sufficient revenue to pay for the machine. To the degree that we add to the length of time it takes to recover the machine's cost, we affect replacement and addition decisions in a negative manner. If we are concerned with targeting our economic development efforts where they will have the most effect, then surely we would encourage the replacement and addition of productive machinery. You would be encouraging the sector of our economy which creates the most jobs and has the greatest probability of doing well in the new global economy. Put another way, if you want to help exports lift this burden and give our manufacturers a chance to compete both regionally and internationally.

If you have any questions I will respond within the limits of my knowledge.

TESTIMONY ON SALES TAX ON  
MACHINERY AND EQUIPMENT

JANUARY 21, 1988

My name is Gary Toebben. I am President of the Lawrence Chamber of Commerce and immediate Past President of the Kansas Industrial Developers Association. I am speaking for these two groups today in favor of eliminating Kansas' state and local sales tax on the purchase of manufacturing machinery and equipment.

The Kansas Industrial Developers Association (KIDA) is comprised of 150 economic development professionals from across the state. It is the job of these professionals to sell Kansas and create additional employment opportunities in the Kansas communities they represent. Their efforts involve helping existing businesses to grow and expand, attracting new firms to the state and encouraging local entrepreneurs to create new start-up business.

Over the last two years three studies of our state tax system have singled out our sales tax on machinery and equipment. Each study concluded that Kansas is at a competitive disadvantage with neighboring states because of this tax. These studies include the Redwood-Krider Report, the Report of the Legislative Commission on Economic Development and the Governor's Task Force on Tax Reform.



The Redwood-Krider Report stated:

"The state sales/use tax on machinery and equipment is a serious anomaly in the Kansas tax structure. Kansas is the only state in this region which does not exempt all machinery and equipment used in manufacturing from the sales tax. Missouri, Colorado, Iowa, Nebraska and Oklahoma have this exemption. By the end of 1984, 39 states exempted machinery and equipment from the sales/use tax. Kansas does allow refunds and exemptions from sales tax on machinery and equipment only in certain limited circumstances. Business leaders across the state noted the sales tax on machinery and equipment as a major disadvantage to economic development within the state."

In recent years we have attempted to reduce this competitive disadvantage by providing a sales tax exemption to firms who are located in an enterprise zone or meet other employment criteria. As a practical matter, however, the majority of Kansas manufacturers, still pay a sales tax on the purchase of machinery and equipment.

This tax is a financial disadvantage for Kansas companies who compete in a national or international marketplace. It is also a disadvantage in marketing Kansas to firms interested in expanding into a new location.

This Legislation has been discussed for years and many legislators have agreed that a change was needed. The question, however, has always been how to replace the revenue that would be lost. The additional state revenue generated by the Federal Tax Reform Act makes this year the best, and perhaps the last, good opportunity to make this change.

In today's era of rapid technological change, companies must continually upgrade their machinery and equipment in order to stay competitive. When a company doesn't upgrade its machinery and equipment, we all loose because of the jobs that will eventually be lost.

Eliminating our state and local sales tax on machinery and equipment won't save all of our plants, and it won't be a panacea for new locations. It will, however, be a signal to new and existing companies that Kansas is willing to invest it's sales tax receipts today in order to create more jobs, more sales taxes, and more income and property taxes in the future.

I join with the authors of the studies I cited earlier and other proponents in this room today in urging your support for this legislation.



TESTIMONY BEFORE  
HOUSE ASSESSMENT AND TAXATION COMMITTEE  
REGARDING H.B. 2301, SALES TAX EXEMPTION  
FOR BUSINESS MACHINERY AND EQUIPMENT  
THURSDAY, JANUARY 21, 1988

Thank you for this opportunity to share with you the view of the Boeing Military Airplane Company regarding the proposed sales tax exemption for business machinery and equipment.

Our Kansas economy is undergoing fundamental change, much of which is beyond the control of state and local decision makers. Oil prices and production have declined. Recovery of the farm sector has been slow and future farm sales are an unfortunate certainty. General aviation sales and manufacturing continue to wait for recovery. In addition, competition within national and international markets continues to increase.

These factors and others have made the creation and maintenance of high paying jobs an important priority for our state. The state legislature has responded with enactment of a bold and comprehensive program to revitalize and stimulate the Kansas economy. Counterproductive to this effort is the continued imposition of the state sales and use tax on the purchase of business machinery and equipment.

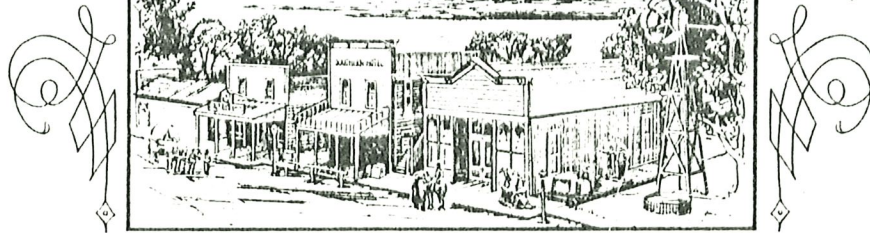
The state tax on the purchase of machinery and equipment imposes a burden on Kansas capital expenditures that is not present in most states. All other things being equal, the expansion or modernization of a Kansas manufacturing plant is more expensive than in most other states.

For Kansans, this disparity means lost job opportunities. Manufacturing jobs are becoming more capital intensive. The investment in machinery and equipment needed to create a new job or to maintain the competitive edge to secure existing jobs is rising dramatically.

A reasonable tax policy should compliment the other job development initiatives already taken by the legislature. Your support for the elimination of this anti-growth tax would be greatly appreciated.

Ronald N. Gaches  
Public Affairs Manager

# OLD COWTOWN MUSEUM



HISTORIC WICHITA-SEDGWICK COUNTY, INC.

1871 SIM PARK DRIVE  
(316) 264-0671

WICHITA, KANSAS  
67203

## OLD COWTOWN MUSEUM, AN EDUCATIONAL INSTITUTION

The Old Cowtown Museum is an educational institution, and as such, provided an educational experience for more than 90,000 visitors in 1987. Educational programs in addition to daily activities are divided into six categories:

1. School programs
2. Lectures
3. Workshops
4. Special interpretive events
5. Living history programs
6. Volunteer programs

1. Old Cowtown Museum has a long term relationship with the local school system. For example, in 1987, working in close cooperation with the Office of Museum Programs of U.S.D. 259, Old Cowtown Museum served as a classroom for 251 school groups who visited Old Cowtown Museum and participated in activities appropriate to their grade level and U.S.D. 259's curriculum.

130 groups spent a half day in Old Cowtown Museum's One Room School, experiencing school as it was taught in the 1870's. Because each teacher received a one room school curriculum packet prior to the class's visit, the teacher was able to effectively interpret an 1870's school day.

Grade level tours were provided for 121 groups. Teachers could choose from any one of the following:

- A Child's Day Tour (K-2nd grade)
- Cowboy Tour (3rd grade)
- Kansas Cowtowns (4th, 5th, and 6th grade)
- Trading and Hunting 1865-1870 (6th grade)
- The Restoration of the Munger House (Jr. and Sr. High)
- The Restoration of the Murdock House (Jr. and Sr. High)

In addition, 18 classes participated in A Child's Spring or An Old Fashioned Christmas, special events for second graders.

2. In 1987, seven morning lectures, three evening lectures, and two luncheon programs were presented on topics pertaining to the Museum's time period. These included "Daily Life in the 1870's: Women's Views," Patricia Michaelis, Curator of Manuscripts, Kansas State Historical Society and "The Fate of the Indian in the Cowtown Era," Dr. William Unrau, Professor of History, The Wichita State University.

3. Three workshops were held in 1987. Basic Blacksmithing, a two day "hands on" workshop, was taught by master blacksmith Joe De La Ronde.

Two conservation workshops, "Preservation of Historic and Artistic Works on Paper," and a "Workshop on Objects," were presented by conservators from the Rocky Mountain Conservation District.

4. Every year, several special interpretive events are presented. Designed to teach visitors about specific aspects of life in Wichita and Sedgwick County in the 1870's, the events include - An 1876 Independence Day Celebration, a re-creation of a centennial year celebration, attended by over 3,000 people; Christmas Through the Windows, a celebration of Christmas in the 1870's, with an attendance of over 6,500 and the Old Sedgwick County Fair, a re-creation of an 1870's Wichita fair, attended by over 12,000 individuals, families and school groups.

5. The Museum's living history programs are designed to teach visitors more about daily life in the 1870's. A traditional blacksmith demonstrates nineteenth century blacksmithing techniques in the Blacksmith Shop, and trained guides give tours of the 1869 Munger House and the 1874 Murdock House. On summer weekends, re-enactors recreate such activities as a Victorian funeral, a political rally, theatrical performances, and a town meeting.

Weekdays during June and July, Wichita area Girl Scouts participate in the Girl Scouts at Old Cowtown Museum. Visitors can enjoy observing the costumed scouts as they attend the One Room School, braid rugs, practice elocution, and churn butter. At the same time, the girls (and visitors) learn a great deal about life in early Wichita.

6. The Museum's volunteer programs are designed as structured learning experiences for the participants. Old Cowtown Museum Guides go through a ten hour class, with a 140 page textbook on Old Cowtown Museum and, in effect, "student teach" before graduating to give tours for visitors. Monthly meetings provide continuing education for our guides who, in turn, share their knowledge with visitors.

All that we do at the Old Cowtown Museum is tied to the institution's mission statement. It states:

The purpose of Historic Wichita - Sedgwick County, Inc. is to operate a museum to depict Wichita during the period 1865-1880.

The primary emphasis is the recreation of the atmosphere of Wichita during:

1. The trading and organization period (1865-1872) and
2. The cattle trade era (1870-1876) and
3. The period of metropolitan expansion of Wichita and the development of agrarian Sedgwick County (1872-1880).

Historic Wichita - Sedgwick County, Inc. shall collect and publish written and oral records, collect, preserve, exhibit, and interpret original artifacts and utilize authentic reproductions when necessary. As an educational organization, it shall encourage the interest of the community in accomplishing these aims. Historic Wichita - Sedgwick County, Inc. will further interpret the general history of the region as it related to Wichita and Sedgwick County.