

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 February 18, 1988 in room 519 South at the Capitol of the State of Kansas.

All members of the Committee were present.

Committee staff present:

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

Representative Shore moved, second by Representative Roe, that irrigated farmland entered in the CRP program would pay property tax on the basis of dry land farm land instead of irrigated farm land and a bill be introduced. The motion carried.

John Luttjohann, Director of Taxation Department of Revenue, spoke as a proponent for HB-2948 - AN ACT relating to sales taxation; prescribing certain duties for the department of revenue relating to letter rulings and bond and registration certificate requirements. He proposed three changes to the Kansas Retailers' Sales Tax Act - the first one a new section which would require the Department of Revenue to issue letter rulings to taxpayers, upon request, setting out the taxpayer's duties and responsibilities. The second change is an amendment that the Director of Taxation could not request a bond from a retailer until there is evidence relating to the retailer's incapability of collecting and remitting sales taxes. The third would be an amendment to HB-2948 allowing the Director to refuse to issue a sales tax certificate only when there exists a prior failure of the applicant to pay a tax due to intentional disregard of the sales tax act or fraud with intent to evade the tax. (Attachment 1) There followed discussion and questions from committee members.

Representative Tony Hensley, chairman of ²⁸⁹⁴ the Shawnee County delegation, spoke in support of HB-~~2984~~ and emphasized that Washburn must have more funds. He stated the bill should be amended to authorize an additional mill levy increase of .75 mills.

Dr. John Green, President of Washburn University, also spoke in support of the bill. Some committee members questioned him about the fact that there is no fund for upkeep -- that one should expect roofs to wear out and other repairs needed in twenty years.

David Monical spoke as a proponent -- emphasizing that it is extremely important to remove the sunset provision. He also said that it is very important to have more money for the Washburn Law School as they will be in danger of losing their present status. Mr. Monical also provided tables showing the history of mills levied by Taxing Districts, a record of the Washburn tax levy and its share of the county assessed valuation tax dollar. He provided a schedule showing Ad Valorem Tax Levy Limits and mills levied by the University. Table IV compares the 1987 Washburn mill level with mill levies in Kansas Community Colleges. (Attachment 2) He asked that HB-2894 be amended to include additional mill levy for Washburn. This concluded the public hearing on HB-~~2984~~.

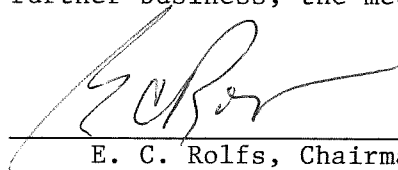
2894

Roland Smith, representing the Wichita Independent Business Association, spoke in support of HB-2948 - AN ACT relating to sales taxation; prescribing certain duties for the department of revenue relating to letters rulings and bond and registration certificate requirements. He believes the bill could be improved if the law was spelled out specifically for each business and the Department would be looked on more favorably as desiring to assist a business and not destroy it. (Attachment 3) This concluded the public hearing on HB-2948.

The committee then discussed HB-2702 and reviewed the recommended changes that were proposed on February 17. There was discussion whether protest payments should be for half or whole tax and whether such payments should be held in escrow. Chairman Rolfs asked for and received committee consensus to prevent taxpayers from paying under protest on valuation questions if they had been through the county process and maintain the current steps in place for paying under protest. He then requested Don Hayward to provide another balloon with language previously discussed, including some provision for excusable neglect and said the committee would take final action on the bill at its next meeting.

The minutes of February 17 were approved.

There being no further business, the meeting was adjourned.



E. C. Rolfs, Chairman

MEMORANDUM

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

FROM: John R. Luttjohann *JRL*
Director of Taxation
Department of Revenue

DATE: February 18, 1988

SUBJECT: House Bill No. 2948

Thank you for the opportunity to appear before you today on House Bill No. 2948.

House Bill No. 2948 proposes three changes to the Kansas Retailers' Sales Tax Act. The first change would be a new section which would require the Department of Revenue to issue letter rulings to taxpayers, upon request, setting out the taxpayer's duties and responsibilities under the Kansas retailers' sales tax act. The letter ruling must be issued within 30 days from receipt of the request and the taxpayer would have 60 days after receipt of the letter ruling to comply. In addition, these letter rulings would be available upon request by persons in similar businesses.

The second change contained in House Bill No. 2948 is the amendment to K.S.A. 79-3616. Under the amended language, the director of taxation could not request a bond from a retailer until there is evidence relating to the retailer's incapability of collecting and remitting sales taxes.

Finally, House Bill No. 2948 would amend K.S.A. 79-3608 by providing updated language and by amending the provision which describes the circumstances under which the director of taxation can refuse to issue a sales tax certificate of registration. The new language would allow the director to refuse to issue a sales tax certificate of registration only when there exists a prior failure by the applicant to pay an outstanding sales tax liability due to intentional disregard of the sales tax act or fraud with intent to evade the tax.

The Department has no problem with the issuance of letter rulings provided funding for personnel to handle such requests is provided. However, the Department does not support a provision which allows the taxpayer 60 days to comply with the contents of the letter ruling. Taken to an extreme, a taxpayer could open a grocery store and operate at least 90 days without collecting sales tax since the taxpayer did not have a letter ruling explaining what his/her duties were with respect to sales taxes. In addition, what if a taxpayer never requested a letter ruling or only requested one for a portion of the business? Would the taxpayer be absolved from collecting the required sales tax? All taxpayers are charged with a responsibility by statute to collect and remit applicable sales taxes. The pendency of a letter ruling request should not provide a legitimate excuse for a failure to fulfill that responsibility. We are treating here a symptom of a law which has become increasingly complex. If the law is too complicated to be readily understood by taxpayers, then perhaps we should explore ways to simplify the underlying statute.

We would point out that the amendment to the bonding statute would provide for posting a bond only on a showing of incapability, not a mere refusal to comply, or a demonstrated history of repeated acts of negligence. Our current increased bonding requirements resulted directly from suggestions made to the department by the Division of Legislative Post Audit.

As for the amendment to K.S.A. 79-3608, the Department does not understand why the state would want to issue another sales tax certificate of registration to a person who has an outstanding sales tax balance. Why allow the person to open and operate another retail business before paying the outstanding balance? It is also very difficult to prove someone intentionally disregarded the sales tax act or acted with fraud to evade the tax. The Department cannot support this amendment.



WASHBURN UNIVERSITY OF TOPEKA

Vice President for Planning and Governmental Relations
Topeka, Kansas 66621
Phone 913-295-6712

TO: House Committee on Taxation
FROM: David G. Monical
SUBJECT: **HOUSE BILL 2894**
DATE: February 18, 1988

On December 9, 1987 the Washburn Board of Regents approved a request to the 1988 Kansas Legislature to remove the current sunset provision on one mill of the Debt Retirement and Construction Fund, and to provide an additional one mill increase in this tax to bring the total mill levy to 3.25 mills. This decision was approved after months of deliberation and is generated because of two major factors affecting campus operations - the need for ongoing funding to maintain existing campus facilities and the need for additional funding to provide for partial construction costs of two expansions of campus facilities.

Attached is background information regarding the history and the current status of Washburn University mill levies on the City of Topeka. This information is to assist in your consideration of the University's requests for a removal of the current sunset provision on the Debt Retirement and Construction Fund and for the addition of one mill on this levy for support of two capital construction projects - Law Library Addition and KTWU Facility.

Table I shows the ad valorem tax dollar distribution for the City of Topeka for 1987-1988. As you can see, in the current tax year Washburn received 7.6 cents of each tax dollar generated from ad valorem taxes in the city. This table also shows a history of the mills levied by taxing districts in the City of Topeka from 1980 to 1987. Washburn's mill levy was fairly constant for the first three years of this decade. It increased to 13 mills for the next two years, and has been constant at 15 mills for the last three years. Between 1986 and 1987 the increase in total mills levied by other taxing districts was greater than the mill levy for Washburn University.

Table II shows the record of our tax levy in mills on the City of Topeka since 1941 and the share which Washburn has received of each tax dollar. For the 1987 current tax year, Washburn received a lower portion of the tax dollar than it has received in any year since 1983.

Table III displays our ad valorem tax levy limits and the mills levied by the University for each of its tax funds since our formation as a municipal university in 1941. You will note that our general fund mill levy limit (we are the only educational taxing entity in the state to have such a tax levy limit) has been constant at 7 mills since 1979. The mill levy

for the Debt Retirement and Construction Fund was increased by one mill, effective in 1986, but that is scheduled to sunset in 1990. This represented the first change in this levy limitation in 32 years. The only basic flexibility we have had with our mill levies in recent years has been through the Employee Benefits Fund, which provides fringe benefits for Washburn University employees.

Table IV shows a comparison between Washburn's 1987 mill levies and those for each of the 19 community colleges in Kansas. None of the community colleges have a lower general fund mill levy than Washburn. In terms of total mills levied, 15 of the 19 community colleges levy a greater number of mills than does Washburn. None of these institutions have levy limits on their general fund.

In summary, Washburn's existing levies on the City of Topeka appear to be relatively modest in comparison with the other taxing districts of the city. Tax revenues generated by the ad valorem property tax represent a smaller portion of our expenditures than for any other taxing district. Through time, Washburn's mill levies have increased very modestly and are completely under the control of the Kansas Legislature with regard to levy limits and restrictions. Similarly, Washburn's levies are relatively modest when compared to the 19 community colleges which, under state law, are funded in a similar manner.

Our ongoing maintenance needs have been well documented over the years and most recently when the Legislature provided a one mill increase for the Debt Retirement and Construction Fund during the 1985 session. However, this additional mill is scheduled to sunset at the end of the 1989 tax year. If this sunset provision is not removed the University will have 75 percent fewer dollars available for campus maintenance than is currently available. This situation will not allow the University to continue maintaining the campus at the level required for successful operation. Therefore, we hope you will, at a minimum, approve HB 2894 in its current form.

However, the University has other needs, and requests that you consider amending HB 2894 to provide an additional one mill of levy authority. This additional levy authority will allow the University to proceed with two critical capital improvement projects.

The School of Law and Law Library opened their current facility in July, 1969. Less than a decade later, in early 1978, in conjunction with the construction of the law clinic, the library was expanded by over 50 percent. The Library also occupies, for storage purposes, significant space in the old library stacks of Morgan Hall. In 1986 the American Bar Association review team cited expanded library space for both collections and support as one of the major needs of the Washburn University School of Law. The scope of this project has been under review by University officials for over two years and in the spring of 1987 a law library addition was determined to be the Number One capital improvement priority by the Washburn

University Board of Regents. Based upon current reviews this project is estimated to cost \$3,750,000.

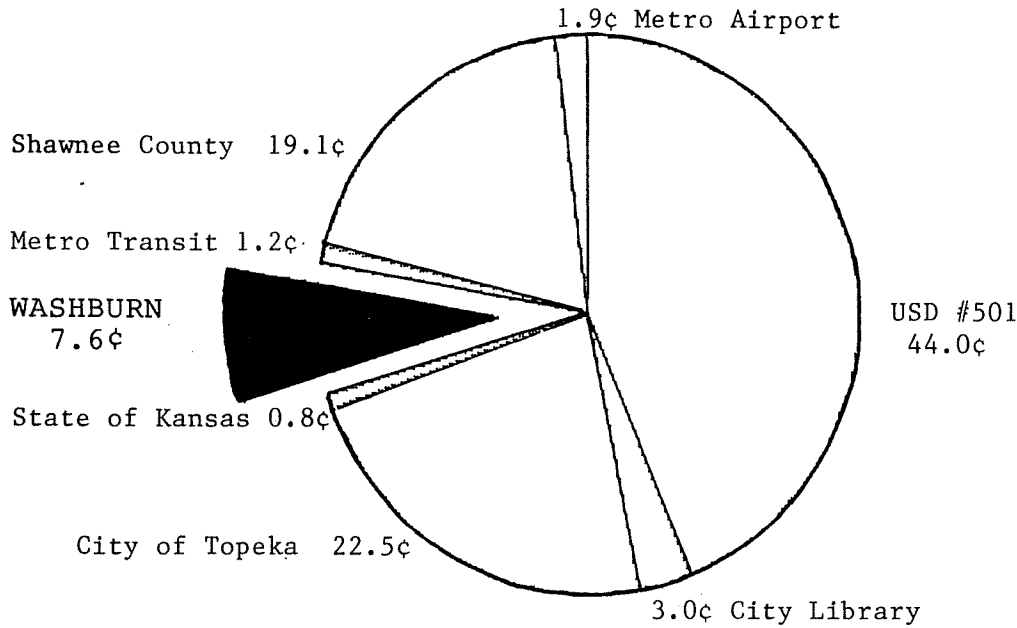
The operating facility for the University's public television station KTWU has been located at the Signal Hill site on North Wanamaker since the station's founding. Over the years, as the operation of this public information resource has expanded, the station has been housed in temporary trailers originally acquired following the tornado and subsequently moved to Signal Hill. The station's studios in the old transmitter building essentially consist of a double car garage. While the station has done an admirable job in terms of information and programming, it has outgrown its facility. Continued maintenance of temporary buildings for a modern television station has proven costly and inefficient. New facilities for KTWU have been discussed for a number of years and in a variety of configurations. After extensive committee planning and Board of Regent's review, the concept of new space for KTWU as an addition to the west side of the Henderson Learning Resources Center was approved by the Board on December 9, 1987. This will allow the administrative, production, and support facilities for KTWU to be brought to the campus where they will have the opportunity to interact more effectively with other members of the Washburn community. The estimated cost of this addition is \$1,300,000.

The University has been extremely successful in private fund raising, and is very gratified by the support provided by its alumni and friends through gifts and contributions. However, we do not feel that we can be totally successful in raising private funding for these two projects at a time when the University must continue to emphasize program and scholarship endowments, which in part offset relatively high tuition as a non-state institution. If the requested additional one mill is provided, it is the Board's intent that general obligation bonds approximating \$3.5 million be issued and that the proceeds be allocated for the law library addition (\$2.5 million) and for KTWU (\$1.0 million.) This would still require private fund raising in the amount of \$1.25 million for the law library addition and \$300,000 for KTWU.

In conclusion, we request your support for HB 2894 to remove the existing sunset provision on one mill of Washburn University's levy for the Debt Retirement and Construction Fund and your favorable consideration for amending HB 2894 to provide an additional one mill in levy authority for the University.

TABLE I

AD VALOREM TAX DOLLAR DISTRIBUTION
City of Topeka 1987-88



History of Mills Levied by Taxing Districts
1980 to 1987

Taxing District	1980	1981	1982	1983	1984	1985	1986	1987
USD #501	60.95	67.09	66.15	63.08	67.17	64.58	76.10	87.50
City of Topeka	44.56	47.85	40.74	40.74	40.74	38.28	39.44	44.80
Shawnee County	26.02	27.46	28.28	32.93	33.50	32.96	33.73	37.89
WASHBURN UNIVERSITY	9.87	9.83	9.96	13.86	13.42	15.19	15.04	15.20
City Library	4.12	4.39	4.69	5.06	5.24	5.43	5.38	5.92
State of Kansas	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Metro Transit Authority	1.21	1.45	1.45	1.44	1.45	1.42	2.36	2.35
Metro Airport Authority	1.78	1.78	1.78	4.51	2.78	2.90	2.41	3.73
Total	150.01	161.35	154.55	163.12	165.80	162.26	175.96	198.89

TABLE II

TAX LEVIES

A record of the Washburn tax levy and its share of the county assessed valuation tax dollar is:

<u>Tax Year</u>	<u>City of Topeka Valuation</u>	<u>Washburn Levy in Mills</u>	<u>Washburn's Share of Tax Dollar</u>
1987	\$380,979,687(1)	15.20	7.6¢
1986	378,197,371(1)	15.04	8.5¢
1985	358,725,673(1)	15.19	9.4¢
1984	343,753,254(1)	13.420	8.1¢
1983	331,606,103(1)	13.860	8.5¢
1982	313,242,230(1)	9.960	6.4¢
1981	303,684,444(1)	9.830	6.1¢
1980	292,945,372(1)	9.870	6.6
1979	322,719,235	8.380	6.0
1978	304,103,059	7.680	5.7
1977	295,506,510	5.970	4.8
1976	281,521,242	5.560	4.9
1975	272,703,955	5.500	4.8
1974	262,227,517	5.400	4.8
1973	244,701,180	5.400	5.0
1972	230,238,931	5.441	4.5
1971	267,264,704	4.57	4.4
1970	184,081,768	6.07	4.3
1969	170,532,973	6.10	4.5
1967	154,097,697	5.83	4.4
1965	148,529,631	6.00	4.8
1963	140,151,851	6.00	5.4
1961	134,435,841	6.00	6.0
1959	130,149,337	6.00	6.5
1957	116,238,641	5.44	6.9
1955	100,356,287	4.69	6.8
1954	99,569,835	4.55	7.2
1953	97,530,134	3.92	6.4
1951	91,681,782	3.92	6.3
1949	83,906,053	2.65	5.6
1947	76,068,673	2.60	5.7
1945	71,305,698	2.19	5.5
1943	70,280,222	2.05	5.1
1941	72,194,783	2.15	4.8

(1) excludes motor vehicles

TABLE III

WASHBURN UNIVERSITY OF TOPEKA
Ad Valorem Tax Levy Limits and Mills Leved by University
1942 -- 1988

FOR FISCAL YEAR:	GENERAL FUND		DEBT RETIREMENT & CONSTRUCTION		EMPLOYEE BENEFIT CONTRIBUTION FUND		LIABILITY EXPENSE FUND		TOTALS	
	Limits*	Actual Levy	Limits	Actual Levy	Limits	Actual Levy	Limits	Actual Levy	Limits	Actual Levy
1941-42	2.00	1.95	.25	.20					2.25	2.15
1942-43	2.00	1.80	.25	.25					2.25	2.05
1943-44	2.00	1.80	.25	.25					2.25	2.05
1944-45	2.00	1.70	.25	.25					2.25	1.95
1945-46	2.50	1.94	.25	.25					2.25	2.19
1946-47	2.50	2.10	.25	.25					2.75	2.35
1947-48	2.50	2.10	.50	.50					3.00	2.60
1948-49	2.50	2.10	.50	.50					3.00	2.60
1949-50	3.00	2.15	.50	.50					2.50	2.65
1950-51	3.00	2.65	.50	.50					3.50	3.15
1951-52	4.00	3.42	1.00	.50					5.00	3.92
1952-53	4.00	3.22	1.00	.47					5.00	3.69
1953-54	4.00	3.42	1.25	.50					5.25	3.92
1954-55	4.00	3.55	1.25	1.00					5.25	4.55
1955-56	4.00	3.69	1.25	1.00					5.25	4.69
1956-57	4.00	3.69	1.25	1.00					5.25	4.69
1957-58	5.00	4.19	1.25	1.25					6.25	5.44
1958-59	5.00	4.19	1.25	1.25					6.25	5.44
1959-60	5.00	4.75	1.25	1.25					6.25	6.00
1960-61	5.00	4.73	1.25	1.25					6.25	5.98
1961-62	5.00	4.75	1.25	1.25					6.25	6.00
1962-63	5.00	4.75	1.25	1.25					6.25	6.00
1963-64	5.00	4.75	1.25	1.25					6.25	6.00
1964-65	5.00	4.75	1.25	1.25					6.25	6.00
1965-66	5.00	4.75	1.25	1.25					6.25	6.00
1966-67	5.00	4.75	1.25	1.25					6.25	6.00
1967-68	5.00	4.615	1.25	1.215					6.25	6.00
1968-69	5.00	4.85	1.25	1.25					6.25	5.83
1969-70	5.00	4.85	1.25	1.25					6.25	6.10
1970-71	5.00	4.82	1.25	1.25					6.25	6.10
1971-72	5.00	3.632	1.25	.938					6.25	6.07
1972-73	5.00	4.317	1.25	1.124					6.25	4.57
									6.25	5.441

TABLE III

WASHBURN UNIVERSITY OF TOPEKA
Ad Valorem Tax Levy Limits and Mills Leved by University
1942-1988

FOR FISCAL YEAR:	GENERAL FUND		DEBT RETIREMENT & CONSTRUCTION		EMPLOYEE BENEFIT CONTRIBUTION FUND		LIABILITY EXPENSE FUND		TOTALS	
	Limits*	Actual Levy	Limits	Actual Levy	Limits	Actual Levy	Limits	Actual Levy	Limits	Actual Levy
1973-74	5.00	4.280	1.25	1.120					6.25	5.40
1974-75	5.00	4.280	1.25	1.120					6.25	5.40
1975-76	5.00	4.350	1.25	1.15					6.25	5.50
1976-77	5.00	4.400	1.25	1.162					6.25	5.562
1977-78	5.00	4.719	1.25	1.25					6.25	5.969
1978-79	7.00	4.710	1.25	1.25	N/A	1.72			N/A	7.68
1979-80	7.00	5.70	1.25	1.25		1.43			N/A	8.38
1980-81	7.00	6.70	1.25	1.25		1.79			N/A	9.87
1981-82	7.00	6.596	1.25	1.25		1.828	N/A	0.13	N/A	9.83
1982-83	7.00	6.614	1.25	1.25		1.92		0.156	N/A	9.83
1983-84	7.00	6.587	1.25	1.25		5.948		0.176	N/A	9.96
1984-85	7.00	6.495	1.25	1.25		5.58		0.075	N/A	13.86
1985-86	7.00	6.38	2.25**	2.21		6.07		0.095	N/A	13.42
1986-87	7.00	6.14	2.25	2.17		6.10		0.53	N/A	15.19
1987-88	7.00	6.35	2.25	2.25		6.08		0.63	N/A	15.04
								0.52	N/A	15.20

Footnotes:

- * -- Local Ad Valorem Tax Reduction (LAVTR) included.
- ** - This levy increased by one mill for five years, reverts back to 1.25 mills after 1989-90

TABLE IV

Kansas Community Colleges
1987 Mill Levies

College	Gen.	Cap Outlay	Vocat Ed	Bond & Int	Adult Ed	Employ Benef	Spec Assess	Total
Allen County	8.87	1.00	1.98	0	0	3.06	0	14.91
Barton County	14.01	0	1.98	0.29	0	5.05	0	21.33
Butler County	9.06	1.01	2.02	0	0	4.52	0	16.61
Cloud County	16.08	0	2.00	0	0	6.20	0	24.28
Coffeyville	19.18	0	1.98	1.39	0	3.72	0	26.27
Colby	14.56	0	2.00	0	0	5.39	0	21.95
Cowley County	8.85	0.99	0	0.49	0	2.18	0.09	12.60
Dodge City	13.50	1.00	1.99	0	0.25	4.07	0	20.81
Fort Scott	16.12	0	2.16	0	0	0.98	0	19.26
Garden City	8.22	1.00	2.00	0	0	1.32	0	12.54
Highland	22.15	1.14	2.29	2.05	0	9.92	0	37.55
Hutchinson	14.51	2.00	2.00	0	0	0	0	18.51
Independence	18.95	0	2.00	1.15	0.25	4.48	0	26.83
Johnson County	8.84	1.99	1.99	0.22	0	2.15	0.07	15.26
Kansas City	8.92	1.98	1.99	0	0	2.02	0	14.91
Labette County	17.77	0	2.00	0	0	3.71	0	23.48
Neosho County	18.22	1.10	2.20	0	0	0.76	0	22.28
Pratt	16.34	1.00	2.00	0	0	0	0	19.34
Seward County	13.24	0.71	1.95	1.10	0	2.36	0	19.36
WASHBURN	6.35	2.25	0	0	0	6.08	0.52 *	15.20
Community Colleges								
Mean (Gen. Fund)		14.07						
Median (Gen. Fund)		14.51						

* Liability Expense Fund

12/14/87



WICHITA INDEPENDENT BUSINESS ASSOCIATION

Riverview Plaza • Bldg. 200 • Suite 5 • 2604 W. 9th St. at McLean Blvd. • Wichita, Kansas 67203
(316) 943-2565

February 18, 1988

STATEMENT TO: House Committee on Taxation

FROM: The Wichita Independent Business Association

SUBJECT: HB2948

Chairman Rolfs, members of the committee and staff, I am Roland Smith, Executive Director for the Wichita Independent Business Association. I am appearing in support of HB2948 as it addresses some of the problems we have discussed with this committee and the interim committee last summer. The proposed provisions in this bill should benefit both the Department of Revenue as well as many businesses who desire to comply with the laws of the state if only they were spelled out specifically for their business. The department would be looked on more favorably and as one desiring to assist a business not destroy it.

New Section 1: The Department of Revenue in public statements before the interim committee and this committee, have committed the Department of Taxation to the private letter ruling concept where a business will be given a letter spelling out the areas in which that business is to collect the Kansas Sales and Compensating Use Taxes. These letters would not be issued unless requested by the business. This is a good concept and we believe it should be spelled out in the statutes with some additional provisions to make it even more workable. First, that the department should respond to the request within 30 days. The department stated before this committee that they would respond in two to three weeks, however, this currently is not being done in those cases we are aware of. Also the business should be given 60 days to get their house in order and notify their clients and customers of the additional costs they will incur. Businesses that are clearly retail with over-the-counter type sales would not have this problem, but with the broadening of the tax base into questionable areas of service, it does present a problem. At the present time, when a business applies for a tax number they are being told to start on the day they apply without the benefit of a private letter ruling that would tell them for sure where they need to collect the tax. Those in the advertising field were told to follow the information guide 19-87-3. This is the same information in regulation 92-19-80 currently under revision and still is confusing to the trade. We are meeting with the department officials today at 2 o'clock to discuss the revised draft of that specific ruling. The major problem with starting on the application date is that the business would be unable to collect tax on the current work in-house especially when under a bid. One construction business inquired about a new large contract he had just received, which might cause him to lose his margin of profit, if in fact, it were taxable. He was not aware he might be performing taxable services until the publicity WIBA received in the newspapers and television about working in the sales tax area on services. I instructed him to contact the Revenue Department as soon as possible to determine his tax liability.

Making these rulings available to other businesses in the same or similiar businesses would insure more uniform rulings. The big argument against this is that in complex situations businesses may appear to have the same operation, but because of slight differences would require a different ruling. If the private letter ruling is spelled out properly this would not be the case. This, we believe, would cause the Revenue Department to be specific and more efficient.

Section 2: The judgement on who should post a sales tax bond would remain with the Director of Taxation, however, it would require documentation to justify the decision. Why penalize the vast majority of incorporated businesses requesting a sales tax registration numbers for a few who do not pay?. There are statutes authorizing collection from the non-pay corporation officers. If adequate home work is done with credit checks etc., in the beginning, collections will improve. Insisting that all have to post a bond or CD is unreasonable. There are some exceptions to the current policy that were passed into law in 1986, but that law does not address the people in serious retail operations. If the current practice continues we will continue to lose new small businesses to other states. The large chain stores and well-financed retailers have no problem with the current requirements, but to the small independent, with little working capital, it makes it almost impossible to do business in Kansas. We continually hear about promoting economic development, but if the current practice was in effect when Pizza Hut started with \$500 and had incorporated they would not have gotten off the ground. To foster economic development, government needs to take some risks just as the private sector has to. The current policy is a hard, fast, guaranteed payment policy that the business community is not entitled to or expects to ever be entitled to. WIBA does not believe the current policy is fair and would request your careful consideration of the matter. The current policy is actually a stumbling block to creating new, small retail businesses in Kansas.

Section 3: This section would protect the business who unknowing should have been collecting the sales tax and provide the business a clean start. If the tax base continues to be broadened as it has in the past few years by regulations, many small businesses will be required to pay back taxes and penalties on services not before taxable and will be forced out of business. To date, we have not found any real solutions to the expansion of the tax base on services other than adding some exemptions which just delays the real problem when applying the tangible personal property application of the current law. The Department of Revenue has stated before this committee that they are interested in looking forward instead of back and that is greatly appreciated. WIBA does not support the business who knowingly does not collect the sales tax or collects it and does not pay it to the state. Unless there is fraud or intentional disregard for the law, we believe that the business should get a clean start. In practice, the department says it is now doing this and WIBA would like to see it in the statutes to insure future compliance.

It is our hope that after all that has been said on this subject, you will be able to approve this bill for passage. Thank you again for the opportunity to work with you on this important matter.

I would be glad to answer any questions you might have.