

Approved March 29, 1988
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT & TAXATION

The meeting was called to order by Senator Fred A. Kerr at
Chairperson

11:00 a.m./p.m. on March 28, 1988 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Tom Severn, Research
Chris Courtwright, Research
Don Hayward, Revisor's Office
Sue Pettet, Secretary to the Committee

Conferees appearing before the committee:

Lola Warner, State Conservation Commission
Harley Duncan, Department of Revenue
Rich McKee, Kansas Livestock
Paul Fleener, Kansas Farm Bureau
Wilbur Leonard, Comm. of Ks. Farm Organization
Rich Jones, Ks. Assoc. of Conservation Districts
Ron Hein, Ks. Advertising Coalition
Kathryn Dysart, Wichita Public Schools
Roland Smith, Wichita Independent Business Assoc.

Chairman Kerr called the meeting to order and announced the agenda for the day to be a hearing on S.B. 446.

SENATE BILL 446

Lola Warner testified. (Att. 1) She stated that the 1985 Food Security Act provides a major national emphasis on acreage reduction and soil conservation. One provision of the FSA is the Conservation Reserve Program, (CRP), whereby landowners can, when the land meets the criteria, take highly erodible land out of production and seed it to grass or plant trees. She said that because of this program, there has been a tremendous demand for grass seed, which in turn has resulted in an increase in price per pound. Her organization supports exempting the grass seed sales from sales tax.

She said the State Conservation Commission requested some changes in the bill, (see Att. 1) In response to a question, she said that the amendments they are requesting are the same as adopted in H.B. 2626.

Secretary Harley Duncan testified. (Att. 2) He stated that the Department supports S.B. 446, which exempts from the Kansas Sales Tax grass seed and other items used to prevent soil erosion on land devoted to the federal Conservation Reserve Program.

He stated the differences between S.B. 446 and H.B. 2626. He said they are:

1. The treatment of tree seedlings.
2. The treatment of "services" used to apply the fertilizer, etc.
3. Refund of tax paid to date on such items.
4. Limitation to Conservation Reserve Program.

In response to a question, Secretary Duncan stated that the Department supported H.B. 2626 after amendments.

Rich McKee testified. (Att. 3) He stated that KLA supports S.B. 446. He stated that he disagrees with the Department's ruling that grass seed for the CRP program is different because it is not used to produce plant products for resale.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT & TAXATION

room 519-S, Statehouse, at 11:00 a.m. ~~4:30~~ on March 28, 1988

Wilbur Leonard testified. (Att. 4) He stated that his organization wished to submit an amendment that would add the words "agricultural purposes" on line 369 after the words "used for", and strike through lines 371 ending with the word "program." He said this does not involve a tax loss since no sales tax revenue was generated before the attempt to tax all seeds, fertilizers and agricultural chemicals used for producing plants on lands devoted to the federal conservation program.

Paul Fleener testified. (Att. 5) He stated that his organization supports the new language stating that the CRP program be exempt from the Kansas sales tax. Mr. Fleener also gave his testimony on S.B. 738 since there was a shortage of time on Friday, March 25. Mr. Fleener stated that they also supported S.B. 738, which would exempt machinery and equipment. He urged consideration of including "agriculture" in the exemptions from the sales tax for machinery and equipment.

Richard Jones testified. (Att. 6 & 7) He said that conservation districts provide assistance to landowners and operators for the protection and improvement of their soil, water, plant and animal resources. He stated that the conservation reserve program is an important program for Kansas farmers and ranchers. The Kansas Assoc. of Conservation Districts do not believe that sales tax should be assessed to the cost of this program and urges passage of S.B. 446 with the included exemption of sales tax for all agricultural cost involved.

Ron Hein testified on the general issue of sales taxes. He stated that if the legislature is going to consider taxing advertising agencies in general he opposes it.

Kathryn Dysart testified. (Att. 8) She stated that many educational "helps" used in the Wichita School Districts are taxed, thus placing a burden on their budget. Some are:

1. Vocational or industrial art supplies.
2. Rental of musical instruments.
3. Sales and Rentals of school uniforms, such as pep squads, drill teams, etc.
4. Activity tickets.
5. Locks on school lockers.

She said that she felt the students were being charged sales tax on materials and participation in events that are a valid part of their education. She asked that the exemption be extended to contain "all sales or rentals of nonsectarian textbooks, uniforms, instruments, or material used for educational purposes by a public or private elementary schools." This language is contained in H.B. 2626, as passed by the House of Representatives, on lines 498 through 500 of page 14.

Roland Smith testified. He requested an amendment on lines 766 through 768 asking for fairness of all those doing the same types of advertising services to receive equal treatment.

Senator Thiessen moved to adopt the minutes of the March 25th meeting. Senator Karr seconded. Motion carried.

Meeting adjourned.



State Conservation Commission

109 S.W. 9th Street, Room 300

Telephone (913) 296-3600

Topeka, Kansas 66612

Senate Assessment and
Taxation Committee
Senate Bill No. 446
March 28, 1988

Testimony by:
Kenneth F. Kern
Executive Director

The State Conservation Commission has administrative responsibilities for the 105 conservation districts that were organized according to K.S.A. 2-1901 et. seq., the Conservation District Law.

The conservation districts were organized to provide local leadership in the conservation of our natural resources.

The 1985 Food Security Act (FSA) provides a major national emphasis on acreage reduction and soil conservation. One provision of the FSA is the Conservation Reserve Program (CRP), whereby landowners can, when the land meets certain criteria, take highly erodible land out of production and seed it to grass or plant trees. The United States Department of Agriculture (USDA) through Agricultural Stabilization and Conservation Service (ASCS), will cost-share up to fifty percent on the establishment of permanent cover. The USDA will also pay ten annual rental payments for the CRP acreage based on the rental payment submitted by the applicant. The landowner cannot harvest the cover crop during the ten-year period.

As a result, there has been a tremendous demand for grass seed for the 2,000,000 acres of highly erodible land that has been accepted in the CRP. The demand for seed and a resulting increase in price per pound has placed an added financial burden on landowners.

Seventy-two conservation districts have been involved in providing grass seed as a service to landowners in their districts as authorized by K.S.A. 2-1908(6). The districts have charged a mark-up of five to ten percent to recover cost of handling. In one instance, a higher markup is charged, and the districts have developed a conservation district land treatment cost-share program with the revenues. Several districts provide a discount for payment by a certain time.

The State Conservation Commission recommends that SB 446 be amended to read as follows:

(mm) all sales of seeds and tree seedlings; fertilizers, insecticides, herbicides, germicides, pesticides and fungicides; and services, purchased and used for the purpose of producing plants in order to prevent soil erosion on land devoted to agricultural use which is subject to the federal conservation reserve program.

We also recommend a new section to read:

New Sec. 4. (a) The retailers' sales tax paid pursuant to the Kansas retailers' sales tax act on the sale of seeds and tree seedlings; fertilizers, insecticides, herbicides, germicides, pesticides and fungicides; and services, purchased and used for the purpose of producing plants in order to prevent soil erosion on land devoted to agricultural use which is subject to the federal conservation reserve program shall be refunded as provided in this section.

(b) Each claim for refund of sales tax paid shall be verified and submitted to the director of taxation within one year after the effective date of this act upon forms furnished by the director and shall be accompanied by any additional documentation required by the director. The director shall review each claim and shall refund within 90 days after receipt of such claim that amount of sales tax paid as determined pursuant to this section. All refunds shall be paid from the sales tax refund fund upon warrants of the director of accounts and reports pursuant to vouchers approved by the director.

With these changes to the original bill, the State Conservation Commission supports Senate Bill No. 446 because:

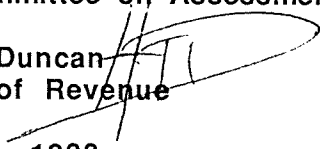
1. The collection of sales tax retroactive to the beginning of the program in March of 1986 would be a major financial burden for the conservation districts. Payment of the tax would probably require additional tax funds from the county commissioners in many cases.
2. A number of programs are in place to control soil erosion. Now that a program is in place to remove for a ten-year period the highly erodible land from production, a tax burden has been added in establishing the cover crop.
3. Controlling erosion on highly erodible land through the CRP will assist the state in providing for water quality improvements to our streams and lakes.

The Commission requests your support for the amendments to Senate Bill No. 446.

KANSAS DEPARTMENT OF REVENUE
Office of the Secretary
Robert B. Docking State Office Building
Topeka, Kansas 66612-1588

MEMORANDUM

TO: The Honorable Fred A. Kerr, Chairman
Senate Committee on Assessment and Taxation

FROM: Harley T. Duncan 
Secretary of Revenue

DATE: March 28, 1988

RE: House Bill 2650

Thank you for the opportunity to appear before you on SB 446 which exempts from the Kansas Sales Tax grass seed and other items used to prevent soil erosion on land devoted to the federal Conservation Reserve Program. The Administration supports enactment of SB 446.

It has long been the law of this state that other types of agricultural seeds are exempt from tax in that they are consumed in the production of other products which are resold at retail. This is precisely how other items consumed in the production of non-agricultural products are treated. It seems reasonable to extend this principle to land devoted to the Conservation Reserve Program given the extraordinary circumstances facing our agricultural industry.

There are several differences between SB 446 and the counterpart provision contained in HB 2626. Those are:

- The treatment of tree seedlings -- Exempted in House version, not in SB 446.
- The treatment of "services" used to apply the fertilizer, etc. -- Exempted in the House version, not in SB 446.
- Refund of tax paid to date on such items -- Provided in House version, not in SB 446.
- Limitation to Conservation Reserve Program -- The House Committee of the Whole amended the bill to allow the exemption to apply to all of the named items used to prevent soil erosion on land devoted to agricultural use, not just CRP land.

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

General Information (913) 296-3909
Office of the Secretary (913) 296-3041 • Legal Services Bureau (913) 296-2381
Audit Services Bureau (913) 296-7719 • Planning & Research Services Bureau (913) 296-3081
Administrative Services Bureau (913) 296-2331 • Personnel Services Bureau (913) 296-3077

A & T

3/29/88
Att. 2



2044 Fillmore • Topeka, Kansas 66604 • Telephone: 913/232-9358
Owns and Publishes The Kansas STOCKMAN magazine and KLA News & Market Report newsletter.

STATEMENT
OF THE
KANSAS LIVESTOCK ASSOCIATION
IN SUPPORT OF
SENATE BILL 446
BEFORE THE SENATE ASSESSMENT AND TAXATION COMMITTEE
SENATOR FRED KERR, CHAIRMAN
PRESENTED BY
RICH MCKEE
EXECUTIVE SECRETARY, FEEDLOT DIVISION
MARCH 28, 1988

The Kansas Livestock Association (KLA) is a trade organization made up of nearly 10,000 members located in all of the 105 counties. KLA, founded in 1894, has members who are actively involved in numerous aspects of livestock production that include cow-calf/stocker producers, feeders, sheep producers, swine operators, and general farming and ranching enterprises. At the 75th Annual Convention (December 2-4, 1987), KLA members voted to support legislation exempting seed and inputs, for the Conservation Reserve Program, from sales tax.

Mr. Chairman and members of the committee, I'm Rich McKee with the Kansas Livestock Association. Our organization believes the purchase of seeds and other inputs, for land in the Conservation Reserve Program (CRP), should be exempt from sales tax. Therefore, we support the passage of SB 446.

KSA 79-3606(m) provides for the exemption of agricultural seed. As I understand, the department has ruled that grass seed for the CRP program is different because it's not used to produce plant products for resale.

disagree with the ruling. Yes, the federal law prohibits haying and grazing on CRP acres during the 10 years of the contract. However, the forage produced from CRP acres will likely be utilized in beef production in the form of pastures or hay land.

There is one exception to this haying and grazing provision. The 1985 Farm Bill specifically allows USDA to authorize haying and grazing under emergency situations. This would usually be a severe drought. If we have a very dry summer, the Secretary of Agriculture could announce that all CRP land could be grazed so cattle owners would have another food source to hold off herd liquidations. My point here is, even if haying and grazing is prohibited for 10 years, there always remains the possibility that CRP land would be opened up for agricultural use. It would be no different than purchasing grass seed to plant pastures for immediate use.

The Kansas Soil Conservation Service specifies that grass planted in this program must be seeded between December 1 and May 15. Consequently, there are a lot of farmers and ranchers (CRP participants) who are ready to purchase the seed for immediate planting. I know they would like a firm commitment by the legislature as soon as possible. Furthermore, some seed dealers are charging the sales tax now on seed that is being purchased. It looks to me like the department would have fewer refund requests the sooner the legislation is passed and signed.

I've heard various per acre costs for the approved mixtures of grass seed. Some have quoted as high as \$75.00 per acre. Assuming \$75.00 per acre on seed and the 4% tax rate, you'll find this amounts to an even \$3.00 per acre additional cost. It's essential to know all costs before you make a bid. This \$3.00 per acre does not include additional inputs that could also be subject to sales tax if SB 446 isn't passed. Promptly passing SB

446 would be a very clear and appropriate signal to send farmers and ranchers. February 1 is an important date to consider.

All farmers and ranchers are competing with their neighbors and producers in other states. They realize that it's the least cost producer that will likely survive. I don't think it's the intent of the legislature to place Kansas farmers and ranchers at a \$3.00 per acre competitive disadvantage to producers in other states. Thanks for letting us testify before the committee again and we urge you to approve SB 446. Thank you!

Committee of . . .

Kansas Farm Organizations

Wilbur G. Leonard
Legislative Agent
109 West 9th Street
Suite 304
Topeka, Kansas 66612
(913) 234-9016

TESTIMONY IN SUPPORT OF SENATE BILL NO. 446

BEFORE THE SENATE COMMITTEE ON ASSESSMENT

AND TAXATION

March 28, 1988

Mr. Chairman and Members of the Committee:

I am Wilbur Leonard, appearing for the Committee of Kansas Farm Organizations.

It is an understatement to say that many of our member associations have a direct interest in whether the Kansas sales tax should be collected on the sales of seeds, fertilizers and agricultural chemicals.

Although we have had a sales tax for more than a half century these items used on farms and ranches to produce grain, fiber and meat or to enhance the fertility of the soil have been exempted on the ground that such items are consumed in the production of agricultural products.

Admittedly, the ultimate determination of any sales tax exemption rests with the legislature. We submit that the most rational solution to this issue is to continue the exemptions which have been recognized since 1937, by amending Senate Bill No. 446, as follows:

0367 (mm) all sales of seeds, and fertilizers, insecticides, herbi-
0368 cides, germicides, pesticides and fungicides, purchased and
0369 used for ~~the purpose of producing plants in order to prevent soil~~
0370 ~~erosion on land devoted to agricultural use which is subject to~~
0371 ~~the federal conservation reserve program.~~

agricultural
purposes.

In view of the present tax philosophy, is a Douglas county farmer whose corn crop is completely flooded out expected to pay compensating tax on the seed, fertilizers and herbicides used on the destroyed field? Is the soybean farmer who plows under a hail ravaged crop required to do likewise? How can any farmer, at planting time, be certain of the acreage he will ultimately harvest?

A & T

3/28/88

Att. 4

We're not suggesting that items such as lawn seed and fertilizer, shrubbery, or seeds and chemicals for home gardens, all of which are now taxable, should be transferred to the exempt category. In other words, our position is simply to make it clear to the department of revenue that it is the sense of the legislature that the recognized agricultural exemptions be continued.

This does not involve a tax loss since no sales tax revenue was generated before the attempt to tax all seeds, fertilizers and agricultural chemicals used for producing plants on lands devoted to the federal conservation program.

We urge the Committee to make clear the long recognized exemption of these ingredients for agricultural production.

Thank you for this opportunity to present our views.



PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT AND TAXATION

Re: **S.B. 446 - Concerning exemption from the sales tax for seed used for certain purposes**

S.B. 738 - Relating to sales tax exemption for business machinery and equipment

March 28, 1988
Topeka, Kansas

Presented by:
Paul E. Fleener, Director
Public Affairs Division
Kansas Farm Bureau

Mr. Chairman and Member of the Committee:

My name is Paul E. Fleener. I am the Director of Public Affairs for Kansas Farm Bureau. We appreciate the opportunity to address your Committee today on the issue of **sales tax exemptions**.

We first want to address S.B. 446. We want you to know we **strongly support** S.B. 446. Our farmers and ranchers took a solid position on the topic of this legislation, amending our sales tax policy statement (a copy of which is attached) at the most recent annual meeting (November 30 - December 1, 1987) of Kansas Farm Bureau. The new language on this topic says:

"We will support legislation to make it clear that grass seed used in agriculture, including the Conservation Reserve Program (CRP), is exempt from the Kansas sales tax."

Frankly, we felt it was fairly clear under K.S.A. 79-3602 et. seq. that seeds and seedlings are exempt under existing law. That interpretation has not been given

Therefore, we support and urge your favorable consideration of S.B. 446.

For the past two Sessions of the Kansas Legislature, **Economic Development** has been upper most in the minds of Legislators. A package of bills passed this Legislature two years ago. Additional economic development measures were enacted in 1987. One of the planks of economic development sought by business and industry in Kansas is the sales tax exemption on business machinery and equipment. We have no problem with the exemption of business machinery and equipment. We simply come before you today to ask you as you consider this issue to remember the number one business ... the number one industry in the State of Kansas, **AGRICULTURE**.

On January 12, 1988, Governor Mike Hayden addressed a Joint Session of the Kansas Legislature to deliver a "State Of The State" Message. Before he was very far along in his message to you, the Governor spoke of the need for "a balanced budget," followed by an admonition cautioning you on a "restraint on spending." The Governor then addressed what he called "significant income tax cuts."

Following his discussion on Tax Reform, the Governor then said this:


I am also recommending major reforms in our business tax code. We live in a highly competitive environment. Our tax laws must not place Kansas at a disadvantage.

Among these business tax reforms, I am recommending that the purchase of new manufacturing machinery and equipment be exempted from the sales tax. Most states

already offer such an exemption. By taking this action, we send a strong signal to Kansas business that we want them to remain and expand in Kansas. Our goal is to create economic opportunities and jobs for our children and grandchildren.

The issue of sales tax exemption for business machinery and equipment was the topic of study by the Interim Committee on Assessment and Taxation in the summer and fall of 1987. At that same time, farmers and ranchers were looking at public policy issues and making a determination as to where they would stand ... or, more appropriately, the direction in which they would like to see this state move to create economic opportunity and economic development incentives.

Among the things discussed at our 1987 Annual Meeting was the sales tax in the State of Kansas, and the sales tax imposed by the local units of government. Our policy position was amended and strengthened. The portion of the resolution which relates to S.B. 738 says this:

 **If the public policy in Kansas is to promote economic development through sales tax exemptions for business and industrial machinery and equipment, we believe it is essential to grant that exemption to all machinery and equipment purchased for agriculture, the number one business and industry in the State.**

Mr. Chairman, and Members of the Committee, if it is the intention of the Kansas Legislature to grant an exemption for business machinery and equipment we urge you to give **favorable** consideration to including in that exemption the machinery and

equipment used in the number one industry of the State of Kansas ... agriculture.

It is our understanding the fiscal note on the exemption of manufacturing equipment, only, is \$16 million. The fiscal impact of providing an exemption for farm machinery ... **NEW** farm machinery and equipment ... would be \$5.5 million. We obtained these figures from the Legislative Research Department which, together with the Revenue Department on November 20, 1987 gave those exact same figures to the Interim Committee on Taxation as the cost of providing the exemptions under discussion.

Mr. Chairman, and Members of the Committee, let me give you brief additional quotations from the Governor's message of January 12, 1988. Near the end of his presentation to you, the Governor said:

The future of our rural communities is another major concern. Rural communities in Kansas are losing population at an alarming rate.

It is time that small towns and farm communities get the attention they deserve from state government.

We agree with the Governor. It is certainly time that small town Kansas, farm communities in Kansas, and the State's number one industry ... **AGRICULTURE** ... gets the attention deserved from state government. **We urge you to include agriculture in your consideration of an exemption from the sales tax for machinery and equipment.** Agriculture has been in the doldrums for the past seven years. Rural communities have been suffering in Kansas. Help the people of this state who provide the food and fiber, the farmers and ranchers in Kansas, by providing an exemption from the sales tax on purchases of new farm machinery and equipment.

We thank you for the opportunity to appear before your Committee today. I would be pleased to respond to any questions.

Sales Tax

State. All citizens are consumers of food and are uniformly taxed on the food they purchase. We oppose legislation to exempt food from the state sales tax.

Kansas should require out-of-state mail order companies to collect and remit to Kansas the sales or use taxes applicable within Kansas.

We support legislation which would permit Kansas to litigate in cooperation with other states to close a loophole created in the 20-year old Supreme Court decision, *National Bellas Hess v. Illinois Department of Revenue*.

If the public policy in Kansas is to promote economic development through sales tax exemptions for business and industrial machinery and equipment, we believe it is essential to grant that exemption to all machinery and equipment purchased for agriculture, the number one business and industry in the state.

We will support legislation to make it clear that grass seed used in agriculture, including the Conservation Reserve Program (CRP), is exempt from the Kansas sales tax.

Local. We support an amendment to the local retailer's sales tax statute as it relates to motor vehicles. The local sales tax on motor vehicles should be collected by the county treasurer at the time of registration of the vehicle, and situs for the local sales tax should be the residence or business location of the registrant.

SENATE COMMITTEE ON ASSESSMENT AND TAXATION

March 28, 1988

Testimony on Senate Bill No. 446 - an act relating to sales taxation; exempting purchases of seed used for certain purposes.

I am Richard Jones, Executive Director of the Kansas Association of Conservation Districts.

The Kansas Association of Conservation Districts represent the 105 county conservation districts in Kansas. Conservation Districts provide assistance to landowners and operators for the protection and improvement of their soil, water, plant and animal resources. Conservation Districts are governed by a five member board of supervisors made up of local farmers and ranchers.

The Kansas Association of Conservation Districts supports the exemption of Kansas sales tax from all sales of seeds and tree seedlings; fertilizers, insecticides, herbicides, germicides, pesticides and fungicides; and services, purchased and used for the purpose of producing plants in order to prevent soil erosion on land devoted to agricultural use which is subject to the federal conservation reserve program.

The federal conservation reserve program is part of the Food Security Act of 1985. It was passed by the U. S. Congress to reduce erosion on some of the nations most highly erodible lands by establishing a vegetative cover on such lands. The same products being used for agricultural production that are presently exempt from Kansas sales tax are used to establish grass or trees on conservation reserve program lands. In most cases, a cover crop must be established on

these lands before seeding grass. That takes at least one crop year and sometimes two. Then the grass is planted and it is usually at least three years before it is considered established. This is a total of four to five years. Under this program a farmer or rancher signs a contract with the U. S. Department of Agriculture to keep these acres out of production for ten years. If it takes four to five years to establish the cover, this only leaves five to six years until it can be farmed again. Under these condition, this should not be considered a final agricultural product in any sense of the definition.

Kansas farmers and ranchers lead the nation in their participation in the conservation reserve program. Through five sign ups, Kansas has 1,979,971 acres in the conservation reserve program. When the figures for the sixth sign up are final, this acreage will significantly increase. Presently, Kansas farmers and ranchers have signed 18,420 contracts with USDA. The annual payments to Kansas farmers and ranchers is \$103,716,800. \$103,716,800 annually can only be considered as a major economic benefit to rural Kansas. If we step backwards and single out this program to be subject to sales tax, then we will greatly diminish the economic impact it has on rural Kansas.

Kansas farmers and ranchers have contracted with USDA to seed 906,779 acres in 1988 and 605,380 acres in 1989. This is from contracts signed through the first five sign ups, this will increase with the number of sign ups from the sixth sign up. The average cost per acre to seed grass, including a cover crop, is \$75.25. Additional cost to get the grass established, including mowing and/or spraying pesticides and herbicides brings the total cost of establishing grass to \$93.91 per acre. Total cost for establishing grass on the 906,779

acres to be seeded in 1988 is \$85,155,616, and for the 605,380 acres to be seeded in 1989 is \$56,851,236. These monies will be spent in Kansas for Kansas seed and services to plant these acres. We do not need additional costs, such as sales tax, to increase the economic hardship for Kansas farmers and ranchers.

Kansas has a potential for a least another 1,000,000 acres to be signed up in the conservation reserve program. If we add sales tax to the already high cost of establishing cover, many farmers and ranchers will feel it is not economically beneficial to participate and Kansas could loose \$50 to \$55 million of additional annual income for it's rural communities.

In summary, the conservation reserve program is an important program for Kansas farmers and ranchers. The program and the grass planted through the program are in no way a final agricultural product. At the end of each individual contract, the grass can be grazed by livestock, cut for hay, or plowed under for it's organic value and the land returned to crop production. Even during the contract period, under conditions of severe drought, the grass could be used for livestock feed. The Kansas Association of Conservation Districts do not believe that sales tax should be assessed to the cost of this program and urges the your committee to pass Senate Bill No. 446. We would also encourage the committee to include in this bill the exemption of sales tax for all agricultural cost involve in establishing grass or trees through the conservation reserve program, and also for refunding sales tax already collected from those participating in the program.

Amendment to HB2626

The reason is to achieve equal treatment for those providing the same services as an advertising agency, but don't have the identification in their name. There is no clear definition for advertising agency and this would assist the Revenue Department in identifying those businesses covered in this bill.

line 0766 (pp) except as otherwise provided in this act, all sales of
0767 services rendered by an advertising agency or licensed broad-
0768 cast station or any member, agent or employee thereof.

insert after agency....., an advertising related business performing
the same services,

It would read.....

(pp) except as otherwise provided in this act, all sales of services rendered by an advertising agency, an advertising related business performing the same services, or licensed broadcast station or any member, agent or employee thereof.

WICHITA PUBLIC SCHOOLS
Unified School District No. 259
ADMINISTRATION BUILDING
428 South Broadway
WICHITA, KS 67202

Kathryn Dysart
Intergovernmental and
Community Affairs
316-833-4135

To: Members of the Senate Assessment and Taxation Committee
From: Kathryn Dysart, Wichita Public Schools
Date: March 28, 1988
Re: Senate Bill 738

Mister Chairman and Members of the Committee,

The rental of non-sectarian textbooks by public and private elementary schools has long been exempt from sales tax. However, as I am sure you know, textbooks are only one tool used by educators. Yet, due to rulings by the Kansas Department of Revenue, many of the other educational tools and materials which schools rent or sell to students are currently subject to sales tax. We ask that you extend the provisions of the sales tax exemption to these other items.

Vocational or industrial arts supplies: Many school districts across the state charge a flat fee for vocational and industrial arts classes to cover the cost of supplies. These fees are not subject to sales tax. More than 30% of the students enrolled in the Wichita Public Schools are living below the poverty line and, in order to keep costs down for students, we have adopted a policy of only charging students for the materials they actually use. In an electricity class, for instance, students may be required to build a little DC motor. We charge those students --at our cost-- for the pieces of copper wire and the magnets they use in their projects. The completed motors have little value but the learning to build them, we believe, is quite worthwhile. The Department of Revenue has judged that we are retailers since we sell the materials.

Musical instruments: Students enrolled in band or orchestra often can not afford to buy their musical instruments. Some, particularly in the early courses, experiment with several different instruments before deciding on an instrument for long term study. We keep a number of used band and orchestra instruments on hand and rent them to students. By

current Department of Revenue rulings we must charge sales tax on those rentals.

Uniforms: A number of student groups such as the marching band, madrigals and choirs, pep squads, and drill teams use uniforms. These are not after school clubs, but elective courses for which credit is received. To make sure that uniforms match and to save money by buying in quantity, the Wichita Public School district buys the uniforms and then rents or sells them to participating students. The Department of Revenue requires us to charge sales tax on these sales and rentals.

Activity tickets: Junior and Senior High students buy activity tickets which admit them to school plays, musicals, lectures and lyceums, and sporting events. We believe that attending such school functions is a participation in an educational program just as is performing in the play or singing in the choir. The activity tickets also cover student newspapers and annuals. These tickets are sold only to the students. Parents or friends attending these events are charged gate admissions. We are currently having to charge sales tax on activity ticket sales. Department of Revenue rulings have determined that tickets for school dances and proms, whether or not the ticket holder actually dances, are not subject to sales tax.

Locks: About half of the lockers in Wichita Public School buildings are furnished with built-in locks. The remainder have hasps. Students may rent locks for these hasp lockers, but we have to charge sales tax on those rentals. Students who are assigned lockers with built-in locks do not have to pay sales tax.

We believe that in each of these cases, students are being charged sales taxes on materials and participation in events that are a valid part of their educational experience. We ask that you extend the spirit of the exemption contained in KSA 79-3606 (h) to read: "all sales or rentals of nonsectarian textbooks, uniforms, instruments, or materials used for educational purposes by public or private elementary schools."