

Approved \_\_\_\_\_

Date 4/5/90

MINUTES OF THE House COMMITTEE ON Taxation

The meeting was called to order by Representative Keith Roe at  
Chairperson

12:30 ~~xxxx~~ p.m. on April 3, 1990 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Tom Severn, Research Department  
Chris Courtwright, Research Department  
Don Hayward, Revisor's Office  
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Representative Bruce Larkin  
Representative Tom Sawyer

Chairman Roe announced the purpose of this meeting was hearing on HCR 5061, and continuation of subcommittee report and action on HB 2858.

Representative Larkin testified in support of HCR 5061, stating that this bill is to address the Classification problem areas of small businesses.

Representative Sawyer testified in support of HCR 5061, stating that this bill was introduced to help small businesses who really got hurt without causing other changes which would make passage difficult.

The Chairman concluded the hearing on HCR 5061.

A motion was made by Representative Grotewiel, seconded by Representative Harder, to introduce a bill identical to HB 3089. The motion carried.

The Chairman directed the Committee to turn to HB 2858.

Staff reviewed a Memorandum on the Committee amendments which were made to HB 2858 at today's 7:30 a.m. meeting. (Attachment 1)

A motion was made by Representative Vancrum, seconded by Representative Charlton, to reinstate in HB 2858 the exemption for aircraft sold and delivered in this state to a bona fide resident of another state (page 8, subsection (k)). The motion carried.

A motion was made by Representative Grotewiel, seconded by Representative Wagon, to report HB 2858 favorable as amended.

A substitute motion was made by Representative Crowell, seconded by Representative Aylward, to adopt the subcommittee recommendation to collect sales tax on interstate residential phone calls, but to exempt sales tax on interstate business calls. The motion failed with a vote count of 11 nays to 4 yeas.

A substitute motion was made by Representative Shore, seconded by Representative Guldner to table HB 2858. The motion failed.

A substitute motion was made by Representative Adam, seconded by Representative Aylward, to remove new Section 6 on page 18 of HB 2858 regarding distribution of revenue to schools (Bogina box formula) and instead, put it in the S.D.E.A. The motion failed.

The Chairman directed the Committee back to the original motion by Representative Grotewiel to report HB 2858 favorably as amended.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation,  
room 519-S, Statehouse, at 12:30 ~~xxx~~ p.m. on April 3, 1990.

A substitute motion was made by Representative Vancrum, seconded by Representative Snowbarger, to report HB 2858 with no recommendation. The motion failed.

The Chairman directed the Committee back to the original motion by Representative Grotewiel to report HB 2858 favorable as amended.

A substitute motion was made by Representative Aylward, seconded by Representative Lowther, to keep HB 2858 the way it is, to add sales tax on services as recommended by the subcommittee, and to exempt sales tax on food. The motion failed with a vote count of 16 nays and 4 yeas.

The Chairman directed the Committee back to the original motion by Representative Grotewiel to report HB 2858 favorable as amended. The motion carried with a vote count of 12 yeas and 9 nays.

The Chairman directed the Committee to turn to HB 2764 and HB 2899.

A motion was made by Representative Snowbarger, seconded by Representative Vancrum to table HB 2764 and HB 2899. The motion carried with a vote count of 9 yeas and 8 nays.

The meeting adjourned at 1:35 p.m.

HOUSE COMMITTEE ON TAXATION

DATE 4/3/90 12:30 pm

NAME	ADDRESS	REPRESENTING
Tom Sawyer	Wachtel - Jay	Jay
Lee Fairbairn	Topeka	KHPGA
MARY E. TURKINGTON	Topeka	Kansas Motor Carriers Assn.
ED DE SOIGNE	TOPEKA	KANSAS CONTRACTORS ASSOC.
Spencer Coulter	Topeka	KS. Contractors Assoc.
Keed W. TAVIS	Topeka	KDOT
GARY N. GRIFFITHS	"	KDOT
Henry Flores	Austin, Tex	AT&T
Mike Recat	Topeka	AT&T
BEU BRADLEY	TOPEKA	KS Assoc of Counties
Jim McWhorter	Topeka	Observer
George Goebel	Topeka	AARP CCTF
Bob Buchmeier	Buhler	AARP - SLC
Lee WRIGHT	Overland Park	Farmers Ins. Group
Dick Brock	Topeka	Ins Dept.
Jim Hall	TOPEKA	SECURITY BENEFIT INS.
KEVIN ROBERTSON	TOPEKA	The Sedalia Am.
Antepek	Topeka	KFFP
George Schubert	Salina	Publish. Dir. of KS
Rick Deen	Topeka	KFT
KEITH R. LANDIS	"	CHRISTIAN SCIENCE COMMITTEE ON PUBLICATION FOR KANSAS
Hal Hudson	Topeka	KPL
C. Brown	Topeka	Comm Edg.
Julie Hein	Topeka	Horn + Ebert

HOUSE COMMITTEE ON TAXATION

DATE 4/3/90

NAME ADDRESS REPRESENTING

NAME	ADDRESS	REPRESENTING
Bob Ann	Laura	Laura's Apt. Assoc
Mike Miller	Topeka	City of Topeka
Bill Fuller	Manhattan	Kansas Farm Bureau
Marven R. [unclear]	topeka	KFET
FRANCE KASTNER	Topeka	Ks Food Dealers Assn
Up Bestgen	Topeka	KARF
Bernie Koch	wichita	wichita Chamber
Harriet Lange	Topeka	KAB
Kevin L. Allen	Topeka	KMCDA
Charles Nicolay	Topeka	KOMA
Lee McKee	Topeka	KLA
Tony [unclear]	Topeka	KDOR
MARK A. BURST	"	"
T. O. [unclear]	"	KSCPA
Mary Ellen Carlee	Wichita	Ks. Assoc for Small Business
Kathleen Dysart	wichita	USD 259
Juli [unclear]	Topeka	Am. Cancer Society
Glen Cogswell	Topeka	Am. Cancer Society
Al Smith	Topeka	KNLS
Bob Coxins	Topeka	KCCI
Sumner [unclear]	Topeka	dept of Revenue
Steve [unclear]	"	"

**KANSAS LEGISLATIVE RESEARCH DEPARTMENT**

**Room 545-N - Statehouse**

**Phone 296-3181**

April 3, 1990

TO: Representative Keith Roe

Office No. 112-S

RE: House Tax Committee Amendments to H.B. 2858

This is in response to your request for a description of the amendments made to H.B. 2858 by the House Tax Committee at its 7:30 a.m. meeting. As you know, the Committee defeated a motion to adopt the subcommittee report, which sought to extend the sales tax to services and change or restore many of the exemptions the original bill seeks to repeal.

**Restoration of Exemptions**

Several motions were passed to restore exemptions which would be repealed by H.B. 2858 as introduced. The Committee voted to reinsert the exemption in K.S.A. 1989 Supp. 79-3606 (jj) for sales of medical supplies and equipment purchased by not-for-profit nursing homes; the exemption in K.S.A. 1989 Supp. 79-3606 (ll) for sales of property and services to community-based mental health and mental retardation centers; and the exemption in K.S.A. 1989 Supp. 79-3606 (k) for purchases of motor vehicles, semitrailers or poletrailers sold to nonresidents. However, the exemption in K.S.A. 79-3606 (k) for aircraft sold and delivered to nonresidents would be repealed as proposed in the bill as introduced.

The Committee also amended the bill to restore exemptions which would have been repealed in K.S.A. 1989 Supp. 79-3606 (b) for nonprofit blood, tissue and organ banks, and in K.S.A. 1989 Supp. 79-3606 (c) for nonprofit private educational institutions. In addition, the language in K.S.A. 1989 Supp. 79-3606 (d) which would have been stricken would be restored but without reference to contractors. Additional language would be added to clarify the extent to which contractors with written agreements entered into prior to June 1 would retain the exemption. Based upon my conversation with Representative Wagnon, we concluded that the \$23 million increase in revenues which would have been received under the bill as introduced would no longer be received.

**Distribution of Revenues**

Another motion replaced the additional monies which would have been distributed through the LAVTRF with a distribution of those monies to school districts

4/3/90

Attachment 1

based on general fund levies, similar to the distribution proposal in H.C.R. 5055. The statutory percentages relating to the LAVTRF will need to be changed and additional language inserted to clarify this intent, as well as the changes necessary in the statutes relating to the State Highway Fund (SHF). Once the final fiscal note has been calculated, these will all need to be adjusted to reflect the Committee's intent to keep additional revenue away from the SHF and earmark it exclusively for property tax relief.

### Fiscal Impact

Based on materials distributed by Representative Wagnon during the Committee's original hearing on H.B. 2858, approximately \$162 million of additional sales tax receipts were expected. We now estimate reductions to that fiscal note as follows:

3606 (jj)	<i>see ring binder</i>	\$0.6 million
3606 (ll)		\$1.4 million <i>see table below</i>
3606 (k)*	<i>cars, planes, etc.</i>	\$10.0 million
3606 (b)		\$1.0 million
3606 (c)		\$5.0 million <i>Wagner note</i>
3606 (d)		\$23.0 million

- \* The \$10 million estimate for the fiscal note change to K.S.A. 1989 Supp. 79-3606 (k) is based on my conversation with the Director of Taxation, who indicated that most of the fiscal note for the entire exemption (\$35 million) was attributable to aircraft. We therefore assumed that retaining that portion of the bill which would repeal that exemption would increase receipts by about \$25 million.

The restoration of all of these exemptions would decrease the fiscal impact of the bill by a total of about \$41 million, leaving a total fiscal note of approximately \$121 million.

I hope this information is useful to you. If I can be of further assistance, please do not hesitate to let me know.

Chris W. Courtwright  
Research Analyst

90-410/CC/pb