

Approved _____

Date _____

MINUTES OF THE House COMMITTEE ON Taxation

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

12:30 a.m./~~p.m.~~ on April 25, 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:

Steve Stotts, Acting Director of Taxation
Craig Grant, Kansas-National Education Association
Timothy Etzel, Jetz Service Company, Inc.
Bob Corkins, Kansas Chamber of Commerce & Industry

A motion was made by Representative Snowbarger, seconded by Representative Fuller, to introduce three conflict bills requested by the Revisor's Office. The motion carried.

A motion was made by Representative Spaniol, seconded by Representative Fuller, to introduce Wildlife & Parks bill concerning limitations on use of public land. The motion carried.

Chairman Roe directed the Committee to HB 3114.

The Department of Revenue distributed copies of Simulation 0016, "Individual Income Tax in Tax Year 1990, Resident Taxpayers, Liability Dollars in Millions." (Attachment 1)

Craig Grant, KNEA, testified in support of HB 3114, stating that passage of this bill should ease the minds of local boards of education about going the maximum possible with little likelihood of a protest petition. (Attachment 2)

Timothy Etzel, Jetz Service Company, Inc., testified in opposition to HB 3114, stating that the proposed sales tax on coin operated laundry receipts in both immoral and uncollectable. (Attachment 3)

Bob Corkins, KCCI, testified in opposition to HB 3114, stating that an elimination of sales tax exemptions should be accomplished through a careful and thoughtful procedure that does not result in higher prices on locally produced goods. They are also concerned with the proposed personal income tax increase. (Attachment 4)

The Chairman concluded the hearing on HB 3114.

A motion was made by Representative Shore, seconded by Representative Harder, to amend HB 3114 on page 16, line 25 from 4½% to 4 3/4% normal tax, and on page 16, line 27, from 2¼% to 2½% surtax. The motion carried.

Representative Shore asked if packing plants would be hit by sales tax exemptions on cleaning services. Steve Stotts, Acting Director of Taxation, replied, "No, if they pay their own employees."

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation,
room 519-S, Statehouse, at 12:30 ~~xxx~~/p.m. on April 25, 1990

A motion was made by Representative Wagnon, seconded by Representative Aylward, to report HB 3114 favorably as amended.

A substitute motion was made by Representative Reardon, seconded by Representative Grotewiel, to amend HB 3114 that the distribution to schools be: one-half go to a "Bogina box" and the other one-half stay as currently in HB 3114. The motion failed with a vote count of 11 nays and 10 yeas.

The Chairman directed the Committee to return to the original motion by Representative Wagnon to report HB 3114 favorably as amended.

A substitute motion was made by Representative Snowbarger, seconded by Representative Dean, to amend HB 3114, that the dollar-for-dollar rollback revenues be distributed to the **school** districts where the money is raised. The motion failed with a vote count of 14 nays and 8 yeas.

The Chairman directed the Committee back to the original motion by Representative Wagnon to pass HB 3114 favorably as amended.
The motion passed with a vote count of 13 yeas and 8 nays.
Requesting to be recorded as voting "no" were Representatives Spaniol, Snowbarger and Vancrum.

The meeting adjourned at 1:45 p.m.

4/25/90
Attachment 1

	With Federal Deductibility		No Federal Deductibility	
	Proposed Tax Rates			
Married:	\$0 - \$20	4.75%	\$0 - \$35	3.65%
	\$20 - \$35	5.00%	\$35 - \$100	5.15%
	\$35 - \$45	8.50%	\$100 - Over	7.40%
	\$45 - \$75	8.75%		
	\$75 - Over	13.00%		
Single:	\$0 - \$2	4.75%	\$0 - \$27.5	4.50%
	\$2 - \$10	5.60%	\$27.5 - \$100	5.95%
	\$10 - \$20	5.75%	\$100 - Over	8.35%
	\$20 - \$30	8.50%		
	\$30 - \$75	8.75%		
	\$75 - Over	13.00%		

Kansas Department Of Revenue
Individual Income Tax In Tax Year 1990
Resident Taxpayers
Liability Dollars are in Millions

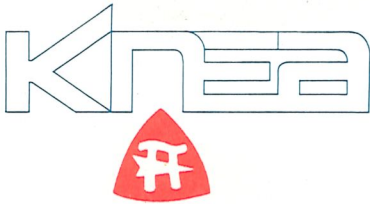
K.A.G.I. Bracket	Married					Single					Total Residents				
	No. Of Returns	Percent Change	Dollar Change In Liability	Dollar Change Per Return	Effective Rate	No. Of Returns	Percent Change	Dollar Change In Liability	Dollar Change Per Return	Effective Rate	No. Of Returns	Percent Change	Dollar Change In Liability	Dollar Change Per Return	Effective Rate
No K.A.G.I.	5,835	0.0%	\$0.0	\$0.00	0.0%	4,728	0.0%	\$0.0	\$0.00	0.0%	10,563	0.0%	\$0.0	\$0.00	0.0%
\$0 \$5	12,978	#DIV/0!	\$0.0	\$0.00	0.0%	117,404	0.0%	\$0.0	\$0.00	0.2%	130,382	0.0%	\$0.0	\$0.00	0.2%
\$5 \$15	65,694	0.0%	\$0.0	\$0.00	0.3%	175,050	0.0%	\$0.0	\$0.00	1.5%	240,744	0.0%	\$0.0	\$0.00	1.2%
\$15 \$25	84,608	0.0%	\$0.0	\$0.00	1.4%	95,775	0.0%	\$0.0	\$0.00	2.6%	180,382	0.0%	\$0.0	\$0.00	2.0%
\$25 \$35	87,626	0.0%	\$0.0	\$0.00	2.0%	49,698	0.0%	\$0.0	\$0.00	3.0%	137,324	0.0%	\$0.0	\$0.00	2.3%
\$35 \$50	113,078	0.0%	\$0.0	\$0.00	2.3%	26,358	0.0%	\$0.0	\$0.00	3.4%	139,437	0.0%	\$0.0	\$0.00	2.5%
\$50 \$100	117,706	0.0%	\$0.0	\$0.00	2.7%	11,670	0.0%	\$0.0	\$0.00	3.7%	129,376	0.0%	\$0.0	\$0.00	2.8%
\$100 Over	19,416	27.2%	\$39.7	\$2,044.78	4.4%	2,012	23.0%	\$4.1	\$2,029.38	5.2%	21,429	26.7%	\$43.8	\$2,043.33	4.4%
Total	506,942	7.1%	\$39.7	\$78.32	2.6%	482,696	2.0%	\$4.1	\$8.46	2.7%	989,638	5.7%	\$43.8	\$44.24	2.7%

Percent of All Taxpayers by K.A.G.I. Bracket
Using Each Alternative

Fiscal Impact:		No Federal Deductibility		Federal Deductibility	
All Taxpayers:	\$47.3	\$0 - \$5	95.7%	\$5 - \$15	4.3%
Residents Only:	\$43.8	\$5 - \$15	70.6%	\$15 - \$25	29.4%
		\$25 - \$35	93.5%	\$35 - \$50	6.5%
Married Residents:	\$39.7	\$35 - \$50	98.4%	\$50 - \$100	1.6%
Single Residents:	\$4.1	\$50 - \$100	99.2%	\$100 - Over	0.8%
Non-Residents:	\$3.5	\$100 - Over	98.7%		1.3%
			99.4%		0.6%
		Total	90.8%		9.2%

Current Law Tax Rates

	With Federal Deductibility		No Federal Deductibility	
Married:	\$0 - \$20	4.75%	\$0 - \$35	3.65%
	\$20 - \$35	5.00%	\$35 - Over	5.15%
	\$35 - \$45	8.50%		
	\$45 - Over	8.75%		
Single:	\$0 - \$2	4.75%	\$0 - \$27.5	4.50%
	\$2 - \$10	5.60%	\$27.5 - Over	5.95%
	\$10 - \$20	5.75%		
	\$20 - \$30	8.50%		
	\$30 - Over	8.75%		



Craig Grant Testimony Before The
House Taxation Committee
Wednesday, April 25, 1990

Thank you, Mr. Chairman. I am Craig Grant and I represent Kansas-NEA. I appreciate this opportunity to visit with the committee about the proposal to increase state revenues to reduce property taxes.

Kansas-NEA sees many positive aspects to the bill before you. I am not expert enough to talk about what should or should not be included in the mix; however, I am sure you know that our organization has been part of numerous testimony, before this committee and the Senate Taxation Committee, supporting different mixes of state revenue to reduce school district property taxes.

The good items in this bill to think about include the following:

1. This is a bill which means that districts will know by budget time what the impact will be;
2. This provision will take the state share of support for elementary and secondary education to over 50%--presently local property taxes fund over 54% of the costs of schools.
3. This provision will lower property taxes by about \$175 million. We have asked this legislature for at least ten years to find ways to lower the reliance on the property tax. This certainly does this.
4. With this bill, districts will more likely increase the maximum possible under the school finance law. The House Education Committee passed a bill which allowed 1-2% budget lids with 2% additional subject to a protest petition. The passage of this proposal should ease the minds of local boards of education about going the maximum possible with little likelihood of a protest petition.

For these reasons, we applaud the compromise plan and hope that this bill, or something similar to this, will be passed favorably this session. Thank you for listening to our concerns.

4/25/90
Attachment 2



CORPORATE OFFICE
(913) 354-7588

2514 KANSAS AVENUE
TOPEKA, KANSAS 66611

Professional Laundry Systems

April 25, 1990

To: Committee on Taxation

RE: House Bill #3114

Dear Legislator:

I appeared before this same committee in 1971, concerning this identical issue of a proposed sales tax on coin operated laundry receipts. The irony should not be lost on this body. I would like to point out the following reasons why this tax is both immoral and uncollectable:

1. It is not possible to collect sales tax on coin operated laundry receipts simply because there is no way to tax a 75¢ use at 5.25%. 5.25% of 75¢ is 3.94¢. There is no coin mechanism in our industry that will tax that amount or for that matter a 4¢ increase. This then becomes not a sales tax but an income tax.

2. By imposing a sales tax (income tax) on coin operated laundry receipts you are taxing, for the most part, middle to low income families. If we are to increase the price to accommodate this tax then the middle to low income families will be penalized. In addition, we risk over pricing for our service and thus in fact losing revenues.

3. Jetz Service Co., Inc. presently does business in seven (7) states. Not one of these states has a sales tax on coin operated laundry receipts. Obviously they have had to deal with the same issue your dealing with and found this tax to be unconscionable. The states that we serve are Kansas, Missouri, Oklahoma, Colorado, Wisconsin, Nebraska and New Mexico.

4. Jetz Service Co., Inc. has approximately seven thousand (7,000) washers and dryers located at various multi-family communities in the state of Kansas. For us to increase the price which would involve a minimum of 10¢ it would cost approximately \$50.00 per machine. That translates to \$350,000.00 cost for our company to increase the price on these machines. A 10¢ increase on a 75¢ cycle amounts to around 13.4%, a full 7.15 percentage points more than is necessary to satisfy the tax liability.

5. Jetz Service Co., Inc. owns several commercial real estate properties in various locations in the state of Kansas. Our property taxes because of reclassification and reappraisal have increased two to three hundred percent on most of these properties. How ironic, in order to grant relief for this huge burden it is now proposed that my salvation (in part) will be another tax on Jetz Service Co., Inc. I hope you understand and can appreciate the total frustration I am having in dealing with tax issues before this legislature.

Greater Kansas City
(816) 836-5650

Omaha
(402) 345-7760

Topeka
(913) 354-7588

Colorado Springs
(719) 636-3928

Wichita
(316) 263-1037

4/25/90

Attachment 3

I feel that in order to understand better the service our company provides, it would be beneficial to give you a brief summary of our operation. Jetz Service Co., Inc. is referred to in the trade as coin operated laundry route. This route is located in the states mentioned above. We install, service, maintain, and collect coin receipts from washers and dryers that are primarily placed in apartment complexes. The laundry rooms are not attended, therefore it is impossible for us to collect sales tax from the customer. I believe that the honor system involving a container would probably not be appropriate either. We enter into long term lease agreements where we have rights as any tenant would have according to laws of the individual states. Our leases do not generally provide for any with-holding from gross receipts other than what the terms of the contract might imply. This means that a tax that cannot practically be passed on would penalize either Jetz Service Co., Inc. or the owner of the property. In the event that the prices would increase to provide additional revenues for the tax then the low to middle income populous would be affected.

I personally have a hard time understanding how services that can easily pass on additional taxes are ignored but our industry is constantly being mentioned. I would welcome your comment and your thoughts concerning my statement. If I am in error, I would certainly welcome your comments. I would much rather you deal with this as an income tax on coin receipts. At least an income tax would be straight forward and collectable.

It is not difficult for me to understand why businesses in Kansas have become so frustrated about doing business in the state. In the twenty four years that I have been in business this legislative body is the only one that I have felt the need to personally appear regarding this tax. I believe that our company does its fair share in supporting the state and in paying its share of fair taxes. Legislators, this is not a fair tax and no matter how it is analyzed it is not going to come out a fair tax.

In closing I hope that you will be tolerant of my obvious frustration and hopefully my comments will be helpful to you in making an objective decision. Thank you very much for your time.

Sincerely Yours,

JETZ SERVICE CO., INC.


Timothy N. Etzel
President

TNE:kks

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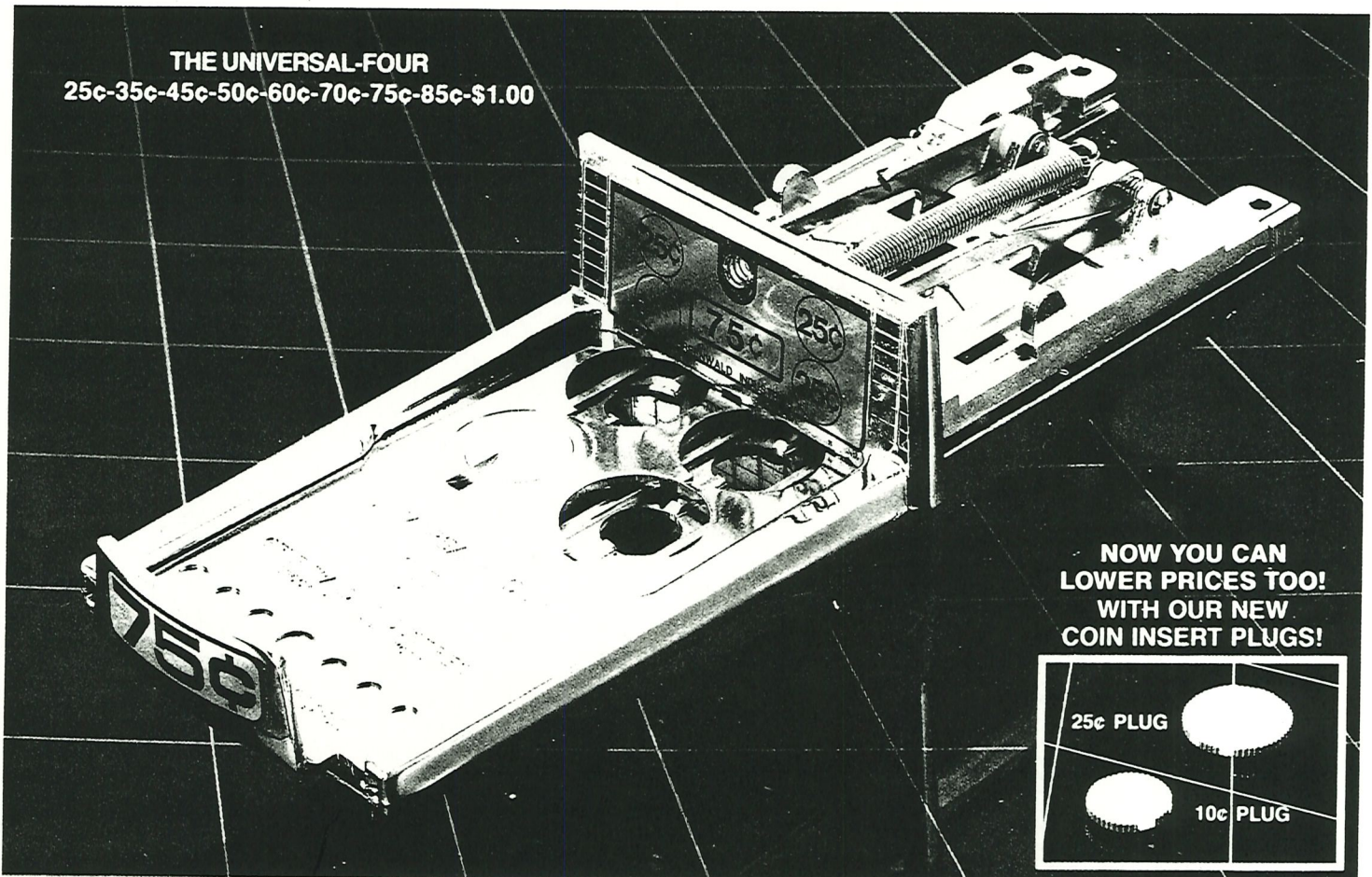
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LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 Bank IV 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

April 25, 1990

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Taxation Committee

by

Bob Corkins
Director of Taxation

Mr. Chairman and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry. I appreciate the opportunity to express our views in oppositon to this latest package of property tax relief.

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.

4/25/90
attachment 4

We believe that Kansas has taken a very effective course during the past five years with a broad tax policy designed to create jobs. After historic peaks in state unemployment in the early 1980s, the legislature voted to eliminate inventory taxes, return the federal income tax "windfall" to Kansas taxpayers, and create sales tax exemptions that promote business growth. Over this period, unemployment has steadily fallen to the point where it is now at its lowest level in ten years.

The state must be careful not to begin the process of reversing that policy. While there are undoubtedly many exemptions from the sales tax that have been put in place through the years that can and should be eliminated, their elimination should be accomplished through a careful and thoughtful procedure that does not result in higher prices on locally produced goods and in increasing the cost of doing business in Kansas.

Our other concern with this proposal lies in the personal income tax increase. A similar approach was taken in the early '80's when the legislature enacted the "booster tax." Fortunately, that tax was sunsetted after two years. As was the case then, Kansas' personal income tax rates are higher than three of five neighboring states. This proposal would make Kansas the highest in the region. Please keep in mind, thousands of small Kansas firms are non-incorporated, so this not only affects personal income, but business as well; and ultimately job creation.

KCCI maintains that the sales tax is the superior approach to funding property tax relief. It does not isolate small groups of taxpayers to carry an extra burden. We urge the committee to reject that portion of the bill which increases personal income taxes and to increase the sales tax to offset this reduction in the fiscal note.

Thank you again for this opportunity.