

MINUTES OF THE House COMMITTEE ON Taxation

The meeting was called to order by Joan Wagnon
Chairperson

910 a.m./~~p.m.~~ on Wednesday, February 26, 1991 in room 519-S of the Capit

All members were present except:

Committee staff present:

Tom Severn, Legislative Research; Chris Courtwright, Legislative Research, Don Hayward and Bill Edds, Revisors; Linda Frey, Committee Secretary; Douglas Johnston, aide

Conferees appearing before the committee:

Chairman Wagnon called the committee to order at 9:10 a.m. for hearings on HB 2112 and HB 2113.

The following conferees testified in favor of HB 2113.

- David Burress, a researcher in economics at the University of Kansas (attachment 1)
- George Goebel, Chairman of the Capital City Task Force for the American Assn. of Retired Persons (attachment 2)
- Larry Fischer, representing Kansans for Fair Taxation, Inc., (attachment 3)
- Louis Klemp, Dept. of Revenue
- Alan F. Alderson, attorney for Western Retail Implement and Hardware Assn. (attachment 4)
- Mike Reeht, State Government Affairs Director for AT&T, (attachment 5)
- Glen Shore, representing the American Heart Assoc. (attachment 6)
- Steve Burndsen, representing the American Lung Assn. of Kansas (attachment 7)
- Mary Ellen Hess, volunteer for the American Lung Assn. of Kansas (attachment 8)
- Glenn D. Cogswell, representing the American Cancer Society, Kansas Division, Inc. (attachment 9)
- William M. Martin, a farmer from Glasco in Cloud county, (attachment 10)
- Timothy Etzel, President of Jetz Service Co., Inc., (attachment 11)
- Terry Humphrey, Executive Director of the Kansas Manufactured Housing Assn. (attachment 12)
- Bernie Koch, representing the Wichita Area Chamber of Commerce (attachment 13)

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation
room 519-S Statehouse, at 9:10 a.m./~~p.m.~~ on Wednesday, February 26, 1991

Sherry Quackenbush, co-owner of Lenexa Coin Laundry, (attachment 14)

Written testimony was submitted by Jean Barbee on behalf of the Travel Industry Assn. of Kansas (attachment 15) and by R. E. Duncan and John Bottenberg on behalf of Kansas Wine & Spirits Wholesalers Assn., Inc. against HB 2113 (attachment 16).

Pat Hubbell, representing the Kansas Railroad Assn., testified against HB 2113 (attachment 17). Hubbell replied to a question by stating there were approximately 2,100 jobs in Kansas related to railroad repair and 7,000 in the whole railroad industry as of 1991. He further stated that the industry had spent approximately \$400 million in Kansas.

Bob Storey, representing DeHart and Darr Assoc., Inc. and Idelman Telemarketing, Inc., testified against HB 2113 (attachment 18).

Several committee members requested information from Storey regarding employee benefits and halftime/fulltime employment at the companies he was representing.

Rep. Krehbiel moved and Rep. Harder seconded introduction of on a local option intangible tax that was the result of Subcommittee II work.

The committee adjourned at 10:59 a.m.

GUEST LIST

COMMITTEE: Delegation

DATE: 2/26/91

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
<i>Bob Storey</i>	<i>Topeka</i>	<i>H. Hart - Jarr - Topeka</i>
<i>Paul Slawson</i>	<i>Wichita</i>	<i>K-N Energy</i>
JANET STURBS	Topeka	HOME BUILDERS ASSN of KS
Shelley SUTTON	Topeka	KS ENGINEERING SOCIETY
Trudy Aron	"	Amer Inst of Architects
<i>Bob Delehun</i>	<i>Wichita</i>	<i>Rep Welsher</i>
<i>Nancy Finckam</i>	<i>Mulvane</i>	<i>Rep Welsher</i>
<i>Brian Gelpin</i>	<i>Topeka</i>	<i>American Heart Assn</i>
<i>Gary Reser</i>	<i>TOPEKA</i>	<i>GOVERNOR'S OFFICE</i>
<i>Harriet Lange</i>	<i>Topeka</i>	<i>KS Assn Broadcasters</i>
<i>George Barbee</i>	<i>Topeka</i>	<i>KS Consulting Engineers</i>
<i>Art D Rowan</i>	<i>KC Mo</i>	<i>KS Van Dealers Assn</i>
<i>Dan Bailey</i>	<i>Topeka</i>	<i>Western Retail Impl. & Hdwr. Assn.</i>
<i>Will Belden</i>	<i>Topeka</i>	<i>LWOUK</i>
<i>Lou Kemp</i>	<i>LV.</i>	<i>CTLCC</i>
LAURA KELLY	TOPEKA	KS RECREATION: PARK ASSN
<i>SAND SOMERS</i>	<i>Topeka</i>	<i>KSCPA</i>
<i>Dave Hanson</i>	<i>Topeka</i>	<i>KS INSUR ASSOC.</i>
<i>Kristy Koscielny</i>	<i>TOPEKA</i>	<i>Gov. Leg. Affairs</i>
RON SOMMERS	TOPEKA	JETZ SERVICE CO.
<i>TIM ETZEL</i>	<i>TOPEKA</i>	<i>" " "</i>
<i>Jella Wray Blythe</i>	<i>Manhattan</i>	<i>Self</i>
<i>John Blythe</i>	<i>"</i>	<i>"</i>
<i>Clifford V. Campbell</i>	<i>Belant</i>	<i>K L A & Self</i>

GUEST LIST

COMMITTEE: _____

Topatoni

DATE: _____

2/26/91

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
<i>Regw D. Kirkwood</i>	<i>Topeka</i>	<i>AARP</i>
<i>Jill M. Bunker</i>	<i>Topeka</i>	<i>observer</i>
<i>Bernie Koch</i>	<i>Wichita</i>	<i>Wichita Area Chamber</i>
<i>HAROLD PITT</i>	<i>Topeka</i>	<i>AARP-CCTF</i>
<i>ROBERT ANDERSON</i>	<i>OTTRWAH</i>	<i>MUD COURT OFF</i>
<i>Loyle - Pauline</i>	<i>Salina</i>	<i>P.A.A.K.</i>
<i>PATRICK J. HORLEY</i>	<i>TOPEKA</i>	<i>CESSNA</i>
<i>Wendell Strom</i>	<i>Topeka</i>	<i>AARP - CCTF</i>
<i>Jill Beepede</i>	<i>"</i>	<i>American Cancer Society</i>
<i>Glenn D. Cogswell</i>	<i>Topeka</i>	<i>American Cancer Society, Kans. Division</i>
<i>Pat Hubbell</i>	<i>Topeka</i>	<i>Kansas Railroad Association</i>
<i>Armin Samulson</i>	<i>Newton</i>	<i>Self</i>
<i>Mary Ellen Dimer</i>	<i>Topeka</i>	<i>Lg. of Women Voters</i>
<i>Christ Young</i>	<i>Topeka</i>	<i>Topeka Chamber of Comm.</i>
<i>IRVIN METZ</i>	<i>Topeka</i>	<i>K.F.F.T.</i>
<i>Gladys Metz</i>	<i>Topeka</i>	<i>KFFT</i>
<i>Janet Metz</i>	<i>Topeka</i>	<i>KFFT</i>
<i>Jerry Luokkala</i>	<i>Leneva</i>	<i>Greater KCCoin Ldg. Assn.</i>
<i>Brad Swoot</i>	<i>Topeka</i>	<i>Boule IV</i>
<i>Henry G. Metz</i>	<i>Topeka</i>	<i>K.F.F.T.</i>
<i>Frank J. Kastner</i>	<i>Topeka</i>	<i>Ks. Road Builders Assn.</i>
<i>M. Jew</i>	<i>Topeka</i>	<i>KIAHA</i>
<i>Karen F. Metz</i>	<i>Topeka</i>	<i>KAR</i>
<i>Kriste Wardell</i>	<i>Topeka</i>	<i>ABC</i>

TESTIMONY ON THE GOVERNOR'S SALES TAX PLAN
Presented to the Kansas House Committee on Taxation
February 26, 1991
By David Burress

I am appearing as a citizen of Kansas, as one who teaches and does research on state and local public finance and economics at the University of Kansas, and as a member of the Governor's tax policy transition team; hopefully in that order. I also wear another hat, as investigator on a tax project at the Institute for Public Policy and Business Research, but funded by Kansas INC. This study is looking at effects of alternative tax plans on Kansas firms that sell out-of-state. However, according to our contract, I won't be able to discuss that study in detail until Kansas INC has had a chance to review it.

I support the Governor's sales tax plan. The sales tax plan was a committee effort, followed by some additional decisions on the part of the governor. I felt that the committee process was a carefully reflective one. Nevertheless, a diversity of opinions had to be reconciled. Given the context, the result was a remarkably coherent plan, even though there are some details I personally might have done differently.

I'm going to give just a broad sketch of my reasons for supporting the plan, but I will certainly try to answer any detailed questions the committee might have.

A. NEED.

The threshold question is this: do we really need to raise all those new tax dollars? That is a fundamentally political question, meaning that all Kansans could not possibly agree on any one answer. It's also political in the sense that some people will

be helped and other people will be hurt by any answer we do adopt; there is just no way to hold everyone harmless. Political questions are ones that the legislature has to sort out, fortunately not academic types like myself.

Still, I believe there are two reasons why it may be in the genuine interest of a majority of citizens to raise those new tax dollars.

The first reason is the state budget situation. Yes, there should be some budget cuts. However, all of the services that Kansas government provides are there for good economic reasons, are there because citizens want them. And it's just not economically efficient to try to turn government services on and off like a light switch; government services are an asset which you have to preserve and build up over time.

The second good reason is for property tax relief. Most citizens just don't much like the property tax, and I believe the rates are too high in Kansas. Kansas is significantly above average in the fraction of local school budgets paid by the property tax, and below average in school aids. Kansas now has its commercial property being taxed at about 3% per year on market value; the US average is around 1%.

B. GENERAL TAX STRATEGY

The next general question is: where should all those dollars come from? The main possibilities that come to mind for raising large sums of revenue are:

1. raise the income tax rates;

2. raise the sales tax rate;
3. broaden the sales tax base by dropping many exemptions and adding services; or
4. replace the sales tax with a more comprehensive consumption-type tax, e.g. a unified business tax or a European-style Value Added Tax.

A fifth possibility of broadening the income tax base is basically out, because there isn't all that much left out of the income tax base after the 1986 tax law reform. A unified wealth tax is a theoretical sixth possibility, but we have no practical experience to draw on there because no other state has anything remotely resembling it. So we are down to just four reasonable possibilities, or combinations thereof.

Of course Governor Finney's political mandate led the committee directly to the approach of broadening the sales tax base. I personally might have looked with some favor on either of two other options.

Raising the income tax rate is one reasonable strategy; Kansas income taxes are lower than many states, though higher than others. This tax is the most progressive tax available to the state. However, it also has strong political opponents.

Another very reasonable strategy would be to work towards adopting a Value Added Tax. This tax has some very important efficiency properties; it can lead to a very good approximation of a level playing field in the economy. However, there is only a limited experience with similar taxes in America. It would probably take several years of study to work out a good plan for

doing this, so the value added tax does not provide a good short run solution. Still, I would like to see the legislature set up an on-going study on replacing the sales tax with a value-added tax.

However, the general strategy I personally would support most strongly is broadening the sales tax base. Two strong reasons support this move. First, from a horizontal equity point of view, this approach tends to spread the tax burden more equally among all classes of business and among consumers of all types of goods and services, rather than concentrating the burden on a more restricted class of taxpayers. Second, from an efficiency point of view, broad-based taxes are usually much more efficient than narrow-based taxes raising the same amount of revenue. Indeed, this is the classic advice from academic public finance texts: broaden the tax base and keep the tax rates low. That is one reason why efforts to broaden the sales tax base are at the fore-front of tax reform efforts at the state level all across the US.

The main drawback to broadening the sales tax base is that the sales tax is more regressive than the income tax. However, a sales tax on services is in general probably somewhat more progressive than a sales tax on tangible property; so expanding the sales tax base may tend to make the sales tax as a whole more progressive. For example, a much higher share of your income goes to legal fees if you rich than if you are poor. Also, there is at least some reason to believe that the sales tax is more progressive than the residential portion of the property tax; so using a sales tax for residential property tax relief may have a progressive effect on net.

I point out that these tax incidence issues have not been studied recently in Kansas. I certainly want to encourage the committee to request some detailed studies on the regressivity of various items which might be added to the sales tax base, as well as of alternative tax plans.

Within this perspective, the proposal to raise the sales tax rate is a non-starter. Since there is horizontal inequity and regressivity in the existing sales tax base, increasing the tax rates will increase both forms of inequity. Also, the result is likely to be significantly less efficient than broadening the tax base.

C. TAX BASE COMPONENTS

I turn finally to the most detailed of questions: given the goal of broadening the sales tax base, just which exclusions and exemptions should we remove from the sales tax?

Here there is great deal of room for honest disagreement. The tax policy transition committee's approach was generally to go for the broadest possible tax base, as a matter of principle, making exceptions only where there is an overwhelming strong case. The tax base was redefined to include services as well as sales, and many exemptions were removed. The two main exceptions accepted by the committee could be summarized as the medical and social service exception and the "material incorporation" doctrine.

The medical and social service exception is based on humanitarian grounds. The material incorporation doctrine states that material goods should not be taxed twice under the sales tax;

the point here is to prevent an economic inefficiency which can occur under a transaction tax. That is, the "level playing field" is distorted when the tax on an item depends on the number of times the item changes hands.

I hope that this committee will accept the idea of a broadened sales tax base. I don't doubt that the tax base proposed by the committee will differ in some respects from what the governor proposed. I hope however that the committee will place the burden of proof on each individual sales tax exemption, keeping it out unless it is overwhelmingly justified.

TESTIMONY
for the
TAXATION COMMITTEE
OF THE
HOUSE OF REPRESENTATIVES
STATE OF KANSAS
February 26, 1991
re House Bill 2113

By George Goebel, chairman,
Capital City Task Force,
American Association of Retired
Persons, Topeka, Kansas

Madame Chairperson and Members of the Committee:

My name is George Goebel. I am chairman of the Capital City Task Force of the American Association of Retired Persons, Topeka, and a member of the AARP State Legislative Committee. Thank you for the opportunity to testify on behalf of the AARP on House Bill 2113.

I am submitting a written position paper on Tax Policy for the State of Kansas which has been prepared by the State Legislative Committee. In addition to that I would like to make a few comments today specifically concerning HB 2113.

First, we commend the committee for retaining in this bill Section 3, paragraphs i, j and k on page 12, relating to prescription drugs, insulin for the treatment of diabetes, and prosthetic and orthopedic appliances; also paragraph (m) on page 13 relating to food products for use in preparing meals for the

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Goebel Testimony
February 26, 1991

homebound, elderly and disabled persons, and sections (p) and (q) relating to supplies for certain nursing homes and certain mental health facilities.

We especially appreciate new paragraph (s) on page 18 providing exemptions for services in health, education and social services groups.

As you will note in our Position Paper on Tax Policy, our first specific recommendation has been (and continues to be) "a sales tax on services not presently taxed by statute, except those services that impact the greatest on the poor and disadvantaged". This extension of the sales tax to certain services will effectively broaden the tax base and relieve some of the heavy burden now carried by property taxes.

Although AARP membership is open only to persons 50 years of age or older, we are concerned for the well-being of all residents of this great state. We look forward to being of further service to you in the future.

Thank you.



Bringing lifetimes of experience and leadership to serve all generations.

KANSAS STATE LEGISLATIVE COMMITTEE

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Kansas State Legislative Committee
1991 Position Paper

RECOMMENDED TAX POLICY FOR THE STATE OF KANSAS

- * PREMISE: Kansas has sufficient wealth and resources to adequately fund state and local government. The challenge is to restructure our total tax system.
- * GENERAL PRINCIPLES FOR STATE TAX POLICIES: (As adopted by AARP National Legislative Council). "State Tax Policy is governed by the same general principles that govern AARP federal tax policy *fairness, economic neutrality, ease of administration revenue potential, and social objectives.*"
- * BASIC POLICY GUIDELINES: The Kansas Legislative Committee of the American Association of Retired Persons believes that essential elements of state level tax policy include the following:
 1. A state tax system that is composed of diversified taxing elements that together fairly, uniformly and equitably serve the fiscal needs of state and local units of government.
 2. A total tax system that produces revenues reliably and which provides adequate revenue to meet the justifiably budgetary needs of the separate units of government.
 3. A tax system that excludes a basic subsistence level of income from taxation, is minimally regressive, and provides for equality of tax liability.
 4. A tax system that is easily understood by taxpayers, provides for simplicity in tax collection with maximum taxpayers compliance and a minimal cost to enforce.
 5. A tax system that provides taxing entities flexibility in tax options to accommodate differing socioeconomic conditions of different areas of the State of Kansas.
- * SPECIFIC RECOMMENDATION
 1. Recommend a sales tax on services not presently taxed by statute, except those services that impact the greatest on the poor and disadvantaged.
 2. Recommend an enactment of a sales tax on mail order purchases from retailers based outside of the State of Kansas.

OVER

Attachment 2-3

3. Recommend study and removal by statute of most statutory sales tax exemptions.
4. Recommend that all property tax exemptions within the present tax code be carefully scrutinized and those not completely justified by eliminated. Broadening the tax base will help the average citizen the most.
5. Recommend that future tax increases place greater reliance on increasing individual and corporate income taxes rather than the sales tax or local ad valorem property tax and that any such increases be based on fairness and ability to pay.

September 14, 1990

KANSANS FOR FAIR TAXATION, INC.

PO Box 3820

Topeka, Kansas 66604

273-0401

Designated Speaker--Larry Fischer (Feb 26, 1991)

Honorable Chairperson and Members of the House Taxation Committee

I am speaking for a Topeka-based group of citizens, Kansans For Fair Taxation, Inc. (KFFT), concerned about high property taxes. We stand in favor of House Bill 2113 as a **temporary remedial approach** to control a taxation situation that has become confiscatory. Too many Kansans, especially those in urban counties, were blasted by tax increases of 100% to 600% or higher and could lose their property. Although not a panacea, HB 2113 will give property taxpayers a 30% reduction of a mandatory tax. This may be enough for them to be able to hang on until a fair and equal tax policy can be obtained. Let's briefly review how current experts in the field, not lobbyists, view the interaction of sales and property taxes with regards to exemptions and general tax policy:

REFERENCES:

- ① "THE UNFINISHED AGENDA OF STATE TAX REFORM", EDITED BY STEVEN D. GOLD, NATIONAL CONFERENCE OF STATE LEGISLATORS, NOVEMBER 1988.
- ② "REFORMING STATE TAX SYSTEMS", EDITED BY STEVEN D. GOLD, NATIONAL CONFERENCE OF STATE LEGISLATORS, DECEMBER 1986.
- ③ "I'M MAD AS HELL", HOWARD JARVIS, TIMES BOOKS, 1979.
- ④ "ORIGIN OF CLASSIFICATION AND REAPPRAISAL IN KANSAS, PART 1", STATE OF KANSAS, JANUARY 10, 1990.
- ⑤ "SALES TAXATION OF SERVICES", FEDERATION OF TAX ADMINISTRATORS, WASHINGTON, D.C., RESEARCH REPORT NO. 190, OCTOBER 1990.
- ⑥ "THE ROLE OF KETC PROGRAMS IN KANSAS' LONG-TERM ECONOMIC DEVELOPMENT", REDWOOD, KRIDER AND STELLA, INSTITUTE FOR PUBLIC POLICY AND BUSINESS RESEARCH, JANUARY 1990.

I. PROPERTY TAX

A. DISCUSSION

1. PROPERTY TAX IS THE MOST UNPOPULAR OF TAXES

a. IT IS LOOKED UPON AS UNFAIR AND REGRESSIVE

(1) "IN MOST STATES, THE HEAVIEST TAX BURDENS BORNE BY LOW INCOME HOUSEHOLDS ARE THOSE THAT RESULT FROM PROPERTY TAXES". P. 171 ①

(2) THEY ARE "INHERENTLY UNFAIR BECAUSE THEY HAVE LITTLE OR NO RELATION TO THE PROPERTY OWNER'S ABILITY TO PAY". P. 283 ③

(3) DISCOURAGES IMPROVEMENTS ON PROPERTY. P. 42

②

(4) ENCOURAGES FLIGHT FROM CENTRAL CITIES. P. 42

②

2. THE LOCAL PROPERTY TAX IS THE MOST DOMINANT REGRESSIVE INFLUENCE IN THE STATE-LOCAL TAX SYSTEM.

a. THE MORE HEAVILY IT IS RELIED UPON, WHICH IS THE

FUNCTION OF THE EXTENT OF LOCAL FISCAL RESPONSIBILITY, THE MORE REGRESSIVE THE OVERALL TAX STRUCTURE. P. 84 (2)

B. FACTORS CAUSING TREND TOWARD DECLINE IN USE OF PROPERTY TAXES P. 42 (2)

1. SELF IMPOSED DISCIPLINE BY LOCAL OFFICIALS CONCERNED THAT INDIVIDUALS AND BUSINESSES WERE BEING DRIVEN AWAY BY HIGH PROPERTY TAX.

2. VOTER-IMPOSED RESTRAINTS SUCH AS PROPOSITION 13 IN CALIFORNIA AND PROPOSITION 2 1/2 IN MASSACHUSETTS.

3. GREATER ELASTICITY OF OTHER REVENUE RESOURCES SUCH AS SALES AND INCOME.

4. INCREASED STATE AID FOR EDUCATION (CENTRALIZATION).

By the very nature of the property tax, there will always be regions of more property wealth and therefore property tax, and areas of low property tax value and tax yield. This disparate property tax yield causes problems where the property tax is the primary means of financing local schools...As more and more local public education lawsuits are successful, the local **property tax** will **recede** in importance for funding school systems. Statewide property taxes, strong equalization mechanisms and equitable, **state-supported school funding** will all contribute to a lessened role of the local property tax... pg. 6. (5)

5. INCREASINGLY, STATES HAVE ASSUMED MORE OF THE OVERALL COST THROUGH A GENERAL SALES OR INCOME TAX, THUS LESSINING THE ROLE OF LOCAL PROPERTY TAXATION. THIS APPROACH HAS REALIGNED THE BURDEN AND GENERALLY PROMOTED IMPROVED TAXPAYER EQUITY. P. 84 (2)

There are many reasons to expect that **broadening** the sales tax to consumer services will be popular in the 1990's. The result: (1) is widely predicted, (2) appears to be a trend, (3) is supported by economic consideration, and (4) may have manageable politics...State will be under continuing pressure for permanently expanded revenue throughout the 1990's. Unfunded federal mandates, uncontrolled Medicaid costs, continuing double digit increase in corrections costs and school funding formula problems must be solved. Constituencies seeking expanded spending by states are more numerous and more vocal than constituencies organized to limit state spending. ... During the 1980's, the states, by and large, managed their budget problems. In the 90's the states must solve their budget problems. pg 5. (5)

C. APPRAISAL OF PROPERTY IS SUBJECTIVE AND INACCURATE

1. "NO ASSESSMENT IN THE PREVIOUS 100 YEARS HAD ATTAINED EVEN APPROXIMATE EQUALITY OF ASSESSMENT BETWEEN STATE OR LOCAL ASSESSED PROPERTIES, AMONG CLASSES OF PROPERTIES OR AMONG INDIVIDUAL PROPERTIES. THE NORMAL SITUATION,..., HAD

BEEN INEQUALITY AND REGRESSIVITY." P. 14 (4)

2. INFORMATION AVAILABLE AT PRESENT INDICATES THAT AS MANY AS 89 COUNTIES HAD A COEFFICIENT OF DEVIATION OF GREATER THAN 20 AFTER REAPPRAISAL (EXPENDITURE OF OVER \$100 MILLION). FURTHER, REAPPRAISAL FAILED TO BRING RAILROADS AND OTHER INTERSTATE COMMERCE BUSINESSES'S PROPERTY WITHIN FEDERAL GUIDELINES. IMPENDING LAWSUITS AND SETTLEMENTS WILL FURTHER RAISE MILL LEVIES AND SKEW EXISTING INEQUITIES EVEN MORE. THE WHOLE SCENARIO IS INEQUITABLE AND INTOLERABLE BUT IS INHERENT THE THE COMPLEXITIES OF PROPERTY TAX DEPENDENCY. THIS IS AN IMPORTANT FACTOR IN REDUCING OR ELIMINATING PROPERTY TAX.

II. ELIMINATION OF EXEMPTIONS

A. BROAD LANGUAGE

1. .."THE BROADEST IMPOSITION WITH THE FEWEST NUMBER OF EXEMPTIONS IS THE FAIREST. PG. 14. (5)

2. BY REMOVING ALL EXEMPTIONS AND EXCLUSIONS TO SALES TAX, THE BROAD IMPOSITION LANGUAGE FOLLOWED BY ALLOWING SPECIFIC EXEMPTIONS LATER, PUTS THE LEGISLATURE IN THE ADVANTAGEOUS ROLE OF PRIMARILY GIVING RATHER THAN TAKING AWAY. P. 132 (1)

H. EROSION OF SALES TAX BASE

1. "MUCH OF THE SALES TAX BASE EROSION HAS BEEN THROUGH THE EXEMPTION OF CONSUMPTION PURCHASES IN AN EFFORT TO REDUCE REGRESSIVITY OF SALES TAX...VIRTUALLY ALL ARE COSTLY AND INVOLVE GREATER REVENUE LOSS THAN OTHER ALTERNATIVES FOR RELIEVING REGRESSIVITY". P. 212 (2)

2. "LEGISLATORS AND GOVERNORS CAN FIND AN ALMOST ENDLESS SET OF NOBLE OR PRAGMATIC CONSUMER PRUCHASE EXEMPTIONS; TAKEN TOGETHER, NIBBLE BY NIBBLE FROM THE (TAX) BASE, THEY CREATE A TAPESTRY OF **DISCRIMINATION**, EXAGGERATED BY HIGH STATUTORY RATES AND COMPLICATED COLLECTION. THE CASE FOR ANY EXEMPTION MUST HAVE MORE THAN POLITICAL EXPEDIENCY IN ITS SUPPORT. UNFORTUNATELY, STATE SALES TAXATION IN RECENT YEARS HAS FOLLOWED A POLICY OF A NARROWER BASE AND A HIGHER STATUTORY RATE". P. 215-16 (2)

a. TAX INCREASES ARE ALWAYS FRAUGHT WITH POLITICAL RISK...BASE BROADENING, IF SUCCESSFULLY PRESENTED AS TAX REFORM, MIGHT END UP BEING POLITICALLY HELPFUL. ITEM 7.b. (5)

b. **THUS, STATES MAY CHOOSE TO BALANCE SALES TAX BASE BROADENING WITH PROPERTY TAX RELIEF. ITEM 10.a.**

5

3. EACH EXEMPTION INCREASES COLLECTION COSTS AND THEREFORE REDUCES TAX COLLECTION EFFICIENCY. P. 213 (2)

(A letter to Sen. Marge Petty from Kansas Legislative

Research, dated October 1990, indicates 17 exemptions have been placed on the books within the last 10 years!!!

a. How did these businesses function before?

I. "WIDESPREAD STATE USE OF BOTH SALES AND INCOME TAXES STANDS OUT AS A POWERFUL BARRIER AGAINST THE CENTRALIZATION OF FISCAL POWER IN WASHINGTON". P. 33 (2)

1. RECOMMENDED BY A.C.I.R. (ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS.)

J. REDUCES DISCRIMINATORY TAX-INCENTIVE PROGRAMS FOR BUSINESSES.

1. CONCEPT OF "LEVEL PLAYING FIELD".

a. TAXES SHOULD PROVIDE A "LEVEL PLAYING FIELD WITH SIMILAR TREATMENT FOR ALL INDUSTRIES AND ALL FIRMS WITHIN EACH INDUSTRY. THIS IMPLIES AVOIDANCE OF INDUSTRY-SPECIFIC TAX INCENTIVES OR SPECIAL TAXES ON SELECTED INDUSTRIES". P. 55 (1)

b. "TAX CONCESSIONS ARE NOT COST EFFECTIVE". P. 112 (2)
(1) "IN EVERY CASE, EVEN WHERE TAX CONCESSION RATIOS APPROACHED UNITY, THERE IS ALWAYS SOME MORE COST-EFFECTIVE INSTRUMENT FOR PURSUING THE PUBLIC PURPOSE"
(2) "COST EFFECTIVE INDUSTRIAL INCENTIVES ARE THOSE THAT LEVERAGE INVESTMENT FROM COMMERCIAL LENDING AND INVESTING INSTITUTIONS. AMONG THESE ARE LOAN GUARANTEES, DIRECT INTEREST SUBSIDIES, AND INCENTIVES TARGETED TO NONDEPRECIABLE ASSETS". P. 114 (2)

c. PROPERTY TAX CONCESSIONS CAN SHIFT TAX BURDENS TO THOSE WITH LESS ABILITY TO PAY WITHIN THE TAX DISTRICT. THIS IS MANIFEST IN KANSAS WHERE INVENTORY EXEMPTIONS SHIFTED EXCESS TAX TO SMALL SERVICE-ORIENTED BUSINESSES. ADDITIONALLY PROPERTY TAX ABATEMENTS PUTS EXISTING BUSINESSES AT A COMPETITIVE DISADVANTAGE. ACCORDING TO THE KANSAS INC, KANSAS RESEARCH REPORT, SEPTEMBER 1990, BUSINESS IN KANSAS RANK LAST IN THEIR COMPETITIVEVIABILITY WHEN COMPARED TO SURROUNDING STATES.

d. "THE BUSINESS FACILITY LOCATION DECISION-MAKING PROCESS IS COMPLEX AND DRIVEN PRIMARILY BY ECONOMIC CONSIDERATIONS BEYOND THE CAPACITY OF STATE AND-OR LOCAL GOVERNMENT TO AFFECT". P. 110 (2)

e. .."LEVEL PLAYING FIELD" ALMOST MANDATES THAT A COMPENSATING USE TAX ON SERVICES BE IMPOSED".
(RESEARCH REPORT NO. 190)

f. COMPENSATING USE TAXES ON ITEMS USED IN MANUFACTURING NEED TO BE REINSTATED.

The following statements are quotes from Research Report No. 135,
Federation of Tax Administrators, Washington D.C., date October 1990.

Thus, by elimination, the **sales tax may be THE state revenue source of choice for the 1990's**. In particular, the choice is **base broadening or rate increases**. Tax increases are always fraught with political risk...**base broadening**, if successfully presented as tax reform, might end up being **politically helpful**. pg. 7

Some business representatives argue that the expanded sales tax will be inflationary, will cost jobs or cause other economic disasters. In reality, the arguments have **little technical merit** but great deal of political savvy, playing on taxpayer and business anxiety. pg. 9

The rallying cry against sales taxes generally is that they are regressive....(An) increase in a regressive component of the total tax mix can be matched with a corresponding ...decrease in another regressive tax. Thus, states may choose to **balance sales tax base broadening with property tax relief**...pg. 10.

...the public continues to support sales taxes over property taxes or even income taxes. pg 12.

The issue of sales taxation services will not go away. pg. 13.

Considering state revenue needs...unfortunately, (there will be) only slight acknowledgement of sound economic principles...the odds favor a patchwork of illogical exemptions and capricious inclusions. pg. 13.

...the broadest imposition with the fewest number of exemptions is the fairest. pg. 14.

While rate increases are familiar and somewhat popular, **base broadening may be the preferable method of increasing the yield from the sales tax**. pg. 23.

States tend to incremental in their approach to taxation...However, because the **incremental approach is generated by political expediency**, it is also fraught with the potential for idiosyncratic exemption and deductions for certain **powerful taxpayer groups**. pg. 57.

In summary, KFFT is a proponent of HB 2113 because it begins to address what experts feel is good tax policy. Although it does not go far enough into the exemptions, it is a step in the right direction. Our books and research material are available to any legislator who wishes to review them. (913-273-0401)

1. PROPERTY TAX IS THE MOST UNPOPULAR OF TAXES

- a. "In most states, the heaviest tax burdens borne by low income households are those that result from property taxes." Source--Unfinished Agenda of State Tax Reform, NCSL, pg 171
- b. "...inherently unfair because they have little or no relation to the property owner's ability to pay." Source--I'm Mad as Hell, H. Jarvis, pg. 283
- c. "discourages improvements on property." Source--Reforming State Tax Systems, NCSL, pg 42.
- d. Encourages flight from central cities. Source--Reforming State Tax Systems, NCSL, pg 42.
- e. "As more and more local public education lawsuits are successful, the local property tax will recede in importance for funding school systems." Source--Federation of Tax Administrators, Research Report No. 135, October 1990, pg. 6.
- f. "In reality, real estate taxes are a form of rent to the state for use of the property...There is no true private property when the state can exercise this power." Source--The Second American Revolution, John W. Whitehead, David C. Cook Publishing Co., 1982, pg. 209.

2. TREND TOWARD DECLINE IN USE OF PROPERTY TAX. Source--Reforming State Tax Systems, NCSL, pg 42.

- a. Self imposed discipline by local officials concerned about individuals and businesses being driven away by high property tax.
- b. Voter imposed restraints (Proposition 13 and 2 1\2)
- c. Greater elasticity of other revenue sources such as sales and income.
- d. Centralization (state aid) for education.

3. APPRAISAL AND LAWS OF PROPERTY--INACCURATE

- a. No assessment of property has ever been accurate. "No assessment in the previous 100 years had attained even approximate equality of assessment between state or local assessed properties, among classes of properties, or among individual properties. The normal situation,..., had been inequality and regressivity." Source--Origin of Classification and Reappraisal in Kansas, Part 1, State of Kansas, Jan. 10, 1990, pg 14.
- b. The "Unit Method" of appraising railroads is inaccurate. Source--Commonwealth of Virginia vs. Department of Taxation, et al., Record No. 891135, June 8, 1990.
- c. The C.A.M.A. system "suppresses" the income approach on commercial property. Source--Examination of source documents supplied by Shawnee County.
- d. The Kansas law of allowing farmland to be assessed differently from other commercial property is unconstitutional in Nebraska. Source--Kearney Convention Center, Inc. vs. Buffalo County Board of Equalization, Case No. 6768.

4. ELIMINATION OF EXEMPTIONS.

- a. "The broadest imposition with the fewest number of exemptions is the fairest." Source--Sales Taxation of Services, Federation of Tax Administrators, Research Report No. 135, Oct 1990, pg 14.
- b. Exemptions are not cost effective. Source--Reforming State Tax Systems, NCSL, pg 213.

- c. "Legislators and governors can find an almost endless set of noble...exemptions; taken together, nibble by nibble from the tax base, they create a tapestry of discrimination, exaggerated by high... (tax) rates and complicated collection." Source--Reforming State Tax Systems, NCSL, pg 212.
- d. As many as 17 exemptions have been placed on the statutes within the last 10 years narrowing the tax base. Source--Kansas Legislative Research Department, Letter to Sen. Petty, October 3, 1990.

5. REGRESSIVITY (concept that poor pay more than their share)

- a. Property Tax is the MOST regressive. See item I. a.
- b. "On average, the lifetime incidence of a broad-based consumption tax is only slightly regressive." Source--Federation of Tax Administrators, Research Report No. 135, Oct. 1990, pg 11.

6. SALES TAX

- a. "The sales tax may be the state revenue source of choice for the 1990's. Source--Federation of Tax Administrators, Research Report No. 135, Oct. 1990, pg 7.
- b. Least unpopular, relatively stable, exportable, not highly regressive.

7. TAXATION OF SERVICES (Sales Tax)

- a. Wealth is shifting dramatically to service businesses. By the year 2000, 64% of consumer spending will be on services. Source--Federation of Tax Administrators, Research Report No. 135, Oct. 1991, pg 22.
- b. "There is no reason why private purchases of services should be treated differently from purchases of tangible personal property." Source--Reforming State Tax Systems, NCSL, pg. 226.
- c. "...the public continues to support sales taxes over property taxes or even income taxes." Source--Federation of Tax Administrators, Research Report No. 135, Oct 1990, pg 12.
- *d. "Thus, states may choose to balance the sales tax base broadening with property tax relief." Source--Federation of Tax Administrators, Research Report No. 135, Oct 1990, 10.
- e. "The alternative to the 'laundry list' approach is the general taxation of all services with minimal exemptions.." Source--Federation of Tax Administrators, Research Report No. 135, Oct. 1990, pg 57.
- f. Rebates to poor can be addressed through EITC (Earned Income Tax Credit). Source--NCSL and Research Report 135.
- g. Some states already tax services: Hawaii, N. Mexico, S. Dakota, Iowa, Washington, W. Virginia. Source--Reforming State Tax Systems, NCSL, pg. 217.
- h. The failure of Florida's plan for taxation of services was political. The basic tax plan was good. Source--The Unfinished Agenda for State Tax Reform, NCSL, pg 129.
- i. "permits states to indirectly tax the federal treasury." Source--Federation of Tax Administrators, Research Report No. 135, Oct, 1990, pg 70.

Compiled by: **KANSANS FOR FAIR TAXATION, INC.**
 PO Box 3820 Topeka, KS 66604
 913-273-0401

All TRUTH passes through three stages:
 First, it is ridiculed. Second, it is violently opposed.
 Third, it is accepted as being self-evident. (Arthur Schopenhauer)

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MEMORANDUM

TO: MEMBERS OF THE HOUSE TAXATION COMMITTEE

FROM: ALAN F. ALDERSON, ATTORNEY, WESTERN RETAIL IMPLEMENT
AND HARDWARE ASSOCIATION

RE: HOUSE BILL NO. 2113

DATE: FEBRUARY 25, 1991

On behalf of the Western Retail Implement and Hardware Association, an association having approximately 300 Kansas members, I appear today in opposition to House Bill No. 2113.

The portion of the proposed legislation which has the most dramatic and drastic impact upon this state's farm implement dealers is the elimination of K.S.A. 1990 Supp. 79-3606(u). This is the exemption for farm machinery and equipment, repair and replacement parts therefor and services performed in the repair and maintenance of such machinery and equipment. Obviously, every group who stands to lose an economic advantage will be requesting your consideration for the retention of their exemption. I can only tell you what we perceive as being the consequences of the repeal of 79-3606(u). Before you eliminate the exemption for farm machinery and equipment, please consider the following:

1. The state of Arkansas, Iowa, Missouri, Oklahoma and Texas have exemptions for farm machinery and equipment. The sales tax rate in Colorado has been reduced to 3% on such farm machinery and equipment. The only state which is even close to Kansas and which imposes sales tax at a full rate (4%) on farm machinery and equipment, is the state of Nebraska.
2. One-third of Kansas dealers went out of business during the 1980's. Many more Kansas dealers are likely to close their doors -- particularly those anywhere near the Missouri or Oklahoma borders.
3. New farm equipment sales were down by 70% during the 1980's, but are now beginning to rebound.
4. The sales tax exemption for farm machinery and equipment has helped, and should be allowed to continue to help, Kansas farmers cut their equipment costs.
5. The sales tax exemption encourages Kansas farmers to stay at home to buy their equipment from their hometown dealers. When dealing with pieces of

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equipment as expensive as those used by our Kansas farmers, the price differential which can be offered in a neighboring state by virtue of our imposition of Kansas retailer's sales tax on farm machinery and equipment, makes it well worth the drive to buy from a neighboring state. The state sales tax on a \$90,000 combine would be nearly \$4,000.

We realize that the amount of money which could be raised through the elimination of all sales tax exemptions may appear to be an attractive quick fix. It is also easy to rationalize this decision as simply "making a special interest group pay their fair share." This rationalization ignores two very important concepts:

1. The sales tax is not paid by special interest groups -- it is paid by Kansas consumers. Sales tax on farm machinery and equipment is paid by Kansas farmers.
2. There were very sound economic or other policy reasons for the enactment of most of these sales tax exemptions. Kansas continues to strive to be a leading agricultural state. The exemption of farm machinery, repair parts and services is vital to that effort. The reasons for the exemption of farm machinery and equipment, therefor, continue to be valid.

On behalf of the farm machinery and equipment dealers of Kansas, I urge you to take a very cautious approach to any proposal which would provide substantial competitive advantages to our neighboring states, and do not be fooled by any "quick fix" remedy which may have far-reaching and unintended consequences. We urge you to vote against HB 2113.



Mike Reecht
State Director
Government Affairs
Kansas

Capitol Tower
400 SW 8th Street, Suite 301
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Phone (913) 232-2128

TESTIMONY OF BEHALF OF AT&T
HOUSE BILL 2113
MIKE REECHT

Good morning, my name is Mike Reecht. I am State Government Affairs Director in Kansas for AT&T. I am here before you today to testify against House Bill 2113.

The telecommunications industry contributes significantly toward meeting many of society's economic and social needs and will in the future contribute even more. Telecommunications profoundly impacts all sectors of the Kansas economy and society in general. Indeed, the ability to access information is critical to the competitiveness of Kansas companies in the global marketplace and to the social wellbeing of its citizens.

The challenge for this committee is to develop a telecommunications tax policy which balances Kansas legitimate and immediate interest in capturing tax revenues against the burden that it places on its citizens and against the critical need to pursue long term economic development.

AT&T firmly believes that any move to extend the Kansas sales tax to interstate telecommunications services ignores the need for such a balance and will be extremely detrimental to Kansas residents, business and economy.

High telecommunications costs due to high taxes will retard Kansas' economic development. The Kansas economy is intrinsically tied to the national and international economy. As reported in the recent edition of the "Kansas Business Review" (Vol. 14, No.2, Winter 1990-91, Economic Outlook Issue, page 9), some major industries sell as much as ninety-five percent (95%) of their output to out-of-state markets, and for the state as a whole, nearly forty percent (40%) of total business revenues are derived from out-of-state sources. As the cost of long distance services contributes to the cost of nearly every product manufactured and service provided in Kansas, the increased cost incurred by imposing a tax on interstate services would ultimately be reflected in the pricing structure of every product or service provided in Kansas. This higher bottom line cost could result in a negative economic impact on Kansas in terms of jobs, lost opportunities, lost revenues, and certainly will not encourage Kansas' long-term economic development.

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Additionally, interstate telecommunications service is a key ingredient in any location decision. Businesses examine the costs of doing business in any state before locating in that state. Telecommunications costs and taxes are key factors in locational decisions with most businesses. AT&T feels that increasing the cost of telecommunications by the imposition of an additional tax drives that cost up and therefore creates an economic disincentive to locating in Kansas versus bordering states, like Missouri, which do not tax interstate telecommunication services. In fact, nationwide, only 17 states have instituted such a tax.

Further, interstate long distance is already taxed at a rate of three percent (3%) by the federal government. This means the imposition of a 4.25% state rate would drive the tax rate to 7.25% for those businesses or residential consumers who find the use of long distance a necessity.

I therefor urge your careful consideration before recommending a tax that creates an economic disincentive for business development and an additional economic hardship on those residential customers who need to make long distance interstate calls. The Kansas legislature should endorse a tax policy that ensures the latest in telecommunications network technology and that will remain competitive with surrounding states.

Testimony to the House Committee on Taxation
in opposition to House Bill 2113

Honorable Chairman and Members of the Committee:

My name is Glen Shore and I am Director of Employee Relations for Koch Industries in Wichita.

I am here today to speak against House Bill 2113 specifically section nn which would eliminate the tax exemption on the educational material purchased by the American Heart Association and section tt which would tax the sale of tickets to not-for-profit fund raising events.

As Chairman of the Board for the Kansas Affiliate of the American Heart Association, I would like to strongly urge that these exemptions be retained. Failure to do so will erode the efforts of the American Heart Association to continue to benefit the people of Kansas and would not be in the best interests of the state.

I will bypass what seems like the cynical result in taxing the efforts of mostly volunteers for their life saving efforts toward fellow Kansans (which we believe would be a first in the entire United States) and discuss the merits of our efforts at the American Heart Association.

Government policy is shifting the burden for helping people back to the communities. For instance, the Federal government has recently significantly reduced the amount of funds allocated to the kind of research performed by the American Heart Association. I guess we are asking that our point of light here not be dimmed with this additional tax burden!

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Next I would like to address the issue regarding the annual events and the use of proceeds from ticket sales to these events. There are two components involved. In most of these events, the customer or really the contributor, obtains a benefit, or instance, a meal. The cost of this benefit, i.e. the meal is already taxed. The American Heart Association pays the tax on the cost of the meal. To tax that again as part of the ticket sales is double taxation. The portion of the ticket above the cost of the benefit to the customer or contributor is a donation, thus what I believe to be the cynical result of taxing the hand that feeds us, that contribution to efforts benefiting all Kansans.

I would like to discuss a little bit about the American Heart Association, what it does and why those efforts should not be impeded by taxation. Also why the dissemination of educational materials is such an important part of this effort.

I have been involved with the Kansas Affiliate of the American Heart Association for a number of years. I am an executive with a full plate without being involved in an organization for the fun of it. However, the American Heart Association is a worthy organization. What attracted me to them in the first place was their single-minded dedication and focus to their mission of preventing death due to cardiovascular disease, and their success at meeting that mission (death by stroke and heart disease is down nearly a third in the past 10 years).

This organization pays close attention to the value received compared to administrative costs (which are among the lowest of non-profit organizations anywhere). For instance, our overall management and general expenses account for 4.1% of our budget in Kansas.

How does the American Heart Association spend their money? Last year over \$1,210,000 was spend on research alone. Over 60% of this (approximately \$726,000) was directly allocated to Kansas researchers for projects here in the state. The balance was allocated for national research by the American Heart Association National Center. The administrative costs were only 2% of these totals. With heart attacks and strokes down about 1/3 in the past 10 years. I do not have to tell you how effective that research has been.

What about our educational efforts in the American Heart Association? We found a few years ago that a lot of excellent life saving information had been developed through our research efforts. This information was not being applied effectively on a broad scale, because of a lack of education. The educational efforts therefore became a major part of our strategy at the American Heart Association and it is largely as a result of this educational effort that the results of the research have been so effective.

Consequently, approximately another third of our budget is spent on our educational efforts. About \$1,265,000 was spent last year on these efforts. Nearly 10% of these educational efforts were directed toward the professional community whose efforts have a direct bearing on the health of Kansans.

The scope of American Heart Association programs within the state of Kansas is very broad. Of the nearly 300,000 Kansans reached by the American Heart Association last year, 37% were our school kids. One hundred seventy five high schools were involved in our program called "Save a Sweetheart" which is a smoking awareness educational program. About 375 elementary schools were involved in the "Smoke Free Class of 2000" educational programs. An additional 28% were members of the health community, 20% were educational efforts directed at CPR, and about 14% of these were involved with the general community. The balance of 1% or so involved the business and industry community.

What are the benefits to Kansans as a result of these efforts of the American Heart Association? There are three big ones: reduced medical costs, reduced death and healthier people.

Unfortunately it takes time and money to research and tabulate all the information that is helpful, and those limitations have hindered my ability to furnish you with hard statistics today regarding the monumental savings in medical costs alone, as a result of the research and educational efforts of the American Heart Association. But you do not need to be a statistician to understand the enormity of the savings. All of you have had family or friends whose lives have been ravaged by the leading cause of death, cardiovascular diseases.

You are all well aware of the astronomical costs associated with these catastrophies. Obviously most important are the lives saved but 33% of the potential victims of diseases did not have the medical bills that they otherwise would have. And we all know how tremendously expensive treatment is whether the victim lives or dies.

Significantly a major portion of our educational efforts are to prevent the disease, not just treat it.

Just last Saturday results of a significant break through in the treatment of strokes was announced by the American Heart Association. So significant, in fact, that in an unprecedented move it was decided a government study of the treatment should be suspended because the surgery is too effective to deny to the study control group. This is the kind of effort that would be impeded by burdening the already tough competition for funds with the additional tax.

Well, there you pretty well have it. The benefits to Kansans from the activities of the American Heart Association are that over the past 10 years cardiovascular disease has declined 23% (including a decline in strokes of 33% and a decline in coronary heart disease of 27%). Kansans are healthier as a result. Our medical costs are greatly reduced. Our audited financial results demonstrate efficient use of the dollars Kansans have generously donated to our trust. Do we want to burden these funds further?

So again I urge you do not repeal the sales tax exemption on these efforts of the American Heart Association. Do not further diminish our efforts at saving lives and making Kansas a better place to live for all Kansans. Thank you.

Testimony to the House Taxation Committee
in opposition to House Bill 2113

Honorable Chairman and Members of the Committee:

My name is Richard Alper. I am an assistant professor of pharmacology, toxicology and therapeutics at the University of Kansas Medical Center in Kansas City. As such my primary responsibilities are to teach second year medical students and conduct research. I am fortunate in that the state of Kansas provides my full salary to allow me to teach, but it is my responsibility to obtain funds to support my research laboratory. This second function, research, is important to the state for several reasons. Not the least of which is that without a strong research effort on my part I will not receive tenure and will be forced to find a new position elsewhere.

I am here today as a basic biomedical research scientist who has been the beneficiary of 3 years of funding through the Kansas HEart Association Grant-in-Aid program. It is in part through this program that I have been able to keep my lab functioning. In the lab I train many students in experimental design and analysis. The students come from the nursing, medical and graduate schools at the Medical Center. It is important for them to obtain rigorous scientific training for they are our future leaders in academic medicine and must have available all the tools to live up to their responsibilities.

Basic research is also important for the continued success of American science. What we do in the lab may not have an immediate impact on the world or clinical medicine, but the more we know and understand about the function of living organisms the brighter our future will be. This has been shown to be true repeatedly throughout history.

The Kansas Affiliate of the American Heart Association provides a vital service for biomedical research here in the state of Kansas. Funding from federal sources such as the National Institutes of Health is becoming increasingly difficult to obtain. It has been estimated that only 20% of the proposals submitted to the NIH will be funded this year. The situation at the national division of the American Heart Association is even more bleak. I have been told that of the 1000 applications, only 160 will be funded.

The local affiliate of the American Heart Association has consistently been supportive of the basic scientist in Kansas. Anything that will divert funds from basic science research programs will have a negative impact on higher education throughout the state. Thank you for taking the time to consider what I have said here today.

Testimony to the House Taxation Committee
in opposition to House Bill 2113

Honorable Chairman and Members of the Committee:

My name is Teg Chaffee. I am currently employed as a fireman for Soldier Township Fire Department. I currently serve on the Schoolsite Committee of the American Heart Association, Kansas Affiliate.

I am here today to speak against House Bill 2113, specifically section nn which would repeal the tax exemption not-for-profits receive for the purchase of educational materials.

The American Heart Association, Kansas Affiliate provides quality educational materials at no charge for the "Save a Sweetheart" program used in grades 7-12. The program is designed to deter students from using all tobacco products. If students currently use tobacco products they are encouraged through support to abstain from smoking for one day, Valentines Day, hence the name Save a Sweetheart.

If the tax exemption the American Heart Association receives for educational materials is repealed, quality educational programming for the students of Kansas would be reduced and endangered. And in the case of the Save a Sweetheart program, schools will miss an educational opportunity to promote and encourage a "drug free Kansas."

Honorable Chairman and members of the committee, I ask you to retain the tax exemption on educational materials allowed for not-for-profit organizations. Thank you. I am open to questions from the committee.

TESTIMONY

Presented to:

**Committee on Taxation
House of Representatives
State of Kansas**

By

AMERICAN LUNG ASSOCIATION OF KANSAS

February 26, 1991

HOUSE TAXATION
Attachment #7
02/26/91

Madam Chairperson, Members of the Committee and other interested persons:

The American Lung Association of Kansas (ALA/K) welcomes this opportunity to once again express concern relating to the issues of sales tax applicability, elimination of selected exemptions and imposition of sales tax upon certain services to be determined by this committee.

Each of you should be aware that the American Lung Association of Kansas is registered with the State Department of Revenue and pays sales taxes on goods and materials necessary to maintain operations; therefore, the ALA/K is not raising objection to sales tax payments which relate to operations of the organization nor do we object to sales tax as applicable to various types of non-profit organizations; however, the ALA/K is extremely concerned about reductions in materials and services available to the public which will certainly occur if HB 2113 is accepted as currently written.

For example: When the ALA/K purchases T-shirts for promotional purposes, sales tax is paid on the transaction by ALA/K to the T-shirt vendor. Even when purchasing public health education materials from the American Lung Association, New York, NY, sales tax is paid on the transaction. Through participation in (and compliance with) existing sales tax mechanisms, the ALA/K demonstrates recognition of state governments legitimate attempt to provide for the common welfare.

What is perplexing and most threatening to the ALA/K and related organizations is the seemingly arbitrary way in which certain sales tax exemptions are allowed or disallowed and the fact that most of the sales tax burden imposed upon materials and services provided by non-profit health associations is seldom passed onto consumers due to their inability to pay. Such consumers often being those most in need of the materials or services provided free or at nominal cost by the non-profit health associations.

Government at all levels seems to want this transaction to come at the expense of the voluntary health associations while at the same time promoting concepts such as volunteerism, community self-help efforts and programs of prevention and wellness directed to high risk segments of the population.

(Cont'd)

Attachment 7-2

If one accepts the premise that government will not or cannot make available at the same (or less) cost all of the materials and services provided by the voluntary health associations, and that these materials and services are beneficial to our mutual constituency, then making these same materials and services subject to sales tax is clearly detrimental to that constituency.

It is also clearly distressing to the ALA/K that certain materials and services are provided free of sales tax to state agencies but bear a sales tax burden when requested by other organizations. This is true of smoking cessation programs, tuberculosis control materials and public education materials regarding lung health which are currently in use with state agencies.

Even more alarming to us is the prospect of special events and other fund-raising programs being subject to state sales tax. For example: The ALA/K markets a Golf Privilege Card^R to raise funds for a variety of education programs. The card is well received by golfers and is priced at \$25. No federal income tax deduction is allowed for the golf card because more than \$25 in value is returned to the purchaser thanks to the generosity of participating golf courses. The ALA/K believes the application of state sales tax on this type of item would diminish fund-raising support leading to curtailment or elimination of the programs supported by golf card sales. The perceived value of the card would suffer due to the addition of sales tax.

There is also the question of sales tax applicability for items such as registration fees, for programs such as Camp Superbreathers for asthmatic children. Will already financially strapped parents have to come up with state sales tax in order to register their children for camp? Will the lung association be expected to pay the sales tax from already scarce contributor dollars? Who pays?

The ALA/K suggests that health education materials and services made available for public use or consumption free or at a nominal cost be exempt of state sales tax. Without such consideration, the ALA/K would be hard pressed to provide full range of materials and services to those persons unable to pay sales tax. Further compounding this situation would be the continuing burden of sales tax collection on organizations, which unlike most retail sales establishments have no specialized sales staff or accounting software relating to sales tax collection.

(Cont'd)

In conclusion, the ALA/K suggests that any tax on sales or services not be applied arbitrarily so as to include for-profit and not-for-profit entities as though no difference in these entities can be determined. Clearly some advantageous consideration should be provided non-profit voluntary health associations which offer materials and services benefiting society through a reduction in health-care costs or by reducing the need for government intervention.

Thank you for your attention to these remarks and for your consideration in fairly applying tax burdens.

Annette Craddock, B.S.N., M.A.
President
AMERICAN LUNG ASSOCIATION OF
OF KANSAS

Steve Berndsen
Executive Director
AMERICAN LUNG ASSOCIATION
OF KANSAS
4300 Drury Lane, Box 4426
Topeka, Kansas 66604

Joan Wagon, Chairman
Committee on Taxation
Kansas House of Representatives
State Capital Building
Topeka, Kansas

Dear Representative Wagon and Committee Members:

My name is Mary Ellen Hess, and I live here in Topeka where I do volunteer work along with my friend, Frances Thomas, for a number of organizations, including the American Lung Association and the American Cancer Society. I, like so many others with whom I volunteer, live on a fixed income as I am retired. I enjoy the opportunity to help others through the work I perform and that is why I am concerned about the proposal to make just about everything people need subject to a sales tax.

My understanding of this legislation is that the thousands of fliers and pamphlets about diseases which Francis and I help mail to the public will be taxable even if the material is free. This upsets me because I have battled cancer and smoking all my life.

My sisters have died of cancer and lung disease; and if the State of Kansas wants to tax something, it should put more tax on tobacco and allow the health organizations to continue their work without more taxes.

I must tell you that I was extremely upset when I learned that this sales tax would be paid on registration fees for the children who attend asthma camp. I just can't imagine that sales tax should be collected on such services, and I will do everything I can to help defeat such a broad application of sales taxes.

Thank you for allowing me to speak out about my feelings against unfair sales taxes.

Sincerely,

Mary Ellen Hess

Mary Ellen Hess
5713 S.W. 22nd Terrace
Topeka, KS 66603

HOUSE TAXATION
Attachment #8
02/26/91

HOUSE BILL NO. 2113

TESTIMONY OF GLENN D. COGSWELL ON BEHALF OF
AMERICAN CANCER SOCIETY, KANSAS DIVISION, INC.

BEFORE THE HOUSE TAXATION COMMITTEE

FEBRUARY 26, 1991

Mr. Chairman and members of the Committee:

My name is Glenn Cogswell and I appear on behalf of the American Cancer Society, Kansas Division, Inc. We thank you for the opportunity to appear before you and to express our concerns with House Bill 2113.

American Cancer Society, Kansas Division, Inc. is a Kansas nonprofit charitable and educational organization, dedicated to dissemination of knowledge concerning the dangers, treatment and cure of cancer.

The portion of the bill with which we are most directly concerned is in section 3, amending K.S.A. 79-3606 and is found in the bill on page 17, at line 36 through line 39. K.S.A. 79-3606 (nn) provides an exemption of ". . . all sales of educational materials purchased for distribution to the public at no charge by a nonprofit corporation organized for the purpose of encouraging, fostering and conducting programs for the improvement of public health."

This provision was intended to and does in fact have very limited application. As it affects American Cancer Society, Kansas Division, Inc., it applies to educational materials concerning the dangers, treatment and cure of cancer purchased by the American Cancer Society, Kansas Division, Inc., a nonprofit corporation,

HOUSE TAXATION
Attachment #9
02/26/91

almost entirely from American Cancer Society, also a nonprofit corporation, which has the same objectives, and distributed to the public at no charge by American Cancer Society, Kansas Division, Inc.

The purpose of the exemption and the justification for its exemption from sales tax is the promotion of public health; specifically the dissemination of knowledge concerning the dangers, treatment and care of cancer.

The fiscal impact of this exemption is minimal. During the fiscal year of 1989-90 the amount of sales tax that would have been paid to the State of Kansas by the American Cancer Society, Kansas Division, Inc. if this exemption were not in effect would have been \$6,469. The average cost of the educational material disseminated by the American Cancer Society, Kansas Division, Inc. is about \$.40. This means that the savings occasioned by this limited sales tax exemption would pay for more than 16,000 pieces of cancer educational material for dissemination at no cost to the public.

Admittedly, it is difficult to equate the value of cancer awareness and education to specific numbers of dollars. We believe, however, that the public and the State of Kansas is receiving value for the limited sales tax exemption in the present law that far outweighs the very slight impact that repeal of the exemption would have in solving the state's taxation problems.

We urge the committee to amend HB 2113 by restoring the very limited sales tax exemption provided by K.S.A. 79-3606 (nn) as set out in section 3 of the bill at page 17, lines 36 through 39.

TO: Members of the Kansas House of Representatives Tax Committee.
(26 Feb 91)

I am William M. Martin from Glasco, located in Cloud County, KS. I appreciate the invitation to testify. I am deeply concerned about Governor Finney's tax relief proposal and more directly I oppose the removal of sales tax exemptions and the imposition of sales tax on certain services. I refer specifically to H.B. 2113 and other tax proposals being considered by this committee. These proposals threaten the fragile agriculture economy and indeed the entire rural Kansas economy. To best explain my reasons for opposition and concern I will refer to the effect the proposals will have on our family's farm business.

Our family's farming enterprise encompasses approximately 2600 acres of cropland and pasture. We rent most of our cropland and pasture. Our main crops are wheat, milo, soybeans, alfalfa and canola. We also have a cattle backgrounding operation turning 250 to 300 head of steers a year. I ran an analysis of the effect the proposed sales tax changes would have on our farm business. Assuming all of the proposed changes were enacted and our property taxes were reduced by 21%, I conservatively estimated that our expenses would increase by \$10,389 and we would net 5.2 cents for every \$1 of sales tax increase. Our new and used machinery purchases are averaging \$68,000 /yr. Sales tax would increase this cost by \$2,570/yr. The most insidious of the proposed new sales taxes is a tax on trucking. I ask our suppliers what percent of the retail value of products we purchased was for freight. It ranged from 5% on big ticket items like combines and tractors to 30% on small, high-dollar, heavy items like bearings, chisel teeth, and other repair parts. They all agreed that the basic average was about 15%. This alone adds almost \$1,000 to our cost of operation. Our suppliers all stated that the tax on freight would be passed on to the consumer. We are considering expanding our backgrounding operation. These proposed increases in sales tax cost will seriously limit our capital for expansion and may even limit or stop our expansion plans.

Sales tax is a punitive tax! Sales tax exemptions have been enacted for good reason. Agriculture will be unable to pass on or recover any of the cost of these proposed sale tax changes through the prices received for commodities. Our neighboring states do not charge sales tax and inventory tax on farm machinery. Many economists are already predicting a reduction in net farm income due to changes in the U.S. farm program and increases in input cost for the farm. The bottom line is that the increase in sale tax expense reduces our operation's profitability, decreases our ability to purchase equipment and expand and has an insidious effect of geometric progression of costs as prices rise due to inflation. It also reduces the labor we will hire and/or the income tax generated. This has a ripple effect throughout the rural community and indeed even the urban communities of our state.

I would like to see less reliance on property tax, too. I feel that the problems with property tax were not created by classification, but through improper reappraisal methods. More time is needed to

HOUSE TAXATION
Attachment #10
02/26/91

allow for correction to be completed or statutes enacted to solve the problem. Furthermore, no one has been able to absolutely guarantee that my property taxes will be reduced if the exemptions are removed and these extra sales taxes are collected. Most of the sales tax collected will still come from the large urban areas. Our family spends a great deal of our disposable income in these urban communities, but are these urban counties really willing to send taxes generated in their communities to rural counties to reduce property taxes? I understand there is a need to raise additional revenue to fund state government, but have we adequately explored cutbacks and waste?

I realize that this committee and indeed the entire legislature is faced with a tough problem to generate funds for state government. I appeal to you to reject all efforts to remove sales tax exemptions. In agriculture it will create an unfair tax shift rather than evening out the tax mix. I would be more in favor of an overall increase in the sales tax rate under the existing sales tax structure or the use of income tax to provide property tax relief in funding local government.

I thank you for your time and this opportunity to express my views and concerns. I wish you well and am sure that you will continue to make your decisions with the best interest of all Kansans in mind. I would be happy to answer any questions you have.



CORPORATE OFFICE
(913) 354-7588

2514 KANSAS AVENUE
TOPEKA, KANSAS 66611

Professional Laundry Systems

February 26, 1991

To: Committee on Taxation

RE: House Bill 2113

Dear Legislator:

I appeared before this same committee in 1990, concerning the 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 the most regressive tax that you could possibly impose. (See schedule) It primarily affects the low income, the poor, the students and the elderly.
2. In order to collect the 4.25% our industry will have to raise prices by 13.4%, a 10¢ minimum increase on a 75¢ cycle. (See attachment)
3. Washing clothes, (cleanliness) is a necessity not a luxury. To tax cleanliness in a regressive manner is simply not right.
4. There are approximately 200,000 Kansas citizens that live in multi-family facilities (apartments) that utilize coin-operated laundry equipment. If this regressive tax is passed on to these residents at a 13.4% increase, how is that to be explained?
5. Why are you singling out previously exempt industries? Why not tax all services?
6. The argument has been made that we are the last coin-operated industry not being taxed for sales. I have not heard whether it is right or wrong, collectable or uncollectable, just that we are the last. I am not arguing the case for product vendors, however they do have control over the size of their products, as an example, four sticks of gum instead of five, smaller roll of life savers, smaller candy bar and so on. For our service can we stop our machine in the middle of the final spin and accomplish the same thing? Obviously no!
7. 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.

HOUSE TAXATION
Attachment #11
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-1-

8. Jetz Service Co., Inc. has approximately seven thousand (7,000) washers and dryers located at various multi-family communities in the state of Kansas. We can only increase the price for using our equipment a minimum of 10¢. This charge would cost approximately \$50.00 per machine. That translates to a \$350,000.00 cost for our company to increase the price on these machines.

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 withholding 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.

It is not difficult for me to understand why businesses in Kansas have become frustrated about doing business in this state. 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

Regressivity Index by Item

Spending by the Rich as a Share of Income
Compared to Spending by the Poor as a Share of Income*

	Rich/ Poor	% of Total Per.Inc.	% Now Taxed		Rich/ Poor	% of Total Per.Inc.	% Now Taxed
REGRESSIVE:							
Coin-op. laundry/dry clean.	0%	0.1%	20%	Personal care products . . . . .	.24%	0.8%	98%
Coin-op laundry/dry clean. (nc)	0%	0.0%	19%	Televisions, radios, stereos. . . . .	.25%	1.0%	98%
Other home fuels	1%	0.1%	47%	Towing charges . . . . .	.26%	0.0%	26%
Cigarettes	1%	1.1%	86%	Beer & ale (away). . . . .	.31%	0.2%	99%
Clothing material	1%	0.1%	84%	Personal care services . . . . .	.35%	1.1%	11%
Motor oil.	1%	0.0%	98%	Wine (away) . . . . .	.39%	0.1%	99%
Minor vehicle maint. on trips.	1%	0.0%	40%	Spirits (away). . . . .	.42%	0.4%	99%
Appliance rental	1%	0.0%	98%	Veterinary expenses. . . . .	.42%	0.1%	1%
Service policies	1%	0.0%	16%	Clothing rental . . . . .	.44%	0.0%	78%
Motorcycles	1%	0.1%	94%	Clothing & shoes . . . . .	.46%	4.7%	84%
Funerals	1%	0.1%	35%	Housefurnishings and equip.. . . .	.47%	4.6%	98%
Septic tank cleaning.	1%	0.0%	9%	Stationery, giftwraps . . . . .	.59%	0.2%	98%
Campers	3%	0.1%	94%	Pets, food, supplies . . . . .	.59%	0.1%	98%
Used cars & trucks	3%	2.1%	94%	Misc. home services . . . . .	.62%	0.1%	8%
Gasoline	4%	3.2%	37%	College books & supplies . . . . .	.70%	0.1%	54%
School lunches	4%	0.3%	1%	Dry clean./laundry. . . . .	.73%	0.2%	32%
Home impr./maint. goods	5%	0.7%	98%	Photographic equipment. . . . .	.76%	0.1%	98%
Carbonated drinks	5%	0.5%	81%	Tool rental . . . . .	.77%	0.0%	73%
Food less candy & soft drinks	5%	9.3%	22%	Furniture repair. . . . .	.81%	0.1%	72%
Campers (trailers,attachable).	5%	0.1%	98%	Admiss. to movies, plays, etc.. . . . .	.97%	0.3%	45%
Moving & storage.	5%	0.1%	1%	Fresh flowers and house plants. . . . .	.98%	0.2%	98%
Cable fees	5%	0.4%	14%	Accessories. . . . .	.99%	0.2%	97%
Electricity	6%	2.1%	56%	Total/Average (Regressive):		49.0%	65%
Prescription drugs	6%	0.4%	1%				
Natural gas.	6%	0.9%	56%	PROGRESSIVE:			
Tires, batteries & access.. . . .	7%	0.7%	98%	Legal fees	100%	0.4%	6%
Water/sewer	7%	0.5%	10%	Fees for participant sports	104%	0.3%	41%
TV, etc. repair & rental	8%	0.1%	73%	Sports, hunting, etc. equip.. . . .	122%	0.3%	98%
Newspapers	8%	0.2%	15%	Laundry/dry clean. sent out (nc)	140%	0.0%	31%
Telephone	8%	1.3%	68%	Spirits (home)	140%	0.4%	97%
Other school books & supp.	9%	0.0%	35%	Admissions to sporting events	156%	0.1%	52%
Water softening serv.	10%	0.0%	38%	Home impr./maint. services	161%	1.5%	23%
Cigars, other tobacco	10%	0.1%	98%	Watch & jewelry repair	169%	0.0%	49%
Soaps, clean., paper, misc. ho. prod.	10%	0.8%	92%	New cars & trucks	218%	4.2%	94%
Fuel oil	11%	0.3%	53%	Fees for recre. lessons.	220%	0.3%	6%
Mowing equipment, etc.	11%	0.1%	98%	Boats & boat motors	238%	0.2%	98%
OTC drugs, dressings, med.equip.	11%	0.3%	68%	Parking fees	245%	0.1%	37%
Eyeglasses	11%	0.1%	15%	Car, truck & other rental	251%	0.1%	94%
Trash/garbage collection.	13%	0.1%	9%	Jewelry & watches	259%	0.6%	98%
Candy & chewing gum.	13%	0.2%	62%	Accounting fees.	296%	0.1%	6%
Beer and ale (home)	15%	0.8%	96%	Apparel/accessory alter.	310%	0.0%	31%
Magazines or periodicals	17%	0.1%	42%	Wine (home).	324%	0.2%	96%
Toys, hobbies, bikes, etc..	17%	0.5%	98%	Lawn & garden supplies.	334%	0.1%	98%
Purchase of film	18%	0.1%	98%	Club membership dues & fees	370%	0.2%	27%
Books	19%	0.2%	98%	Lodging while out of town.	613%	0.6%	90%
Meals away except at school	20%	4.7%	98%	Gardening/lawn care	1336%	0.1%	23%
Car repairs	21%	1.4%	63%	Landing & docking fees	3119%	0.1%	13%
Shoe repair.	22%	0.0%	42%	Total/Average (Progressive):		9.9%	71%
Developing of film	23%	0.1%	54%				

*Column one (Rich/Poor) compares the share of income spent by the rich (the top 0.7%) on each category to the share of income spent by the poor (quintile I). Column two reflects the percent of total personal income spent on each item by all families. Column three shows how much of total spending on each item is currently subject to state sales tax.

(from Nichols & Deane - Economic Survey of the State of Michigan - 1958 - contribution to the Michigan Economic Development Foundation)

STRIKE A KNOCKOUT BLOW AGAINST INFLATION!

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FROM 25¢ TO \$1.00 WITHOUT CHANGING CHUTES!**

Raising prices has never been easier or faster. Just remove a single screw from the chute slide, knock out the appropriate dime or quarter plug, and change the price decals.

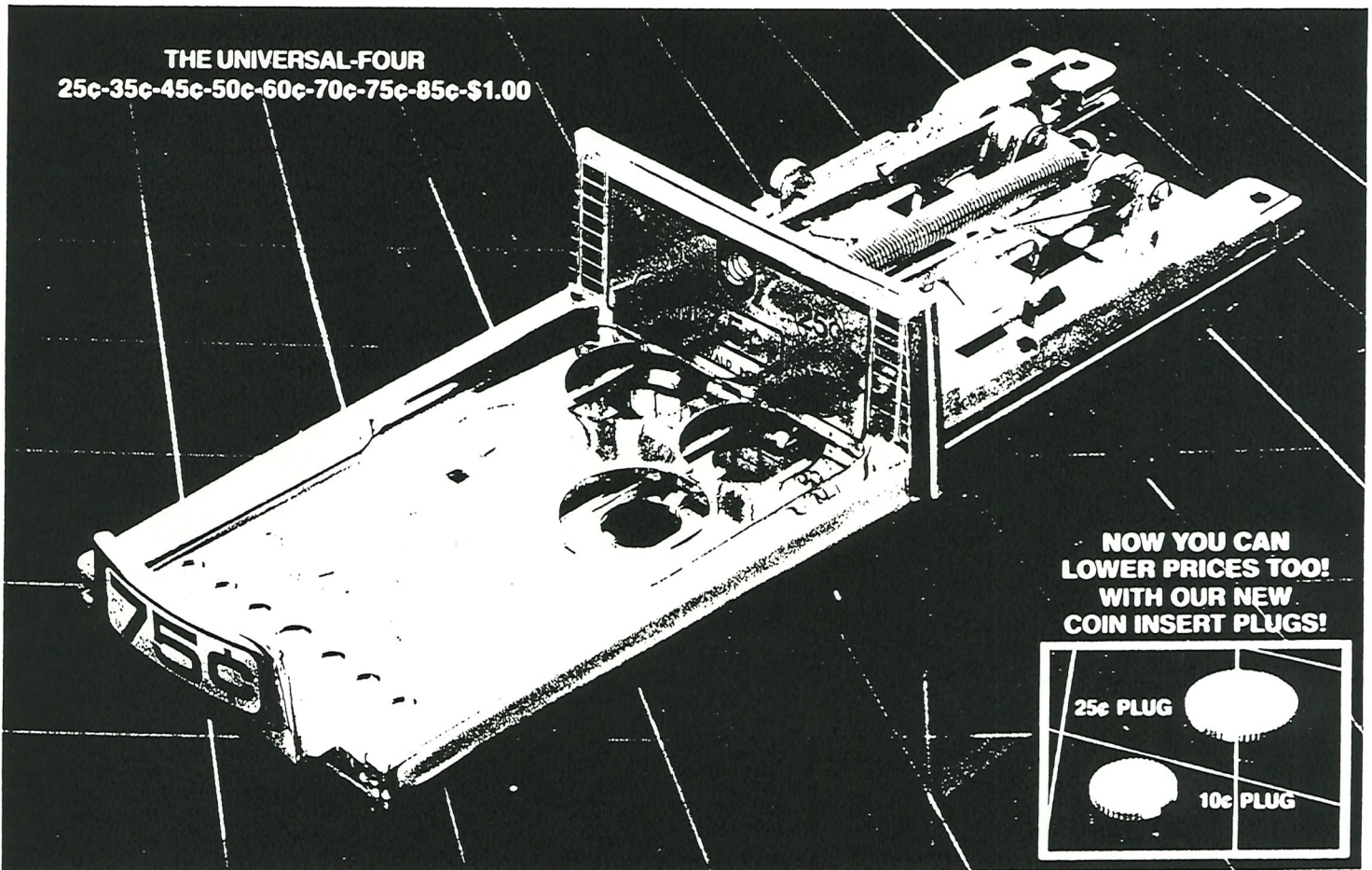
The Universal-Four gives you a choice of 9 pricing options: 25¢, 35¢, 45¢, 50¢, 60¢, 70¢, 75¢, 85¢, & \$1.00. You even have the added flexibility of lowering prices as well, with our recently introduced coin insert plugs.

The Universal-Four is built to last. For example, it has a thicker slide bar than most chutes, and a slide bed casting that extends the full length of the slide. Although it can handle

Four coins at one time, the Universal-Four has fewer parts for even greater reliability and longer life.

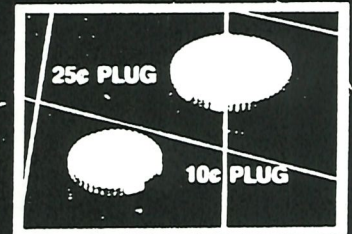
Because of certain features in its patented design, the Universal-Four gives you maximum protection against slugging and cheating. The Universal-Four offers you pricing flexibility for both your present and future needs. Universal-Fours are now available for immediate delivery, and can be factory set for any of the above mentioned pricing options. Universal-Four, not a purchase, an investment.

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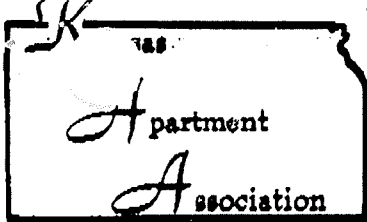


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1340 METROPOLITAN AVENUE
BROOKLYN, N.Y. 11237-1194

Attachment 11-4



949 Parklane Wichita, Kansas 67218-3201
(316) 682-3508

February 1, 1991

Office of the Governor
State Capital
Topeka, Kansas 66612-1590
Attn: Joan Finney

Dear Governor Finney;

I am writing this letter as the president of the Kansas Apartment Association. We represent over 100 apartment communities and owners, as well as 13,000 apartment dwellers.

Our association has a real concern about the proposed tax relief program, specifically as it applies to our residents and to coin-operated washer and dryer vendors.

The proposed 4.25% sales tax would be directly passed onto the user, in this case the residents. The machines, which are designed to take quarters or dimes, will not be able to collect a \$.03 tax. They could only collect an additional \$.10, which is now an increase of 13.4%.

Our renters can not afford to bear the weight of an increase in a service they have no choice in using. They must do their laundry, it is a necessity of life. Providing tax relief by doing their laundry is not right.

We encourage you to retain the exemption for coin-operated washer and dryer vendors. We encourage you not to tax the renters of Kansas, who are the least able to pay any additional tax. Thank you for your consideration and listening to our views.

Respectfully,

Becky Way
Becky Way
President

KANSAS MANUFACTURED HOUSING ASSOCIATION

TESTIMONY BEFORE THE HOUSE

TAXATION COMMITTEE

TO: Representative Joan Wagnon, Chairwoman
and Members of the Committee

FROM: Terry Humphrey, Executive Director
Kansas Manufactured Housing Association

DATE: February 26, 1991

RE: House Bill 2113

Madam Chair and members of the Committee, I am Terry Humphrey, Executive Director of the Kansas Manufactured Housing Association and I appreciate the opportunity to comment on House Bill 2113. KMHA opposes the provisions of the bill that would repeal two sales tax exemptions that apply to manufactured housing.

First, HB 2113 repeals K.S.A. 79-3606 (dd) that deals with used manufactured housing. In 1985 the Kansas Legislature passed Senate Bill 152 which granted a sales tax exemption for people who purchase a pre-owned manufactured home. The rationale for exempting pre-owned homes was based on the fact that when an individual buys a pre-owned site built home sales tax is not paid. For many years manufactured home buyers were treated unfairly when compared to other home buyers and this sales tax exemption corrected that problem. However, under HB 2113 this inequity would be reinstated.

Secondly, HB 2113 repeals K.S.A. 79-3606 (hh) that deals with new manufactured housing. In 1987 Senate Bill 309 was passed by the Kansas Legislature granting a partial sales tax exemption for new manufactured homes. Specifically, 40% of the retail cost of a new manufactured home was exempted from sales tax. This partial exemption was passed because site built housing only paid sales tax on materials used to construct the home and not on labor. Therefore, the 40% exemption for manufactured housing represents the labor in the home.

Of course, the major thrust behind the passage of these sales tax exemptions was based on equity between all housing products, the Legislature also recognized that manufactured housing serves the low to moderate income family.

HOUSE TAXATION
Attachment #12
02/26/91

Therefore, before you reinstate a sales tax on manufactured housing it is very important that you consider what affect this would have on low to moderate income people who already have difficulty obtaining home ownership. In addition, it is truly unfair that these home buyers would be charged sales tax on their home while the purchasers of a pre-owned site built homes would not.

In closing, I respectfully request that you reject the repeal of any sales tax exemption dealing with manufactured housing. Thank you.

TESTIMONY OF BERNIE KOCH
WICHITA AREA CHAMBER OF COMMERCE
ON HOUSE BILL NO. 2113
February 26, 1991

House Committee on Taxation

Representative Wagnon, members of the committee, I'm Bernie Koch with the Wichita Area Chamber of Commerce appearing on House Bill 2113. Thank you for the opportunity to express our views on the sales tax exemption portion of this legislation.

Rather than rehash a lot of what you've already heard, I'll try to confine my comments to new information.

I'm providing you with copies of a Director of State Economic Development Incentives published by Area Development, a publication used by economic development professionals and businesses nationwide which are thinking of expanding. It's a quick source of information on business investment programs offered by all 50 states and Puerto Rico.

It's not as detailed as you might want, but it gives a good look at the big picture.

In going through the Director, I've identified 33 states which exempt manufacturing machinery and equipment from state sales tax. A list of those states is attached to my testimony.

I've included in that list states which charge no sales tax at all and states which have a partial exemption. For example, Kentucky permits the exemption for only new and expanding industries and Texas is in the process of completely phasing out the machinery sales tax by 1995.

Also attached to my testimony is a list of 13 states which exempt aircraft sales from state sales tax. There may be others as well.

It is our belief that the sales tax exemption for machinery and equipment in Kansas has encouraged businesses to buy new machinery and remain competitive. Information we've been able to develop on the machinery and equipment property tax base in Sedgwick and other counties indicates that value is increasing.

We believe it's increasing because business is buying new equipment, spurred on by the exemption. In other words, the exemption is doing what it's designed to do.

HOUSE TAXATION
Attachment #13
02/26/91

One side benefit of this, of course, is to partially shift the property tax burden from other classes of property, and helping to provide some property tax relief.

For these reasons, I urge you to retain this exemption in state law.

Thank you for the opportunity to present this information.

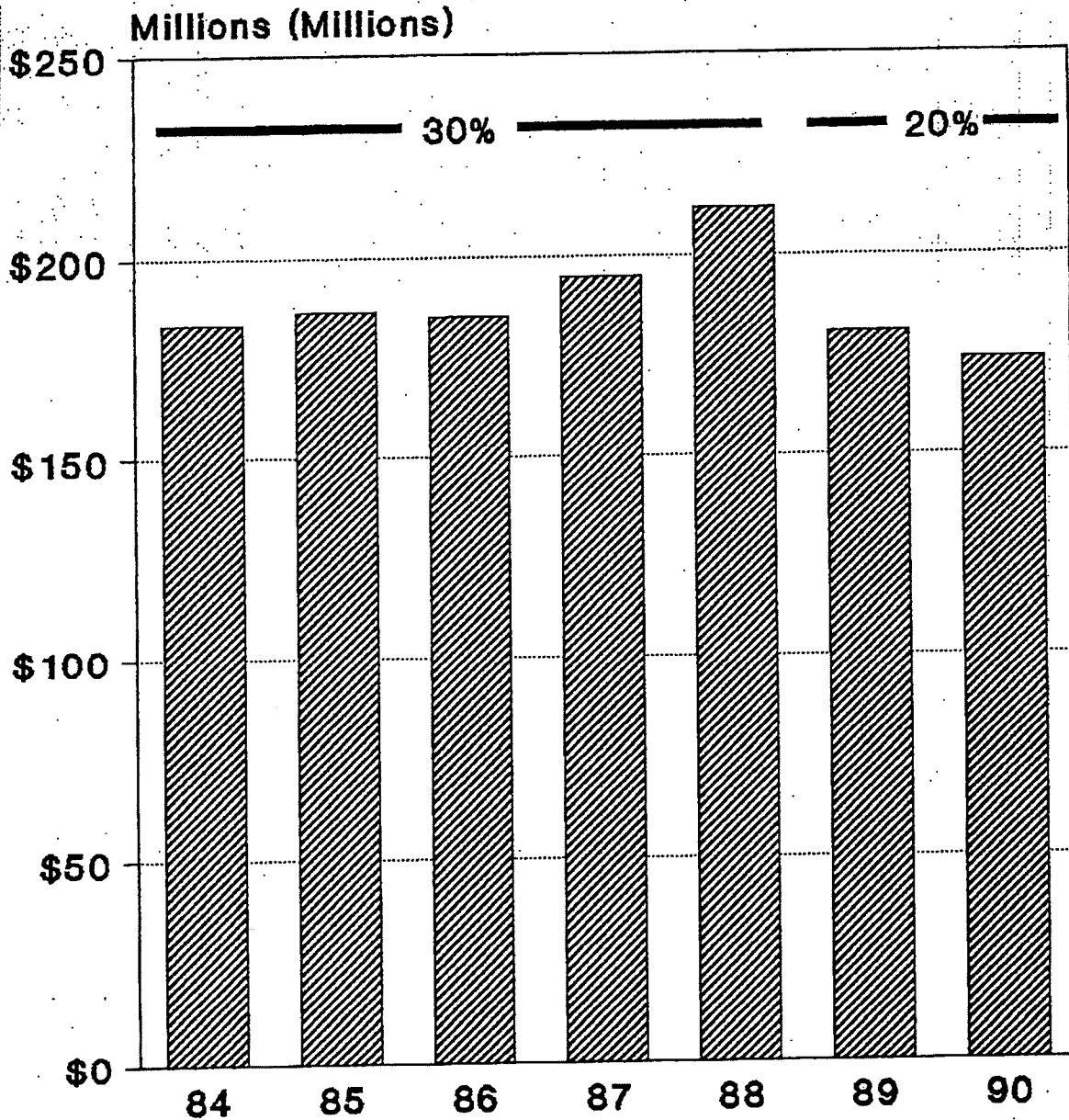
STATES WHICH EXEMPT MANUFACTURING MACHINERY AND EQUIPMENT
FROM SALES TAXES

Arizona
Arkansas
Colorado (exempt after the first \$1000 of purchases each calendar
year)
Connecticut
Delaware (no sales tax)
Florida (exempt for new facilities, cap for existing
manufacturers)
Georgia
Illinois
Indiana
Iowa
Kansas
Kentucky (new and expanding industries)
Maryland
Massachusetts
Michigan
Mississippi
Missouri
Montana (no sales tax)
Nebraska
New Hampshire (no sales tax)
New Jersey
New York
Ohio
Oklahoma
Oregon (no sales tax)
Pennsylvania
Rhode Island
South Carolina
Texas (in the process of phase out)
Vermont
Virginia
West Virginia
Wisconsin

STATES WHICH EXEMPT AIRCRAFT FROM SALES TAX

Arkansas
Connecticut
Kansas
Missouri (aircraft used in interstate commerce)
Nebraska
New Jersey
New York (commercial aircraft)
Texas (certain carriers, aircraft used for instructing pilots,
(aircraft sold to foreign governments)
Vermont
Delaware (no sales tax)
Montana (no sales tax)
New Hampshire (no sales tax)
Oregon (no sales tax)

ASSESSED VALUE MACHINERY & EQUIPMENT SEDGWICK COUNTY



Source: Sedgwick County Clerk

ASSESSED VALUE OF COMMERCIAL MACHINERY AND EQUIPMENT
IN SEDGWICK COUNTY per county (M&E1)

	<u>ASSESSED VALUE</u>		<u>TOTAL M&E VALUE</u>	<u>AVERAGE TOTAL M&E VALUE</u>
1984	\$ 183,930,207	/ 30% =	\$ 613,100,690	(1984-88)
1985	187,085,820		623,619,400	
1986	185,445,528		618,151,760	\$ 642,110,110
1987	195,126,906		650,423,020	
1988	211,576,704		705,255,680	

1988 - 1/3 =	141,051,136			
1989	180,826,219	/ 20% =	\$ 904,131,095	(1989-90)
1990	173,948,298		869,741,490	\$ 886,936,293 [38 % INCREASE]

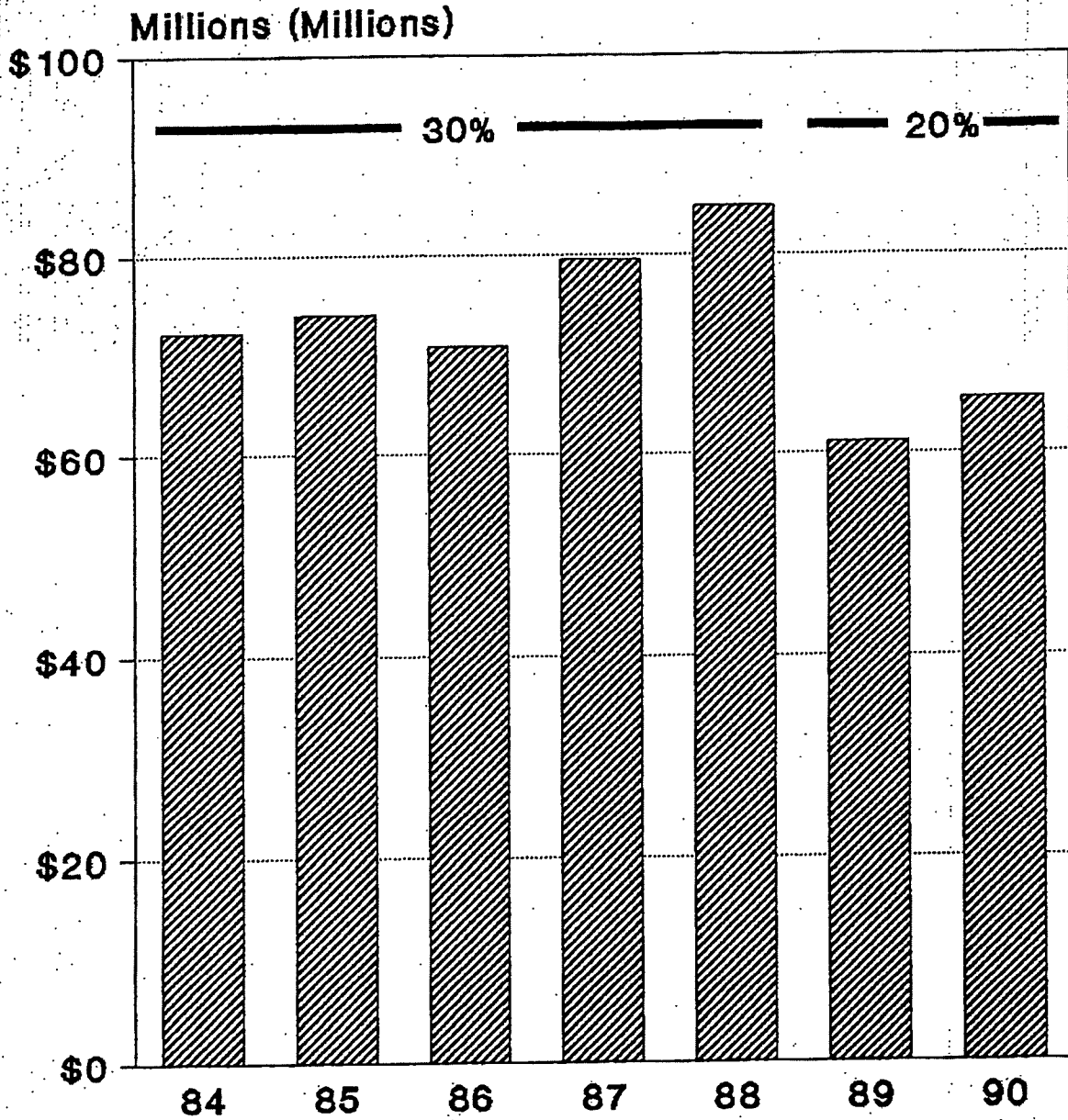
TOTAL ASSESSED VALUE OF REAL ESTATE & PERSONAL PROPERTY
(TOTAL TAX BASE) IN SEDGWICK COUNTY

1989	\$ 1,867,511,789
1990	1,912,253,139

PERCENTAGE OF TOTAL TAX BASE THAT WAS COMMERCIAL
MACHINERY & EQUIPMENT IN SEDGWICK COUNTY

1989	9.68 %
1990	9.10 %

ASSESSED VALUE MACHINERY & EQUIPMENT SHAWNEE COUNTY



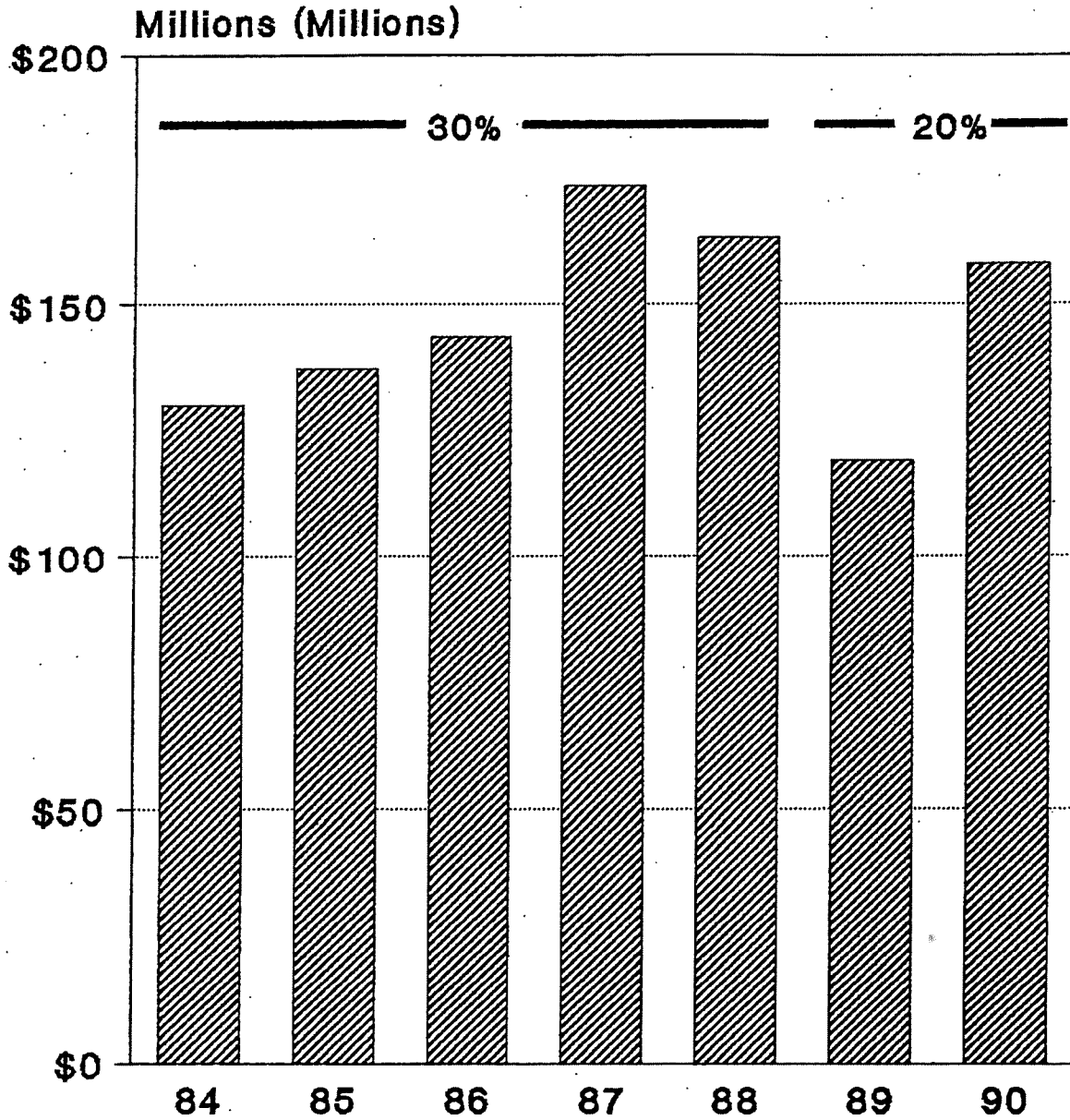
Source: Shawnee County Clerk

ASSESSSED VALUE OF COMMERCIAL MACHINERY AND EQUIPMENT
IN SHAWNEE COUNTY per county (M&E2)

	<u>ASSESSED VALUE</u>		<u>TOTAL M&E VALUE</u>	<u>AVERAGE TOTAL M&E VALUE</u>	
1984	\$ 72,262,570	/ 30% =	\$ 240,875,233	(1984-88)	
1985	74,078,765		246,929,217		
1986	70,880,075		236,266,917	\$ 254,397,700	
1987	79,480,510		264,935,033		
1988	84,894,630		282,982,100		

1988 - 1/3 =	56,596,420				
1989	61,203,604	/ 20% =	\$ 306,018,020	(1989-90)	
1990	65,600,498		328,002,490	\$ 317,010,255	[25 % INCREASE]

ASSESSED VALUE MACHINERY & EQUIPMENT JOHNSON COUNTY



Source: Johnson County Clerk

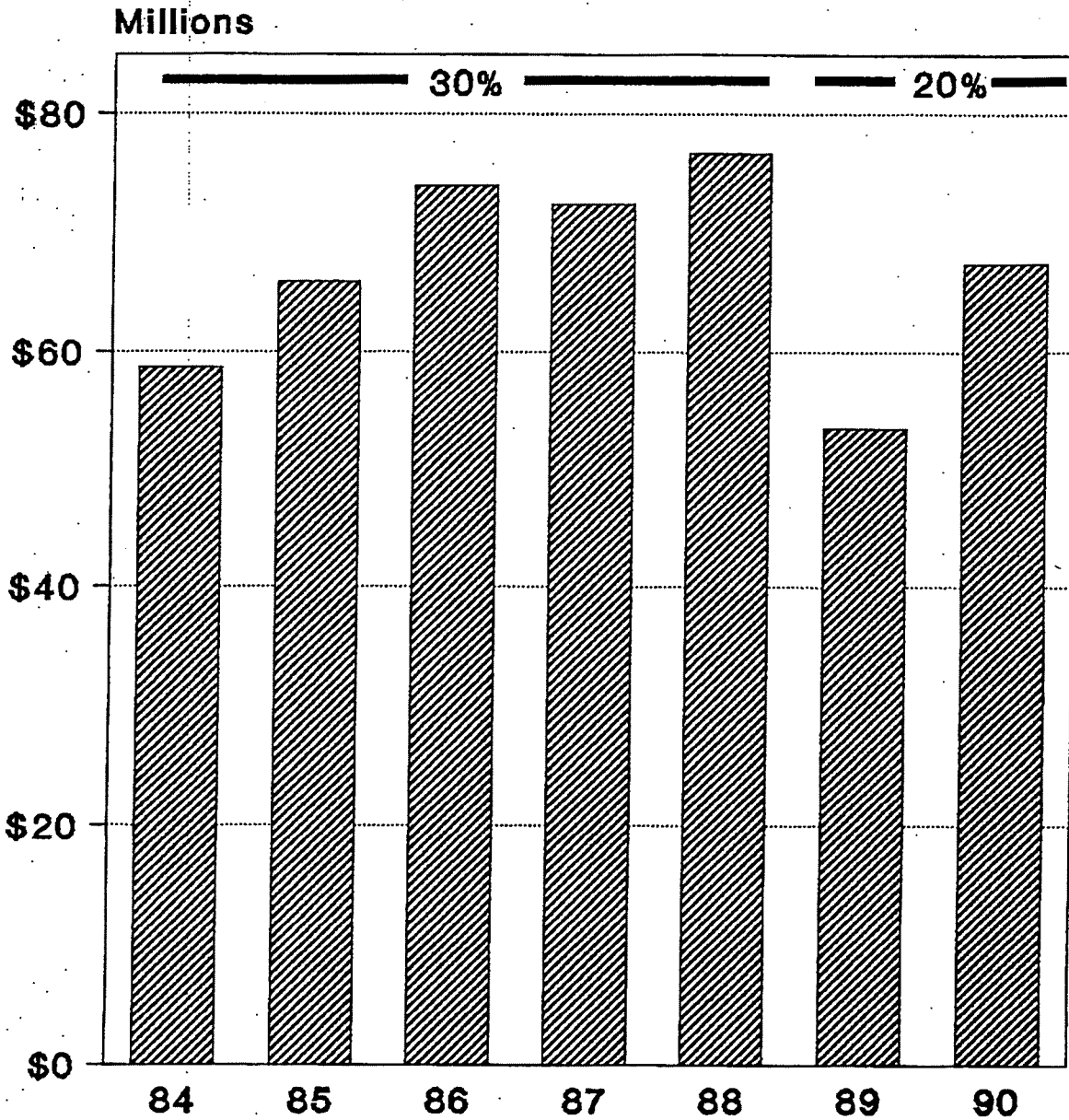
ASSESSED VALUE OF COMMERCIAL MACHINERY AND EQUIPMENT
IN JOHNSON COUNTY per county (M&E3)

	<u>ASSESSED VALUE</u>		<u>TOTAL M&E VALUE</u>	<u>AVERAGE TOTAL M&E VALUE</u>	
1984	\$ 130,055,746	/ 30% =	\$ 433,519,153	(1984-88)	
1985	137,063,805		456,879,350	\$ 498,441,041	
1986	143,508,425		478,361,417		
1987	173,575,780		578,585,933		
1988	163,457,805		544,859,350		

1988	- 1/3 = 108,971,870				
1989	118,900,057	/ 20% =	\$ 594,500,285	(1989-90)	
1990	158,202,315		791,011,575	\$ 692,755,930	[39 % INCREASE]

Attachment 13-10

ASSESSED VALUE MACHINERY & EQUIPMENT WYANDOTTE COUNTY



Source: Wyandotte County Clerk

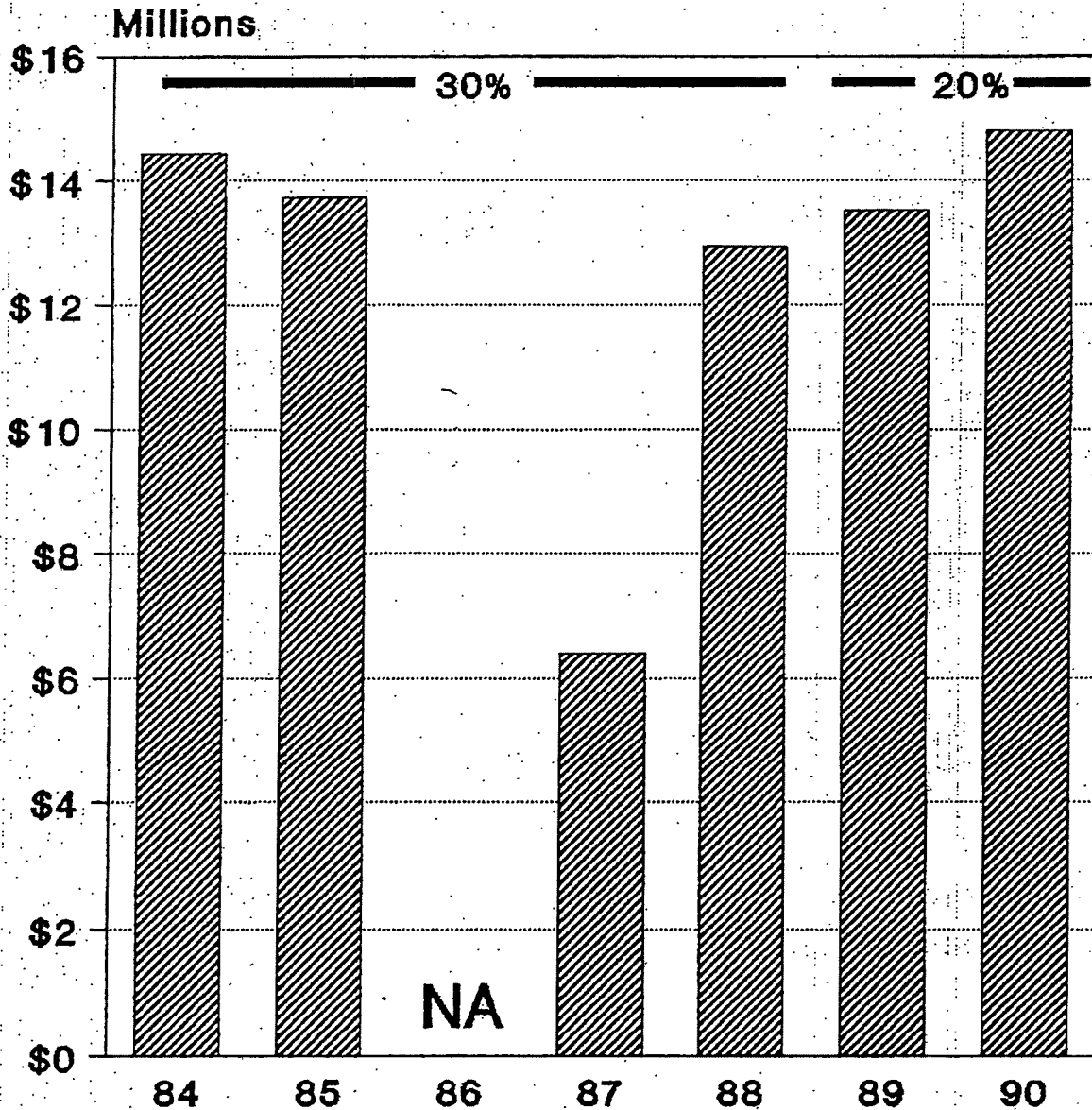
ASSESSED VALUE OF COMMERCIAL MACHINERY AND EQUIPMENT
IN WYANDOTTE COUNTY per county clerk (M&E4)

	<u>ASSESSED VALUE</u>		<u>TOTAL M&E VALUE</u>	<u>AVERAGE TOTAL M&E VALUE</u>
1984	\$ 58,573,685	/ 30% =	\$ 195,245,617	(1984-88)
1985	65,974,605		219,915,350	\$ 231,728,197
1986	73,969,190		246,563,967	
1987	72,397,029		241,323,430	
1988	76,677,786		255,592,620	

1988	- 1/3 =		51,118,524	
1989	53,328,666	/ 20% =	\$ 266,643,330	(1989-90)
1990	67,532,613		337,663,065	\$ 302,153,198 [30 % INCREASE]

Attachment 13-12

ASSESSED VALUE MACHINERY & EQUIPMENT BUTLER COUNTY



Source: Kansas Dept of Revenue
Division of Property Valuation

**ASSESSED VALUE OF COMMERCIAL MACHINERY AND EQUIPMENT
IN BUTLER COUNTY per Kansas Dept of Rev/Div of Prop Valuation
(M&E5) Betty Powell**

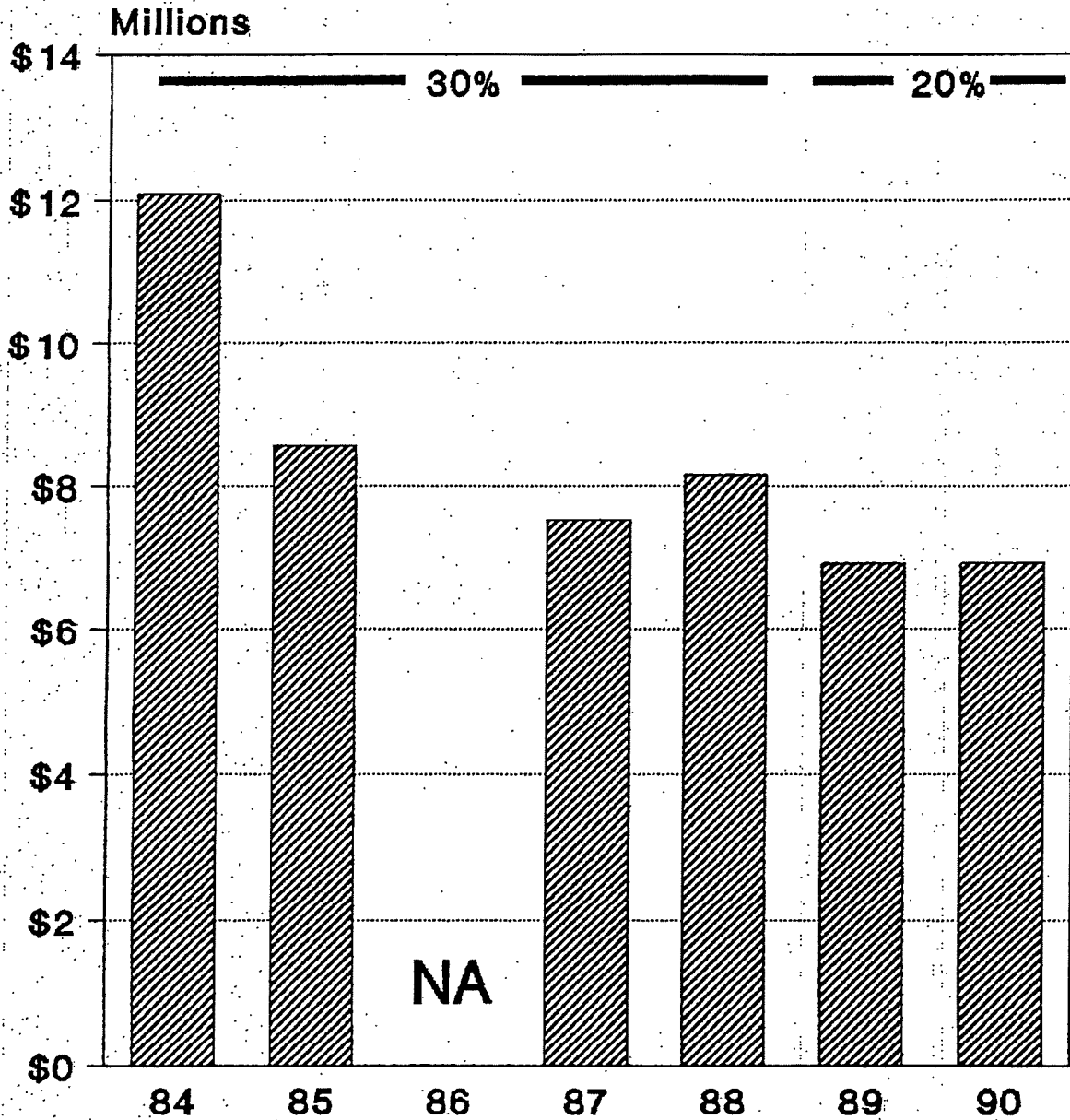
	<u>ASSESSED VALUE</u>		<u>TOTAL M&E VALUE</u>	<u>AVERAGE TOTAL M&E VALUE</u>	
1984	\$ 14,454,036	/ 30% =	\$ 48,180,120		(1984,5,7,8)
1985	13,741,447		45,804,823	\$ 39,613,229	
1986	NA FROM STATE				
1987	6,405,195 (?)		21,350,650		
1988	12,935,197		43,117,323		
<hr/>					
1988 - 1/3 =	8,623,465				
1989	13,533,208	/ 20% =	\$ 67,666,040		(1989-90)
1990	14,794,442		73,972,210	\$ 70,819,125	[79 % INCREASE]

Attachment 13-14

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ASSESSED VALUE MACHINERY & EQUIPMENT HARVEY COUNTY



Source: Harvey County Clerk

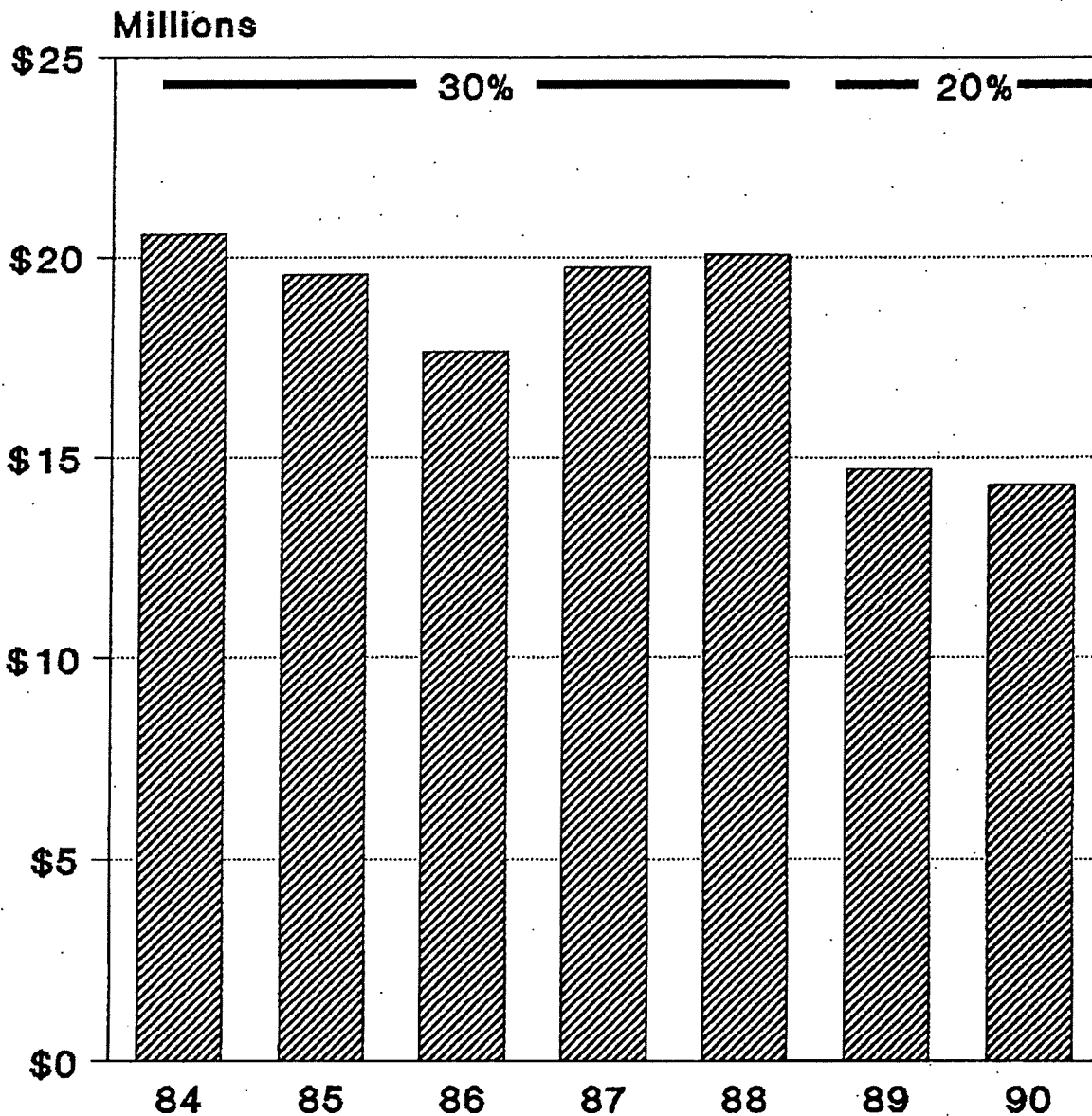
ASSESSSED VALUE OF COMMERCIAL MACHINERY AND EQUIPMENT
IN HARVEY COUNTY per county clerk (M&E6)

	<u>ASSESSSED VALUE</u>		<u>TOTAL M&E VALUE</u>	<u>AVERAGE TOTAL M&E VALUE</u>
1984	\$ 12,081,095	/ 30% =	\$ 40,270,317	(1984,5,7,8)
1985	8,545,905		28,486,350	\$ 30,280,917
1986	NA			
1987	7,558,200		25,194,000	
1988	8,151,900		27,173,000	

1988 - 1/3 =	5,434,600			
1989	6,932,946	/ 20% =	\$ 34,664,730	(1989-90)
1990	6,933,354		34,666,770	\$ 34,665,750 [14 % INCREASE]

Attachment 13-16

ASSESSED VALUE MACHINERY & EQUIPMENT RENO COUNTY



Source: Kansas Dept of Revenue
Division of Property Valuation

ASSESSSED VALUE OF COMMERCIAL MACHINERY AND EQUIPMENT
IN RENO COUNTY per Kansas Dept of Rev (M&E7)

	<u>ASSESSSED VALUE</u>		<u>TOTAL M&E VALUE</u>	<u>AVERAGE TOTAL M&E VALUE</u>	
1984	\$ 20,579,489	/ 30% =	\$ 68,598,297	(1984-88)	
1985	19,544,531		65,148,437	\$ 65,016,199	
1986	17,618,588		58,728,627		
1987	19,730,665		65,768,883		
1988	20,051,026		66,836,753		
<hr/>					
1988 - 1/3 =	13,367,351				
1989	14,689,867		\$ 73,449,335	(1989-90)	
1990	14,268,540		71,342,700	\$ 72,396,018	[11 % INCREASE]

Attachment 13-18

proptax.doc

TESTIMONY AT HOUSE HEARING ON SALES TAX EXEMPTIONS

Joan Wagnon, Chairwoman

February 26, 1991

My name is Sherry Quackenbush. My husband and I own Lenexa Coin Laundry, Lenexa, Kansas. I represent the Greater Kansas City Coin Laundry Association.

Madam Chairwoman, members of the committee, I appreciate the opportunity to give testimony regarding our opposition to rescinding the sales tax exemption on coin laundries. Our position is that a sales tax on coin laundries is a tax on the poor to benefit those who can afford to own a home; and, it is impossible to collect without substantially raising prices over current levels.

Any laundry dropped off and done by coin laundry attendants for the customer is already charged sales tax. If patrons can afford to have their laundry done for them, I see no reason they shouldn't be charged sales tax on the transaction. The tax due is figured on the total cost of the order, and collected in the exact amount due. Our concern is that the current exemption applying to patrons who do their own laundry in coin-operated machines remain in place.

Doing laundry is not a luxury. It is a necessity for personal hygiene and public health. Generally, most coin laundry customers fall at the low end of the income ladder. They live paycheck to paycheck and not very well in between. It is patently unfair to impose a sales tax on this segment of our population while constituents with home equipment escape this burden.

Apart from the unfairness of a sales tax targeted at the poor, there remains the problem of collecting it. A laundry owner cannot collect the exact sales tax due, but is limited to raising the vend price by the increments mandated by the coin slide of the machine. Using my laundry as an

example, our single-load machines now vend at 85 cents. To cover the 5-cent tax, we'd need to raise our vend price to \$1, which is mandated by our coin slides. Not only would we grossly overcollect; but, of course, we'd be required to pay sales tax on the \$1 vend rather than the original 85 cents. I question whether the State ought to be involved in forcing inflation upon our industry. I perceive no benefit other than to the tax collector.

In short, we in the industry recognize the State's desire to find additional revenue for property tax abatement. To expect constituents who must schlep their kids and dirty laundry to a public facility to provide that additional revenue is troubling. These folks cannot afford to own washers and dryers, never mind homes. To expect them to provide tax relief for folks fortunate enough to own homes is bad government.

The Greater Kansas City Coin Laundry Association is prepared to take this fight to the public to insure this exemption, and its basic fairness, continue. The sales tax exemption for coin laundries was instigated because it was right and fair. It was then and it remains so now.

Thank you.

Sherry Quackenbush
LENEXA COIN LAUNDRY
13114 Santa Fe Trail Drive
Lenexa, Kansas 66215
913 541-1616



Travel
Industry
Association of
Kansas

810 Merchants National Bank
8th & Jackson
Topeka, Kansas 66612
913/233-9465 FAX 913/357-6629

STATEMENT

DATE: January 29, 1991
TO: House Taxation Committee
FROM: Jean Barbee
RE: Sales Tax Exemptions 79-3606(ss)

Eliminating the sales tax exemption on tangible personal property and services purchased by a nonprofit museum or historical society would be detrimental to the travel industry in Kansas.

Nonprofit museums and historical societies provide the major portion of tourist attractions in Kansas and are equally important in larger cities as they are in smaller communities. They are generally funded by public funds.

Any purchase made by such an entity could only be construed to be in the public interest and an enhancement to the attractiveness to tourists of the facility. Again, it would make little sense to cause a tax to be collected on a product or service that is being paid for with public funds for the public good.

HOUSE TAXATION
Attachment #15
02/26/91

WINE & SPIRITS

WHOLESALE ASSOCIATION, INC.

TO: HOUSE COMMITTEE ON TAXATION

February 25, 1991

FROM: R. E. "TUCK" DUNCAN and JOHN BOTTENBERG
KANSAS WINE & SPIRITS WHOLESALERS ASSOCIATION

RE: SALES TAX EXEMPTION IN HB 2113

We respectfully ask the Committee to support the recommendation of the sub-committee which would maintain the exemption at KSA 79-3606(a). Currently alcoholic beverages have excise taxes applied in lieu of (and greater than) sales taxes. The attached information sheet sets forth the current pyramid of taxes applied. Repeal of this exemption will adversely effect this industry, and in particular, will place Kansas businesses in border counties at a further competitive disadvantage.

As reflected in the general law, we believe that repeal of this section would constitute double taxation.

"Double taxation exists if the subject of both taxes is the same, if both taxes are imposed upon the same property, for the same purpose, by the same state or government, during the same tax period."

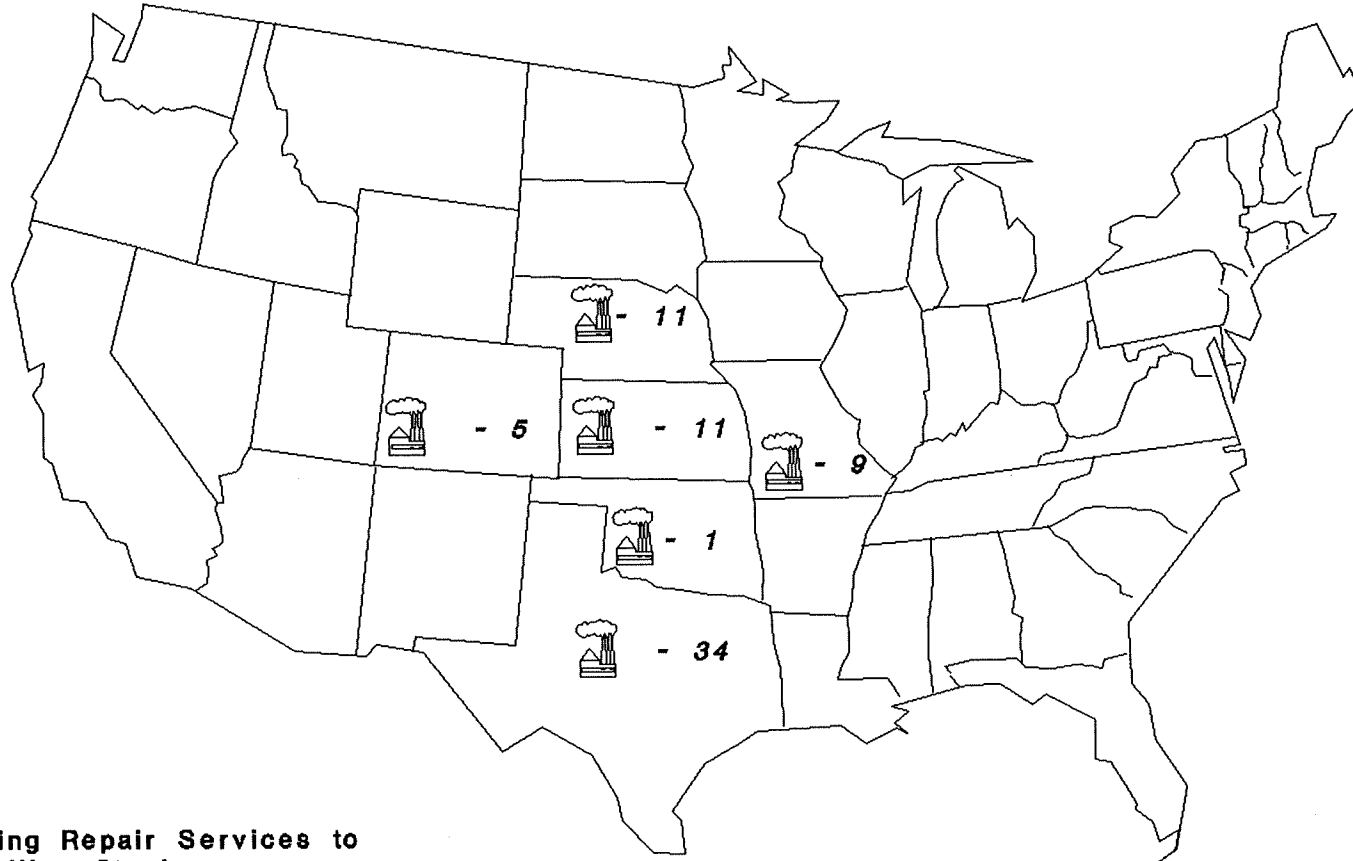
In this case, an excise tax of 8% at the retail liquor store which proceeds go to the general fund, enacted by the State is indistinguishable from a State sales tax of 4.25% also applied to the same product at the same time which proceeds go to the general fund. The same scenario is true for the application of a 10% drink tax and a sales tax.

Therefore, we respectfully request that you preserve KSA 79-3606(a), as recommended by the sub-committee. Thank you for your attention to and consideration of this matter.

HOUSE TAXATION
Attachment #16
02/26/91

	Beer	Wine	Spirits
Federal Excise Tax paid at the manufacturer level	\$18.00/Barrel	0-14% \$1.07/gal 14-21% \$1.57/gal 21-24% \$3.15/gal Artic. Sparkl. \$3.30 Nat. Spark \$3.40	\$13.50/proof gal
Kansas Gallonage Tax paid at the Wholesaler level	\$.18 / Gallon	Under 14%-.30/gal Over 14%-.75/gal	\$2.50/gal
Kansas Enforcement Tax paid on the retail price	8%	8%	8%
Additional Kansas Tax on drinks at Clubs and Drinking Establishments.	10% includes CMB	10%	10%

Car and Locomotive Repair Facilities



HOUSE TAXATION
Attachment #17
02/26/91

**States Taxing Repair Services to
Railroad Rolling Stock:**

- | | |
|-----------------|------------------|
| Arkansas - 3 | New Jersey - 1 |
| Connecticut - 0 | New Mexico - 0 |
| Delaware - 1 | New York - 5 |
| Florida - 5 | North Dakota - 0 |
| Hawaii - 0 | South Dakota - 1 |
| Iowa - 2 | Tennessee - 0 |
| Louisiana - 2 | Utah - 0 |

*Source: 1990 Car & Locomotive Repair Directory
and Federation of Tax Administrators*

KANSAS RAILROAD ASSOCIATION

800 JACKSON
SUITE 1120
TOPEKA, KANSAS 66612

PATRICK R. HUBBELL

913-357-3392

Statement of the Kansas Railroad Association

Presented to the House Committee on Taxation
The Honorable Joan Wagnon, Chairman

Statehouse
Topeka, Kansas

Madam Chairman and Members of the Committee:

My name is Pat Hubbell. I appear here today on behalf of the Kansas Railroad Association. I want to thank you for giving me the opportunity to express the opposition of the Kansas Railroad Association to the repeal of 79-3606(f) and 79-3606(aa).

Subsection (f) exempts the purchase of property by a railroad or public utility for use or movement in interstate commerce. Subsection (aa) exempts the sales of material or services used in the repair, service or alteration of railroad rolling stock used in interstate or foreign commerce. There are eleven firms within the State that are directly involved in the repair of railroad rolling stock. These firms represent a full range of employment sizes from the smallest being 25 employees, up to the largest which has 900 employees. Since 1980 the railroad repair industry in the State has spent millions of dollars on capital investments to upgrade their facilities to better serve the rail transportation industry.

Attachment 17-2

The expeditious repair of railroad rolling stock is vital to grain and other agricultural interest in Kansas. If the repair of railroad rolling stock industry is forced out of Kansas by assessment of a sales tax, the consequent delay in the repair of railroad rolling stock could be disastrous.

The Greater Kansas City area is served by twelve major railroads and the repair of railroad rolling stock in this area is an important industry. In addition to providing jobs for Kansas people, the railroads purchase a large volume of material and supplies from Kansas industry. The loss of the purchases would be a loss in job related revenue to Kansas.

Approximately \$1,373,000.00 was paid by Kansas railroads in sales taxes for products purchased during 1990. Also during 1990 the railroads paid the State of Kansas use taxes approximating \$820,000.00.

Extensive work was done to develop the exemption on railroad rolling stock starting with a study by the Department of Commerce, Interim Study by the Legislature, and extensive hearings before legislative committees. Quoting Chairman Wagon from a newspaper story appearing

January 19, 1991, "It causes instability in the Kansas business community if we keep changing the rules." After making large capital investment in the State, the rules are being changed and because of the mobility of the railroad industry, if the rules are changed, much of this work will leave the State. The irony of eliminating these exemptions would be business would leave the State, the State would not collect the sales tax revenue, while at the same time the railroads would benefit from a reduction in property tax generated by the deletion of other exemptions or the addition of services to the sales tax mix.

Thank you again for allowing me to present the views of the Kansas railroad industry on this proposal. I will try to answer any questions which you or members of the Committee might have.

#

9. Gross receipts from the sales of newspapers, free newspapers or shoppers guides and the printing and publishing thereof, and envelopes for advertising.

10. The gross receipts from sales of tangible personal property used or to be used as railroad rolling stock for transporting persons or property, or as materials or parts therefor.

11. The gross receipts from the sale of motor fuel and special fuel consumed for highway use or in watercraft or aircraft where the fuel tax has been imposed and paid and no refund has been or will be allowed and the gross receipts from the sales of gasohol, as defined in section 324.2.

12. Gross receipts from the sale of all foods for human consumption which are eligible for purchase with food coupons issued by the United States department of agriculture pursuant to regulations in effect on July 1, 1974, regardless of whether the retailer from which the foods are purchased is participating in the food stamp program. However, as used in this subsection, "foods" does not include candy, candy-coated items, and other candy products; beverages, excluding tea and coffee, and all mixes and ingredients used to produce such beverages, which do not contain a primary dairy product or dairy ingredient base or which contain less than fifteen percent natural fruit or vegetable juice; foods prepared on or off the premises of the retailer which are consumed on the premises of the retailer; foods sold by caterers and hot or cold foods prepared for immediate consumption off the premises of the retailer. "Foods prepared for immediate consumption" include any food product upon which an act of preparation, including but not limited to, cooking, mixing, sandwich making, blending, heating or pouring, has been performed by the retailer so the food product may be immediately consumed by the purchaser.

12A. The gross receipts from the sale of foods purchased with coupons issued under the federal Food Stamp Act of 1977, 7 U.S.C. §2011, et seq.

13. The gross receipts from the sale of prescription drugs, as defined in chapter 155A, if dispensed for human use or consumption by a registered pharmacist licensed under chapter 155A, a physician and surgeon licensed under chapter 148, an osteopath licensed under chapter 150, an osteopathic physician and surgeon licensed under chapter 150A, a dentist licensed under chapter 153, or a podiatrist licensed under chapter 149.

14. Gross receipts from the sale of insulin, hypodermic syringes, and diabetic testing materials for human use or consumption.

15. Gross receipts from the sale or rental of prosthetic, orthotic or orthopedic devices for human use. For purposes of this subsection, "orthopedic devices" means those devices prescribed to be used for orthopedic purposes by a physician and surgeon licensed under chapter 148, an osteopath licensed under chapter 150, an osteopathic physician and surgeon licensed under chapter 150A, a dentist licensed under chapter 153, or a podiatrist licensed under chapter 149.

16. Gross receipts from the sale of oxygen prescribed by a licensed physician or surgeon, osteopath, or osteopathic physician or surgeon for human use or consumption.

17. The gross receipts from the sale of horses, commonly known as draft horses, when purchased for use and so used as a draft horse.

18. Gross receipts from the sale of tangible personal property, except vehicles subject to registration, to a person regularly engaged in the business of leasing if the period of the lease is for more than one year, or in the consumer rental purchase business if the property is to be utilized in a transaction involving a consumer rental purchase agreement as defined in section 537.3604, subsection 8, and the leasing or consumer rental of the property is subject to taxation under this division. If tangible personal property exempt under this subsection is made use of for any purpose other than leasing, renting, or consumer rental purchase, the person claiming the exemption under this subsection is liable for the tax that

TESTIMONY OF BOB W. STOREY
HOUSE BILL NO. 2113
HOUSE TAXATION COMMITTEE

Members of the House Taxation Committee:

I represent DeHart and Darr Associates, Inc. and Idelman Telemarketing, Inc.

My purpose in appearing here is to oppose passage of House Bill No. 2113 and to ask you to vote "no." This legislation will have a devastating effect on the telecommunications business in Kansas and, ultimately, on Kansas employees and citizens.

I am also here to speak on behalf of the Kansas members of the Direct Marketing Association ("DMA"). Every company with a telemarketing operation in Kansas would be adversely affected and forced to seek options. This will be particularly true for companies whose sole business purpose is interstate telemarketing sales operations.

Idelman Telemarketing, Inc. ("Idelman Telemarketing") opened its first Kansas operation in Wichita in March of 1987, and today they have 563 employees in Wichita. Since that time, they have expanded and opened the following additional offices in Kansas:

Hutchinson (208 employees)
Newton (81 employees)
Salina (155 employees)
Emporia (198 employees)
Manhattan (143 employees)

Idelman Telemarketing is proud to employ 1348 Kansas citizens and expect to employ 1800 in 1991; their estimated payroll for 1990 is \$9 million.

They contribute their fair share of taxes to Kansas, estimated to be \$400,000.00 in 1990.

HOUSE TAXATION
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They market goods and services produced and provided by their clients, including other Kansas companies such as Kansas Power and Light ("KPL").

They rent space at 8 locations.

Idelman Telemarketing believes they are an asset to Kansas.

House Bill No. 2113 would cost Idelman Telemarketing an estimated additional \$250,000.00 per year. It would raise their cost of doing business. Passed on to their customers, this would directly affect their ability to be competitive in the marketplace.

Permit me to share with you the considerations and actions of Idelman Telemarketing if House Bill No. 2113 is enacted.

1. They will take steps to shift their call volume to a neighboring state. Missouri, Colorado and Nebraska do not impose a sales tax on interstate calls.
2. They will aggressively investigate relocation options.
3. They will redirect any future plans to expand in Kansas to another state. (This is no different than when Kansas was selected--they opted not to go to Duluth, Minnesota or Moline/Rock Island, Illinois because of economic disincentives.)

The same may well be true for other telemarketing operations in Kansas. Idelman Telemarketing is proud to be a forerunner in Wichita. Sears Catalog, Best Western Inbound, and Pioneer Teletechnologies set up operations as a result of Idelman Telemarketing's success in the Wichita labor market.

Let me tell you about Idelman Telemarketing's employees. They are women and men, span all ages, work part-time and full time, are tackling first jobs, or are returning to the work force. They train young people; they retrain others. They pay wages and benefits.

Idelman Telemarketing is a good citizen. They are the primary statewide sponsor of Special Olympics Torch Run; they support and work for United Way in Harvey, Lyons, Reno, Riley, Saline, Brown and Sedgwick counties. They are major supporters and sponsors of the Wichita Wings professional soccer team and contribute to numerous school programs in areas where they do business. Telemarketing is an effective and efficient way to contact former customers and to find new customers.

Telemarketers in Kansas already pay a 3% federal excise tax. Imposing Kansas sales tax would raise that by over 140%! You can understand that Idelman Telemarketing owes it to their customers to seek other alternatives should House Bill No. 2113 be enacted. Others would be forced to act similarly. So would businesses considering locations in Kansas. We urge you to vote "no"--for Kansas now and in the future.

I want to repeat that I am also appearing on behalf of 21 Kansas members of the Direct Marketing Association headquartered in 12 Kansas cities and numerous other DMA members who have operations in Kansas.

Thank you very much for allowing me the opportunity to participate in these hearings.