

Approved April 13, 1991  
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by Joan Wagnon at  
Chairperson

9:10 a.m./~~p.m.~~ on Monday, March 18, 1991 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

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

Conferees appearing before the committee:

Chairman Wagnon called the committee to order at 9:10 a.m. for discussion and possible action on bills previously heard.

Rep. Arthur Douville requested the introduction of an income surtax bill to help fund the state's social service needs. The proposed bill would mandate a surtax on annual incomes at or above \$20,000.

Rep. Harder moved the introduction of the proposed surtax bill. Rep. Grotewiel seconded the motion. The motion carried.

Rep. Adam moved to introduce an alternative minimum tax bill. Rep. Larkin seconded. The motion carried.

Rep. Reardon moved to introduce a 2% excise tax on merchants' and manufacturers' inventories with an exemption of the first \$400,000 in inventory valuation. Rep. Adam seconded the motion. The motion carried.

Chairman Wagnon brought up HB 2222. She explained that it was identical to a bill which passed the House last year 124 to zero. Rather than refer it to the House Committee on Local Government, she asked if there was a motion to report HB 2222 favorably for passage. Rep. Welshimer made the motion, Rep. Campbell seconded, the motion carried.

Rep. Glasscock moved the introduction of a bill authorizing an additional \$0.005 sales tax for the city of Manhattan. Rep. Lowther seconded the motion which carried.

An outline prepared by the Chair regarding Proposed Components of a Property Tax Relief Package was distributed to committee members (attachment 1). A list of sales tax exemptions, recommended by Subcommittee II and their fiscal impacts was also distributed to the committee (attachment 2). Information regarding Subcommittee II Service Recommendations was also

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 Monday, March 18, 1921.

distributed to the committee (attachment 3).

The Chair explained that the committee would use the Subcommittee's report as a starting point by accepting motions to remove or add exemptions and services listed on these handouts. At the end of the committee's work a substitute bill for HB 2113 would be requested.

Rep. Roe moved to retain the farm machinery exemption. Rep. Shore seconded the motion.

Rep. Shore submitted a news article to the committee regarding the impact of the exemption in his district (attachment 4). Concern was stated that many of the exemptions had been justified for different reasons that the committee might not be aware of.

Rep. Larkin made a substitute motion to eliminate the farm machinery exemption for new machinery, but retain the exemption on used farm machinery, labor and repair parts. Rep. Wiard seconded the motion.

It was stated that the rationale for the new farm machinery exemption was to assist farm implement dealers in Kansas that have to compete with out-of-state dealers that do not have to collect sales taxes.

In reply to a question regarding the use of a compensating use tax, Steve Stotts, Director of Taxation for the Dept. of Revenue, said Kansas had such a tax but that a determination of its effectiveness was difficult.

Several members spoke against the motion.

The motion passed on division with 11 for and 9 against.

Rep. Larkin moved to retain the exemption for the lease or rental of films, records, or tapes (3606i). Rep. Campbell seconded the motion which carried.

Rep. Harder moved to retain the exemption for Museums & Historical Societies (3606 ss). Rep. Adam seconded the motion which carried.

Rep. Larkin moved to retain the exemption for drill bits and explosives (3606 rr). Rep. Krehbiel seconded the motion which carried.

Rep. Charlton asked to divide the question between drill bits and explosives. The question was divided. The motion to exempt drill bits failed. The motion to exempt explosives passed.

Rep. Roe moved to retain the exemption for Enterprise Zones (Excluding Machinery & Equipment). Rep. Smith seconded the motion. The motion failed on division with 8 for and 12 against.

The committee adjourned at 9:55 a.m.



GUEST LIST

COMMITTEE: \_\_\_\_\_

*Separation*

DATE: \_\_\_\_\_

9:00 AM

*3/18/91*

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
<i>Ed Chapp.</i>	<i>Topeka</i>	<i>PLC, Inc</i>
<i>Elwaine F Pomeroy</i>	<i>Topeka</i>	<i>KS Collectors Assn</i>
<i>R ANDERSON</i>	<i>OTTUMWA</i>	<i>TRACO CONE CO (S)</i>
<i>FRANCES KASTNER</i>	<i>TOPEKA</i>	<i>KS Food Dealers</i>
<i>PATRICK J. HURLEY</i>	<i>TOPEKA</i>	<i>CESSIDA</i>
<i>Alan STEPPAT</i>	<i>Topeka</i>	<i>Pete Mcbill &amp; Associates</i>
<i>John Luttbhann</i>	<i>Topeka</i>	<i>Foulston &amp; Siefkain</i>
<i>Mark Tallman</i>	<i>Topeka</i>	<i>KASIB</i>
<i>KAREN FRANCE</i>	<i>TOPEKA</i>	<i>KAR</i>
<i>Amy Johnson</i>	<i>Manhattan</i>	<i>Inten</i>
<i>Bob Corkins</i>	<i>Topeka</i>	<i>KCCI</i>
<i>Ben Bradley</i>	<i>Topeka</i>	<i>KS Assoc of Counties</i>
<i>JERRY COONROD</i>	<i>LAWRENCE</i>	<i>KGE</i>
<i>Art Brown</i>	<i>KCMO</i>	<i>KS USB Dealers</i>
<i>George Barber</i>	<i>Topeka</i>	<i>Barber &amp; Associates</i>
<i>Al Libes</i>	<i>Topeka</i>	<i>KLA</i>
<i>Jim May</i>	<i>"</i>	<i>KMA</i>
<i>Denny Koch</i>	<i>"</i>	<i>SW Bell</i>
<i>Bob Storey</i>	<i>"</i>	<i>DeHart &amp; Darr</i>
<i>TREVA POTTER</i>	<i>"</i>	<i>PEOPLES NAT. GAS</i>
<i>Jim Luning</i>	<i>"</i>	<i>KPL</i>
<i>Tom Whitaker</i>	<i>"</i>	<i>KS Motor Carriers Assn</i>
<i>A. P. Anderson</i>	<i>"</i>	<i>KSCPA</i>
<i>Meely Schmat</i>	<i>Hays</i>	<i>Midwest Energy</i>



Proposed Components of a Property Tax Relief Package

I. Proposed Revenue Sources:

1. Income Tax (Individual) \$100
  - a. add 3rd bracket
  - b. conformity, st. deduct
  - c. reinstate previous rates
  - d. leave opt. fed. deduct.
2. Income Tax - (Corporate) \$19
  - a. increase base rate - 10%
  - b. increase surcharge trigger amt. 50,000
  - c. privilege tax - 10% \$3m
3. Alternative Minimum Tax (AMT) \$4  
(Introduce New Bill)
4. Sales Tax Rate Increase \$.025 \$55
5. Exemption Repeal \$??  
work subcommittee list
6. Services Tax (enumerate)  
work subcommittee list
7. Excise Tax Excess Inventories \$3.8  
(introduce new bill) 2% inventories > 500,000  
Merchants only
8. Method of Return
  - a. Reduce assessment on autos (\$52)  
tied to value?
  - b. SDEA - fund formula shift
9. Luxury Tax similar to federal

II. Targeted Relief Measures

1. Homestead Relief \$10
2. Local Option Intangibles - schools  
(hearings Thursday)
3. Property Tax Abatement Restrictions  
(hearings Friday)
4. Business Circuit Breaker  
(being developed)

III. Classification changes

HCR5007

HOUSE TAXATION  
Attachment #1  
03/18/91

Sub-Committee II

Sales Tax Exemptions Recommended for Consideration by the Full Committee

Sales Tax Exemptions - Fiscal Impacts

Fiscal Impacts are calculated at the current 4.25% rate

(Dollars are in Millions)

Sales Tax Exemptions -	Description	Annual Fiscal Impact	First Year Fiscal Impact
3603 e -	Participation in recreation sponsored by Pol. Sub.	\$1.000	\$0.667
3603 f -	Coin-OP Laundry	\$0.712	\$0.623
3603 g -	Hotel-Motel Rooms	\$0.898	\$0.786
3603 h -	Machinery IRB	\$0.092	\$0.000
3603 o -	Vehicles for Stock	\$0.155	\$0.116
3606 i -	Lease or rental of films, record, or tapes	\$1.790	\$1.343
3606 l -	Occasional Sales (Only planes, boats, etc. are taxable)	\$0.500	\$0.375
3606 p -	Trade fixtures and equipment already installed	\$1.042	\$0.782
3606 t -	Groundwater management districts	\$0.013	\$0.010
3606 u -	Farm Machinery	\$29.200	\$19.467
3606 v -	Lease or rental of mobile homes more than 28 days	\$1.077	\$0.808
3606 x -	Gas, Elec. Water - Res. Use	\$53.900	\$47.163
3606 y -	Propane - L-P - Res. Use	\$3.314	\$2.900
3606 z -	Intrastate Tel. - Res. Use	\$5.400	\$4.725
3606 aa-	Railroad rolling stock	\$5.200	\$3.900
3606 bb-	Port authority	\$0.000	\$0.000
3606 cc-	Repair of equipment used for the transmission of gas	\$0.270	\$0.203
3606 ee-	Enterprise Zones (Exclude Mach. & Equip.)	\$2.000	\$1.000
3606 gg-	Lottery Tickets	\$3.000	\$2.625
3606 kk-	Youth Devel. Programs	\$0.208	\$0.156
3606 mm-	Manf. Mach. & Equip.	\$42.500	\$31.875
3606 nn-	Educational materials purchased by a non-profit corporation	\$0.040	\$0.035
3606 oo-	Seed & Trees	\$1.200	\$0.900
3606 rr-	Drill Bits	\$0.300	\$0.225
3606 ss-	Museums & Hist. Society	\$0.200	\$0.150
3606 tt-	Annual Events Non Profit Org.	\$0.100	\$0.075
	State Total	\$154.1	\$120.9
	Local Total	\$4.9	\$3.7

Sub-Committee II  
Sales Tax Exemptions Recommended for Consideration by the Full Committee

Sales Tax Exemptions - Fiscal Impacts  
Fiscal Impacts are calculated at the current 4.25% rate  
(Dollars are in Millions)

Sales Tax Exemptions -	Description	Annual Fiscal Impact	First Year Fiscal Impact
Sales tax exemptions listed below are recommended to be left exempt.			
3602 m(B)	Electricity, gas, and water consumed in production	\$30.000	\$25.000
3603 b -	Interstate Telephone	\$13.300	\$11.638
3603 p -	Original Construction Services	\$68.800	\$57.333
3606 a -	Tangible personal property taxed by another Excise Tax	\$71.400	\$59.500
3606 f -	Property purchased by an interstate carrier	\$15.000	\$10.000
3606 g -	Sales, repair, or modification of aircraft used in interstate commerce	\$17.500	\$10.208
3606 h -	Textbooks	\$0.736	\$0.552
3606 j -	Free meals to restaurant employees	\$1.193	\$0.895
3606 k -	Sale of motor vehicles, trailers, or aircraft to a non-resident	\$15.000	\$10.000
3606 q -	Prescription drugs	\$17.600	\$15.400
3606 r -	Insulin	\$0.089	\$0.078
3606 s -	Prosthetic devises	\$5.000	\$4.375
3606 w -	Food served to homebound elderly	\$0.564	\$0.423
3606 dd-	Used Mobile Homes	\$2.218	\$1.941
3606 ff -	USDA Food Stamps	\$5.500	\$4.125
3606 hh-	New Mobile Homes	\$0.836	\$0.732
3606 ii -	Federal WIC Program	\$0.787	\$0.590
3606 jj -	Medical services purchased by nursing homes	\$0.099	\$0.074
3606 ll -	Property sold, rented or leased by a mental retardation facility	\$0.053	\$0.040
	State Total	\$265.7	\$212.9
	Local Total	\$66.4	\$53.2

Sub-Committee II - Service Recommendations

Additional Suggestions

Services - Fiscal Impacts

All Caps: Sub-Committee Recommendations

Lower Case: Additional Suggestions

By Selected Standard Industrial Classification (SIC) Codes

(Dollars are in Millions)

SIC	SERVICE INDUSTRY CLASSIFICATION	Services		Fiscal Year 1992	
		Current Status		Taxed at 4.25%	
1987		Taxable	Exempt	Annual Fiscal Impact	First Year Fiscal Impact
<b><u>A. AGRICULTURE, FORESTRY, AND FISHING</u></b>					
0742	VETERINARY SERVICES FOR ANIMAL SPECIALTIES		X		
0752	ANIMAL SPECIALTY SERVICES, EXCEPT VETERINARY	X	X		
0781 *	Landscape Counseling and Planning		X(2)		
0782 *	Lawn and Garden Services	X	X(2)		
0783 *	Ornamental Shrub and Tree Service	X	X(2)		
<b><u>B. MINING</u></b>					
<b><u>C. CONSTRUCTION</u></b>					
1794 *	Excavating and Foundation Work				
<b><u>E. TRANSPORTATION AND PUBLIC UTILITIES</u></b>					
4225	GENERAL WAREHOUSING AND STORAGE		X	\$0.351	\$0.219
4226	SPECIAL WAREHOUSING AND STORAGE, NEC		X	\$1.362	\$0.852
4785	FIXED FACILITIES-INSPECTION & WEIGHING		X		
4952 *	Sewerage Systems		X		
4953 *	Refuse Systems		X		
4959 *	Sanitary Services, NEC		X		

**F. WHOLESALE TRADE**

**G. RETAIL TRADE**

HOUSE TAXATION

Attachment #3

03/18/91



Sub-Committee II - Service Recommendations

Additional Suggestions

Services - Fiscal Impacts

All Caps: Sub-Committee Recommendations

Lower Case: Additional Suggestions

By Selected Standard Industrial Classification (SIC) Codes  
(Dollars are in Millions)

SIC	SERVICE INDUSTRY CLASSIFICATION	Services		Fiscal Year 1992 Taxed at 4.25%	
		Current Status		Annual Fiscal Impact	First Year Fiscal Impact
1987		Taxable	Exempt		
<u>H. FINANCE, INSURANCE, AND REAL ESTATE</u>					
1972 SIC's					
6541	TITLE ABSTRACT OFFICES		X		
<u>L. SERVICES</u>					
7011	HOTELS AND MOTELS	X	X	\$0.406	\$0.254
7021	ROOMING AND BOARDING HOUSES		X	\$0.042	\$0.026
7032	SPORTING AND RECREATIONAL CAMPS		X	\$0.045	\$0.028
7033	RECREATIONAL VEHICLE PARKS AND CAMPSITES		X		
7041	ORGANIZATION HOTELS & LODGING, MEMBERSHIP		X	\$0.004	\$0.002
7211	POWER LAUNDRIES, FAMILY AND COMMER.	X		\$0.000	\$0.000
7212	GARMENT PRESS., & AGENTS FOR LAUN. & DRYCLN.	X			
7213	LINEN SERVICE	X		\$0.000	\$0.000
7215	COIN-OPERATED LAUNDRIES AND CLEANING		X	\$0.000	\$0.000
7216	DRY CLEANING PLANTS, EXCEPT RUG	X		\$0.000	\$0.000
7217	CARPET AND UPHOLSTERY CLEANING		X	\$0.398	\$0.249
7218	INDUSTRIAL LAUNDERERS	X		\$0.000	\$0.000
7219	LAUNDRY AND GARMENT SERVICES, NEC	X		\$0.000	\$0.000
7221	PHOTOGRAPHIC STUDIOS, PORTRAIT	X		\$0.000	\$0.000
7231	BEAUTY SHOPS		X	\$10.200	\$6.375
7241	BARBER SHOPS		X	\$0.465	\$0.291
7251	SHOE REPAIR AND SHOESHINE PARLORS	X		\$0.000	\$0.000
7261	FUNERAL SERVICE AND CREMATORIES	X	X(12)	\$1.898	\$1.186
7291	TAX RETURN PREPARATION SERVICES		X	\$0.513	\$0.320
7299	MISCELLANEOUS PERSONAL SERVICES, NEC	X	X	\$0.852	\$0.532
7312 *	Outdoor Advertising Services		X	\$0.241	\$0.151
7322 *	Adjustment and Collection Services		X	\$2.412	\$1.507
7323 *	Credit Reporting Services		X	\$2.320	\$1.450

Sub-Committee II - Service Recommendations

Additional Suggestions

Services - Fiscal Impacts

All Caps: Sub-Committee Recommendations

Lower Case: Additional Suggestions

By Selected Standard Industrial Classification (SIC) Codes  
(Dollars are in Millions)

SIC 1987	SERVICE INDUSTRY CLASSIFICATION	Services Current Status		Fiscal Year 1992 Taxed at 4.25%	
		Taxable	Exempt	Annual Fiscal Impact	First Year Fiscal Impact
7349 *	Building Maintenance Services, NEC	X	X	\$2.993	\$1.871
7382 *	Security Systems Services		X	\$1.199	\$0.750
7389 *	Business Services, NEC	X	X	\$4.018	\$2.511
7513	TRUCK RENTAL AND LEASING, WITHOUT DRIVERS	X		\$0.000	\$0.000
7514	PASSENGER CAR RENTAL	X			
7515	PASSENGER CAR LEASING	X			
7519	UTILITY TRAILER AND REC. VEHICLE RENTAL	X			
7521	AUTOMOBILE PARKING		X	\$0.018	\$0.012
7532	TOP, BODY, & UPHOLS. REPAIR & PAINT SHOPS	X		\$0.000	\$0.000
7533	AUTOMOTIVE EXHAUST SYSTEM REPAIR SHOPS	X		\$0.000	
7534	TIRE RETREADING AND REPAIR SHOPS	X		\$0.000	
7536	AUTOMOTIVE GLASS REPLACEMENT SHOPS	X		\$0.000	
7537	AUTOMOTIVE TRANSMISSION REPAIR SHOPS	X		\$0.000	
7538	GENERAL AUTOMOTIVE REPAIR SHOPS	X		\$0.000	
7539	AUTOMOTIVE REPAIR SHOPS, NEC	X		\$0.000	
7542	CARWASHES	X		\$0.000	\$0.000
7549	AUTOMOTIVE SERVICES, NEC	X	X	\$0.647	\$0.404
7622	RADIO AND TELEVISION REPAIR	X			
7623	REFRIGERATION & AIR-CONDITIONING SERV.&REP.	X			
7629	ELECTRICAL & ELECTRONIC REPAIR, NEC	X			
7631	WATCH CLOCK AND JEWELRY	X			
7641	REUPHOLSTERY AND FURNITURE REPAIR	X			
7692	WELDING REPAIR	X	X	\$0.008	\$0.005
7694	ARMATURE REWINDING SHOPS	X	X	\$0.007	\$0.004
7699	REPAIR SHOPS AND RELATED SERVICES	X	X	\$0.057	\$0.036
7911	DANCE STUDIOS, SCHOOLS, AND HALLS		X(13)		
7922	PRODUCERS, ORCHESTRAS, ENTERTAINERS		X(13)		
7929	BANDS, ORCHESTRAS, ACTORS		X(13)	\$0.681	\$0.426
7933	BOWLING CENTERS	X		\$0.000	

Sub-Committee II - Service Recommendations

Additional Suggestions

Services - Fiscal Impacts

All Caps: Sub-Committee Recommendations

Lower Case: Additional Suggestions

By Selected Standard Industrial Classification (SIC) Codes

(Dollars are in Millions)

SIC 1987	SERVICE INDUSTRY CLASSIFICATION	Services Current Status		Fiscal Year 1992 Taxed at 4.25%	
		Taxable	Exempt	Annual Fiscal Impact	First Year Fiscal Impact
7941	PROFESSIONAL SPORTS CLUBS AND PROMOTERS	X	X		
7948	RACING, INCLUDING TRACK OPERATION	X		\$0.000	
7991	PHYSICAL FITNESS FACILITIES	X		\$0.000	
7992	PUBLIC GOLF COURSES	X	X		
7993	COIN OPERATED AMUSEMENT DEVICES	X		\$0.000	
7996	AMUSEMENT PARKS	X		\$0.000	
7997	MEMBERSHIP SPORTS AND RECREATION CLUBS	X		\$0.000	
7999	AMUSEMENT AND RECREATION SERVICES, NEC	X		\$0.000	
8412	MUSEUMS AND ART GALLERIES	X			
8422	BOTANICAL AND ZOOLOGICAL GARDENS	X		\$0.000	
8734 *	Testing Laboritories		X		

L. PUBLIC ADMINISTRATION

K. NONCLASSIFIABLE ESTABLISHMENTS

GRAND TOTAL - ALL SERVICES

\$31.139

\$19.462

\* Recommended Additions

Comments : For the most part, sales data used is from the appropriate 1987 Economic Census, Regional Data for Kansas, prepared by the Census.

Where such data was not available, the Department's own data, reflecting exempt amounts, was used as the estimate for taxable sales.

The Department's data was used extensively for Division A. Agriculture, and Division H. Finance.

Attachment 3-4

Sub-Committee II - Service Recommendations

Additional Suggestions

Services - Fiscal Impacts

All Caps: Sub-Committee Recommendations

Lower Case: Additional Suggestions

By Selected Standard Industrial Classification (SIC) Codes

(Dollars are in Millions)

SIC 1987	SERVICE INDUSTRY CLASSIFICATION	Services		Fiscal Year 1992 Taxed at 4.25%	
		Current Status		Annual	First Year
		Taxable	Exempt	Fiscal Impact	Fiscal Impact

- (1) GROOMING TAXABLE - BOARDING, EXERCISING ARE EXEMPT
- (2) EXEMPT IF ORIGINAL CONST., SEE NOTICE RE. TO R.R. JANITOR SERVICE (ATTACHED)
- (3) SERVICE EXEMPT IF ORIGINAL CONST., WASHDOWN/REDRILL WOULD BE TAXABLE CONTRACTOR TAXABLE ON PURCHASE OF MATERIALS & SUPPLIES
- (4) SEWER CONST. EXEMPT FOR MUNICIPALITIES
- (5) EXCAVATION EXEMPT IF SEPARATELY STATED SEE BERNIE'S EXCAVATING DECISION
- (6) TAXABLE TO THE FINAL USER/CONSUMER, EXEMPT IF INGREDIENT OF COMPONENT PART
- (7) EXEMPT IF CONSUMED - HALL DIRECTORY CASE
- (8) ICC COMMON CARRIERS ARE EXEMPT ON PURCHASE OF ROLLING STOCK
- (9) TOW WOULD BE TAXABLE IF TAXABLE REPAIRS ARE DONE IN CONNECTION WITH TOWING
- (10) EXEMPT WHEN RENTED TO COMMON CARRIER
- (11) IRRIGATION EQUIPMENT FOR FARMERS EXEMPT
- (12) 50% OF FUNERAL DIRECTORS RECEIPTS SUBJECT TO TAX, SEE K.A.R. 92-19-15
- (13) ADMISSIONS ARE TAXABLE

Attachment 3-5

# Machine dealers turn less into more

## Doing away with inventory taxes boosts business

By Mike Berry

Eagle Western Kansas bureau

MONTEZUMA — The farm equipment inventory and sales taxes are dead, at least for now, and Bill Wall and J.B. Glassco want to keep them that way.

To the two operating partners of the Foster-Unruh John Deere dealership in Montezuma, the absence of those taxes isn't some abstract economic development concept. They can point to solid evidence that getting rid of those taxes was good for business: row after row of shiny green combines that squat wheel-to-wheel on the Foster-Unruh lot.

At last count, there were 84 of the big machines lined up, most of them used combines traded in on newer equipment. "Before, if we had 20 combines, that was more than normal," said Glassco.

As things stand now, without the taxes in the way, Wall is confident about turning over the huge inventory arrayed in ranks on the Montezuma lot. "These machines all should be sold by the end of fall harvest," he said.

The farm equipment inventory tax was phased out by the Kansas Legislature, ending altogether in 1989. Earlier, lawmakers had exempted both new and used farm equipment from the state sales tax.

There have been rumblings in Topeka about reinstating one or the other, or both, of those taxes as part of the push to re-reform state tax policy in the wake of the classification and reappraisal controversy. "I feel that would be the end of a lot of (farm equipment) dealers," said Glassco.

COMPLIMENTS OF  
EUGENE L. SHORE  
REPRESENTATIVE DISTRICT 124

He said repeal of the inventory and sales taxes on farm machinery helped make Kansas implement dealers more competitive with dealers in surrounding states that don't tax dealers' inventories.

"We made a conscious decision to expand our business when the inventory tax was lifted," explained Wall. "As it was before, the incentive was to make sure your lot was empty (at the end of the year). Since that time, we have enlarged our facility and labor force by one-third."

That means about a half-dozen jobs were created in Montezuma, an important benefit in a town of 800 people.

Other dealerships around the state have followed a similar strategy, boosting inventory on lots that once were covered with weeds. Selling farm machinery has again become a very competitive business in Kansas.

"There are nine other John Deere dealers within a 60-mile radius. So you know there is a lot of equipment sold in the area," said Wall.

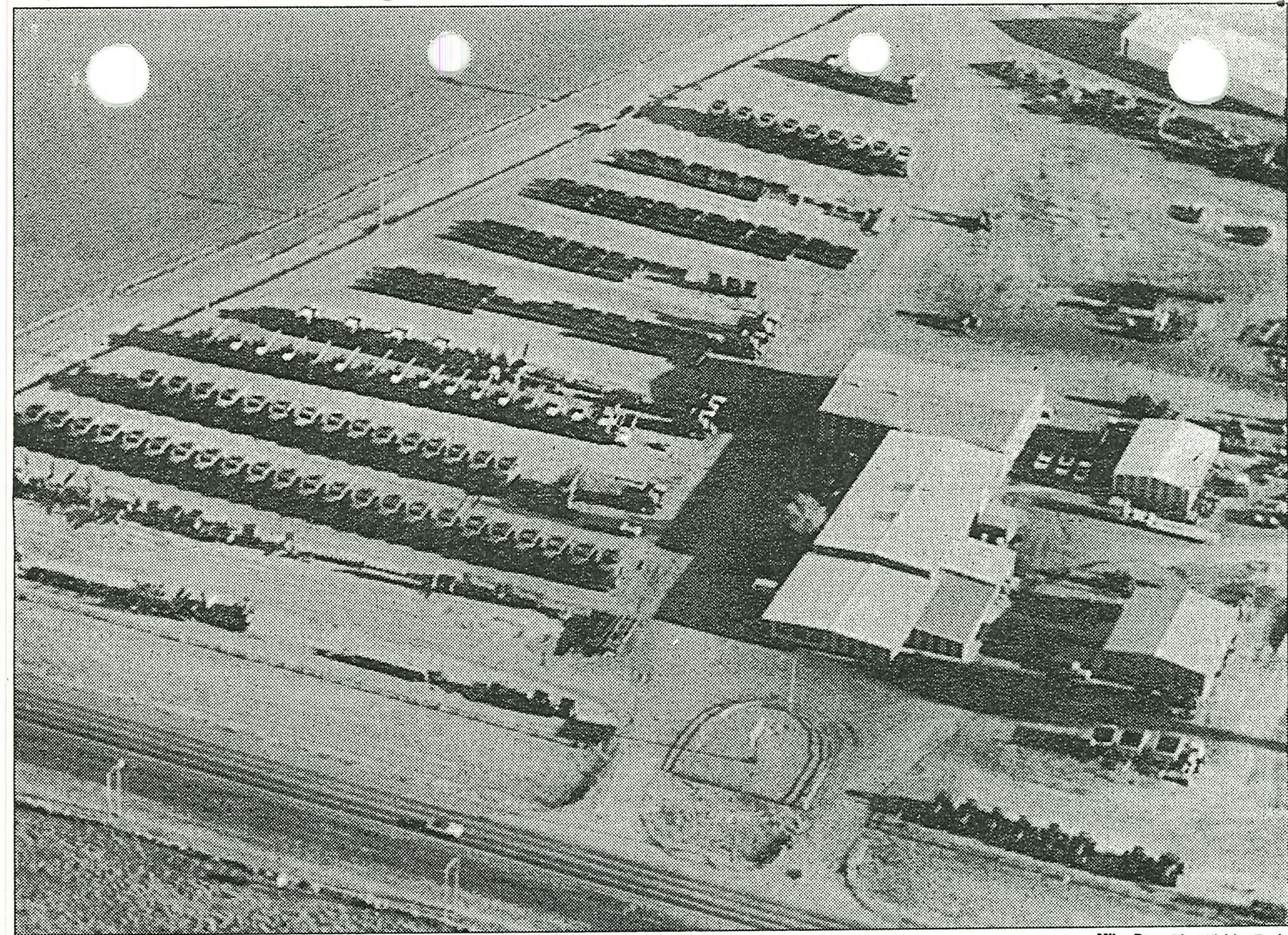
"Unruh-Foster is located in a very unusual area," Wall said. "We are surrounded by some of the best farmers in the world."

Case in point: The annual John Deere Days barbecue and machinery display regularly draws about 750 people — nearly equaling the population of the town. Montezuma is loyal to local businesses and is thriving instead of withering on the

See **COMBINES**, Page 3F

HOUSE TAXATION  
Attachment #4  
03/18/91





Mike Berry/The Wichita Eagle

**With no inventory tax, combines and other farm equipment pack the Unruh-Foster dealership in Montezuma.**

## COMBINES

From Page 1F

vine like many other rural towns, said Wall.

But even so, the boom in farm machinery sales doesn't reflect an across-the-board upswing in the farm economy, Wall said.

"I don't think the farm economy is necessarily that good," he said. Farmers are still waiting longer to buy expensive new machinery, said Glassco. A brand new com-

bine with 30-foot header can cost \$120,000. "They want to make sure they've got a wheat crop first," said Wall.

"Most of our combine business is with custom-cutters," Glassco said. "We sell to cutters all over the country. The people in Colorado and Nebraska like to buy machinery in Kansas because we don't charge sales tax on farm machinery," said Wall. And because dealers don't have an inventory tax to contend with, they can stock more machines and take more

trade-ins from custom cutters than before, he said.

By emphasizing its parts and service departments, the Foster-Unruh dealership can keep the custom cutters coming back to Montezuma to do business, Wall said. In fact, two customers, Neufeld Brothers Harvesting of Inman and Jon Tyler of Copeland, often call the Montezuma dealership from California when they can't get parts when they are cutting crops on the coast. "We can usually get parts to (them) quicker than

they can out there," Wall said.

Wall and Glassco don't want to lose any customers — in or out-of-state — to a new round of taxes. And that's what they fear will happen if part of the state's revenue load has to be hauled by tractors and combines again.

"Some people argue you can turn around and pass those taxes on to the customer, but that's a lot of B.S.," said Wall. "If you put a sales tax on again, our people will be going on into Oklahoma to do business."