

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

The meeting was called to order by Senator Dan Thiessen at
Chairperson

11:00 a.m./~~3:30~~ on Tuesday, March 5, 1991 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Don Hayward, Assistant Revisor
Bill Edds, Assistant Revisor
Tom Severn, Research Department
Chris Courtwright, Research Department
Marion Anzek, Committee Secretary

Conferees appearing before the committee:

Bob Storey, DeHart and Darr Associates, Inc. and Idelman Telemarketing, Inc.
Trudy Aron, The American Institute - Architects in KS
Bill Henry, KS Engineering Society, Inc.
Timothy N. Etzel, President of Jetz Service Company, Inc.
Ron Smith, KBA Legislative Counsel, KS Bar Association
Ron Hein, Legislative Counsel-KS Association of Personnel Consultants
Mike Reece, State Director, Government Affairs-AT&T
Senator Edward F. Reilly
Donald P. Schnacke, KS Independent Oil & Gas Association (KIOGA)

Chairman Dan Thiessen called the meeting to order and he said, the agenda for today had SB165 and continued hearings on SB156 but he said, at the request of the sponsor we would not be hearing SB165 to allow for more time. The Chairman turned attention to SB156 and recognized Bob Storey.

SB156:AN ACT relating to taxation; providing means to increase revenue producing state tax sources to local units of government to reduce reliance on revenue received from the levy of property taxes.

THE FOLLOWING CONFEREES APPEARED IN OPPOSITION OF SB156

Bob Storey, representing DeHart and Darr Associates, Inc. and Idelman Telemarketing, Inc. said SB156 will have a devastating effect on the telecommunications business in KS and ultimately on KS employees and citizens.

He said Idelman Telemarketing employs 1348 KS citizens and expects to employ 1800 in 1991, with an estimated payroll for 1990 at \$9.M. He said, SB156 in its present form would cost Idelman Telemarketing an estimated additional \$125,000. per year.

Attached to his handout is a clipping from the Topeka Capital-Journal dated 2-26-91, regarding a new Telemarketing Company opening in Topeka, which will employ 135 Kansans, and stating, "the lack of sales tax on long-distance interstate calls was one incentive" for opening in Topeka, KS. (ATTACHMENT 1)

Trudy Aron appearing on behalf of The American Institute of Architects in KS. said Architecture is a highly competitive business, competing with competition all over the country. She said, architects are numbered in a number of States and she said 75% of the architects licensed to do business in KS are from outside KS.

She said if sales tax is placed on their services, they will be at a competitive disadvantage with architectural firms from outside of KS. Attached to her handout is The Impact of Governor Finney's tax plan on architectural firms in KS. (ATTACHMENT 2)

Bill Henry representing the KS Engineering Society, Inc. said they oppose SB156 because it will deter economic development in our state and limit expansion in our state. He said, secondly the amount of revenue that is estimated to be raised by the imposition of this tax may be over-estimated. Engineers in private practice provide most of their services to political subdivisions of the state and the state itself. He said in a brief survey of private consulting firms operating in our state it is estimated that 60%-70% of the services that are provided by professional engineering firms are provided to the state of KS and its political subdivisions. (ATTACHMENT 3)

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

room 519-S, Statehouse, at 11:00 a.m.~~p.m.~~ on Tuesday, March 5, 1991

Timothy N. Etzel, President of Jetz Service Company, Inc. said he would like to point out to the committee members why SB156 is both immoral and uncollectable. He said in order to collect the 4.25% their industry would have to raise prices by 13.4%, a 10¢ minimum on a 75¢ wash cycle. He said there are approximately 200,000 KS citizens that live in multi-family facilities that utilize coin-operated laundry equipment.

He asked the committee members "why they were singling out previously exempt industries"? and he asked the committee members to amend to bring back their exemption. (ATTACHMENT 4)

Ron Smith KBA Legislative Counsel, KS Bar Association said KBA has consistently opposed service taxes, especially on legal services, unless such tax policy is adopted to include all professionals. He said in his handout is a list adopted by the KBA Board of Governors, on January 18, 1991. He said SB156 is contrary to all their tax policies.

He said the three states that tax legal services do so with limited audit capability and put little money into administration of the tax.

He said they thought situs problems have yet to be worked out and that such problems should not be left to the Department of Revenue, which gets no guidance but is left to take all of the heat. (ATTACHMENT 5)

Ron Hein, Legislative Counsel for the KS Association of Personnel Consultants said SB156 relates to assessing a service tax on the personnel placement industry, consisting of local employment agencies, temporary employment firms, contingency search firms and executive search firms. He said their reasons for opposing SB156 are multiple. (1) taxing personnel placement services would have an extremely harsh impact on economic development in KS. (2) Many of the contingency and executive search firms are involved in a highly sophisticated interstate oriented business, with client companies and candidates throughout the United States and some, internationally. (3) A service tax on the temporary personnel firms would most likely eliminate their margin of profit and force them out of business or force them to move out of state. (ATTACHMENT 6)

Mike Reecht, State Director, Government Affairs, AT&T said SB156 proposes the elimination of certain sales tax exemptions, one of which is interstate growth in the telemarketing industry, brought about by many services now offered on a more sophisticated telecommunications network. He said one of the reasons firms have located in KS rather than other states is due to favorable tax policy.

He said technology and the use of telecommunications is expanding and as more applications of that telecommunications technology are developed, KS needs to insure that its tax policy does not restrict the business expansion into our state. (ATTACHMENT 7)

Senator Edward F. Reilly said members of the House and Senate, Republicans and Democrats have worked in a bi-partisan manner to try to find some common ground that they could all find some degree of solace. He said they submitted early in this session a package of bills dealing with an election on a new constitutional amendment to place inventories back on the local rolls, eliminate the accelerated depreciation deductions. He said, "as Kansans elected to public office to serve all of our state, all of its people, of all races, colors, creeds, and political persuasions, need to create a state where: (1) taxes are fair, (2) See that those most in need, senior citizens, children and the less fortunate are cared for.

Attached to his handout is a run by Senators Reilly and Steineger by Counties showing Estimated 1988 Non-School Property Taxes on Inventories and Livestock, by County. (ATTACHMENT 8a & 8b)

Donald P. Schnacke, KS Independent Oil and Gas Association said KIOGA has estimated that their industry annually pays in excess of \$100.M in sales tax. He said they pay sales tax on the purchase of machinery and equipment and on the services rendered in repairs and maintenance, and he said they benefit directly from several exemptions that are considered for elimination under SB156.

He said, they think its very important for the committee members to distinguish the KS oil and gas industry from other business and industry in the state. Oil and gas producers must bear the brunt of any new tax because they are unable to pass the tax along to the consumer. The pricing mechanics of selling oil and gas parallel that of an independent farmer who is at the mercy of the market price and cannot pass the tax along. (ATTACHMENT 9)

Chairman Dan Thiessen concluded hearings on SB156 and adjourned the meeting at 12:06 p.m..

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S, Statehouse, at 11:00 a.m.~~xxx~~ on Tuesday, March 5, 1991

WRITTEN TESTIMONY WAS TURNED IN BY THE FOLLOWING

- (1) Janet Stubbs, representing KS Home Builders Association (ATTACHMENT 10)
- (2) Larry W. Magill, Jr., Executive Vice President, Independent Insurance Agents of KS. (ATTACHMENT 11)

TESTIMONY OF BOB W. STOREY
SENATE BILL NO. 156
SENATE ASSESSMENT AND TAXATION COMMITTEE

Members of the Senate Assessment and Taxation Committee:

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

My purpose in appearing here is to oppose passage of Senate Bill No. 156 in its present form 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 expects to employ 1800 in 1991; their estimated payroll for 1990 is \$9 million.

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

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.

In its present form, Senate Bill No. 156 would cost Idelman Telemarketing an estimated additional \$125,000.00 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 Senate Bill No. 156 is enacted in its present form:

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, which is no different than when Kansas was selected. Kansas was selected over Duluth, Minnesota, and Moline/Rock Island, Illinois, because of economic disincentives.

The same may well be true for other telemarketing operations in Kansas. (See the attached newspaper article from February 26th's Topeka Capital-Journal.) 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 Senate Bill No. 156 be enacted in its present form. 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.

Telemarketing company plans grand opening

■ **New Topeka office
will be open for
business by Friday,
officials say**

By ANITA MILLER
The Capital-Journal

Pro Tel Marketing Inc., a marketing and telemarketing company, is putting the finishing touches on its new offices in Topeka and will open for business this week, a company official said Monday.

The grand opening will be at 5 p.m. Wednesday in Pro Tel's new 11,000-square-foot facility at Fairlawn Plaza Mall, 5341 S.W. 22nd Place. State and local public officials, including Gov. Joan Finney, will participate.

"Right now we're putting the finishing touches on it," said Allen Wolf, senior vice president for the company. "By the grand opening on Wednesday, except for some odd things left, we should be in real good shape."

He said the Topeka office will begin operations Friday.

Wolf said 25 Topekans have been hired by the Lansing, Ill.-based company and another 60 people are scheduled to be interviewed. The company plans to hire 135 employees in the first year of the Topeka operation and build up to more than 200 employees by the end of 1992.

Pro Tel's Lansing office employs about 200 people, Wolf said. The

company is privately owned, and the sole shareholders are Ruth Wolf, president, and her daughter, Janice Katz, executive vice president. Allen Wolf is Ruth Wolf's husband.

Allen Wolf said Pro Tel was formed in 1988. He said Ruth Wolf has been in telemarketing for 23 years and started as a telemarketer out of her home.

The manager of the Topeka office is Roger Price, who formerly worked in telemarketing for Sears.

Pro Tel serves clients who want telemarketing services but don't have their own organization, Allen Wolf said.

"They may want us to sell something, they may want us to do research, they may want us to do charity raising, just a variety of things," Allen Wolf said. "They will come to us and contract for us to do that work for them by phone. We supply a total package. We help with marketing language, target marketing, and give them suggestions as to what might work for their program."

Pro Tel officials announced in December they had selected Topeka after looking at locations in five states.

Allen Wolf, a graduate of the University of Kansas, said several things lured the company to Kansas. He cited the work ethic, business environment for the telemarketing industry and economic development efforts of the state of Kansas and the Greater Topeka Chamber of Commerce. He said the lack of sales tax on long-distance interstate calls also was an incentive.



February 20, 1991

TO: Chairman Thiessen and Members of the Senate Assessment and Taxation Committee

FROM: Trudy Aron

RE: **Opposition to Senate Bill 156**

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Trudy Aron
Executive Director

Thank you for this opportunity to address you today. The American Institute of Architects in Kansas **opposes** Senate Bill 156 which would tax professional services including those of architects.

SALES TAX ON ARCHITECTURAL SERVICES PLACES KANSAS ARCHITECTURAL FIRMS AT A COMPETITIVE DISADVANTAGE

Architecture is a highly competitive business. The addition of sales tax on an architect's fee will cause many Kansas clients to seek services from firms outside our state to avoid paying this added cost. In addition, it won't make economic sense for clients outside our State to hire Kansas firms if those firms must charge sales tax on their services.

SMALL, SINGLE DISCIPLINE FIRMS WILL SUFFER MOST

When designing a building, architects are the team leaders of a variety of consultants - architecture, structural, mechanical and electrical engineering, interior design, landscape architecture and other consultants as needed. Over 80% of all Kansas architectural firms have fewer than five (5) employees. Less than 5% of these firms will have the necessary consultants in-house to provide the services needed to design a project. Therefore, these firms must hire their consultants.

If the architectural firm must pay sales tax on the services they receive from their consultants, it will place small firms at an even greater disadvantage to large multi-discipline firms who can provide these services in-house by their employees.

SALES TAX ON SERVICES DISCOURAGES ECONOMIC DEVELOPMENT AND EXPANSION

Sales tax on services will impede business expansion and development by increasing the cost of doing business in Kansas. A sales tax on architectural and other professional services will increase significantly the front end costs of any business expansion plan. This will hurt Kansas now and into the future.

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ENFORCING THE USE TAX STATUTES WON'T HELP; NEITHER WILL EXEMPTING SERVICE TO OUT-OF-STATE PURCHASERS

Many have said that enforcing the use tax statutes will make Kansas firms on a level playing field with those outside of Kansas. This just isn't so. Firms outside of Kansas will not have to pay sales tax on the services they buy - lawyers, accountants, and other business related services, insurance (a big expense for architects), banking, equipment rental and leasing, communications, and other overhead items. In fact, 75% of the licensed architects in Kansas live outside our State. These architects will be able to market their services for less than the services of resident firms because they will not have to collect the sales tax or pay for the services their firm purchases.

SALES TAX ON SERVICES WILL COST ALL BUSINESSES MORE AND THESE COSTS WILL HAVE TO BE PASSED ON TO ALL KANSANS

Most businesses, large and small, contract with a variety of service businesses. These include lawyers, accountants, advertising, marketing, insurance, etc. Each business will have to pay the sales tax on the services they purchase. These businesses will have to pass the cost of these increased taxes on to the public or go out of business. Therefore, every Kansan will pay.

SALES TAX ON SERVICES IS A NEW TAX

Kansas service business, like those in most states, have never been taxed. Imposing sales tax on services will create an administrative burden on all service business and the state as well.

The American Institute of Architects in Kansas has asked our members to try to determine the impact the imposition of sales tax on services will have on their architectural firm. Attached are the preliminary results of this survey.

We urge you to **oppose** Senate Bill 156. In these economic times it is most urgent that Kansas remains economically competitive with our neighbors.

AIA Kansas

A Chapter of The American Institute of Architects



February 20, 1990

TO: Chairman Thiessen and Members of the Senate Assessment and Taxation Committee

FROM: Trudy Aron

RE: Survey on Impact of Governor's Plan on Architectural Services

1991 Executive Committee

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Trudy Aron
Executive Director

IMPACT OF GOVERNOR FINNEY'S TAX PLAN ON ARCHITECTURAL FIRMS IN KANSAS

Assumptions: In reporting the statistics found here, we assumed that projects currently exempt from paying sales taxes on construction services would remain exempt from paying sales tax on those construction services, and that the consultant services would be exempt as well as the services of the architect. Therefore, the figures on exempt and non-exempt projects have been figured separately.

1. Number of firms sent survey 150.
2. Number of firms responding to survey by 2/19/91 27.
3. Percentage of firms responding to survey 18%.
4. Total number of employees represented in survey results 212.
Breakdown:

# employees	# firms reporting
1	5
2-3	5
4-6	7
7-10	6
11-20	2
21-55	2
5. Total annual billings reported \$17.3 Million.
6. Total annual billings for sales tax exempt clients \$10.8 Million (62%).
7. Total annual billings for non-exempt clients \$6.5 Million.
8. Total annual billings for consultant services for non-exempt clients \$2.3 Million.
9. Total other services/goods purchased currently not taxed which would be taxed under the Governor's plan \$2.3 Million.
10. Amount of tax on services/goods (item #9 above) taxed at 5.25% \$120,750 or .7% of total billings.*

11. Amount of tax on consultant services (items #8) taxed at 5.25% \$120,750 or 1.9% of total non-exempt billings.*
12. Amount of tax on services/goods and consultant services taxed at 5.25% as related to the total billings is increased by 1.4%.*
13. Number of firms who indicate that some of their clients may seek services outside of Kansas 14 firms or 52%.
14. Number of firms who indicate they would have a strong incentive to move all or most of their operation outside Kansas 13 or 48%.
15. Number of persons employed by firms who may move 149 of 212 or 70%.

* The increased cost of taxing those goods and services purchased by the architectural firm (#10) and the affects of pyramiding of taxes on consultant services (#11) are compared to total billings. The increased costs for sales taxes on these services would be added to those of other overhead including employee compensation. No costs were added to reflect any increased cost to firms to administer the collection/remission of sales tax. This cost could be substantial. The profit margin of many architectural firms is already low, the added costs of sales taxes on these purchased services would significantly erode their profit.

The results of this survey will be updated as additional responses are received.



Kansas Engineering Society, Inc.

627 S. Topeka, P.O. Box 477, Topeka, Kansas 66601 (913) 233-1867

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Testimony to Senate Committee on Assessment and Taxation February 28, 1991 S.B. 156

Mr. Chairman, members of the committee, I am Bill Henry, the executive vice president of the Kansas Engineering Society, an organization composed of more than 900 licensed professional engineers who practice their profession in private practice, government, education, industry and construction in our state.

The members of the Society oppose the imposition of the sales tax on professional business engineering services because it will deter economic development in our state and limit expansion in our state. Kansas is not a geographical island in terms of tax effects on business and the economy. Much of the state's economic growth, including professional services, has come in the northeast area of our state.

A few blocks mark the difference between taxation rates and in the case of professional services a total tax difference. In Missouri, Oklahoma, Nebraska and Colorado, professional services, including engineering services are not subject to state sales taxation.

In recent years the total membership of the Kansas Engineering Society has remained fairly stable. In some areas of the state we have lost engineers who belong to local chapters but in one area there has been a continued growth during the past ten years and that is in the Kansas Engineering Society's Eastern Chapter which is composed of the geographic areas of Johnson and Wyandotte counties.

A number of large Missouri firms now have Kansas offices in these counties and provide services to Kansas local units of government and private individuals through those offices. If those professional engineering companies had to face the imposition of sales tax on their services it would not be difficult to sever a lease and move across the state line.

Secondly, the amount of revenue that is estimated to be raised by the imposition of this tax may be over-estimated. Engineers in private practice

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provide most of their services to political subdivisions of the state and the state itself. Engineers design waterworks, sewer treatment systems and roads for cities and counties. If we're concerned with property tax relief it would seem ironic that we would place a tax on our local units of government to solve the tax problems caused by our property tax burdens. Indeed, in a brief survey of private consulting firms operating in our state it is estimated that 60-70% of the services that are provided by professional engineering firms are provided to the state of Kansas, and its political subdivisions.

For these reasons, the Kansas Engineering Society opposes the imposition of a sales tax on engineering services and would be most happy to provide further information in this area upon the committee's request.

Respectfully Submitted,
William M. Henry
Executive Vice President
Kansas Engineering Society



CORPORATE OFFICE
(913) 354-7588

2514 KANSAS AVENUE
TOPEKA, KANSAS 66611

Professional Laundry Systems

February 28, 1991

To: Assessment & Taxation Committee

RE: Sentate Bill 156

Dear Senator:

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.

Greater Kansas City
(816) 836-5650

Omaha
(402) 345-7760

Topeka
(913) 354-7588

Colorado Springs
(719) 636-3928

Wichita
(316) 263-1037

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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*

EXHIBIT A

	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%	Admss. 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	243%	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%				

"How Sales And Excise Taxes Hold Up In The 50 States" by Institute on Taxation and Economic Policy, Mar. 1988

*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.

Comments: ... Excise Taxes Hold Up ... 4-3

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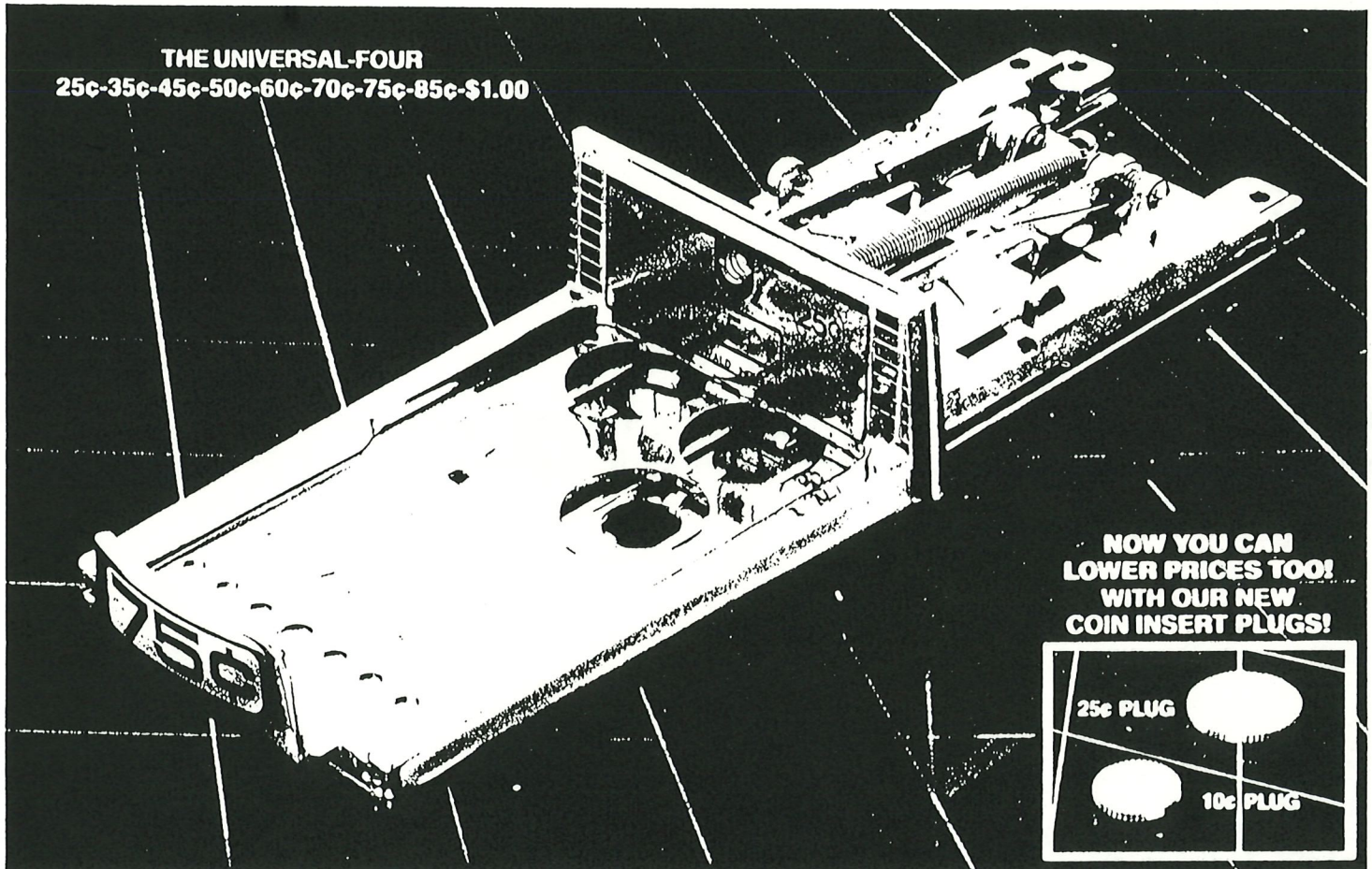
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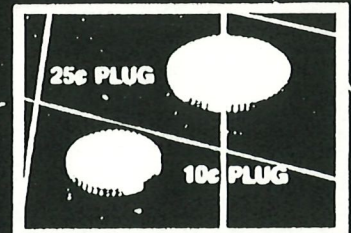
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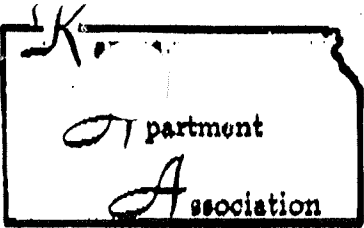


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4-4



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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
President



PENN TOWER OFFICE BLDG. • 3100 BROADWAY • K.C., MO 64111
(816) 931-1121

February 27, 1991

Governor Joan Finney:
Capital Building
Topeka, Ks 66603

Dear Governor Finney:

On behalf of the Apartment Association and its members, we would like to express our concern regarding your proposed sales tax plan and how it will ultimately affect the coin operated laundry fees charged to the residents in our communities.

We have spoken to laundry equipment representatives in the Kansas City area, and they have informed us that this proposed sales tax plan will raise coin operated prices 13.4%, or .10 cents per cycle due to the design of the machines.

This increase would unfairly tax students, the elderly, and the low to moderate income residents who use these machines on a regular basis.

Before you consider taxing these laundry machines, we feel that a closer investigation into this matter is appropriate.

Sincerely,


Samuel V. Alpert
President



Robert W. Wise, President
Thomas A. Hamill, President-elect
William B. Swearer, Vice President
James L. Bush, Secretary-treasurer
Jack Focht, Past President

Marcia Poell, CAE, Executive Director
Karla Beam, Director of Marketing-Media Relations
Ginger Brinker, Director of Administration
Elsie Lesser, Continuing Legal Education Director
Patti Slider, Communications Director
Ronald Smith, Legislative Counsel
Art Thompson, Legal Services — IOLTA Director

POSITION STATEMENT

TO: Hon. Dan Thiessen, Chair
Members, Senate Taxation Committee

FROM: Ron Smith, KBA Legislative Counsel

SUBJ: SB 156; service taxes

DATE: February 28, 1991

KBA has consistently opposed service taxes, especially on legal services, unless such tax policy is adopted to include all professionals. There are many reasons for our opposition. Many have been stated in this forum before. We would agree with those speaking on behalf of the Kansans for Tax Free Services as to the impact of such a tax on interstate competitiveness. We think situs problems with local sales taxes also will be a problem. Further, you are leaving a considerable amount of discretion with the Department of Revenue to be involved with a very difficult issue -- defining what legal services are taxed, and why.

KBA has benefit of many former lawyers in the Department of Revenue. They are part of our Tax section and as a Tax Policy Advisory group to our legislative program. Their recommendations, adopted by the KBA Board of Governors January 18th, are the following:

- (a) The property tax "crisis" is a function of the property tax system. That system includes the types of property assessed, the rate of assessment, the means of assessment, the appeals process at the county and state level, and discussions of how best to target property tax relief. Generally we do not believe is not good tax policy to use non-property tax revenues such as services, sales or income taxes to solve a systemic problem in the "property tax" system.
- (b) To use non-property tax funds for property tax only exacerbates the problem. To the effect property tax relief formulas are considered inequitable, using sales tax receipts to fund such relief only creates more inequities.
- (c) Not all counties want property tax relief, if such relief means a sales, service or income tax in-

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crease. Using tax revenues collected statewide is inappropriate when only "spot" relief is needed. Local property tax problems must be solved locally, or through the classification amendment.

- (d) If more revenue is justified and there is a need to look to additional services, then all services must be included as a matter of fundamentally fair tax policy. The fact that some professional services cost a lot is insufficient rationale to avoid taxation.

SB 156 is contrary to all these tax policies. SB 156 develops tax policy before deciding how to craft property tax relief, to insure that those businesses that had considerable tax relief in 1989 are not further rewarded. In our judgment you have the cart before the horse, for the following reasons.

1.

In addition to the host of administrative and constitutional problems inherent in a tax on legal services, SB 156 does not define what constitutes "private legal services." That thankless task apparently falls to the Department of Revenue. While the legislature and your surrogate, the Department of Revenue, has power to define a service for taxation purposes, we don't know whether the Department can distinguish in its rules between "authorized" and "unauthorized" practice of law.

To fill in blanks in a form document by itself may not be the unauthorized legal practice, but preparation of whole new paragraphs in standard fill-in-the-blank residential real estate sales forms, creating new rights, duties and liabilities for the buyers and sellers of homes not contemplated by the original form contract, modifies the attorney's original document and may constitute the practice of law.¹/ Will the Department be responsible for

¹"As the term is generally understood, the practice of law is the doing or performing of services in a court of justice, in any matter depending therein, throughout its various stages, and in conformity to the adopted rules of procedure. **But in a larger sense it includes legal advice and counsel, and the preparation of legal instruments and contracts by which legal rights are secured, although such matter may or may not be depending in a court.**" State, ex rel v. Perkins, 138 Kan. 899, 907, 908, 28 P.2d 765 (1934), quoted with approval in State, ex rel v. Williams, supra.

setting up systems to track unauthorized, as well as authorized, legal practices in order to collect a tax?

2.

This leads to a discussion of K.A.R. 92-19-16. This sales tax regulation says, "**Each person who gives away or donates tangible personal property or who renders or furnishes without charge services taxable under the sales tax act** is deemed for tax purposes to be the final user or consumer." "Final consumers" pay the sales tax.

Furnishing some legal services without charge is an ethical requirement of lawyers.^{2/} SB 156 says "private legal services" are to be taxed but does not give the Department direction whether that includes free services. If you tax the services when rendered free, then you discourage pro bono services, which are considerable.^{3/}

I have been assured the tax on legal services will not include pro bono services. I see nothing in SB 156 to that effect. You also need to speak to legislative intent as to write-downs of services, and contingent fees in cases where no recovery is had, and direct the Department whether to tax such services.

3.

Contingent fees raise different problems and incentives. First, we are not sure how the Department would handle contingent fees in cases where a defense verdict is obtained. If K.A.R. 92-19-16 is not changed, would it be the reasonable value of the legal fees that is taxed? Or since 33% of zero is zero, is that how the tax would be avoided? If no direction is made to exempt contingent fee services that result in no award, then the lawyer would owe

²MRPC Rule 6.1, 1988 Ed.

³For example, KBA initiated Project Call Up, where lawyers agreed to help Kansans called to active duty for Operation Desert Storm prepare wills and codicils without pay. Over \$19,000 in free legal help has been donated in 130 referrals to date, with one hundred more referrals still outstanding. If the lawyer must pay a tax on the privilege of providing free services, they simply won't do free legal work. Project Call Up has received special recognition by President George Bush.

a tax even when no recovery is made. That has a chilling effect on the use of such fee contracts.

4.

We are concerned about attorney-client privilege issues. It is another area of the practice of law that is unique and requires delicate legislation or we destroy the bedrock of the legal system. Lawyers render unique services in that one of the legal services that might be sought of an attorney is a legal opinion whether the attorney's client owes the service tax.

Assume XYZ Corporation, a Texas-based company, is seeking legal advice whether services they buy in Kansas are taxable because of a tax nexus with Kansas. The Kansas attorney's review of the law results in an opinion they are not taxable. The attorney writes that opinion letter, bills for the services, and the client accordingly pays the fee but not the tax. Six months later, the Department audits the law firm's service tax compliance. If they want access to the attorney's books and names and addresses of clients, must the attorney comply?

The Model Rules and case law is unclear how we advise lawyers to answer that question. Can the Department require all lawyers get written consent from their clients as compliance with tax laws? Must the Department seek a court order every time they seek information that is attorney-client in nature? Resolving it administratively puts the Department in position of destroying any meaningful attorney-client privilege when in the name of tax enforcement.

5.

Apportionment problems are considerable. Assume XYZ Corporation, a multi-national, multi-state business, wants some corporate tax advice regarding its Kansas operations and that Kansas has tax compliance rules similar to what Massachusetts is looking at. Under such rules, it would not matter if XYZ seeks legal advice from lawyers in Kansas, Missouri or New York. **To the extent XYZ uses the advice to further Kansas business operations, it is taxable regardless of where it is rendered.** However, only the Kansas attorney has to register with the DOR and render a bill that includes a tax. XYZ must, voluntarily, remit a use tax based on advice sought in Missouri or New York -- if XYZ voluntarily complies. Kansas does not have use tax jurisdiction over the law firms in Missouri or New York.

6.

Intra-state situs problems have not been addressed. A Topeka attorney has a client residing in Alma. The depositions in their case are taken in Salina and Miami, Florida, and the lawsuit is filed in Ft. Scott. Legal services are subject to local sales taxes. Must the attorney apportion a tax among all these jurisdictions, based on differing local tax rates?

If the answer is "no," then presumably all legal services are billed at Topeka's 5.25% rate. However, if a six month trial is necessary in Ft. Scott, tying up the Bourbon county legal system for some time, Topeka gets a bonanza while Ft. Scott gets nothing.

If the answer is "yes," the headaches for law firm bookkeepers apportioning the tax among cities are magnified ten-fold.

7.

What about our rules for temporary admission of out of state lawyers to practice in state or federal courts pro hac vice? Are courts going to determine whether the lawyers have registered with the Department of Revenue for service tax collection before they can practice in Kansas? Will Kansas federal courts argue federal supremacy rules apply? Do federal judges or Kansas revenue officials determine who practices in federal courts of Kansas?4/

Conclusion

In summary, the three states that tax legal services do so with limited audit capability, and put little money into administration of the tax. They primarily are geographically isolated states. Kansas is not geographically, socially or economically isolated from Missouri and other states. The administrative problems will outweigh the revenue benefits of a service tax.

⁴This unanswered question still plagues the court system of South Dakota, which has a service tax on lawyers.

The cost of increased administration in a law office is, like other costs, passed along in our overhead to our clients -- who pay more fees, and more tax, for the privilege.

We think situs problems have yet to be worked out and that such problems should not be left to the Department of Revenue, which gets no guidance but is left to take all of the heat.

HEIN AND EBERT, CHTD.

ATTORNEYS AT LAW

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Ronald R. Hein
William F. Ebert
Steven D. Rosel

SENATE ASSESSMENT AND TAXATION COMMITTEE
TESTIMONY RE: SB 156

PRESENTED BY RONALD R. HEIN ON BEHALF OF
KANSAS ASSOCIATION OF PERSONNEL CONSULTANTS
February 28, 1991

Mr. Chairman, members of the committee:

My name is Ron Hein, and I am legislative counsel for the Kansas Association of Personnel Consultants.

KAPC strongly opposes SB 156 as it relates to assessing a service tax on the personnel placement industry. The personnel placement industry consists of local employment agencies, temporary employment firms, contingency search firms and executive search firms. These firms work with clients and candidates on a local, state and national basis in every facet of the business world. The majority of the personnel placement firms are small businesses, not large corporations, which have a significant impact on other Kansas businesses and individuals.

Our reasons for opposing SB 156 are multiple.

1. Taxing personnel placement services would have an extremely harsh impact on economic development in Kansas. I understand that 25% of the population of the state lives in the Kansas City metropolitan area and that 38% of the population of the state lives in border communities. There are 180 personnel placement firms in the state of Kansas. According to the 1989 Department of Human Resources employment and payroll records, approximately 50% of the personnel placement firms in the state are located in Johnson county. They generate greater than 50% of the payroll dollars. A survey by KAPC revealed that greater than 90% of the personnel placement firms in Johnson county would relocate out of state if this legislation is passed. No state surrounding Kansas has a tax on personnel placement services.

2. Personnel placement services is a highly mobile industry, especially as it is practiced in the urban areas. Many of the contingency and executive search firms are involved in a highly sophisticated interstate oriented business, with client companies and candidates throughout the United States and some even internationally. Temporary employment firms may work with temporary professionals throughout the United States as well. In Johnson county, temporary employment firms work with clients and candidates in both Kansas and Missouri. Much of the work is done by telephone, and in most instances, there is no necessity for a business to be located in any particular geographical area.

3. The personnel placement business is highly competitive and bids for doing personnel consulting for national companies are often decided by a few dollars. National industry statistics show that temporary employment firms operate on a small profit margin of anywhere from 5% to 10%. A service tax on the temporary personnel firms would most likely eliminate

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this margin of profit and force them out of business or force them to move out of state. Contingency and executive search firms in Johnson county would have to assess a 5.75% sales tax onto their bid and would effectively price themselves out of the national market. However, before they would do that, it is much more likely that they would simply move their offices across the state lines, because much of the work is done by telephone, and there is no significant investment in real estate or capital equipment that would prohibit a quick move. It would create more of an inconvenience than anything else, that is all. Passage of this bill would result in lost revenue for Kansas by way of corporate taxes, property tax, income tax and other taxes.

4. Many large businesses and corporations use the services of personnel placement firms to find top employees with specialized skills from all over the United States. If Kansas personnel placement firms were forced to pass on a service tax for their services, these large businesses and corporations would simply use out of state personnel placement firms or else handle all of their employment needs in-house. The small to medium sized businesses cannot afford to have someone handle this in-house and will be forced to pay the service tax or use a personnel placement firm out of state. The large corporations will not have to pay.

5. Temporary personnel firms provide valuable temporary jobs to an estimated 30,000 individuals working in the state of Kansas each year. The sales tax will have a harsh impact on those people in the work force who rely on temporary help for work and have few, if any, options. They are often those members of society who can least afford loss of employment. They include:

- (a) Working mothers who need employment during the school year.
- (b) Second wage earners who need to supplement their family income.
- (c) Social Security recipients who need to supplement fixed incomes.
- (d) Re-entrants to the work force who need to gain exposure to the modern workplace, to learn new skills, and to enhance their earning power.
- (e) Students who need to work during vacations.
- (f) Unemployed workers who rely upon temporary personnel firms for income in between permanent jobs.

6. Based on the experience of personnel placement professionals in our industry, under the recent sales tax in Florida (since repealed), a sales tax could result in a 20% loss of industry billings. A 20% decline in temporary help jobs alone will result in a significant loss to the state in income taxes and contributions to the state unemployment insurance fund. Assuming most temporaries will have little or no employment alternatives given the current economic climate and the prospect of a deeper recession, they will collect millions of dollars in unemployment insurance benefits. When unemployment insurance benefits run out, it is estimated that as many as 25% of the approximately 5,000 affected temporaries will apply for welfare benefits at a cost of several more millions of dollars to the state. The net cost to the state could outweigh any revenue raised by a sales tax.

7. Taxing personnel services will result in pyramiding of taxes and will be passed on ultimately to the consumer in the form of higher prices for their goods. If this tax is able to be passed on by the personnel consultant to the company, whether it be manufacturing, retail, or whatever, it will mean an additional cost to that manufacturer or retailer, and will ultimately show up in the cost of the product to the consumer.

8. This tax will be difficult to administer given the interstate nature of the business. If a national corporation contracts with a Kansas personnel placement firm to recruit an employee for them, how do you measure the nexus of the activity that occurs in Kansas when the recruiter contacts individuals in California, New York, Missouri and Kansas? What kind of an administrative nightmare would be caused for these small businesses? Do they have to measure the number of minutes they spend on the phone with the recruit from Kansas as opposed to a possible recruit from Missouri? Or will the tax be assessed only in the event that the person who is hired actually has their job location in Kansas? If so, how will the state find out in order to assess a compensating use tax assessed against a Missouri personnel placement firm who would place that same person in a job in Kansas?

Research by KAPC has found that client companies rely on out of state personnel placement firms to avoid paying the sales tax on the placement services in their state. Personnel placement firms in Kansas that have made placements in the few states that have a service tax have never had a tax collected from them. Likewise, one would not expect to find a tax enforced and collected against those out of state placement firms when they do business in Kansas. It would be unfair to levy this tax on Kansas personnel placement firms and jeopardize their economic well-being while giving their competitors in other states an economic advantage.

In addition to these specific objections, there are several generic arguments that are simply applicable to any efforts to assess sales tax on professional services.

I repeatedly hear comments about the State of New Mexico, the State of South Dakota, and the State of Hawaii taxing services. However, nobody ever gives any consideration to the fact that these three states are either figuratively or literally islands unto themselves. It is my understanding that the State of New Mexico, which has very little interstate business activity, and which depends heavily upon the federally financed programs for atomic research and other military installation, none of whom pay any taxes, decided to use the services tax as a means of taxing the people who work for the federal government since that was the only way to tax the feds. New Mexico has very little economic development competition with surrounding states. The same is true of South Dakota, and obviously Hawaii does not have to worry about any business crossing over the border to another state to avoid the tax. Professional service taxes may be able to work in those states due to the particular factual situation involved in each, but I understand that the State of New Mexico was quite aware that it would cost them in economic development, but since they were not reliant upon such economic development to sustain their economy, they were willing to forego that.

Kansas is not such an island. With 25% of our population being in the Kansas City area, and 38% in border communities, we will do tremendous damage to our economy if Kansas takes a broad-brush approach to the taxation of professional services.

Therefore, we would urge that the committee defeat SB 156 or delete provisions taxing any professional services and specifically personnel placement services. Thank you for permitting me to testify today, and I will yield for any questions.



Mike Reecht
State Director
Government Affairs
Kansas

Capitol Tower
400 SW 8th Street, Suite 301
Topeka, KS 66603
Phone (913) 232-2128

**TESTIMONY OF BEHALF OF AT&T
SENATE BILL 156
MIKE REECHT**

Good morning, Mr. Chairman. My name is Mike Reecht. I am State Government Affairs Director for AT&T in Kansas and I appear before you today to testify regarding SB 156.

SB 156 proposes the elimination of certain sales tax exemptions, one of which is interstate long distance telephone service. AT&T opposes the elimination of this exemption.

The information age has become a part of our corporate and personal lives. There has been an explosion of technological changes in the telecommunications industry to accommodate this new information age. AT&T and other carriers are trying to insure that the telephone infrastructure, not only on an international and interstate basis, but also within the state of Kansas, is sophisticated enough to handle the growth of the new telecommunications requirements. As the cost of energy increases, I see a tremendous growth in the area of telecommunications. Cost of travel will become prohibitive for many small firms. There will be a greater reliance on long distance to handle sales contacts as well as to exchange data with the home office. Small businesses, through industry associations, will rely upon long distance to remain informed on issues that affect them.

We have already seen in Kansas the introduction of video teleconferencing technology. This technology, as it is improved and as more fiber cables are added, will provide a real alternative to costly travel. It is important, with these events on the horizon, that Kansas establish a telecommunications tax policy that will encourage firms to locate and expand in Kansas.

We have recently seen a tremendous growth in the telemarketing industry, brought about by many services now offered on a more sophisticated telecommunications network. The telemarketing industry has blossomed in Kansas and has expanded to reportedly more than 8,000 jobs statewide. One of the reasons firms have located in Kansas rather than other states is due to favorable tax policy. A recent article in the Topeka Capitol Journal, announcing the grand opening of a telemarketing company,

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reflects the fact that lack of a sales tax on long distance interstate calls was an incentive. (see attachment)

As telecommunications technology increases and the associated costs decrease, firms will examine more and more how telecommunications can serve their needs. Kansas should be in a position to provide the lowest cost telecommunications service in order to attract business. Tax on interstate long distance will flow to the bottom line and drive costs up. When bordering states do not implement the same tax structure, any competitive edge Kansas might have would be lost.

In a report by the Kansas Business Review, some major industries sell as much as 95% of their output outside the state and of the state as a whole, nearly 40% of the total business revenues are derived from out of state sources. It is apparent that we are becoming a global marketplace and Kansas must fit into that global marketplace. It is essential that the legislature, in an effort to obtain short term tax revenues, does not adopt a telecommunications tax policy that would jeopardize Kansas' ability to compete for the industry dollars, jobs and growth potential in the telecommunications and teleconferencing areas.

Technology and the use of telecommunications is expanding and as more applications of that telecommunications technology are developed, Kansas needs to insure that its tax policy does not restrict the business expansion into our state. I urge the committee to continue the sales tax exemption for interstate long distance.

Telemarketing company plans grand opening

■ **New Topeka office
will be open for
business by Friday,
officials say**

By ANITA MILLER
The Capital-Journal

Pro Tel Marketing Inc., a marketing and telemarketing company, is putting the finishing touches on its new offices in Topeka and will open for business this week, a company official said Monday.

The grand opening will be at 5 p.m. Wednesday in Pro Tel's new 11,000-square-foot facility at Fairlawn Plaza Mall, 5341 S.W. 22nd Place. State and local public officials, including Gov. Joan Finney, will participate.

"Right now we're putting the finishing touches on it," said Allen Wolf, senior vice president for the company. "By the grand opening on Wednesday, except for some odd things left, we should be in real good shape."

He said the Topeka office will begin operations Friday.

Wolf said 25 Topekans have been hired by the Lansing, Ill.-based company and another 60 people are scheduled to be interviewed. The company plans to hire 135 employees in the first year of the Topeka operation and build up to more than 200 employees by the end of 1992.

Pro Tel's Lansing office employs about 200 people, Wolf said. The

company is privately owned, and the sole shareholders are Ruth Wolf, president, and her daughter, Janice Katz, executive vice president. Allen Wolf is Ruth Wolf's husband.

Allen Wolf said Pro Tel was formed in 1988. He said Ruth Wolf has been in telemarketing for 23 years and started as a telemarketer out of her home.

The manager of the Topeka office is Roger Price, who formerly worked in telemarketing for Sears.

Pro Tel serves clients who want telemarketing services but don't have their own organization, Allen Wolf said.

"They may want us to sell something, they may want us to do research, they may want us to do charity raising, just a variety of things," Allen Wolf said. "They will come to us and contract for us to do that work for them by phone. We supply a total package. We help with marketing language, target marketing, and give them suggestions as to what might work for their program."

Pro Tel officials announced in December they had selected Topeka after looking at locations in five states.

Allen Wolf, a graduate of the University of Kansas, said several things lured the company to Kansas. He cited the work ethic, business environment for the telemarketing industry and economic development efforts of the state of Kansas and the Greater Topeka Chamber of Commerce. He said the lack of sales tax on long-distance interstate calls also was an incentive.

EDWARD F. REILLY, JR.
 SENATOR, THIRD DISTRICT
 LEAVENWORTH AND JEFFERSON COUNTIES
 430 DELAWARE
 LEAVENWORTH, KANSAS 66048-2733
 913.682-1236



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS
 CHAIRMAN: FEDERAL AND STATE AFFAIRS
 AND INSURANCE SUBCOMMITTEE
 VICE CHAIRMAN: ELECTIONS
 MEMBER: CONFIRMATIONS
 FINANCIAL INSTITUTIONS AND
 INSURANCE
 PUBLIC HEALTH AND WELFARE

REMARKS OF MARCH 5, 1991, TO SENATE ASSESSMENT AND TAXATION COMMITTEE
 BY SENATOR EDWARD F. REILLY, JR.

THANK YOU, CHAIRMAN THIESSEN AND MEMBERS OF THE SENATE COMMITTEE
 ON ASSESSMENT AND TAXATION. I AM GRATEFUL FOR THIS OPPORTUNITY
 TO ADDRESS THE COMMITTEE AS WE SEARCH FOR WAYS TO CORRECT THE PROPERTY
 TAX INEQUITIES IN OUR STATE.

OVER THESE PAST SEVERAL WEEKS OF THE '91 LEGISLATIVE SESSION,
 WE HAVE HEARD SOME ASK, "DO WE HAVE A PROBLEM?" THE ANSWER TO THAT
 QUESTION, I THINK, IS RELATIVELY SIMPLE FOR IT WAS ON DECEMBER 18,
 1990, THAT A PROPERTY TAX COMMISSION APPOINTED BY OUT-GOING GOVERNOR
 MIKE HAYDEN SAID, "THE 1991 LEGISLATURE SHOULD RECOMMEND SIGNIFICANT
 CHANGES IN THE CLASSIFICATION AMENDMENT TO THE STATE CONSTITUTION.
 THE COMMISSION INDICATED THAT MODIFICATION OF CURRENT ASSESSMENT
 RATIOS WOULD RESULT IN A MORE FAIR AND EQUITABLE DISTRIBUTION OF
 THE PROPERTY TAX BURDEN. AS WE WOULD ALL RECALL, THAT FOURTEEN
 MEMBER COMMISSION HEADED BY FORMER GOVERNOR ROBERT BENNETT, CONSISTED
 OF A GROUP OF DISTINGUISHED KANSANS AND SUCCESSFUL ENTREPRENEURS
 WHO RECOGNIZE THAT WE SHOULD BE STRIVING FOR A MORE FAIR AND EQUITABLE
 DISTRIBUTION OF WHAT IS A TAX BURDEN IN MANY AREAS OF THE STATE.

THE COMMISSION MADE SIX SPECIFIC RECOMMENDATIONS AS OUTLINED
 ON THE ATTACHED PAGE.

I WOULD FURTHER SUBMIT, HOWEVER, TO THE COMMITTEE FOR CONSIDERATION
 THE STATEMENT BY OUT-GOING GOVERNOR HAYDEN WHICH I HAVE ATTACHED
 TO MY TESTIMONY.

SUPPOSE IT CAN BE SAID THAT THE CURRENT GOVERNOR, GOVERNOR
 FINNEY, WAS ELECTED FOR A VARIETY OF REASONS. EACH OF US PROBABLY
 WOULD DRAW OUR OWN CONCLUSIONS, BUT EVEN HER TAX TEAM FORMED A CONSENSUS
 IN LATE DECEMBER OF 1990 THAT PROPERTY TAXES ON COMMERCIAL AND INDUSTRIAL
 PROPERTIES BE REDUCED, THAT CERTAIN EXEMPTIONS SHOULD BE CONSIDERED
 IN AN EFFORT TO PROVIDE FOR REVENUE ENHANCEMENT IN AN EFFORT TO
 CREATE A SMORGASBORD OF REVENUE PRODUCING MEASURES AND TAX-CUTTING
 OPTIONS.

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SECOND QUESTION WE MUST ASK OURSELVES IS WHAT CAUSED THE PROBLEM, AND I THINK WE WOULD ALL CONCUR IN OUR EFFORTS TO DO GOOD--TO DO WHAT WAS RIGHT--WE MIGHT HAVE BEEN MORE AMBITIOUS THAN WE SHOULD HAVE BEEN IN VIEW OF THE SHIFTS THAT TOOK PLACE BY GRANTING CERTAIN EXEMPTIONS THAT ULTIMATELY LED TO THE BURDEN BEING SHIFTED IN SOME CASES TO THOSE LEAST ABLE TO ACCEPT IT--THOSE ON LIMITED INCOME, SENIOR CITIZENS, THE POOR, AND THOSE STRUGGLING TO GET BY IN ALREADY DIFFICULT TIMES.

KANSAS IS A GREAT STATE, AND WE HAVE TRIED TO DO OUR SHARE TO ENHANCE AND ENTICE BUSINESS AND DEVELOPMENT, KEEP OUR YOUNG PEOPLE HERE, AND TO SEEK FURTHER INDUSTRIAL EXPANSION AND DEVELOPMENT. THE PERFORMANCE AUDIT REPORT BY THE LEGISLATIVE POST AUDITOR OF JUNE, 1990, HIGHLIGHTS THIS EVEN MORE CLEARLY ON PAGE 1 OF THE AUDIT REPORT.

IT HAS BEEN SAID THAT WE ARE NOT RECEIVING A WEALTH OF LETTERS FROM ACROSS THE STATE. I WOULD ONLY SAY THAT CONTACTS I HAVE HAD SINCE COMING TO TOPEKA WITH A VARIETY OF GROUPS BOTH HERE IN THE CAPITAL CITY AS WELL AS OUR RESPECTIVE COMMUNITIES INDICATE A LEVEL OF FRUSTRATION AND ANGUISH THAT I HAVE NEVER SEEN BEFORE. MANY EVEN GO SO FAR AS TO SAY, "WHAT'S THE USE BECAUSE OUR VOICES ARE NOT HEARD." THERE IS A FEAR AMONG PEOPLE AS THEY STRUGGLE TO KEEP THEIR BUSINESSES AFLOAT AND AS THEY WORRY ABOUT THEIR NEIGHBORS AND FRIENDS, YOUR CONSTITUENTS AND MINE, AS GOVERNOR HAYDEN COMMENTED IN HIS OUT-GOING REVIEW OF HIS FOUR YEARS AS CHIEF EXECUTIVE OF OUR STATE.

MEMBERS OF THE HOUSE AND SENATE, REPUBLICANS AND DEMOCRATS, HAVE WORKED IN A BIPARTISAN MANNER TO TRY TO FIND SOME COMMON GROUND THAT WE COULD ALL FIND SOME DEGREE OF SOLACE. SENATOR FROM WYANDOTTE AND MYSELF AND OTHERS SUBMITTED EARLY IN THIS SESSION A PACKAGE OF BILLS DEALING WITH AN ELECTION ON A NEW CONSTITUTIONAL AMENDMENT TO PLACE INVENTORIES BACK ON THE LOCAL ROLLS, ELIMINATE THE ACCELERATED DEPRECIATION DEDUCTIONS. BILLS THAT WOULD DEDICATE THE LOTTERY AND PARI-MUTUEL REVENUES TO LOCAL PROPERTY TAX RELIEF. BILL THAT WOULD KEEP IN THE GENERAL FUND THE ¼ CENT SALES TAX BEING COLLECTED AND EARMARKED FOR THE NEW HIGHWAY PROGRAM (HOUSE HAS COMMITTED \$30 MILLION.) A BILL THAT WOULD ALLOW FOR A CONSTITUTIONAL AMENDMENT TO PROVIDE THE PEOPLE OF KANSAS WITH THE RIGHT OF INITIATIVE AND REFERENDUM, A VERY STRONG ISSUE THAT IS UNDERSTOOD AND FAVORED BY MANY BUT ALWAYS GENERALLY OPPOSED BY INTEREST GROUPS AND THOSE WHO

PAGE 3

FEAR THE PEOPLE'S RIGHT IN HAVING SOME VOICE IN THEIR GOVERNMENT IN THE EVENT THE LEGISLATURE IS UNABLE TO DEAL WITH THE SUBJECT OR WISHES A RESPONSE TO THE REFERENDUM PROCEDURE BY THE CITIZENS OF OUR STATE.

THE BILLS WOULD ULTIMATELY PROVIDE FOR SOME REVENUE ENHANCEMENT AND ENRICHMENT AND THUS WOULD PROVIDE US WITH SOME OPTIONS TO LOWER LOCAL TAXES, A FAIR AND MORE EQUITABLE DISTRIBUTION OF TAXES WHILE ALLOWING US THE OPPORTUNITY TO FURTHER FINE TUNE AND ANALYZE WHAT TOOK PLACE WITH STATEWIDE REAPPRAISAL AND CLASSIFICATION.

WE HAVE HAD A NUMBER OF OPPORTUNITIES TO DO THAT GOING BACK TO THE DAYS OF THE PROPOSAL FOR A MORATORIUM ON IMPLEMENTATION UNTIL ALL OF THE INFORMATION NECESSARY TO MAKE A PRUDENT JUDGMENT WAS IN. WE CHOSE TO PROCEED AND I, ALONG WITH MANY OTHERS, VOTED TO DO SO.

OUR ULTIMATELY GOAL, HOWEVER, NOW AS KANSANS ELECTED TO PUBLIC OFFICE TO SERVE ALL OF OUR STATE, ALL OF ITS PEOPLE, OF ALL RACES, COLORS, CREEDS, AND POLITICAL PERSUASIONS, NEED TO CREATE A STATE WHERE:

1) OUR TAXES ARE FAIR.

2) THOSE IN NEED, SENIOR CITIZENS, CHILDREN, AND THE LESS FORTUNATE, ARE CARED FOR.

3) THE PEOPLE OF THE STATE ARE HEARD WITHIN THESE WALLS.

THAT SHOULD BE OUR MISSION AND OUR GOAL TO INSURE THAT EVERY KANSAN HAS AN EQUAL OPPORTUNITY TO CONDUCT THEIR BUSINESSES, RAISE THEIR CHILDREN, AND ENJOY THE FRUITS OF THEIR LABORS WITHOUT BEING TAXED OUT OF EXISTENCE.

WE ARE CAPABLE OF THE CHALLENGE BEFORE US, AND I SAY THIS WITH ALL SINCERITY THAT I HOPE THIS COMMITTEE WOULD ACCEPT THE CHALLENGE OF WORKING TOWARD THE RECOGNITION THAT INDEED THERE IS A PROBLEM. IT MAY NOT AFFECT EACH AND EVERY KANSAN THE SAME WAY, BUT IT AFFECTS EVERY ONE OF US IN SOME WAY. IT IS UP TO YOU AND ME TO MEET THAT CHALLENGE TO SEEK RESPONSIBLE SOLUTIONS.

THANK YOU, MR. CHAIRMAN, VERY MUCH FOR THE OPPORTUNITY TO SPEAK THIS MORNING.

DATE: June 12-18-90

TOPEKA CAPITAL JOURNAL
 WICHITA EAGLE
 KANSAS CITY STAR

HAYS DAILY NEWS
 HUTCHINSON NEWS
 LAWRENCE JOURNAL WORLD

OLATHE DAILY NEWS
 PARSONS SUN
 PITTSBURG MORNING SUN

Bennett study recommends tax changes

By LEW FERGUSON
 Associated Press writer

A new classification amendment should be submitted to Kansas voters, a tax study panel recommended Monday.

The amendment should lower the assessment rate on commercial property, tax part of merchants' inventories but keep all of manufacturers' inventories tax-exempt, the Governor's Property Tax Review Commission stated.

The commission, created by Gov. Mike Hayden last September during his unsuccessful campaign for re-election against Democrat Joan Finney, recommended no change in the 12 percent assessment rate on residential property.

During the 1990 legislative session, some legislators said they thought proposed change in Kansas' classification system, approved by voters in 1986, is doomed unless it provides an incentive for home owners to vote for it.

"Modification of current assessment ratios would, in the opinion of the commission, result in a more fair and equitable distribution of the property tax burden," said the commission's report, made public Monday by Hayden.

"There was insufficient time for the commission to recommend specific assessment ratios and, as a consequence, the recommendations have indicated only the general direction, up or down, which the ratio change should take."

Submission of another property classification amendment to voters was the major recommendation of the 14-member commission, which was headed by former Gov. Robert F. Bennett.

However, it also recommended that the Legislature give city and county governments greater authority to levy local option taxes to supplant property tax revenue, and urged Finney to appoint her own commission to continue the work of reviewing Kansas' tax system.

Finney has a committee, headed by former state Revenue Secretary Michael Lennen, reviewing the property tax situation.

Lennen said Monday he had not seen the final draft of the Bennett Commission's report,

Submission of another property classification amendment to voters was the major recommendation of the 14-member commission.

but that his group will consider it when it discusses the classification system at a meeting in Topeka today.

The Bennett Commission made six specific recommendations on what should be in a new property classification amendment:

- Increase the assessment ratio on apartment buildings from the present 12 percent. The panel didn't recommend a specific assessment rate for apartment buildings, but said it should be less than that of commercial property.

- Decrease the assessment rate on commercial and industrial property. Again, the panel proposed no specific rate below the present 30 percent.

- Increase the present 20 percent assessment rate on business machinery and equipment.

- Exempt the first \$250,000 worth of merchants' inventory, but tax the amount above that level. Presently, all merchants' inventory is exempt under the 1986 amendment.

- Keep manufacturers' inventory exempt from taxation, as it is under the 1986 amendment.

- Increase the present 30 percent rate on state-assessed property, which is that owned by utilities and railroads. No amount of increase was recommended.

The Bennett Commission report said if the Legislature authorized more local option taxes, "Local taxing jurisdictions would have greater flexibility in determining the tax mix and the tax burden (and) the share of the tax burden shouldered by the owners of real property would be reduced and redistributed to other types of taxpayers."

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8-A-4

Hayden ponders next move as he prepares to leave office

Washington beckons, but he may stay in state.

By RICH HOOD
Political Correspondent

TOPEKA — In the Army and in state government, Mike Hayden was used to command.

Now he is preparing to take orders, though it's still not clear from whom.

The soon-to-be-ex-governor has discussed taking a job in the Bush administration or one in Kansas that would keep him close to the political action he craves.

But so far he hasn't found a job that fits his resume: a trained biologist, an avid sportsman, a former soldier, a farmer, an insurance salesman and a politician who in 18 years had never lost an election before last year.

So for now he'll wait in a new Topeka home, pondering his next career move while sifting through his gubernatorial papers.

"We're still looking at possibilities in Washington as well as possibilities in the state," Hayden said Tuesday, his voice hoarse from a bout with the flu that forced him to cancel public activities this week.

"I only want to go to Washington if I can make a difference," the Republican declared, his voice now booming with its old enthusiasm. "I would want to be involved in policy-making to be supportive of the president and Senator (Bob) Dole. They have talked to us about jobs with attractive salaries, but I'm not going to Washington just to shuffle papers."

The Bush administration — which sent a progression of heavyweights that included the president, first lady and vice president to Kansas to stump for Hayden — has been quick to give top federal jobs to Bush favorites, such as defeated Florida Gov. Bob Martinez and defeated Illinois Rep. Lynn Martin.

But the administration has yet to make Hayden an offer he can't refuse.

And the governor made it clear that no matter what offer he



TAMMY LJUNGBLAD/The Star

"We're still looking at possibilities in Washington as well as possibilities in the state," outgoing Kansas Gov. Mike Hayden said.

receives from Washington, he might prefer to stay in Kansas to keep his hand in state politics.

Dressed in casual khaki slacks, a long-sleeved flannel shirt and comfortable loafers, Hayden talked for nearly an hour in his Cedar Crest den, its bookshelves emptied of everything except an assortment of carved ducks.

Hayden, a 46-year-old native of Atwood, will leave office Monday.

He said his gubernatorial papers would show two significant accomplishments: his leadership in preserving the Kansas environment and his creation of the highway construction plan that will reshape the face of the state.

A Hayden highlight is preservation of the Cheyenne Bottoms Wildlife Area in central Kansas, which he said has served as a resting place for between 80 percent and 90 percent of all shorebirds in North America.

"We revitalized it ... the engineering plans are virtually complete. It could so easily have been lost," Hayden said. "It typifies our whole effort to broaden the natural resources management in our state. We have come light-years in that management."

Hayden said it was also significant that he obtained permanent

funding for the Kansas water plan because previous governors had sought that and were unable to reach that goal.

Passage of the highway construction plan also will provide economic benefits for many parts of the state, Hayden said.

"It's equivalent to building the interstate in Kansas, and it exceeds building the Kansas turnpike," he said.

Hayden said his biggest disappointment was the Legislature's failure to pass property tax relief needed as a result of classification and reappraisal.

"It has to be done and it will be done, and the longer we wait the more people will be hurt," he said.

Hayden blamed Republican leadership in both houses for failing on property tax relief. He said that failure cost him the governorship and cost the GOP control of the House.

Hayden's voice rose as he talked about a possible rematch in four years or a later run for governor or for the U.S. House or U.S. Senate.

"Abe Lincoln lost 17 times," Hayden said. "I've run 10 times and won nine. I've never been a quitter. I regard victories and defeats as steps along the way on a political journey. Timing is everything."

AN UPDATE OF TAX INCENTIVES OR REDUCTIONS AVAILABLE TO KANSAS BUSINESSES

In 1986, the Legislature passed a package of new tax incentives aimed at stimulating economic development in Kansas. At that time, the Legislative Post Audit Committee directed the Legislative Division of Post Audit to conduct an audit to identify all the State and local tax incentives or reductions that were available to businesses in Kansas, as well as the cost to the State of those tax incentives or reductions. That audit was issued during fiscal year 1987 and identified 132 tax incentives or reductions contained in 21 different State and local business taxes. The auditors obtained fiscal impact information for only 50 of the incentives or reductions; however, the estimated annual cost of just those incentives or reductions ranged from \$550 million to \$580 million.

Legislative concerns were raised recently about the number and cost of tax incentives or reductions which have been granted since 1986. To help address these concerns, the Legislative Post Audit Committee directed the Legislative Division of Post Audit to update its earlier audit of tax incentives or reductions. This audit addressed the following questions:

1. What business tax incentives or reductions were granted by the State between 1987 and 1990?
2. What is the cost to the State of those tax incentives or reductions and how frequently are they used?

To answer these questions, we reviewed the statutes concerning major State and local taxes levied on businesses in Kansas. We assembled an inventory of business tax exemptions, exclusions, deductions, credits, and other tax reductions that were granted between 1987 and 1990. We then contacted numerous officials, including officials from the Department of Revenue, the Insurance Department, the Legislative Research Department, and the Department of Commerce, to gather information regarding the financial impact of the various tax incentives and reductions. In conducting this audit, we followed all applicable governmental auditing standards except we did not independently verify the accuracy of financial impact information provided by the State agencies contacted during the audit.

This report includes business tax incentives or exemptions that were granted or significantly changed between 1987 and 1990. Generally, it does not include exemptions or exclusions that were granted before 1987 that have not been changed since our earlier audit and it does not include exclusions that merely prevent businesses from being taxed twice for the same items. It also generally does not include deductions or exemptions that are closely tied to federal law or are contained in the federal tax code and adopted by reference in Kansas statutes.

We identified 42 tax incentives or reductions that were granted or significantly changed by the Legislature between 1987 and 1990. We were able to obtain some

AN UPDATE OF TAX INCENTIVES OR REDUCTIONS
AVAILABLE TO KANSAS BUSINESSES

Summary of Legislative Post Audit's Findings

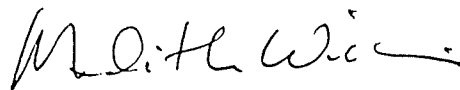
In 1986, the Legislature passed a package of new tax incentives aimed at stimulating economic development in Kansas. At that time, the Legislative Post Audit Committee directed the Legislative Division of Post Audit to conduct an audit to identify the number and cost of State and local tax incentives that were available to Kansas businesses. The resulting audit identified 132 business tax incentives or reductions contained in 21 different State and local business taxes. Although the auditors were able to obtain fiscal impact information for only 50 of these 132 tax breaks, the estimated annual cost of those 50 items ranged from \$550 million to \$580 million.

Recently, legislative concerns have been raised about business tax incentives or reductions which have been granted since 1986. To address these concerns, the Legislative Post Audit Committee directed the Legislative Division of Post Audit to update its earlier audit of tax incentives or reductions.

What business tax incentives or reductions were granted by the State between 1987 and 1990? We identified 42 business tax incentives or reductions that were granted or significantly changed between 1987 and 1990. These 42 items included changes to incentives for various types of taxes, such as property, retailers' sales, income, privilege, and severance taxes.

What is the cost to the State of those tax incentives and reductions and how frequently are they used? We obtained fiscal impact information for 34 of the 42 tax incentives or reductions identified in this audit. The estimated annual cost to the State for those 34 items was approximately \$70 million. We were not able to determine how often many of those incentives or reductions were used because information about the number of businesses using the incentives or reductions was not always available.

We would be happy to discuss the report with any legislative committees, individual legislators, or other State officials.



Meredith Williams
Legislative Post Auditor

Estimated 1988 Non-School Property Taxes on Inventories and Livestock, by County

KANSAS COUNTY NAME	Assessed Valuation -- 1988			COUNTYWIDE NON-SCHOOL LEVY RATE (4)	NON-SCHOOL TAX		
	MERCHANTS' INVENTORY (1)	MANUFACTURERS' INVENTORY (2)	LIVESTOCK INVENTORY (3)		MERCHANTS' INVENTORY (5)	MANUFACTURERS' INVENTORY (6)	LIVESTOCK INVENTORY (7)
					(4) x (1)	(4) x (2)	(4) x (3)
MITCHELL	1,717,544	238,561	1,036,575	64.74	82,118	11,406	49,560
MONTGOMERY	4,143,912	9,246,705	1,206,663	56.91	198,125	442,096	57,692
MORRIS	538,404	524,418	1,465,843	56.58	25,742	25,073	70,084
MORTON	1,129,565	19,531	419,636	37.20	54,006	934	20,063
NEMAHA	1,478,485	807,617	2,032,877	57.79	70,688	38,613	97,194
NEOSHO	2,029,068	3,980,286	1,095,055	52.86	97,012	190,302	52,356
NESS	825,603	206,848	1,143,845	55.68	39,473	9,890	54,689
NORTON	723,922	193,168	1,392,588	70.97	34,612	9,236	66,581
OSAGE	1,571,635	687,118	938,129	59.20	75,142	32,852	44,853
OSBORNE	906,937	39,340	1,492,208	63.67	43,362	1,881	71,344
OTTAWA	854,615	908,700	919,240	62.84	40,860	43,446	43,950
PAWNEE	1,190,976	34,150	2,699,539	51.38	56,942	1,633	129,068
PHILLIPS	884,120	1,269,707	1,903,161	66.79	42,271	60,706	90,992
POTTAWATOMIE	2,383,198	1,259,879	1,901,883	30.91	113,943	60,236	90,931
PRATT	2,297,090	295,686	655,250	42.24	109,827	14,137	31,328
RAWLINS	397,240	38,466	1,401,460	63.00	18,993	1,839	67,005
RENO	10,109,949	7,594,235	1,786,043	54.79	483,368	363,089	85,393
REPUBLIC	857,906	120,230	1,213,910	66.54	41,017	5,748	58,038
RICE	1,141,442	454,169	912,079	56.64	54,574	21,714	43,608
RILEY	5,374,138	235,093	1,140,860	65.58	256,944	11,240	54,546
ROOKS	1,158,087	175,303	1,248,000	63.93	55,369	8,381	59,668
RUSH	594,721	163,720	687,180	69.09	28,434	7,828	32,855
RUSSELL	1,466,238	322,042	1,247,863	57.39	70,103	15,397	59,662
SALINE	10,273,801	8,164,232	1,237,773	54.64	491,202	390,341	59,179
SCOTT	1,378,586	0	445,565	62.56	65,912	0	21,303
SEDGWICK	72,300,700	148,997,163	1,263,418	56.77	3,456,780	7,123,727	60,405
SEWARD	4,484,898	709,738	382,101	38.57	214,428	33,933	18,269
SHAWNEE	29,028,501	17,276,195	678,022	85.54	1,387,886	825,995	32,417
SHERIDAN	353,339	124,750	1,055,108	62.94	16,894	5,964	50,446
SHERMAN	1,453,396	127,061	582,806	57.93	69,489	6,075	27,865
SMITH	878,009	122,676	1,669,827	63.32	41,979	5,865	79,836
STAFFORD	513,862	74,133	744,569	65.36	24,568	3,544	35,599
STANTON	714,208	1,963	427,459	48.11	34,147	94	20,437
STEVENS	818,504	6,427	458,556	18.47	39,134	307	21,924
SUMNER	1,651,599	2,027,677	890,730	77.22	78,965	96,946	42,587
THOMAS	1,865,725	118,949	675,441	48.30	89,202	5,687	32,294
TREGO	467,640	52,210	1,153,806	70.64	22,358	2,496	55,165
WABAUNSEE	294,131	109,781	1,323,928	55.94	14,063	5,249	63,299
WALLACE	299,045	0	789,469	48.49	14,298	0	37,745
WASHINGTON	1,214,218	63,538	2,236,520	64.28	58,053	3,038	106,931
WICHITA	610,424	0	347,808	53.24	29,185	0	16,629
WILSON	1,004,494	1,308,783	1,004,034	57.58	48,026	62,574	48,004
WOODSON	370,129	95,642	681,187	68.00	17,696	4,573	32,568
WYANDOTTE	32,853,899	32,258,188	49,445	107.10	1,570,783	1,542,301	2,364
	\$371,149,155	\$382,172,899	\$115,669,322	57.67	\$17,745,072	\$18,272,130	\$5,530,285

3-5-91
ATT. 8-B-1

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KANSAS COUNTY NAME	Assessed Valuation -- 1988			COUNTYWIDE NON-SCHOOL LEVY RATE (4)	NON-SCHOOL TAX		
	MERCHANTS' INVENTORY (1)	MANUFACTURERS' INVENTORY (2)	LIVESTOCK INVENTORY (3)		MERCHANTS' INVENTORY (5)	MANUFACTURERS' INVENTORY (6)	LIVESTOCK INVENTORY (7)
	(1)	(2)	(3)	(4)	(4) x (1)	(4) x (2)	(4) x (3)
ALLEN	1,672,598	2,845,247	1,128,363	47.81	79,969	136,035	53,948
ANDERSON	658,944	670,805	1,345,013	54.55	31,505	32,072	64,307
ATCHISON	1,564,843	1,147,409	867,077	71.71	74,817	54,859	41,456
BARBER	879,028	479,611	1,561,896	67.62	42,027	22,931	74,676
BARTON	7,275,032	2,830,315	1,399,266	45.32	347,828	135,321	66,901
BOURBON	1,790,002	988,735	1,211,805	61.31	85,582	47,273	57,938
BROWN	1,284,076	2,085,133	1,422,839	58.55	61,393	99,693	68,028
BUTLER	4,471,389	5,142,455	2,145,096	54.46	213,782	245,867	102,560
CHASE	311,382	15,536	848,041	61.88	14,888	743	40,546
CHAUTAQUA	249,504	58,338	1,120,160	78.98	11,929	2,789	53,556
CHEROKEE	1,174,108	1,738,473	911,837	48.83	56,135	83,118	43,596
CHEYENNE	540,424	1,351	1,014,368	50.79	25,838	65	48,498
CLARK	275,694	0	762,502	53.97	13,181	0	36,456
CLAY	1,152,492	360,021	1,423,337	76.01	55,102	17,213	68,051
CLOUD	2,260,882	574,314	1,016,196	70.42	108,095	27,459	48,586
COFFEY	820,377	26,798	1,042,398	28.08	39,223	1,281	49,838
COMANCHE	267,625	49,861	969,064	61.60	12,795	2,384	46,332
COWLEY	4,092,888	6,513,813	1,766,944	54.45	195,686	311,433	84,480
CRAWFORD	4,566,442	3,476,500	980,484	76.39	218,327	166,215	46,878
DECATUR	703,876	0	1,230,904	56.26	33,653	0	58,851
DICKINSON	2,146,321	1,149,604	1,801,274	59.89	102,618	54,964	86,121
DOMIPHAN	561,768	3,055,400	611,084	54.06	26,859	146,082	29,217
DOUGLAS	7,267,415	7,703,503	1,094,529	69.95	347,464	368,313	52,331
EDWARDS	407,185	283,126	522,226	56.76	19,468	13,537	24,968
ELK	191,871	41,639	1,185,387	78.17	9,174	1,991	56,675
ELLIS	4,687,146	402,176	1,507,025	58.45	224,098	19,229	72,053
ELLSWORTH	707,869	366,749	1,411,565	48.38	33,844	17,535	67,489
FINNEY	7,317,090	3,403,379	367,415	36.96	349,839	162,719	17,567
FORD	5,627,754	2,455,021	585,741	61.08	269,069	117,377	28,005
FRANKLIN	2,470,908	1,685,537	1,387,849	64.37	118,137	80,587	66,355
GEARY	2,319,785	1,277,397	789,553	82.03	110,912	61,074	37,749
GOVE	695,272	261,144	2,060,892	39.13	33,242	12,486	98,534
GRAHAM	565,788	47	1,093,405	74.97	27,051	2	52,277
GRANT	2,192,076	225,794	268,917	27.72	104,806	10,795	12,857
GRAY	1,120,402	25,475	489,781	51.49	53,568	1,218	23,417
GREELEY	398,052	5,493	376,081	47.70	19,031	263	17,981
GREENWOOD	376,108	739,312	2,031,626	83.80	17,982	35,347	97,134
HAMILTON	295,172	5,495	214,561	57.20	14,113	263	10,258
HARPER	1,169,366	621,550	964,773	65.29	55,909	29,717	46,127
HARVEY	3,365,521	10,248,362	922,727	63.24	160,909	489,986	44,117
HASKELL	1,075,647	0	409,023	32.59	51,428	0	19,556
HODGEMAN	160,899	0	880,304	64.96	7,693	0	42,088
JACKSON	911,245	86,781	1,675,339	80.88	43,568	4,149	80,100
JEFFERSON	921,776	135,391	1,214,220	58.74	44,071	6,473	58,053
JEWELL	405,128	0	1,647,701	57.92	19,370	0	78,778
JOHNSON	56,927,912	50,443,739	483,824	66.60	2,721,790	2,411,774	23,132
KEARNY	280,653	0	555,225	23.28	13,418	0	26,546
KINGMAN	1,325,302	300,266	1,509,645	50.61	63,364	14,356	72,178
KIOWA	652,318	19,705	858,073	35.83	31,188	942	41,025
LABETTE	2,237,876	2,506,120	1,164,232	63.61	106,995	119,821	55,663
LANE	876,107	2,090	386,138	55.80	41,888	100	18,462
LEAVENWORTH	3,235,686	3,666,576	639,301	69.41	154,702	175,303	30,566
LINCOLN	421,381	0	1,504,054	71.80	20,147	0	71,911
LINN	503,614	63,046	1,252,071	33.39	24,078	3,014	59,863
LOGAN	683,937	61,209	812,178	47.08	32,700	2,926	38,831
LYON	4,249,755	4,582,016	1,509,691	77.70	203,186	219,072	72,180
MARION	1,141,136	107,368	1,913,575	54.53	54,559	5,133	91,490
MARSHALL	2,007,458	1,010,195	1,628,161	68.74	95,979	48,299	77,844
McPHERSON	4,043,736	14,693,214	1,481,635	52.17	193,336	702,500	70,839
MEADE	404,814	214,253	802,541	42.18	19,355	10,244	38,370
MIAMI	2,184,397	865,934	1,450,931	51.26	104,439	41,401	69,371



KANSAS INDEPENDENT OIL & GAS ASSOCIATION

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March 5, 1991

TO: Senate Committee on Assessment & Taxation

RE: SB 156

KIOGA appears in opposition to SB 156 for a number of good reasons.

We have estimated that our industry annually pays in excess of \$100 million in sales tax. We pay sales tax on the purchase of machinery and equipment and on the services rendered in repairs and maintenance. We benefit directly from several exemptions that are considered for elimination under SB 156.

The first, and a very important one to our industry, is under KSA 79-3603 (p) relating to original construction. That begins on page 6, line 39, of SB 156. Eliminating this exemption would have a serious impact on the the future drilling program for oil and gas wells in Kansas.

There has been some discussion about the merit of exempting services relating to new construction. This has been the subject of prior legislatures and the message is clear that KSA 79-3603 (p) is there to stimulate short term construction in Kansas' infrastructure. After it's built, services are taxed regularly - for many years to come. We urge you to keep that section exempt.

SB 156 would protect bridge and highway construction, but would eliminate all other buildings, facilities, and, in our case, the drilling of oil and gas wells. That would amount to as much as \$5,000 to \$7,000 extra per well. That's a lot when you consider the dry hole record in Kansas.

We object to the taxation of farm machinery, equipment, and services at 2.125% as found in Sec. 5 (u), page 8, line 18; and manufacturers machinery and equipment at 2.125% as found in Sec. 5 (w), line 35; while oil and gas equipment, machinery and services related thereto are taxed at the full 4.25%. We consider this blatant unequal protection under the law. We think those categories should be taxed at 4.25% or that oil and gas machinery, equipment and repairs should be put at 2.125%. If farm and manufacturing equipment are left exempt, oil and gas equipment, machinery, and repairs should be left exempt also.

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Senate Committee on Assessment & Taxation
March 5, 1991
RE: SB 156
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When a recent rule making arose from the Department of Revenue on this subject, the Department specifically stated in their memorandum that oil and gas equipment and machinery should be treated differently than manufacturers machinery and equipment. We think this inequity should be corrected in SB 156.

We object to taxing professional and allied services listed in Sec. 5 (x), page 10, line 2. Our industry uses accounting, auditing, bookkeeping, and tax preparation services; banking services; blue printing services; engineering services; legal services; surveying services; and testing laboratories as defined under that section.

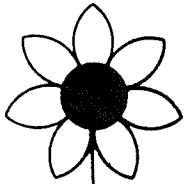
It's very important for you to distinguish the Kansas oil and gas industry from other business and industry in the state. Oil and gas producers must bear the brunt of any new tax because they are unable to pass the tax along to the consumer. The pricing mechanics of selling oil and gas parallel that of an independent farmer who is at the mercy of the market price and cannot pass the tax along.

The net result is that as taxes increase on the Kansas oil and gas industry, profitability decreases and the industry is encouraged to invest its money in other producing states - those with a more favorable tax climate and where prospects for finding and producing oil and gas are much better. Less activity equates to less production and the waste of a valuable natural resource.

We believe the Kansas oil and gas industry has far exceeded its capacity to bear further taxation. We particularly feel since an added sales tax burden cannot be passed along and must be borne by individual operators attempting to produce a raw product to be sold, this tax policy will be a disincentive to this important Kansas industry.

Our comments relating to taxation have been confirmed by Kansas, Inc. which has been making recommendations to the legislature to lower oil and gas industry taxes - not raise them.

Donald P. Schnacke



HOME BUILDERS ASSOCIATION

OF KANSAS, INC.

Executive Director
JANET J. STUBBS

SENATE

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SB 156

February 20, 1991

My name is Janet Stubbs and I am appearing today in opposition to SB 156 on behalf of the Home Builders Association of Kansas.

Our primary opposition to this proposal is due to the removal of the sales tax exemption for original construction. Our best estimate shows that a house currently selling for \$100,000 would increase about \$2,500. Under current law, sales tax is paid on the materials used in the structure which is approximately 60% of the total cost. Therefore, to pay sales tax on the 40% which represents labor, overhead and profit, plus the amount of increase due to charges which are based upon the sale price, we estimate a \$2,300 to \$2,500 increase.

Another \$2,500 added to the sale price of this house would disqualify some buyers, who could otherwise qualify, at a time when we are experiencing an economic downturn with contractors going out of business. This means fewer jobs and less income and sales taxes paid to the State. Overall, we believe it would prove to be a negative rather than a positive.

The Board of Directors of the Home Builders Association of Kansas strongly supports spending cuts rather than tax increases. We believe that was the message that Kansas voters sent to elected officials last November along with their dissatisfaction over reappraisal. Therefore, we encourage the Legislature to seek acceptable budget cuts and methods of improving the efficiency of government at all levels.



Testimony on SB 156
Presented to the Senate Assessment and Taxation Committee
By: Larry W. Magill, Jr., Executive Vice President
Independent Insurance Agents of Kansas
February 27, 1991

Thank you mister chairman and members of the committee for the opportunity to appear today in opposition to SB 156, specifically the provisions on page 10 lines 2 to 15 taxing all services provided in Kansas at the rate of 4.25%.

Others have explained many of the general reasons why we do not believe expansion of the present sales tax base to include services would be good public policy. I want to focus on the unique reasons why we are opposed to the concept. I have divided my testimony into the general criteria considered by the House subcommittee on expansion of the sales tax base.

WHAT IS TO BE TAXED?

Since SB 156 is extremely broad in scope, we must assume that as drafted, it will place a sales tax on insurance premiums under the term "other financial". The history of the Department of Revenue's enforcement of the present sales tax is that they take as broad an interpretation of the law as possible in the absence of specific statutory language exempting a particular item.

The entire insurance premium is a fee for service. The basic service is the protection of the individual's or business's assets either from direct loss due to fire, tornado, etc. or indirect loss due to liability to a third party. The customer is paying for claims adjustment services, loss control services, defense attorney fees, and other similar services.

The insurance premium includes the agents commission. Commissions

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are the agents gross income and from that the agent pays for the services the agent provides. Attached to my testimony is a list of those services provided to public entities. The list would vary depending on the client being served, the services they need and the agents capabilities.

Larger business accounts may "unbundle" the insurance service and purchase specific services instead. This would be true for large businesses that self-insure. In addition, agents will occasionally quote premiums to large commercial accounts without commission. The agent then bills the account for their services on an hourly basis. Again, these service fees are in lieu of commissions.

Even more rarely, where commissions are inadequate to reimburse the agent for the services provided, the agent may charge a fee in addition to commissions. This requires a special brokers license and a written contract. According to the Insurance Department there are only a little over 400 brokers licensed in Kansas out of 35,000 insurance agents so it is not a widespread practice.

Since it is unclear exactly what is proposed to be taxed, premiums, commissions or fees, my comments will address all three.

EQUITY CONSIDERATIONS

The first and foremost reason we are opposed to a sales tax on insurance is that insurance premiums are already taxed. All foreign insurance companies, those domiciled outside of Kansas, pay a 2% premium tax on all insurance premiums collected in the state. Domestic insurance companies pay a 1% tax. In the fiscal year ending June 30, 1990, \$54,885,713 was paid into the state general fund by the insurance industry in premium taxes. The premium tax is essentially identical to a sales tax. Thus, we would argue one is already being imposed. Furthermore, if

you add other fees paid by insurance companies including assessments for the workers compensation fund (second injury fund), the industry pays a total of \$92,247,365 to the state of Kansas.

Secondly, we would argue that a service tax on insurance premiums or commissions would place Kansas independent agents at a serious competitive disadvantage with agents from other states - particularly on large business insurance accounts. There are presently 8,538 non resident agents licensed to do business in Kansas. These non resident agents do not simply operate in the border counties. They travel the entire state of Kansas. As we understand the sales tax law, they could not be required to collect a sales tax on insurance. We do not believe that the Department of Revenue will have the ability or the manpower to enforce collection of taxes from all the individuals and businesses of varying sizes that buy their coverage out of state.

Furthermore, the sales tax on insurance or commissions would be extremely inequitable in its application to independent agents verses employed agents. The definition of the standard industrial classification for "insurance agents, brokers and service," industry #6411, states the following, "Agents primarily representing one or more insurance carriers or brokers not representing any particular carriers primarily engaged as independent contractors in the sale and placement of insurance contracts with carriers, but not employees of the insurance carriers they represent." (emphasis added) A tax on independent agents would place our members at a severe competitive disadvantage to employed agents.

Finally, as with many other services, the large businesses would be able to avoid the tax by self-insuring. Self-insurance, in effect, brings the service in-house. Only the very large firms with relatively

predictable loss experience from year to year and sizeable net worth could afford to self-insure.

MOBILITY

The purchase of insurance is a highly mobile transaction. Mail order insurance companies have been quite successful in the personal insurance area. Companies like USAA, GEICO, and Hartford's AARP program are all examples of successful mail order insurance operations providing a full range of personal insurance coverages. Mail order operations are also common in the life and health area.

Plus, as mentioned above, insurance can easily be purchased from out of state agents. While the border counties would be most affected, there isn't a part of the state that would not be affected by non-resident agent sales activity. This would be particularly true when you consider that they would have anywhere from a 4.25% to a 6.25% price advantage.

In many cases in the personal insurance area, the insurance service is viewed by the consumer as somewhat of a "commodity". Because of that, even a small difference in cost can cause a consumer to change insurance carriers. In the area of business insurance, the cost difference may be significant depending on the size of the business and its insurance needs. Large businesses could pay into the hundreds of thousands or even millions of dollars per year in insurance premiums, particularly when you add the cost of group health insurance.

SITUS AND ADMINISTRATIVE COSTS

On a business account with multiple locations, the sales tax would have to be collected for each location separately taking into consideration differences in local sales tax rates. Since the insurance for multiple location businesses is normally packaged into combined

premiums, this entails significant administrative costs to break the premiums out by location. This would be a significant administrative burden for agents who generally bill business insurance accounts. If commissions are taxed, the administrative costs go up exponentially. Commission rates vary by line of coverage and by insurance companies. Agents would have to break out each location, each line of insurance and each commission level to calculate the sales tax for a given location. Agents may represent 20 or more different insurance companies with 20 or more different commission schedules compounding the problem.

Again, there are a tremendous number of Kansas franchise locations and branch offices owned by companies located out of state. We doubt that the sales tax will be collected on these businesses.

ECONOMIC IMPACT

None of the surrounding states tax insurance premiums, commissions or fees.

As a result, we feel the economic impact on our members, in relation to agents in surrounding states, would be severe. While independent agents in large areas of Kansas would not be able to do anything about it, we anticipate that agents in border counties could very easily move their operation across the state line.

PYRAMIDING

While the trucking industry estimates that goods are typically transported seven times before they are finally sold to the end user, we would estimate that insurance is involved in at least that many different businesses involved in a complex manufacturing operation. Each supplier of component parts purchases insurance. The manufacturer of the final product purchases insurance. The wholesaler purchases insurance. The

trucker purchases insurance. The retailer purchases insurance and all of the suppliers of services doing business with these entities in the chain purchase insurance. The pyramiding impact of placing a sales tax on insurance would be significant.

IMPACT ON TAX PAYER

In our view, the sales tax on services will be viewed by the consumer as a new tax - particularly where insurance is involved. While the proponents may talk in terms of an expansion of the tax base, this will be perceived by the consumers as a significant new tax. When you add the typical consumer's purchases of life, health, home and auto insurance they represent a significant and growing percentage of their total budget. Any sales tax on these purchases will be felt particularly by the low and moderate income individuals.

The state mandates the purchase of auto insurance, workers compensation and professional insurance for health care providers. In addition, lending institutions require borrowers to insure collateral such as homes and business property. Many low income individuals struggle now to purchase auto insurance. Any increase in cost due to a sales tax on the insurance could cause an increase in the number of uninsured drivers.

CONCLUSION

Our members, as service businesses, were among the hardest hit by property tax reclassification and reappraisal. We do not believe that any property tax relief through an expansion of the sales tax base will benefit our members in proportion to the added administrative cost and competitive disadvantages such a tax would place on them. For that reason we are opposed to SB 156. We would be happy to answer questions or provide any additional information.

Insurance Agents Services

By: Vern R. Pierson, CPCU, CLU CIA of Arizona, Inc.

Why do business through an independent insurance agent or broker for your property, casualty, workers' compensation and fleet coverages? The following are some of the reasons why you should. Agents perform many tasks you probably are not aware of. (Please keep in mind that while this list is NOT exhaustive, neither do all agents perform everything listed.) Several items are applicable to more than one heading group, but for ease of reading, we have listed them just once.

Placement and Marketing

- * Monitors admitted insurance carriers, surplus lines carriers, and applicable pools, to be sure they are financially strong and capable of delivering contracted services.
- * There are special and unique coverages available that are not included in regular markets. Agents/brokers have access to these special and unique markets.
- * Independent agents/brokers are not one-company agents. They represent several insurance companies allowing a choice of the best markets for a given risk.
- * Agents know the various markets available for specialty coverages, as well as the reputation of those markets for service and claims.
- * The agent monitors new types of coverage available and presents a brief analysis to the client in order to discuss resulting benefits to the client of a market change or additional coverage.

Risk Management

- * Actively seeks coverage improvements to existing contracts for both existing and new risks.
- * Reviews Hold Harmless clauses to be sure public entities are properly protected.
- * Recommends deductibles to control insurance costs.
- * Recommends self-insurance where it's feasible - (This technique may lower cost to the client over a period of time).
- * Recommends adding coverage in areas that are unprotected that could be a financial drain.
- * Constantly uses the risk management techniques of eliminating, reducing or transferring risks.
- * Visits all locations periodically for a physical review of exposures.
- * Provides guidelines for amounts of insurance. (The final decision, however, must be yours.)
- * Reviews coverage exclusions to be sure they are not unreasonable and suggests alternative solutions.
- * Reviews lease agreements for insurance requirements. May develop alternative for insurance if in on the negotiation side of the lease.
- * Review of construction agreements. Same comments as for lease agreements.
- * Assists public entities in working out (pre-loss) reciprocal agreements with other facilities that could be used to house temporary operations in the event of a major loss. (Reduces need of extra expense insurance and helps plan for a crisis situation.)
- * Requests and participates in special claim reviews with the carrier and public entity.
- * Requests the carrier to conduct risk control and/or claims seminars for a special need that develops within a public entity.
- * Negotiates with the carrier/program administrator on behalf of the public entity on any items of concern that develop.
- * Available to consult with on new projects; to attend planning/strategy sessions; to advise regarding potential exposures and offer possible solutions.
- * Provides basic risk management consulting services.

Loss Control

- * Reviews losses for trends and makes appropriate recommendations. (Depending on available information.)
- * Reviews risk control recommendations and assists with implementation as necessary.
- * Involves the carrier's loss control unit as needed to assist with loss reductions, thereby possibly lowering future insurance costs.

Account Servicing

- * Assists in developing premium estimates for budget purposes.
- * Assists with difficult losses as needed.
- * Requests Certificates of Insurance on behalf of the public entity.
- * Reviews all Certificates of Insurance received from others to be sure they are in compliance with the request and are with valid insurance carriers.
- * May provide follow-up for Certificates of Insurance as they expire.
- * Provides proof of insurance on vehicles to comply with the State Statute.
- * Supplies information to the public entity for bid specifications when it's time for rebidding.
- * Available to answer all questions regarding insurance and to provide a second opinion when it's needed.
- * Handles all requests for changes to existing insurance contracts and follows up with the carrier to be sure they are issued promptly.
- * Assists the public entity in organizing their portfolio of policies so that needed information can be obtained easily.
- * If you fail to make a timely premium payment, they are there to remind you and help coordinate communication with the insurance company.
- * Agents/brokers are professional individuals, expected to perform at a level of high expertise. They carry errors and omissions insurance coverage in the event they don't live up to their responsibilities.

Underwriting

- * Makes use of the carrier's building cost estimates as needed in establishing proper values.
- * Determines and classifies building construction types for lowest possible rates.

New and Renewal Application Information Gathering

- * Assists in developing Statement of Values, building construction, information, fire protection class and plot plan.
- * Completes or assists in completing the new or renewal survey (application) for insurance proposals.

Pricing Considerations

- * Reviews losses and outstanding reserves prior to annual experience calculations to obtain maximum pricing benefit.
- * For those carriers who provide premium audit billings, the agent reviews them to be sure they are justified and comply with the contracts.
- * Involves the carrier's loss control representative in new building plans for recommendations involving lower insurance costs.
- * Determines the correct exposures for rating purposes and provides input for credits where justified.
- * Remuneration is generally on a commission or fee basis versus an hourly wage.
- * The services provided usually do not increase your cost, therefore it is in your interest to obtain maximum available services from your insurance professional.

Risk Analysis

- * Reviews requests for Certificates of Insurance received by a public entity.
- * Reviews contractual requests involving insurance.
- * Reviews all insurable exposures and makes recommendations for suitable coverage.
- * The agent monitors applicable case law in his state and is willing to describe to his client how these ever-changing complexities of case law can affect the client, and modifies his insurance program accordingly.

Presentation Assistance

- * Available to attend meetings to assist the administrator when necessary with presentations, answering questions, etc.
- * Reviews with the public entity all insurance quotations received. Points out the differences that often the inexperienced eye does not see.