

Approved: 2-7-96
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Chairperson Phill Kline at 9:06 a.m. on February 6, 1996 in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
Tom Severn, Legislative Research Department
Don Hayward, Revisor of Statutes
Shirley Sicilian, Department of Revenue
Ann McMorris, Committee Secretary

Conferees appearing before the committee:

Rep. Greta Goodwin
Carroll Curfman, Winfield
Evelyn Morris, Winfield
Bill Morris, Winfield
Rep. Jim Lowther
Bruce Weerts, Board, Habitat for Humanity, Emporia
John Steyer, Treasurer, Kaw Valley Chapter, KC
John Gingrich, Lawrence
Bill Bider, Director, Waste Mgt, Health & Environment
Shawn Herrick, Kansas Tire Dealers Assn.

Others attending: See attached list

Chair opened hearing on:

HB 2654 - Sales tax exemption for certain meals

Proponents:

Rep. Greta Goodwin (Attachment 1)
Carroll Curfman, Winfield (Attachment 2)
Evelyn Morris, Winfield
Bill Morris, Winfield

Department of Revenue asked to provide clarification on the difference in Winfield Meals on Wheels program as compared to other programs in the state.

Closed hearing on **HB 2654.**

Opened hearing on:

HB 2705 - Sales tax exemption for construction materials purchased by Habitat for Humanity.

Proponents:

Rep. Jim Lowther
Bruce Weerts, Board, Habitat for Humanity, Emporia (Attachment 3)
John Steyer, Treasurer, Kaw Valley Chapter, Kansas City (Attachment 4)
John Gingrich, Lawrence

Closed hearing on **HB 2705.**

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, ROOM 519-S Statehouse, at 9:00 a.m. on February 6, 1996.

Chair opened hearing on:

HB 2618 - Counties authorized to impose tax on retail sales of new vehicle tires

Proponents:

Bill Bider, Director, Waste Management, Health & Environment (Attachment 5)

Opponents:

Shawn Herrick, Kansas Tire Dealers Assn (Attachment 6)

Closed hearing on **HB 2618**.

The next meeting is scheduled for February 7, 1996.

Adjournment 10:15 a.m.

Attachments - 6

GRETA H. GOODWIN
REPRESENTATIVE SEVENTY-EIGHTH DISTRICT
COWLEY & BUTLER COUNTIES

STATE CAPITOL—RM. 281-W
TOPEKA, KANSAS 66612-1504
DURING SESSION
(913) 296-7669
LEGISLATIVE HOTLINE
1-800-432-3924



TOPEKA

HOUSE OF
REPRESENTATIVES

TESTIMONY
House Bill 2654

COMMITTEE ASSIGNMENTS
MEMBER:
JUDICIARY
HEALTH & HUMAN SERVICES
TAXATION
JOINT COMMITTEE ON HEALTH CARE OVERSIGHT
KANSAS PUBLIC EMPLOYEES RETIREMENT
STUDY COMMISSION

Mr. Chairman and Members of the Taxation Committee.

I thank you for the opportunity to speak on HB 2654. I will give to you the history of this bill and the events leading up to my asking for this hearing.

Winfield has operated the Meals on Wheels program for many years. During this time they have paid state sales tax, mostly collected through contributions of citizens for the continued operation of the program. It has become increasingly difficult to raise the tax monies as many good charitable programs are out asking for donations for other causes.

Last year I asked for an amendment to offer for a sales tax exemption to be placed on these meals. Shortly before I was to offer the amendment, I was notified that we were already exempt under K.S.A. 79-3606 (v). At that time I notified the treasurer of the program that we were already exempt. That is when the Kansas Department of Revenue, sales and Excise Tax Division, notified the CPA who volunteers his time on this project that we were in arrears of paying sales tax on the delivered meals. Much oral and written conversation took place and the tax monies were not paid for the year 1994, due in 1995. I have attached copies of letters received (delinquent) from the Department of Revenue. We have now been told that there is also tax due for the year 1995. Conversations with the District Director in Wichita indicated we were exempt from paying that tax. We have now paid the \$2,000 tax due for 1994 and 1995. We still have some concerns that other Meals on Wheels programs are receiving a tax exemption, but because our meals are prepared at a municipally owned hospital, and then delivered by volunteers, that our meals are not tax exempt.

All our city is asking is that we need to have legislation to entitle us to be tax exempt as other programs are. If K.S.A. 79-3606(v) does not apply, hopefully this bill will remove all questions as to whether we do or do not owe sales tax on our meals delivered to the elderly.

House Taxation
2-6-96
Attachment 1-1

EDW. B. STEPHENSON & CO.

CERTIFIED PUBLIC ACCOUNTANTS

TELEPHONE (316) 221-9320

FAX (316) 221-9325

1002 MAIN — BOX 748

WINFIELD, KANSAS 67156

EDW. B. STEPHENSON (1905-1965)

N. DEAN BRADBURY, C.P.A.
HARRY L. SHETLAR, JR., C.P.A.
MORRIS W. JARVIS, C.P.A.DONALD D. DIETRICK, C.P.A.
LOREN L. PONTIOUS, C.P.A.
ANNE E. JARRETT, C.P.A.
ELIZABETH A. BARBOUR, C.P.A.

July 21, 1995

TOM BROWN
SALES AND EXCISE TAX
KANSAS DEPARTMENT OF REVENUE
TOPEKA, KANSAS 66625-0001

Re: Meals on Wheels

Dear Sir:

I visited with you earlier about whether or not sales tax should be charged on meals furnished to the elderly by non-profit organizations. We still believe that the attached statute, 79-3606 (v) applies. The meals are provided by a governmental hospital to the non-profit organization which in turn delivers the meals to the homebound elderly for a charge.

Please mail me your reasons as to why you believe sales tax should be collected, if you still believe they are still taxable.

Also indicate who, if anyone, is exempt under the statute.

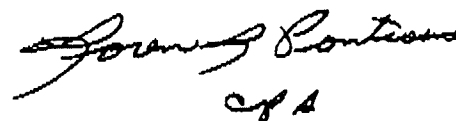
The organization, numerous others and I are all awaiting your reply.

Sincerely,



Loren L. Pontious CPA

10/12/95
Tom -
we would still
like a written
reply from you.



EDW. B. STEPHENSON & CO.

CERTIFIED PUBLIC ACCOUNTANTS

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FAX (316) 221-9825

1002 MAIN -- BOX 745

WINFIELD, KANSAS 67156

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MORRIS W. JARVIS, C.P.A.DONALD D. DIETRICK, C.P.A.
LOREN L. PONTIOUS, C.P.A.
ANNE E. JARRETT, C.P.A.
ELIZABETH A. BARBOUR, C.P.A.

October 26, 1995

Mildred Moore
1212 East 12th
Winfield, Kansas 67156

Dear Mildred:


Please find attached a copy of the letter I mailed to Mr. Brown on July 21, 1995. The memo in the lower right corner was added to the original letter and mailed to Mr. Brown on October 12, 1995. Mr. Brown hadn't replied to the original letter.

In back of my letter is Mr. Brown's reply.

You need to make the final call. Do we want to amend the prior returns? Are you paying sales tax to the hospital? Do you want to contact Rep. Goodwin? etc. etc. etc.

I'll be out of the office most of the time till November 6, 1995. I'll be glad to help in any way I can.

Sincerely,



Loren L. Pontious CPA

STATE OF KANSAS*Bill Graves, Governor*

Wayne C. Vennard, Jr., Director
Division of Taxation
Kansas Department of Revenue
915 SW Harrison St.
Topeka, KS 66625

**Division of Taxation****DEPARTMENT OF REVENUE***John D. LaFaver, Secretary*

(913) 296-3044
FAX (913) 296-2073
TTY (913) 296-6461

October 23, 1995

Loren Pontious, CPA
EDW. B. STEPHENSON & CO.
1002 Main-Box 743
Winfield, Kansas 67156

Dear Mr. Pontious:

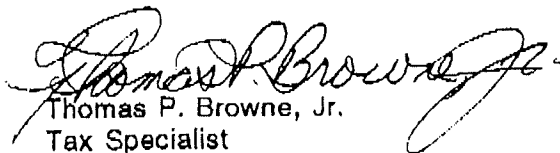
We wish to acknowledge receipt of your letter postmarked October 11, 1995, regarding the application of the Kansas retailers' sales tax.

K.S.A. 79-3606(v) exempts from sales tax: " all sales of food products to any contractor for use in preparing meals for delivery to homebound elderly persons over 60 years of age and to homebound disabled persons or to be served at a groupsitting at a location outside of the home to otherwise homebound elderly persons over 60 years of age and to otherwise homebound disabled persons, as all or part of any food service project funded in whole or in part by government or as part of a private nonprofit food service project available to all such elderly or disabled persons residing within an area of service designated by the private nonprofit organization, and all sales of food products for use in preparing meals for consumption by indigent or homeless individuals whether or not such meals are consumed at a place designated for such purpose. . ."

In the situation that you described in the above referenced letter, Meals on Wheels is in affect making a retail sale to the ultimate consumer and therefore would be obligated to collect and remit the appropriate Kansas sales tax(es). However, Meals on Wheels would be able to purchase the meals exempt from sales tax by providing the vendor a properly completed resale exemption certificate.

If we may be of further assistance, please contact us at your earliest convenience.

Sincerely yours,


Thomas P. Browne, Jr.
Tax Specialist

FOR THE DIRECTOR OF TAXATION

TPB

1-4

Winfield Meals on Wheels, Inc.

Winfield, Kansas 67156

The Board of Directors request that Meals on Wheels be exempt from paying Sales Tax.

Winfield Meals on Wheels Inc. is a non-profit enterprise established for the purpose of providing hot meals at cost to the homebound.

William Newton Memorial Hospital Kitchen prepares the meals, which are doctor recommended and delivered by volunteers.

No government assistance is received. Tx. exempt donations are accepted to subsidize those unable to pay. No one is refused.

Most clients are on a fixed income and Sales Tax is just an added burden to their cost of meals.

We serve 150 to 175 meals per week. Sales Tax annually is \$1,000 to \$1,200. This cost should be exempt.

Please give this matter your consideration.

Thank you

House Taxation
2-6-96
Attachment 2

Recognizing that the development of affordable housing is a current challenge in Kansas, we support the passage of House Bill No. 2705.

The high cost of labor and materials and the unpredictability of the mortgage system act in concert to exclude most people of modest economic means from the dream of home ownership. Because of the low, if existent, profit margins in the affordable housing market, conventional builders have all but abandoned this segment of housing production. Rising to meet this challenge are a host of non-profit developers nationwide, both in urban and rural communities.

Habitat for Humanity is just such a builder. Founded over twenty years ago in Americus, Georgia, we are an ecumenical, non-profit housing development organization. Habitat for Humanity has a simple goal--to eliminate poverty housing from the face of the earth. Volunteers work with recipient families to build simple, decent houses of solid quality construction. The houses are sold with no profit added and no interest charged to the owners. Affordable monthly payments are made by the owners to repay the cost of the houses usually over a ten to twenty year period.

Race and/or religion are not used as criteria in selecting recipient families. Annual income of the new owners may not exceed 150% of poverty level as defined by Kansas SRS guidelines.

Construction labor is donated by Habitat volunteers, as well as "sweat equity" labor provided by the recipient family. Most families work several hundred hours to help build their own houses. Each Habitat affiliate is financed by a revolving fund made up of homeowners' monthly payments, and donations raised from private sources such as churches, businesses and individuals. Individual donations typically are received in amounts of five to ten dollars each. It takes a lot of donations in these small amounts to fund construction of a house. No government funds are accepted for the building of the houses.

Habitat affiliates in Kansas collectively build approximately thirty houses per year. The average cost of building a Habitat house is about thirty-five thousand dollars (\$35,000.00). Of this amount, up to ninety percent is specifically used for the purchase of building materials. By receiving an exemption from sales taxes, the thirteen Kansas Habitat for Humanity affiliates will save approximately fifty thousand dollars (\$50,000.00) in 1996, enough to fund at least one, and possibly two, additional houses.

House Taxation
2-6-96
Attachment 3-1

While we understand that state sales tax exemption issues may not be at the top of legislative agendas this year, we urge the passage of H.B. No. 2705.

We offer the following points for your consideration:

- 1) The overall impact on the state's sales tax receipts would be relatively small as a percentage of the state's total budget.
- 2) This legislation would directly result in the creation of at least one, and possibly two new affordable, safe and decent single-family houses in Kansas this year.
- 3) The new houses constructed would be occupied by families who would be paying property taxes, based on county property tax assessments, at fair market value.

Thank you. We urge you to consider this legislation favorably.

Bruce Weerts
Emporia Area Habitat for Humanity
316/342-8770-(home)

PROPONENT FOR BILL 2705

On behalf of the Kaw Valley Habitat Affiliate of Johnson and Wyandotte Counties, I would like to submit our support of KS Bill 2705.

We know this bill would be of great use to our growing affiliate. Since 1988, Kaw Valley has constructed 21 homes in Kansas City, KS and Bonner Springs, KS. We are currently completing 4 homes of an eight home culdesac in the London Heights division of Kansas City KS. We have also purchased five lots for a new development in Olathe KS. By year end 1997, our affiliate will have built 30 new homes. This reality also means 30 new properties that were previously not on the tax rolls.

We are a growing operation in the blighted areas of our cities. One key difference that separates our organization from all the others is the fact that we do not use any government funding in our organization. Habitat is supported solely through the contributions of private individuals, corporations, and religious organizations.

We ask that you pass Bill 2705 into law with one modification. ^{or} One neighboring states of Missouri and Arkansas have passed similar bills that covered tax exemption for all aspects of Habitat's operation. I have enclosed a copy of those bills for your review. We ask that you modify Bill 2705 to reflect the provisions of the Missouri and Arkansas bills.

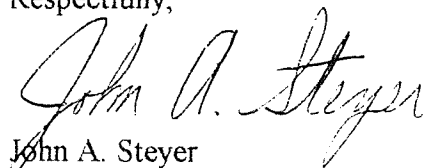
To give you an example of the positive effect this bill would have on our organization:

1996 Construction Budget:	\$ 297,000
Tax Savings (5%)	\$ 14,850
1996 Total Budget	\$ 340,000
Tax Savings (5%)	\$ 17,000

These tax savings would fund the foundations of three additional homes each year.

Again, on behalf of all Kansas Habitat for Humanity affiliates, I ask that you pass KS Bill 2705 into law this legislative session.

Respectfully,



John A. Steyer
Treasurer

Kaw Valley Habitat for Humanity, Inc.

House Taxation
2-6-96
Attachment 4-1

WHAT IS HABITAT FOR HUMANITY?

Habitat for Humanity is an ecumenical Christian housing ministry whose objective is to eliminate poverty housing from the world and to make decent shelter a matter of conscience. By having affluent and poor people work together in equal partnership, Habitat hopes to build new relationships and a sense of community as well as new houses.

WHERE IS HABITAT INVOLVED IN THE KANSAS CITY AREA?

For over fifteen years K.C., MO Habitat has been building homes in the Mt. Hope district of Kansas City, Missouri. Now there are 5 affiliates from the K.C. area. In 1987, Kaw Valley Habitat (named after the Indian name for the Kansas River Valley) was chartered to work in Wyandotte, Leavenworth and Johnson counties in Kansas. Since the first construction in 1988, Kaw Valley Habitat has built 15 houses in London Heights district of Kansas City, Kansas and two in Bonner Springs, Kansas. Two additional houses are under construction in London Heights.

WHAT IS THE PURPOSE OF KAW VALLEY HABITAT?

The Kaw Valley Habitat for Humanity, in covenant with Habitat for Humanity, International, seeks to establish a partnership between the total Christian community and God's people in need to provide decent, affordable and environmentally sound housing for those persons to whom home ownership would otherwise be impossible.



HOW IS KAW VALLEY FUNDED?

Tax deductible funds come from individuals, churches, corporations, foundations and other organizations which are moved by concern and compassion to help those in need. No government funds are used. A

tenth of all non-restricted gifts is tithed to International for work in the third world. Mortgage payments on the houses completed are used to build more houses, making continued use of the original gift. Also, new homeowners are encouraged to contribute what they can in addition to their monthly house payments so that they too, can help others to have decent housing.

WHO ARE THE HOMEOWNERS?

The homeowners are low income families chosen by the Family Selection Committee on the basis of housing need, ability to repay the no-interest loan, and willingness to volunteer time at the project.

ARE THE HOMES GIFTS TO THE FAMILIES?

Energy efficient houses are sold at no profit. No interest is charged.

Mortgage payments thus run about \$250 a month (including taxes and insurance) which is often less than the recipient was paying for rental of inadequate housing. Also, the homeowners provide five hundred hours of "sweat equity" in home construction or in Habitat approved community service.

HOW CAN I HELP?

In addition to your prayer support, monetary gifts and donations of materials and supplies, your volunteer service on committees, support services and construction would be most helpful. We are happy to arrange a Habitat program for your church or organization.



"I know of no better investment than Habitat for Humanity. That is why Rosalynn and I have joined the Habitat team. And that is why we are asking for your help."

State of Missouri

EXEMPTION FROM MISSOURI SALES AND USE TAX ON PURCHASES AND SALES

ISSUED TO:

HABITAT FOR HUMANITY/KANSAS CITY INC
3210 MICHIGAN
KANSAS CITY MO 64109

MISSOURI TAX I.D.
NUMBER: 12536458

EFFECTIVE DATE:
05/16/95
EXPIRATION DATE:
05/16/00

YOUR APPLICATION FOR SALES/USE TAX EXEMPT STATUS HAS BEEN APPROVED PURSUANT TO SECTION 144.030.2 (20). THIS LETTER IS ISSUED AS DOCUMENTATION OF YOUR EXEMPT STATUS.

PURCHASES BY YOUR ORGANIZATION WILL NOT BE SUBJECT TO SALES OR USE TAX, IF THEY ARE WITHIN THE CONDUCT OF YOUR EXEMPT RELIGIOUS, CHARITABLE, CIVIC OR EDUCATIONAL FUNCTIONS AND ACTIVITIES. ALL SELLERS OR VENDORS MUST BE FURNISHED A COPY OF THIS EXEMPTION LETTER. PURCHASES MUST BE PAID FOR FROM FUNDS OF THE ORGANIZATION. THIS EXEMPTION CANNOT BE USED BY INDIVIDUALS TO MAKE PURCHASES FOR THEIR PERSONAL USE.

SALES BY YOUR ORGANIZATION ARE EXEMPT IF THEY ARE RELATED TO, OR PROMOTE, THE EXEMPT FUNCTION OF THE ORGANIZATION. THE ORGANIZATION CANNOT ENGAGE IN A COMPETITIVE COMMERCIAL BUSINESS IF THE PROFITS DERIVED FROM THIS BUSINESS ARE USED FOR PURPOSES OTHER THAN ITS EXEMPT FUNCTION.

AN AGENT OF, OR CONTRACTOR FOR, AN EXEMPT ORGANIZATION OR AGENCY CANNOT CLAIM OR BENEFIT FROM YOUR ORGANIZATION'S OR AGENCY'S EXEMPT STATUS. SALES TO CONTRACTORS WHO PURCHASE CONSTRUCTION MATERIALS TO FULFILL THEIR CONTRACTS WITH YOUR ORGANIZATION OR AGENCY ARE SUBJECT TO SALES TAX ON ALL SUCH PURCHASES, UNLESS THE MATERIALS ARE DIRECTLY BILLED TO YOUR ORGANIZATION AND PAID FOR FROM YOUR ORGANIZATION'S FUNDS.

THIS EXEMPTION IS NOT PERMANENT. IT IS SUBJECT TO REVIEW BY THE DIRECTOR OF REVENUE, AND IT EXPIRES ON THE DATE GIVEN ABOVE. IF IT IS DETERMINED THAT THIS ORGANIZATION CEASES TO QUALIFY AS AN EXEMPT ORGANIZATION IN ANY OF ITS ACTIVITIES, THIS EXEMPTION WILL CEASE TO BE VALID, AND PURCHASES AND SALES MADE BY YOUR ORGANIZATION IN ITS NON-EXEMPT ACTIVITIES WILL BE SUBJECT TO THE SALES/USE TAX.

THIS EXEMPTION IS NOT ASSIGNABLE OR TRANSFERABLE. IT IS FOR SALES/USE TAXES ONLY AND IS NOT AN EXEMPTION FROM REAL OR PERSONAL PROPERTY TAX.

ANY ALTERATION TO THIS EXEMPTION LETTER RENDERS IT INVALID.

4-3

ACT 516 1995 A Bill

SENATE BILL 513

1 State of Arkansas
2 80th General Assembly
3 Regular Session, 1995
4 By: Senators Boozman and Malone

For An Act To Be Entitled

"AN ACT TO AMEND ARKANSAS CODE § 26-52-401 TO PROVIDE THAT SALES TO HABITAT FOR HUMANITIES ARE EXEMPT FROM SALES TAX; AND FOR OTHER PURPOSES."

Subtitle

"TO PROVIDE THAT SALES TO HABITAT FOR HUMANITIES ARE EXEMPT FROM SALES TAX."

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 26-52-401 is amended by adding a new subdivision to read as follows:

"(32) Gross receipts or gross proceeds derived from sales of tangible personal property or services to Habitat for Humanities."

SECTION 2. All provisions of this act of a general and permanent nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code Revision Commission shall incorporate the same in the Code.

SECTION 3. If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to this end the provisions of this act are declared to be severable.

SECTION 4. All laws and parts of laws in conflict with this act are hereby repealed.

Bobby L. Ferguson
Speaker of the House

[Signature]

0210951115.MAW117

*7/11/95
noted*

State of Kansas

Bill Graves



Governor

Department of Health and Environment

James J. O'Connell, Secretary

Testimony presented to

House Taxation Committee

by

The Kansas Department of Health and Environment

House Bill 2618

The Department of Health and Environment appreciates this opportunity to provide testimony on House Bill 2618. This bill would give counties the authority to impose a retail sales tax on the sale of new tires in their county. Revenues generated through this tax could be used for the processing and disposal of waste tires.

The need for this new taxing authority is based upon a provision of Senate Bill 399. If passed in its current form, SB 399 would phase out the current waste tire abatement grant program and on July 1, 2001 transfer waste tire cleanup responsibility to counties. SB 399 establishes grant programs to assist counties in the identification and abatement of existing waste tire problems over the next three years. The current statewide tire excise tax would also be reduced from \$.50 per tire to \$.25 on July 1, 2001. Because state funds will not be available for abatement after July 1, 2001, counties will have the option to generate funds through the taxing authority provided by HB 2618 to cover possible cleanup requirements.

In general, this new authority complements the provisions of SB 399; however, it may not adequately meet the needs of many rural counties. In low population counties, few new tires may be sold and there is little potential to generate an adequate monetary reserve for tire cleanup. For example, some counties may sell only a few hundred tires per year. This would generate very little tax revenue. Rural counties which are located next to urban counties may become the illegal dumping ground for waste tires generated in the urban counties. Although dumping and the need for cleanup may be more likely in rural counties, the only counties which will be able to generate significant revenues from this tax are those with medium to high populations.

Another consideration is that this bill may decrease the competitiveness of tire retailers operating in counties which impose the tax, if neighboring counties have not imposed the tax. Retailers who compete with companies across county lines would need to consider whether the \$1.00 tax on a set of four new tires would decrease their sales if they passed it on to customers. In some cases, retailers may find it necessary to absorb the tax to remain competitive.

House Taxation
2-6-96
Attachment 5-1

900 SW Jackson, Suite 620
Topeka, KS 66612-1290

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Testimony on HB 2618

Page Two

The department supports the overall intent of this bill, which is to lessen the burden of SB 399 on counties. However, as identified above, the bill may not provide counties with adequate resources to address potential problems. The best way to minimize long-term county liability is to enhance state and local enforcement measures to prevent the illegal accumulation of waste tires and educate the public regarding proper waste tire management.

Thank you for this opportunity to provide testimony on HB 2618.

Testimony presented by:

Bill Bider
Director, Bureau of Waste Management
Division of Environment
February 6, 1996

**STATEMENT
OF THE
KANSAS TIRE DEALERS ASSOCIATION
By Shawn Herrick, Executive Director**

**BEFORE THE
HOUSE OF REPRESENTATIVES TAXATION COMMITTEE
February 6, 1996**

Mister Chairman, Mister Vice Chairman and Members of the Committee:

My name is Shawn Herrick. I'm the Executive Director of the Kansas Tire Dealers Association, and on behalf of our KTDA members, I appreciate the opportunity to be here today to express our position on HB 2618.

Tire dealers in Kansas have realized the need to address the scrap tire disposal problem for a long time, and have supported all reasonable efforts to remedy this ongoing management issue. Illegal dumping is a social problem and the continued mishandling of scrap tires by some gives our industry a "black eye." Plus, upstanding dealers must compete with those few dealers who refuse to play by the rules.

However, our members cannot support this bill for many reasons.

First, the reference to the tax imposed by KSA 65-3424d becoming 25¢ is because of amendments in SB 399. As it passed the Senate Energy and Natural Resources Committee last Friday, the excise tax on the sale of new tires will be lowered in 2003. The intent of this reduction was based on the assumption that the abatement of existing piles of waste tires will be completed. If this is not a fact by 2003, then we believe the state excise tax should remain at 50¢ until the clean-up of pre-law tires is done. Also, the lowering of the excise tax is an effort to encourage the ongoing management of waste tires by private enterprise and to get it out of government hands. Contrary to that direction, this bill perpetuates government involvement and also allows counties to compete against private disposal companies with tax dollars.

Second, imposing a tax at the county level, as well as the state level, only complicates an already challenging issue.

- Tire dealers would have bookkeeping problems if they have stores in several counties.
- Tire dealers near county lines would face competition problems if the neighboring county does not impose this tax.
- Tire dealers would face customer relations problems when their customers are told "To dispose of your tire, you will have to pay our disposal costs, 25¢ state excise tax and 25¢ county tax."

In addition, this county tax would not generate appropriate funding. For example, many residents of Osage county purchase their tires in Topeka (which is Shawnee county) and dispose of their tires where they live. Even if both counties collect a tax, they are not collecting money to manage their own waste stream. Many rural counties would not generate enough dollars to manage an imported waste stream.

Finally, the Waste Tire Management Fund was never intended to be an ongoing slush fund for the State or the counties. It was intended to "jump-start" a management plan and to abate existing piles. A positive vote for this bill is a vote for more government and more taxes.

I would like to make it clear that the independent tire dealers, as an industry, do want to cooperate and help to be part of the solution to this problem. But, HB 2618 only complicates the issue rather than providing a solution.

On behalf of our membership, thank you for allowing me to express our concerns. I will try to answer any questions you may have.