

Approved: 2-20-96  
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Chairperson Phill Kline at 9:07 a.m. on February 8, 1996 in Room 519-S of the Capitol.

All members were present except: Rep. Cindy Empson

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:

Harriet Lange, Kansas Assn. of Broadcasters  
John Rose, KCTV, Kansas City  
Robert Hilton, KNZA, Hiawatha; KMZA Seneca  
Barry Gaston, Great Empire Broadcasting, Wichita  
Jan McDaniel, Kansas Television Network  
Rep. Doug Lawrence  
Rep. Don Myers

Others attending: See attached list

Chair opened hearing on:

**HB 2473 - Sales tax exemption for broadcasting machinery and equipment**

Proponents:

Harriet Lange, Kansas Assn. of Broadcasters (Attachment 1)  
John Rose, KCTV, Kansas City (Attachment 2)  
Robert Hilton, KNZA, Hiawatha; KMZA Seneca (Attachment 3)  
Barry Gaston, Great Empire Broadcasting, Wichita (Attachment 4)  
Jan McDaniel, Kansas Television Network (Attachment 5)  
Rep. Doug Lawrence (Attachment 6)

Closed hearing on **HB 2473.**

**HB 2624 - Sales tax refund authorized upon certain isolated sales of motor vehicles.**

Proponents:

Rep. Don Myers (Attachment 7)

Closed hearing on **HB 2624.**

Chair announced appointment of subcommittee to study and research **HB 2998 - Sales tax compliance investigation practices and procedures** (Small Business Audit Relief Act (SBARA)). Appointed - Chair - Rep. Franklin, Members - Rep. Mays, Rep. Wempe, Rep. Powell, Rep. Kirk.

Moved by Rep. Mays, seconded by Rep. Kirk, committee introduce a bill to exempt retirement benefits of employees of Washburn University from taxation. Motion carried.

Additional written testimony was provided by Anne Spiess, Peterson Public Affairs Group on **HB 2618** which had public hearings held on February 6. (Attachment 8)

The next meeting is scheduled for February 14, 1996.

Adjournment 10:12 a.m.

Attachments - 8

TAXATION COMMITTEE GUEST LIST

DATE: FEBRUARY 8, 1996

NAME	REPRESENTING
Tom Somerville	KS Auto Dealers
Jacquie Dakes	Ks Ind. Auto Dealers
Bob Corkins	KCCI
Anne Spiess	Ks. Assoc. of Counties



## *Kansas Association of Broadcasters*

1916 SW Sieben Ct., Topeka KS 66611-1656

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Testimony before the House Taxation Committee

**RE: HB 2473**

By Harriet Lange, President/Executive Director

Kansas Association of Broadcasters

February 8, 1996

Thank you Mr. Chairman and Members of the Committee. I am Harriet Lange, president and executive director of the Kansas Association of Broadcasters. We serve a membership of radio and television stations in Kansas and we appreciate the opportunity to appear before you in support of HB 2473.

The bill addresses an inequity that currently exists in our sales tax law. Newspapers, which are broadcasters' primary competitors for advertising revenue, may take advantage of the sales tax exemption on machinery, equipment and utilities granted to manufacturers. Radio and television stations may not. This exemption for newspapers affords them a competitive advantage over broadcasters, whose ONLY source of revenue is advertising.

Kansas broadcasters, like their friendly competitors in the newspaper publishing business, have a fine tradition of providing information, entertainment and public service to their listeners and viewers. We're asking only for a level playing field with our competitors.

The solution is passage of HB 2473, which would extend to broadcasters the same exemption newspapers enjoy. It would exempt from sales and use tax, the purchase of equipment and electricity, necessary for producing and putting a broadcast signal on the air.

Other states that have just recently enacted similar legislation include Massachusetts and

New Jersey. And in the last few years, your colleagues in the Oklahoma legislature have seen the wisdom of this action. They codified a 1990 Oklahoma Supreme Court decision which granted radio and television broadcasters this sales tax exemption. The Court determined that radio, television and print media were the same trade or profession. Since the sales tax exemption favored the print media without a demonstrated compelling need, the sales tax exemption for print was found unconstitutional as a violation of the First and Fourteenth Amendments. Rather than remove the exemption for newspapers, the Oklahoma legislature extended it to broadcasters.

Had the exemption for Kansas broadcasters been in place last year, we estimate it would have had a fiscal impact to the state of \$500,000 to \$600,000. This is based on a survey we conducted about one year ago to determine stations' projected capital expenditures for 1995 and their expenditures for electricity.

Because of the onslaught of digital technology, radio and television stations are being forced to make larger and larger capital outlays for equipment just to stay competitive and to bring the best technology has to offer to their listeners and viewers. The proposed exemption in HB 2473 would mean a great deal to Kansas radio and television stations as they make these investments to better serve their local communities and your constituents.

I'm pleased that you'll have the opportunity to hear now, from a cross section of Kansas broadcasters, both radio and television, about the impact HB 2473 would have on their stations and the communities they serve.

Thank you for your consideration. I'd be happy to respond to questions.



**TESTIMONY BEFORE THE HOUSE TAXATION COMMITTEE**

**RE: HB 2473**

By John C. Rose, Vice President/General Manager  
KCTV, Fairway

FEBRUARY 8, 1996

Newspapers perform a valuable public service and broadcasters support current legislation that provides a sales tax exemption on newsprint, machinery and power that is required to produce their product.

But our television station, located in Fairway, Kansas, and other Kansas radio and television stations, provide an equally critical public service for your constituents and we'd like to compete with those newspapers on a level playing field.

In our 1995-96 fiscal year, our station will have spent a half-million-dollars on equipment and approximately \$115,000 on power to produce our product and send the signal to your constituents' homes. In this year alone, that's \$615,000 taxed at 4.9% - almost \$30,000 in Kansas sales tax.

Our company expects to pay its fair share of taxes to the state of Kansas. But it doesn't like to subsidize a competitor. That \$30,000 is a cost that I must build into the way we do business. It's a cost factor that makes it harder for us to compete with newspapers for advertising revenue. Unlike a newspaper which has two streams of revenue -- subscriptions and advertising -- broadcast stations receive income from advertising alone. Our entertainment, news and public service time is available to the public at no cost. And we don't even cut down trees.

Logically, previous Kansas legislatures have reasoned that a newspaper's sales tax should not be collected on items essential to the "manufacture" of their product. That same logic should extend to the broadcast media. With or without the exemption, our station will continue to provide programming and information of interest to residents of Eastern Kansas. But we can provide that service even more effectively if you approve House Bill 2473 and let us compete more fairly with newspapers who have enjoyed the exemption.

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KNZA, INC.  
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TESTIMONY BEFORE THE KANSAS HOUSE TAXATION COMMITTEE  
 RE: HB 2473

BY Robert B. Hilton Co-Owner KNZA Inc  
 KNZA Hiawatha, KS and KMZA Seneca. KS  
 FEBRUARY 8, 1996

GOOD MORNING I AM ROBERT HILTON CO-OWNER OF TWO RADIO STATION IN NORTHEAST KANSAS. THEY ARE KNZA. IN HIAWATHA WHICH HAS BEEN ON THE AIR SINCE AUGUST OF 1977. MY PARTNER AND I HAVE OWNED KNZA SINCE 1983. IN 1992 WE BUILT KMZA IN SENECA. I AM OF COURSE HERE IN SUPPORT OF HB 2473.

I WANT TO TAKE A FEW MOMENTS TO TELL YOU ABOUT HOW MY STATIONS SERVE RURAL KANSAS. BEFORE KNZA CAME ON THE AIR IN 1977 THE ONLY OTHER NON-METRO KANSAS RADIO STATIONS SERVING EXTREME NORTHEAST KANSAS WERE KARE IN ATCHISON AND KNDY IN MARYSVILLE. KNZA WAS THE ONLY CHANGE UNTIL KMZA IN SENECA CAME ON THE AIR.

FOR THOSE OF YOU NOT FROM A SMALL TOWN IN KANSAS YOU MIGHT NOT BE AWARE OF THE "LOCAL" PROGRAMMING STATIONS LIKE KNZA AND KMZA DO FOR THEIR HOME TOWNS. IN THE LARGER CITIES THERE ARE LOTS OF STATIONS EACH SERVING THEIR NICHE OF THE MARKET VIA DIFFERENT MUSIC FORMATS AND PROGRAMMING. AND EACH STATION SERVES A PORTION OF THE LARGE POPULATION AREAS. THE PEOPLE HAVE A CHOICE OF MEDIA OUTLETS TO ACQUIRE INFORMATION...ENTERTAINMENT...ETC. IN A SMALL TOWN RADIO MARKET PEOPLE CAN AND DO LISTEN TO THE BIG CITY STATIONS MAINLY FOR

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THE MUSIC FORMATS. BUT FOR INFORMATION THAT CONCERNS THEIR EVERYDAY LIVES THEY TUNE INTO THE LOCAL RADIO STATION. BECAUSE THAT IS WHAT WE CAN DO. SERVE OUR LOCAL RESIDENTS.

SOME PEOPLE MIGHT THINK SOME OF OUR PROGRAMS ARE HOKEY, OR SILLY. BUT YOU KNOW WHAT, OUR PROGRAMMING IS INFORMATION THAT NO ONE ELSE IS PROVIDING MY LISTENING AREA....IN DETAIL EVERYDAY, 24 HOURS A DAY, 365 DAYS A YEAR.

HERE IS A SAMPLE OF SOME OF OUR REGULAR DAILY PROGRAMMING:

WE DO "OBITS" AS A PART OF THE NEWS THREE TIMES A DAY.

WE DO DAILY ADMISSIONS AND DISMISSALS FOR 12 AREA HOSPITALS.

WE BROADCAST 25 OR SO SCHOOL LUNCH MENUS FOR AREA SCHOOLS.

WE DO A DAILY BIRTHDAY AND ANNIVERSARY LIST.

WE DO FIVE 10 PLUS MINUTE "LOCAL" NEWSCASTS EACH WEEKDAY. IN

ADDITION TO OUR HOUR ABC NETWORK NEWSCASTS.

WE BROADCAST 15 FARM PROGRAMS A DAY.

SOME OF OUR SPECIALTY PROGRAMMING INCLUDES:

DURING THE ENTIRE SESSION OF THE LEGISLATURE WE AIR WEEKLY PROGRAMS WITH EACH OF THE LEGISLATORS IN OUR COVERAGE AREA. THAT IS 2 SENATORS AND 4 MEMBERS OF THE HOUSE. EACH REPORT IS ABOUT 5 MINUTES LONG. THREE REPORTS ARE BROADCAST JUST BEFORE NOON AND 3 MORE AT 5:20 PM EACH SATURDAY. AND THEN JUST TO BE SURE OUR LISTENERS HAVE PLENTY OF OPPORTUNITY TO HEAR WHAT IS GOING ON DOWN HERE FROM THEIR LEGISLATORS WE REBROADCAST ALL OF THEM AT 8:30 ON SUNDAY MORNING.

A COUPLE OF WEEKS AGO WE DID 12 BASKETBALL TOURNAMENT GAMES ON  
THREE DAYS.....AND THAT IS 12 ON EACH STATION.

EVERY MARCH FOR THE PAST 7 OR 8 YEARS WE TURNED OVER THE RADIO  
STATION FOR 4 HOURS A NIGHT FOR 3 NIGHTS TO THE BROWN COUNTY FAIR  
BOARD TO CONDUCT AND OVER THE AIR AUCTION OF DONATED MERCHANDISE.  
THEY USE OUR FACILITIES AND TAKE BIDS VIA THE TELEPHONE. THEY HAVE  
RAISED AT LEAST 10,000 DOLLARS PER YEAR TO IMPROVE THE FAIR  
GROUNDS AND PAY SOME OF THE FAIR'S EXPENSES.

SEVERE WEATHER COVERAGE IS ANOTHER OF OUR PRIME PROGRAMMING  
FEATURES AS IT IS WITH ALL LOCAL STATIONS.

HIAWATHA IS 100 MILES FROM K.C., 75 MILES FROM TOPEKA AND 45 MILES  
FROM ST. JOSEPH. THERE IS A LOT OF DIFFERENCE IN THE WEATHER JUST  
THESE FEW MILES AWAY. PLUS THE TOPEKA, KC, ST JOSEPH STATIONS ARE  
CONCERNED ABOUT WARNING THEIR IMMEDIATE AREA ABOUT BAD WEATHER.  
ALL BROADCASTERS ARE ALL OUT THERE TRACKING THAT TORNADO. AND WE  
ALL QUESTION WHY WE ARE DRIVING TOWARD THE TORNADO LOOKING FOR IT  
INSTEAD OF TAKING COVER IN THE BASEMENT.WHICH IS WHAT WE ARE  
TELLING PEOPLE TO DO. IN THIS CASE WE HOPE PEOPLE ARE DOING WHAT WE  
SAY AND NOT WHAT WE ARE DOING. WE DO IT TO HELP INFORM OUR  
LISTENERS SO THEY CAN PROTECT THEMSELVES.

ALL OF OUR PROGRAMMING IS DONE BECAUSE OUR LISTENERS DESERVE A  
LOCAL BROADCAST MEDIUM TO SERVE THEM WELL.

THAT IS A SAMPLE OF WHAT WE DO EVERYDAY AND WHAT MOST EVERY OTHER  
KANSAS BROADCAST FACILITY DOES. WE SERVE THE LISTENERS.



BROADCASTERS ARE ABLE TO DO THIS ONLY IF WE ARE GOOD BUSINESS PEOPLE. AND THAT IS WHAT RADIO AND TV STATIONS ARE... WE ARE BUSINESSES! THE ONLY WAY WE CAN PAY THE PEOPLE TO PROVIDE THIS LOCAL PROGRAMMING IS BY SELLING ADVERTISING. AND CONTROLLING EXPENSES.

IF A STATION IS GENERATING MORE MONEY THAN THEY ARE PAYING IN EXPENSES AND CAN AFFORD TO PAY GOOD AND TALENTED PEOPLE TO WORK AT THE STATION THEY ARE WORKING IN AND FOR THEIR COMMUNITY AND SERVING THE LISTENING PUBLIC.

I HAVE THREE EXHIBITS THAT ARE ATTACHED.

EXHIBIT #1 IS THE PAST 12 MONTHS OF ELECTRIC BILLS FOR KNZA'S TOWER SITE. I PAID KPL ALMOST \$7,900 OF WHICH \$439.64 WAS SALES TAX. THE BOTTOM PARAGRAPH TELLS OF MY STUDIO ELECTRIC BILL WHICH IS NOT UNDER CONSIDERATION FOR THIS BILL.

EXHIBIT #2 IS THE PAST 12 MONTHS OF ELECTRIC BILLS FOR KMZA'S TOWER SITE. WE PAID THE CITY OF SENECA OVER \$3,100 OF WHICH \$168.81 WAS SALES TAX. THE BOTTOM PARAGRAPH REPORTS BY STUDIO ELECTRIC BILL WHICH IS NOT UNDER CONSIDERATION FOR THIS BILL.

THE TOTAL SALES TAXES I PAID THIS PAST YEAR FOR BROADCASTING MY SIGNAL ON BOTH STATIONS WAS \$608.45.

HOWEVER. MY COST OF ELECTRICITY IS A LOT LOWER THAN MANY OTHER KANSAS RADIO STATIONS. MY ELECTRIC BILL AND SALES TAXES ARE LOWER BECAUSE I GET MY POWER FROM KPL WHICH HAS ONE OF THE LOWEST COST

PER UNIT IN THE STATE. (LESS THAN 5 CENTS PER KWH) IF I HAD THE SAME MONTHLY USAGE AT MY STUDIO SITE WHICH IS SERVED BY MY LOCAL RURAL ELECTRIC COOPERATIVE MY ELECTRIC BILL AND MY SALES TAXES WOULD BE DOUBLED. (10 CENTS PER KWH)

I AM ONLY A 50,000 WATT FM STATION AND A 6,000 WATT STATION. A LOT OF WESTERN KANSAS STATIONS ARE 100,000 WATT STATIONS AND USE MORE ELECTRICITY AND ARE PAYING CLOSE TO 10 CENTS A KWH. I HAVE TALKED WITH THOSE STATIONS AND THEIR BILLS ARE \$1400 TO \$2000 + PER MONTH FOR JUST ONE STATION.

WHEN I LOOK AT THE 600 DOLLARS I WOULD NOT PAY IN SALES TAXES IF THE BILL IS PASSED AND THINK ABOUT WHAT WOULD I DO WITH IT. FOR ME IT IS AN EASY ANSWER... AS A BUSINESS OWNER I WOULD PROBABLY JUST DO SOMETHING SILLY... LIKE PLOW IT BACK INTO THE BUSINESS FOR SOMETHING LIKE PAYING AN EMPLOYEE A \$50 A MONTH RAISE (\$600 A YEAR). THEY IN TURN WOULD PROBABLY JUST GO SPEND IT ON SOMETHING THAT HAS KANSAS SALES TAX ON IT.

OF COURSE I CAN NOT SPEAK FOR OTHER STATIONS BUT THIS IS TRULY WHAT KNZA WOULD DO. SO ANYTHING THAT CAN KEEP MY EXPENSE DOWN, SO I CAN HAVE MORE PROFIT, I THEN CAN AFFORD TO GIVE PAY RAISES AND KEEP GOOD PEOPLE WORKING AND PROVIDING GOOD PROGRAMMING.

EXHIBIT #3 IS WHAT I PAID FOR THE PURCHASE OF EQUIPMENT THAT I DID PAY SALES TAX ON THAT WOULD BE EXEMPT IF THIS BILL PASSES. AS IT SAYS I DON'T PLAN TO HAVE THESE MAJOR EXPENSES AGAIN BUT IT WAS SOME SERIOUS MONEY. AND WOULD HAVE BEEN LESS MONEY I WOULD HAVE BORROWED. IF YOU HAVE ANY QUESTIONS I WILL ANSWER THEM.



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EXHIBIT # 1

KNZA HIAWATHA TOWER SITE ELECTRIC BILLS

	TOTAL	SALES TAX	COUNTY SALES TAX
JAN 96	664.08	30.73	6.27
DEC 95	557.25	25.78	5.26
NOV 95	701.18	32.44	6.62
OCT 95	619.15	28.65	5.85
SEP 95	721.60	33.39	6.81
AUG 95	726.00	33.59	6.86
JUL 95	754.77	34.92	7.13
JUN 95	649.51	30.05	6.13
MAY 95	573.10	26.52	5.41
APR 95	629.52	29.13	5.94
MAR 95	604.20	27.96	5.71
FEB 95	690.97	31.97	6.52
	<u>7,891.33</u>	<u>\$365.13</u>	<u>\$74.51</u>

TOTAL 12 MONTH SALES TAX \$439.64

KNZA STUDIO ELECTRIC BILLS FOR SAME PERIOD AS ABOVE:  
 TOTAL AMOUNT PAID WAS \$5,314.64 INCLUDING SALES TAX.(\$260)  
 THE PROPOSED BILL WOULD NOT CHANGE TAXES PAID ON MY STUDIO LOCATION  
 ELECTRIC USAGE.



KMZA FM 92.1  
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 Fax (913) 336-3600

EXHIBIT # 2

KMZA SENECA TOWER SITE ELECTRIC BILLS

JAN 96	179.09	9.98
DEC 95	221.22	12.33
NOV 95	217.50	12.12
OCT 95	245.10	13.44
SEP 95	378.72	19.82
AUG 95	396.26	20.80
JUL 95	339.74	18.70
JUN 95	325.77	17.93
MAY 95	264.67	14.52
APR 95	214.92	11.75
MAR 95	147.44	7.99
FEB 95	173.27	9.43
TOTAL	\$3,103.70	\$168.81

12 MONTH AVERAGE 14.07

KMZA STUDIO ELECTRIC BILLS FOR SAME PERIOD AS ABOVE:  
 TOTAL AMOUNT PAID WAS \$778.79 INCLUDING SALES TAX. (\$38)  
 THE PROPOSED BILL WOULD NOT CHANGE THE TAXES PAID ON MY STUDIO  
 LOCATION ELECTRIC USAGE.

TOTAL SALES TAX PAID BY KNZA Inc. IN LAST 12 MONTHS \$608.45



# KANZALAND RADIO

KNZA, INC.  
P.O. BOX 104  
Hiawatha, Kansas 66434  
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FAX (913) 547-9900



## EXHIBIT # 3

### PURCHASE OF NEW TRANSMISSION EQUIPMENT

IN 1992 KMZA SENECA WAS BUILT AND WE SPENT APPROXIMATELY \$80,000 ON TRANSMISSION EQUIPMENT. THAT IS ABOUT \$4,000 IN SALES TAXES. THAT AMOUNT WOULD HAVE BEEN EXEMPT UNDER THIS PROPOSED BILL.

KMZA HAS 3 FULL TIME AND ONE PART TIME EMPLOYEES BASED IN SENECA.

IN 1994 KNZA HIAWATHA BUILT A NEW MORE POWERFUL TRANSMISSION FACILITY THAT INCREASED OUR POWER FROM 3,000 WATTS TO 50,000 WATTS. WE BOUGHT A 600 FOOT TOWER, A NEW BIGGER TRANSMITTER, AN 11 BAY ANTENNA, CABLES, A BUILDING AND ASSOCIATED EQUIPMENT THAT COST APPROXIMATELY \$200,000. THAT IS \$9,800 IN SALES TAX. THAT AMOUNT OF TAX WOULD HAVE BEEN EXEMPT UNDER THIS BILL.

KNZA EMPLOYEES 15 FULL TIME AND TWO PART TIME.

THESE ARE "ONE TIME" MAJOR CAPITAL EXPENDITURES THAT WILL NOT BE DONE AGAIN, EXCEPT TO REPLACE INDIVIDUAL PIECES OF EQUIPMENT AS THEY WEAR OUT. MOST MAJOR PIECES OF BROADCAST EQUIPMENT HAVE LONG LIVES. (20 PLUS YEARS)

# GREAT EMPIRE BROADCASTING, INC.

KFDI/AM•KFDI/FM  
WICHITA, KANSAS

KTTS/AM•KTTS/FM  
SPRINGFIELD, MISSOURI

WOW/AM•WOW/FM  
OMAHA, NEBRASKA

KWKH/AM•KWKH/FM  
SHREVEPORT, LOUISIANA

KVOO/AM•KVOO/FM  
TULSA, OKLAHOMA

KICT/FM  
WICHITA, KANSAS

Testimony before the House Taxation Committee

RE: HB 2473

By Barry Gaston, Vice-President

Great Empire Broadcasting (KFDI AM/FM, KICT FM - Wichita, KS)

February 8, 1996

Thank you Mr. Chairman and Members of the Committee. I am Barry Gaston, Vice-President of Great Empire Broadcasting in Wichita. Our radio group serves five states with 14 radio stations, three of which are here in Kansas (KFDI AM, KFDI FM, and KICT FM in Wichita).

We appreciate the opportunity to appear before you in support of House Bill 2473. The landscape for broadcasting, in particular, for radio, has changed rapidly in the last few years. And while radio is still a small business by nature, its competition has become increasingly large.

Approximately 12 years ago, the Federal Communications Commission created hundreds of new radio stations throughout the country. These stations never existed before and went on the air creating a flood of new competitors nationwide and here in Kansas. Today, there are over 12,000 radio stations competing for the same advertising dollar. Unfortunately, this flood of new radio stations reeked havoc financially with broadcasters nationwide and here in Kansas. Approximately 3 years ago the Federal Communications Commission, realizing the problem it had created, allowed one broadcaster to own up to 4 stations in a market the size of Wichita, where previously we were allowed to own only one AM and one FM. The thinking was that the stronger broadcasters could then buy and operate some of the smaller and less profitable operations literally keeping them on the air while maintaining a diversity of formats.

However, recent studies by the National Association of Broadcasters shows that more than half of today's radio stations throughout the country are losing money. A similar research project conducted by our company shows this figure to be true as well in Wichita. In other words, many broadcasters are still struggling financially despite the recent expansions of ownership allowed by the Federal Communications Commission.

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In yet another effort to help the financially struggling radio industry, the new telecommunications bill passed last week in Washington will allow a local broadcaster in a market the size of Wichita to own up to six radio stations. An example of how this new legislation is working can be seen through our own company. KFDI AM/FM, a successful broadcaster in Wichita, two years ago, purchased KICT FM, which at the time was a bankrupt station and in receivership in the hands of a Boston bank. Today, we bank locally, the station is profitable, and the station is successful under our ownership.

However, the competition continues to increase. For the advertising revenue, radio and television stations are competing with an increasing number of cable television choices and an exploding amount of print media including local newspapers.

Speaking of ad revenues, in Wichita, for the last few years our market-wide advertising revenues have been flat. Last year, in 1995, radio ad revenues in the Wichita market were actually down from the previous year.

Throughout all of this turmoil, local radio continues to serve its community. For example, in Wichita, we raise over \$100,000 each year for Starkey, a school for mentally handicapped adults through the Charlie Daniels Celebrity Golf Tournament. In addition, we raise thousands of dollars for the Kansas Special Olympics and raised thousands of dollars for cancer research and care for children, with our St. Jude's Radiothon.

We conduct the largest blood drive of the year for the Sedgwick County Chapter of the American Red Cross with our Rock 'N Roll Up Your Sleeves campaign. We've just finished tearing down a former crack house in inner city Wichita and we've turned this building into a newly refurbished home for children with aids. Each holiday, over 2,000 under-privileged children have a Merry Christmas with KFDI/KICT's Children's Christmas Crusade. These are just a few examples of how we give back and reach out to the community we serve. By the way, none of these events create revenue for our stations. In fact, they cost us a great deal to produce each year.

Ladies and Gentlemen, the bottom line is that we find ourselves in catch 22. First, radio has more competitors than ever before. With last week's passage of the telecommunications bill, even more competition is on the horizon. Secondly, while our operating costs continue to rise, ad revenues for radio are flat or down across the state.

Third, with the expansion of new technologies we're faced with the prospect of large outlays of cash just to stay competitive. For example, our stations in Wichita are in the process of spending thousands of dollars in new digital equipment. By the way, we're purchasing this equipment from a Kansas firm, Computer Concepts of Lenexa.

More competition, higher operating costs, ad revenues flat or down, expensive equipment needed to stay competitive...something has to give. We don't want that to be service to our local community.

We need to look to other areas for savings and one of the best we've seen is the attempt to level the playing field between broadcasters and the print media. We hope that you extend to radio and television the same sales use tax exemptions currently enjoyed by our state's newspapers.

Newspapers continue to be broadcasters primary competitors for advertising revenue. They take advantage of sales tax exemptions on machinery, equipment, and utilities. As you know, broadcasters currently may not. However, please understand radio, television, and print are all in the same trade or profession, the publishing industry. A sales tax exemption favoring one media over another is simply unfair. We urge you to extend the sales tax exemption to broadcasters through House Bill 2473.

Thank you for your consideration and I would be happy to respond to any questions you may have.





Testimony before the House Taxation Committee  
RE: HB 2473  
By Jan McDaniel, President/General Manager  
Kansas Television Network  
KAKE-TV, KUPK-TV and KLBY-TV (ABC affiliates)  
February 8, 1996

Jan McDaniel  
PRESIDENT/  
GENERAL MANAGER

Television is rapidly entering the digital age. This is the biggest and most exciting technological change since color was introduced. It will bring dramatic improvements in picture and sound quality and a home theater atmosphere to our viewers. This is an expensive proposition for our industry.

Our company has three full-power transmitters and four translators carrying our signal throughout south central and western Kansas. Because of the rural nature of our state, it takes a lot more equipment to deliver a signal than it does in 90% of the nation's television markets. The conversion to digital transmission will require a minimum \$15 million investment -- over and above our annual investments in people, training, programming and equipment. Because the digital transition is an industry-wide issue, we really have no choice but to convert on a national timetable.

The commitment we have to serving our Western Kansas viewers with local news, live local sporting events and public affairs programming does not create a monetary profit. Unlike the Wichita Eagle newspaper, we cannot and will not cut our losses and discontinue our service to the rural areas of our state.

Like the newspaper, our product is advertiser supported; unlike the newspaper, our product is free. We both provide news, public affairs and entertainment on a daily basis. Why then does the newspaper enjoy a tax exemption on the machinery, equipment and utilities it uses to create and distribute the same product in a different format -- and charges its customers for using it?



The television broadcasters of Kansas urge you to carefully review the current sales tax exemption statute and apply it in a more equitable manner. If we were allowed the same exemptions as the newspapers, the annual savings to our company alone would exceed \$50,000.

That savings would not be pushed down to the bottom line. It would be a welcome addition to what we already spend hiring and training digital age workers and enhancing the news and public affairs projects we do in Wichita and throughout the state -- at no cost to our customers.

Thank you for allowing me the opportunity to appear here today. I welcome your questions and comments.

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KAKE TELEVISION • CHANNEL 10  
KANSAS TELEVISION NETWORK  
KAKE TV-10 • KUPK TV-13 • KLBY TV-4  
1500 N. WEST STREET  
P.O. BOX 10  
WICHITA, KANSAS 67201-0010  
PHONE 316-946-1327  
FAX 316-943-5160

*Doug Lawrence*

STATE REPRESENTATIVE  
902 MIAMI  
BURLINGTON, KS 66839



TOPEKA

HOUSE OF  
REPRESENTATIVES

COMMITTEE ASSIGNMENTS

CHAIRMAN: SELECT COMMITTEE ON  
TELECOMMUNICATIONS  
MEMBER: ENERGY AND NATURAL RESOURCES  
TAXATION

Mr. Chairman, members of the Tax Committee, I appreciate this opportunity to address a bill of some significance to an important industry in Kansas.

You've already heard significant testimony on this bill, but I would like to add the perspective of a very small town broadcaster.

In 1986, I moved back to my home town of Burlington with the idea of building a radio station to serve my community. It turned out to be an expensive, and difficult undertaking. It took four years, and 150-thousand dollars to bring the broadcast business to a town of about three thousand people. In 1990, KSNP (Nuclear Powered Radio) went on the air. Six years later, we had our first break even year.

I built this station (with other investors) because I believed Burlington could be well served by a radio station. I never really believed we'd make a lot of money, but I did believe the town needed the community services a free broadcaster could provide. We are an active participant in emergency response with the Wolf Creek Nuclear Power Plant's Emergency Plan, We aggressively provide severe weather coverage which has saved lives. We've brought the good news ... and bad news to the community. Natural Gas Pipeline breaks, flooding in 1993. In the time when immediate emergency communication was necessary ... our station was there. Political debates --- we've aired them.

My federally mandated political advertising rates start at \$2.00 per ad. On more than one occasion, the cost of producing the ad for a local candidate has far exceeded what we were paid.

Our station is federally mandated to serve ... PICON ... the public interest convenience or necessity. We have an obligation to serve the community interest, which we take seriously and we deliver on that promise.

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I speak on these issues only to set the stage upon which our business is founded. Highly regulated, highly competitive, and rapidly changing. The competition in our business buys equipment without paying sales taxes, operates that equipment without paying sales tax on the utilities, and our competition does so without the same intrusive federal regulation and control.

HB 2473 clarifies interpretation of law which places the newspaper business (Our primary competitor) in the manufacturing business with attendant tax advantages. Clearly, a newspaper uses raw materials and a process to manufacture to add value and create an end. That end product is essentially information and advertising. I believe a broadcaster does the same thing, we take a raw material, process it, and create a similar end product.

All businesses face changing technology, but Free Television Broadcasters face unprecedented Federal Mandates, and opportunities. The move to new High Definition Digital television will force investments of 12-15 million dollars each to move to a new frequency. The move is not optional. The current frequencies (channels) must eventually be abandoned for other uses. This coming move will likely have significant implications to small market television. Under current law, sales tax will be due on this 12 million dollar transmission system upgrade.

This bill mirrors Oklahoma Law, and is an appropriate approach in ending a disparity

\* Our station spends about 10-thousand dollars a year on utilities. The exemption might save us around \$500.00 each year.

\* We paid approximately \$3600.00 in sales tax our first year for the transmitter system, antennas, and studio equipment.

The sales tax on capital equipment purchases for the transmission system were a significant burden in the startup of our station. It represented about one month's payroll in our first year.

DON MYERS  
 REPRESENTATIVE, 82ND DISTRICT  
 SEDGWICK COUNTY  
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COMMITTEE ASSIGNMENTS  
 VICE CHAIR: TRANSPORTATION  
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TOPEKA

HOUSE OF  
 REPRESENTATIVES

Testimony - HB 2624  
 House Taxation Committee  
 February 8, 1996

Present statutes direct that sales tax will be paid only on the difference between the value of the trade-in and the replacement vehicle in the case where the consumer trades their vehicle through a licensed dealer.

Present Kansas statutes do not allow for a sales tax refund to Kansas consumers in a motor vehicle transaction if the consumer chooses to sell their own vehicle and then purchase a replacement without a trade-in.

The result is that if you, the consumer, want to sell your car to Uncle John before buying another, then you will be penalized, because you will effectively be paying sales tax on the value of the car you sold to Uncle John.

This HB 2624 will allow the consumer to apply for a refund for the amount of sales tax unjustifiably taken from them when they chose to individually sell their car.

Example:

Car A = replaced vehicle (used car) valued at \$8,000  
 Car B = replacement vehicle (new) valued at \$20,000

Present Statute

To calculate sales tax on transaction through dealer.

[Car B (\$20,000) - Car A (\$8,000)] X sales tax at 5.9% = \$708

To calculate sales tax on transaction if you sell your own vehicle first.

Car B (\$20,000) X 5.9% = \$1,180

The net result is that should you wish to sell your car to Uncle John, it will cost you \$472 more in sales tax.

Doesn't seem fair does it. I urge you to pass this bill favorable and be fair with our tax poor constituents. Thank you for your consideration.

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## Peterson Public Affairs Group

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TO: House Taxation Committee  
Rep. Phill Kline, Chairman

FROM: Anne Spiess

DATE: February 8, 1996

RE: HB 2618

Thank you for the opportunity to provide testimony on HB 2618 which the Kansas Association of Counties supports.

The House Taxation Committee does not usually handle tire legislation so it is important for Committee members to understand that the tire program has been a difficult one for Kansas counties to help administer. Unfortunately, the most effective way to dispose of waste tires continues to be to landfill them. Private business and the interested governmental entities continue to search for alternatives such as the development of products that use crumb rubber. While economically sound recycling alternatives are being sought by Kansas counties, they need continued funding for transporting and processing of waste tires so they can be landfilled.

Thank you for your consideration of our position on HB 2618. If there are any questions, please don't hesitate to contact me.

House Taxation  
2-8-96  
Attachment 8-1

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**Southeast Kansas Solid Waste Authority**  
**P.O. Box 664**  
**Chanute, Kansas 66720-0664**  
**316-431-0080**

**Written Testimony on HB 2618**  
**Presented By David T. Burnett, Administrator**  
**February 6, 1996**

- The Southeast Kansas Solid Waste Authority is a proponent of HB 2618.
- Solid Waste Management, including waste tire abatement, is a "buck" that stops on the desk of all 105 Kansas County Commissions. It does not stop at City Hall. It does not stop at the desk of the retailer, or private tire hauler.
- The nine counties that are presently included in the Southeast Kansas Solid Waste Authority (SEKSWA) will generate approximately 200,000 waste tires per. There are hundreds of thousands of waste tires that are being land filled within SEKSWA's boundaries.
- **In most of Kansas, the most cost effective manner for treating tire waste continues to be processing them for land filling.**
- The counties of Kansas need a means to fund the transportation and processing of waste tires that will be placed in landfills. **But, more importantly, they need a means of developing an economically feasible alternative to the land filling of waste tires.**
- The counties also need some method of funding grants to private enterprise for research and development of products that will create a market driven demand for crumb rubber and other waste tire derivatives. **Until there is a market demand for a product produced from tire waste, land filling will be the waste management method of choice for tires.**
- To the extent that HB 2618 offers the counties the option to adopt a consumer fee for developing alternatives to land filling waste tires, SEKSWA recommends its passage.