

Approved: 3-26-96  
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Chairperson Phill Kline at 9:08 a.m. on February 20, 1996 in Room 519-S of the Capitol.

All members were present except: Rep. Ed Pugh  
Rep. Eugene Shore

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:  
Mike Taylor, City of Wichita  
Mike Lennen, Attorney, Wichita  
Chris McKenzie, League of Kansas Municipalities  
Rep. Troy Findley  
Charley Cornwell  
Rep. Lisa Benlon  
Jim Yonnally, Johnson County Community College  
Dr. Gerald Baird, JCCC and Ks. Community College Assn.

Others attending: See attached list

Chair opened hearing on:

**HB 2806 - Political subdivision sales tax exemption**

Proponents:  
Mike Taylor, City of Wichita (Attachment 1)  
Mike Lennen, Attorney, Wichita (Attachment 2)  
Chris McKenzie, League of Kansas Municipalities (Attachment 3)

Closed hearing on **HB 2806.**

Chair opened hearing on:

**HB 2828 - Sales tax exemption for coin-operated car washes**

Proponents:  
Rep. Troy Findley (Attachment 4)  
Charley Cornwell, Lawrence (Attachment 5)

Chair closed hearing on **HB 2828.**

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, ROOM 519-S Statehouse, at 9:00 a.m. on February 20, 1996.

Chair opened hearing on:

**HB 2914 - Sales tax exemption associated with certain educational institution activities**

Proponents:

Rep. Lisa Benlon

Jim Yonnally, Johnson County Community College

Dr. Gerald Baird, Johnson County Community College

and Kansas Community College Assn. (Attachment 6)

Chair closed hearing on **HB 2914**.

Moved by Rep. Hayzlett, seconded by Rep. Graeber, minutes of the February 7, 1996 and February 8, 1996 meetings be approved. Motion carried.

Chair opened for introduction of committee bills.

Moved by Rep. Lawrence, seconded by Rep. Aurand, a committee resolution be introduced to set a state and local spending lid. Motion carried.

Moved by Graeber, seconded by Vickery, a committee bill be introduced to use fair market value when the retail cost when new cannot be determined for used business machinery and equipment. Motion carried.

The next meeting is scheduled for February 21, 1996.

Adjournment at 9:45 a.m.

Attachments - 6

# TAXATION COMMITTEE GUEST LIST

DATE:           FEBRUARY 20, 1996          

| NAME             | REPRESENTING                      |
|------------------|-----------------------------------|
| Anne Spiess      | Ks. Assoc of Counties             |
| Mike Taylor      | City of Wichita                   |
| Charles Cornwell | River City Car Wash               |
| William Reed     | Ks Independent College Assn       |
| Jennifer Church  | Overland Park Chamber of Commerce |
| FED AYRES        | REGENTS STAFF                     |
| Jon Jossard      | KY                                |
| Mike Lannon      | City of Wichita                   |
| S. Sicilian      | KPDR                              |
| Jim Younally     | Johnson Co. Comm Coll.            |
| Chris McKee      | League of Ks. Muncs.              |
| Bill Janice      | BOEING                            |
| Bob Prater       | Johnson Co. Community College     |
| Jerry Baird      | St. Co. Comm. College             |
| Bernie Koch      | Wichita Area Chamber of Commerce  |
| Dave Hutchins    | Western Reserve                   |
|                  |                                   |
|                  |                                   |
|                  |                                   |

**TESTIMONY FOR 1996 KANSAS LEGISLATURE  
HOUSE COMMITTEE ON TAXATION  
2/20/96  
REGARDING HOUSE BILL 2806**

Mike Taylor  
Government Relations Director  
City Of Wichita

Traditionally, City governments do not pay taxes to the State government, but a recent audit of the Wichita Water Utility by the Kansas Department of Revenue, is changing the scope of that long held practice. While it's true municipal utilities are subject to sales and use tax, Revenue Department auditors are finding new and aggressive ways to apply the tax.

The issue is complex, but in effect Revenue auditors contend anything the Water Utility "touches" is fully taxable at 5.9%. (Wichita has 1% local sales tax). This ruling goes far beyond any previous interpretations of what's taxable and what is not. According to the audit findings, it means the electricity used at the pump station is taxable, the phones and computers in the Water Department's City Hall offices are taxable, photocopies made by Water Department secretaries on City Hall photocopiers are fully taxable. It also means any city truck used by the Water Utility is taxable, even if the truck was purchased for the Public Works Department or Parks Department. Once a Water Department employee drives it, it's fully taxable according to Revenue officials.

While lawyers and accountants can talk about this issue in technical terms, allow me to explain in practical terms how this ruling plays out. I knew a secretary who worked in the Police Department. She answered phones and worked on a computer. She transferred to the Water Department offices three floors above. She did similar work on an identical computer and answered citizen calls on an identical phone. The only difference: she said Hello, Wichita Water Department, instead of, Hello, Wichita Police Department. But the cost of that phone and computer service cost an extra 5.9% because they sit in the Water Department offices, not the Police Department offices. It's especially hard to understand when you realize all phone and computer services at City Hall are provided through an in-house Data Center and the bill is paid by making an inter-departmental transfer. Money shifting from one City department to another is suddenly taxable.

One of the biggest issues involves electricity used to pressurize water for distribution. Revenue auditors say its fully taxable. But 55% of the electricity used at the pump station is to generate enough pressure for fire protection. That

means State Revenue agents are taxing Wichita for providing fire protection to its residents. Until now, fire protection was clearly a basic, tax exempt function of City government. Except for fire hydrants. Since the Water Department buys Wichita's fire hydrants, they too are fully taxable.

This issue was really put in perspective for me by a Wichita taxpayer who read in the newspaper about this so-called "fight" between City Hall and the Revenue Department. He asked how much money we were talking about. It could be as much as \$750,000 in back taxes and interest and of course higher fees or taxes in the future. He said, "So the Revenue Department is taking money out of the City's pocket and putting it in the State's pocket." I said yes, I suppose so. He said, "Only problem is, the money in both of those pockets started out in my pocket."

House Bill 2806 sets out to clarify and correct the confusing question of what's taxable and what's not when it comes to City utilities such as Wichita's Water Department. Thank you for your consideration.

**SALES TAX AUDIT RESPONSES**

3  
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| Name             | Title                        | City           | Yes | Year                                | Amount   | Interest | Penalty                               | Total                         | Explanation  |
|------------------|------------------------------|----------------|-----|-------------------------------------|----------|----------|---------------------------------------|-------------------------------|--|
| Sue Stinnett     | City Clerk                   | Bonner Springs | √   | 1993                                | \$22,310 | \$1,025  | Wavied                                | \$23,335                      | I protested tax on fire hydrants & tax on interest part of equipment lease purchase & asked penalties to be waived. (SEE ATTACHED SHEET)   |
| Ivan Wilson      | City Clerk                   | Cimarron       | √   | 1992                                | \$ 8,616 |          |                                       | \$ 8,616                      | (SEE ATTACHED SHEET)   |
| Dee Anne Grunder | City Clerk/<br>Asst. Fin.Dir | El Dorado      | √   | 1993                                | \$17,011 | \$5,897  | 0                                     | \$22,908                      | Following an appeal to the Director of Taxation, the amount of sales tax was reduced from \$18,960 plus penalty and interest to \$17,011 plus interest. Penalties were wavied. Interest was assessed at 18% per annum. |
| Tom Hicks        | City Clerk                   | Hugoton        | √   | 1993                                |          |          |                                       | -NONE-                        |  |
| Sherri Stevens   | City Clerk                   | LaCrosse       | √   | 1993 for Jan. 1990 to Dec. 31, 1992 | \$15,323 | \$5,034  | \$3,838 didn't have to pay was waived | \$24,195 (amount pd \$20,357) | We were under impression that City was exempt, but found out otherwise. We had several large projects in those 3 years also. We paid everything except penalty which was waived.                                       |
| Pam Corby        | City Clerk                   | Larned         | √   | 1991                                | \$ 1,044 | \$ 9.00  | \$5.00                                | \$1,058                       | Tangible personal property from suppliers which would have been subject to sales tax had the transaction been holly within Kansa KSA 79-3703.  |
| Beverly Smith    | Acct. II                     | Lenexa         | √   | 1993                                |          |          | -0-                                   | \$10,470                      | Failed to report sales tax for June 1992. Failed to report Special Fuel Tax from 5/1/90 to 4/30/93. (We were unaware of this tax) Penalty was waived.  |

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**SALES TAX AUDIT RESPONSES**

| Name       | Title      | City  | Yes | Year | Amount   | Interest | Penalty                       | Total   | Explanation  |
|------------|------------|-------|-----|------|----------|----------|-------------------------------|---------|--|
| Mary Smith | City Clerk | Kiowa | √   | 1995 | \$ 3,004 | \$1,035  | \$692. this amount was abated | \$4,039 | Said only 60% of the electricity used at our water wells was used for production the other 40% was distribution. Stamped envelopes ordered from the stamped envelope agency are taxable (not the stamps but the envelope part) Bulk Water Meter - Farmers put in 25¢ and get 100 gallons. I now have to try & figure out how much tax the state gets of that because I don't have a tax form signed by all the farmers in our area. We bought an Accounts Payable program-Taxable because electric & water are line items on the program. Didn't matter that we would have bought the account payable program even if we didn't have the utilities. We did an electric line & set a paid amount transformer for the grade school. Since the school is tax exempt we didn't even think about needing a project exemption certificate from them. We had to pay taxes on the \$9,023.83 project. We had a big centennial celebration for the Cherokee Strip Run paid tax on that stuff which we shouldn't have. Instead of giving us credit against what we owed they said we would have to get it back from the vendor which would then have to try and get it back from the state. (cost was \$7,589.20). |

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**SALES TAX AUDIT RESPONSES**

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1

| Name            | Title             | City           | Yes | Year | Amount   | Interest | Penalty           | Total    | Explanation  |
|-----------------|-------------------|----------------|-----|------|----------|----------|-------------------|----------|--|
| Rose M. Goruley | City Clerk        | Lincoln Center | √   | 1993 | \$547.00 | \$128.00 | \$140.00 (waived) | \$675.00 | Electric usage for water tower, pump houses, well pump, power plant boiler had not been taxed. (Not considered by auditor to have been consumed in production. |
| Jim Wilson      | Controller        | Pittsburg      | √   | 1995 | \$9,550  | \$2,561  | \$1,633           | \$13,744 | Miscalculation of sales tax being reported.  |
| Jill Strauss    | Deputy City Clerk | Rose Hill      | √   | 1992 | \$4,025  | \$1,126  | \$402.00          | \$5,553  | Our city was not aware that we should have been paying sales tax on items purchased for our water department. This was an audit of 1989 thru 1991.             |

1-5



STATE OF KANSAS

AUDIT BUREAU  
Robert B. Docking State Office Building  
915 S.W. Harrison St.  
Topeka, Kansas 66625-0001



(913) 296-7719  
FAX (913) 296-7928

Department of Revenue  
*Division of Taxation*

City of Bonner Springs  
P.O. Box 38  
Bonner Springs, KS

December 27, 1993

Attn: Sue Stinnett

Re: Sales/use tax assessments dated November 3  
1993; Reg. Nos. 1120-0035, 7120-C022

We have amended our retailers' sales tax and consumers' compensating (use) tax assessments to reflect the information submitted to us in your November 29, 1993 letter. Enclosed are revised schedules. Specifically, we have removed fire hydrants, and have adjusted our schedules to include only the principal portion of financing lease payments. We have updated interest to December 25. Finally, we will waive all penalties if payment is received by January 10, 1994 as follows:

|  |              |
|--|--------------|
| Sales tax-tax and interest, no penalty | \$22,310     |
| Use tax-tax and interest, no penalty   | <u>1,025</u> |
| Due, 1/10/93                           | \$23,335     |

Please remit \$23,335 by January 10, 1994, and please include a copy of this letter with your remittance.

Sincerely,

Thomas Phillips, CPA  
Manager

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|                                      | <u>Sales Tax</u> | <u>Use Tax</u> | <u>Total</u> |
|--------------------------------------|------------------|----------------|--------------|
| Original Assessment                  | \$10,407         | \$1,853        | \$12,260     |
| Proposed Abatement of all Penalties  | -2,145           | -290           | -2,435       |
| Proposed State & Local Tax Abatement | -970             | -34            | -1,004       |
| Interest on Proposed Abated Tax      | <u>-191</u>      | <u>14</u>      | <u>-205</u>  |
| Proposed Revised Assessment          | \$ 7,101         | \$1,515        | \$8,616      |

If you agree to settle this matter based on the above, I will abate all penalties. I can not abate interest without a corresponding abatement of tax. I will consider this matter closed if we receive your payment of \$8,616 by January 11, 1993. Otherwise, this settlement offer is revoked; we will schedule your appeal of the original assessment for hearing.

Please enclose one copy of this letter with your check and mail to the Kansas Department of Revenue, P. O. box 12001, Topeka, Kansas 66612.

Please note that we are currently experiencing computer problems and this adjustment may not appear on the monthly billing that you receive from the department. Hopefully, this problem will be corrected shortly. Please bear with us.

Sincerely,

  
 Thomas Phillips, CPA  
 Manager

**KANSAS HOUSE BILL NO. 2806**

Testimony presented to:  
HOUSE COMMITTEE ON TAXATION  
February 20, 1996

Michael Lennen of  
Morris, Laing, Evans, Brock & Kennedy, Chartered

On behalf of:  
The City of Wichita, Kansas

As a general rule, direct purchases of tangible personal property and services by a political subdivision are statutorily exempt from retailers' sales and compensating use taxes. K.S.A. 79-3606(b). An exception arises, however, where the political subdivision is engaged in the business of providing utility services to others and items of personal property or services are used or proposed to be used in this business. In that instance, the political subdivision's purchases of such items may be taxable. Other imposition and exemption sections of the Kansas retailers' sales tax act must be examined and applied to determine the taxability of a particular transaction.

This interaction of imposition, exemption and exception to exemption provisions creates a taxing scheme for political subdivisions that is fraught with ambiguity and complexity. It presents special difficulty when political subdivisions operate under the general assumption their direct purchases are tax exempt. Let me provide an example: A city purchases additional computer equipment to upgrade its data processing capability. The upgrade is necessary, not for performance of taxable utility functions, but to support governmental activities that are indisputably tax exempt, such as billings for sewer and storm water drainage services. Because of integration of computer equipment and systems, however, the computer is also used in part to perform some data processing functions, such

as billing, for the city's water utility. Should the computer purchase be subject to sales or use tax?

You can well imagine that similar uncertainty and exposure to potential sales tax liability runs through the whole gamut of political subdivision purchases. Purchases may be for equipment for personnel support, communications, printing or copying, or training – all primarily governmental functions. In some way and to some extent, however, the purchased items are likely to be used by or for the subdivision's utility. Again, should the purchases be subject to sales or use tax? Under current law, they arguably may be deemed to be taxable. In the computer example I cited above, the Revenue Department has at least initially concluded that such a purchase is taxable.

House Bill No. 2806 addresses this situation – enunciating clearly the principle that where the predominant or common use of personal property or services is for governmental activities of the political subdivision, purchases of such items will qualify for the political subdivision exemption.

H.B. 2806 addresses two other matters principally by way of clarifying existing law. First, the current language of K.S.A. 79-3606(b)(2) provides that the political subdivision exemption is unavailable when the city is engaged in the business of furnishing utility services to *others*. By implication, the exemption survives when the subdivision is providing utility services to *itself*, for example, when a city furnishes water to its city hall or for its parks. H.B. 2806 makes the exemption explicit and, additionally, provides that the exemption will be available when the political subdivision is engaged in providing utility services for resale and for other exempt purposes such as fire protection.

Finally, H.B. 2806 clarifies that the sales tax exemptions for personal property consumed in manufacturing and processing tangible personal property and in the provision of services, which are contained in K.S.A. 79-3606(n), apply to property consumed in the distribution or delivery of utility services by a political subdivision. The proposed amendment addresses the situation where the manufacturing exemption has been too narrowly construed and the service exemption has not been recognized or applied.

Let me provide an example of the need for the proposed amendment. A municipal water utility consumes large quantities of electricity in order to operate pressurization pumps necessary for delivering water to ultimate consumers. The initial pressurization pumps may be part of a centralized, integrated water treatment facility. The boundary where manufacturing or processing ends and distribution begins is, of course, fact dependent, inherently uncertain and prone to dispute and litigation.

It is reasonable to assume that pressurization is part of the manufacturing function necessary to prepare water for distribution. That is not the position of the Revenue Department nor, where pressurization has occurred downstream of the centralized treatment plant, has it been the position of the Board of Tax Appeals ("BOTA").

Alternatively, it is reasonable to assume that if pressurization is not part of the manufacturing function, it is part of the service of delivering or distributing water. Electricity consumed in providing this service should, therefore, be exempt under K.S.A. 79-3606(n). Again, however, the Department has not concurred in this position. I not aware that it has been considered by BOTA.

H.B. 2806 confronts the problem by clarifying that the provision of services language in K.S.A. 79-3606(n) includes delivery of utility services by a political subdivision.

For sales tax exemption purposes in the water utility example, this should obviate any perceived need to draw a distinction between electricity consumed in treating and in pressurizing water for distribution by a municipal water utility.

May I conclude by urging that sound public policy reasons support an expansive application of sales and use tax exemptions for political subdivisions. Because of the local sales tax, aggressive imposition of retailers' sales tax liability upon political subdivisions results in substantial activity that is little more than collection and redistribution back of tax revenues. Moreover, political subdivisions are tax-supported entities. To the extent they are subject to consumer sales taxes, their costs of providing services to local citizens are increased. H.B. 2806 is designed to promote comity and minimize disputes and litigation between the state and its political subdivisions. Finally, adoption of the bill comports with the principle that - for political subdivisions - exemption is the rule and taxation is the exception.



**League  
of Kansas  
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 300 S.W. 8TH TOPEKA, KS 66603-3896 (913) 354-9565 FAX (913) 354-4186

**TO:** House Taxation Committee

**FROM:** Chris McKenzie, Executive Director *cm*

**DATE:** February 20, 1996

**SUBJECT:** Support for HB 2806

Thank you for the opportunity to appear today in support of HB 2806. Throughout the year the League receives thousands of phone calls, letters and faxes from city officials who are interested in better understanding the duties imposed on their city by state law. One of the more predictable sources of questions is the application of the state sales tax laws to municipal activities. Each month we receive one or two inquiries on this subject, and we are aware that at any point in time at least one (or more) city is experiencing a sales tax audit by the Department of Revenue.

One of the more common questions we are asked by these callers is whether equipment purchased for use by the city water department and other city departments is exempt from the sales tax. The typical scenario we are presented with is the purchase of a pick-up truck which will be used by the city superintendent (in small cities) to service the water system and the streets (plus the swimming pool, city hall, parks, etc.). Unfortunately, under the law as it is currently written and enforced this type of "mixed-use" of city property for both proprietary and non-proprietary purposes is not possible on a tax exempt basis. The result of this condition is either (1) we have a lot of pick-up trucks being purchased for both exempt and nonexempt purposes, or (2) we have pick-up trucks being purchased for an exempt purpose which "sometimes" get used on an incidental basis for a nonexempt purpose. I will leave it to the judgement of the Committee which result is more likely.

As you have heard, HB 2806 grew out of a specific situation facing the City of Wichita, but I can assure you that similar situations have and will continue to face other far smaller cities unless this legislation is enacted. It sets a "predominate use" standard in effect, allowing public funds to be used more efficiently for both a predominate exempt and incidental nonexempt purpose.

**RECOMMENDATION:** The League wholeheartedly endorses HB 2806 and recommends its passage.

House Taxation  
2-20-96  
Attachment 3

TROY FINDLEY  
REPRESENTATIVE, FORTY-SIXTH DISTRICT  
1741 W 19  
LAWRENCE, KS 66046  
(913) 749-1259  
LEGISLATIVE ADDRESS  
ROOM 272-W  
(913) 296-7650  
STATE CAPITOL  
TOPEKA, KS 66612-1504



TOPEKA

HOUSE OF  
REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
MEMBER: FEDERAL & STATE AFFAIRS  
FINANCIAL INSTITUTIONS & INSURANCE  
GOVERNMENTAL ORGANIZATION & ELECTIONS  
JOINT COMMITTEE ON ECONOMIC  
DEVELOPMENT

## TESTIMONY IN SUPPORT OF HOUSE BILL 2828

Mr. Chairman and members of the committee:

Thank you for this opportunity to testify in support of House Bill 2828. HB 2828 would exempt car washing services that are rendered through coin-operated devices from the sales tax. The exemption would be applicable to both automatically and manually operated car washing devices.

I introduced HB 2828 at the request of one of my constituents, Mr. Charlie Cornwell, who owns and operates a car washing service in Lawrence. Mr. Cornwell is here this morning and will provide more detailed testimony on this issue.

The issue of exempting coin-operated car washing services from the sales tax is not a new one. Last session an amendment to exempt coin-operated car washing services from the sales tax was offered on the floor by Rep. Bill Mason to the omnibus sales tax bill. That amendment was unsuccessful.

Ultimately, I think the argument whether or not to exempt coin-operated car washing services from the sales tax turns on the notion of fairness and equity in our tax system. Presently, coin-operated laundry services are exempted from the sales tax. In my mind, if we are willing to make an exemption for coin-operated laundry services, it only makes sense to extend that same exemption to coin-operated car washing services as well.

I ask the committee to consider the issue of equity and fairness and act favorably on HB 2828. I would be happy to stand for any questions the committee might have at this time.



To: Taxation Committee  
From: Charles Cornwell  
River City Car Wash  
614 N. 2nd Street  
Lawrence, Ks 66044

Thank you for allowing me to appear before this committee. I have been in the self service car wash business since 1981. The North Lawrence four bay is my only location. I work a full time job and have no employees. My car wash is a typical "Mom & Pop" operation.

A self service car wash can't collect a sales tax at the point of sale. I realize when the State removes taxes from one group, it increases the burden on the remaining pool. I believe the self service car wash industry is a minor one in the overall Kansas economy. This is especially true of my business.

Again, many thanks, for taking time to hear my testimony.

Testimony Before  
House Committee on Taxation

February 20, 1996

My name is Jerry Baird and I am here today as a representative of Johnson County Community College and the Kansas Association of Community Colleges. My comments before the House Committee on Taxation today, February 20, 1996, relate to the payment of sales tax by the Johnson County Community College and Kansas Community Colleges generally.

1. The Department of Revenue of the state of Kansas conducted an audit of sales tax revenues remitted by the college during the period of time between September 1, 1991, to August 31, 1994.
2. The Department of Revenue audit findings claimed a total amount due of \$151,983.00 (tax, interest and penalties). This audit finding included a number of activities and items upon which sales taxes have been assessed.
3. Johnson County Community College began using course fees as an alternative to tuition because we were charging the maximum per credit hour tuition rate allowed by law. The implementation of course fees (in lieu of a tuition increase) allowed us to ask the students to pay a larger portion of the cost of their education. The irony of charging sales tax on course fees is that if we had been able to raise additional funds by increasing tuition we would not have had to collect or remit sales tax; tuition is not taxable. However, the Revenue Department has ruled that some course fees are subject to the imposition of a sales tax.
4. Yes, we have been ordered to remit sales tax on a portion of some course fees. We have complied with this order and we have paid the bill--under protest.
5. The following are examples of the kind of courses that we have been ordered to remit sales tax on: art, civil engineering, computer science, data processing, drafting, engineering, hospitality management, HVAC, and photography.
6. I would like to discuss the appropriate use of sales tax for three of these courses.
  - A. Art--We have many fine, talented and creative students at Johnson County Community College. However, I would invite you to come to campus and tour the displays of student art in our ATB building. I believe you would agree with me that much of it is "art that only a mother could love." I am not criticizing the effort of the students. But you must remember these are beginning students who are learning fundamental elements of art. Any art work they produce in class is

produced as a by-product of the teaching-learning process; it is not an end product. The raw materials they use in the learning process are more valuable than the finished product.

- B. Ceramics--The same comments that are made in reference to painting classes are equally applicable to ceramics classes. Additionally, I might add that we encourage students to take their art work with them when the class is over. Any art pieces they take with them, such as sculpture, is art work we don't have to dispose of.
  - C. Computer science and data processing courses--What is the "tangible personal property" that is being taxed in these classes? Paper. If a student studies the logic or product of a program from a print-out versus on-line, it frees the computer for other student use. Many of the papers that a student prints out in the lab never leave the lab, except via the trash can. Once again, this "taxable, tangible personal property" is a by-product of a pedagogical process, not an end product.
7. We believe the provisions of H.B 2914 will help clarify some confusion that may exist relating to the remittance of sales tax on course fees and activity fees.
  8. The provision of H.B. 2914 that addresses sales tax issues related to a foundation organized and operated exclusively for the purpose of assisting an educational institution in the performance of its mission, and which is exempt from federal income taxation, will also help by addressing some confusing areas.
  9. The work of a foundation which serves as the alter ego of the college is provided by many volunteers who provide hours of time and many other valuable resources to raise private funds to support the college.
  10. Recently through the efforts of volunteers, Johnson County Community College was the beneficiary of a generous contribution provided for the acquisition of capital items. The foundation acquired these assets in its name for the benefit of the college. These were deemed taxable acquisitions by the Department of Revenue. Had the funds been given to the college, and the purchase made by the college, no tax would have been paid.
  12. For all of the reasons mentioned earlier, we believe that H.B. 2914 appropriately addresses needed changes in sales tax policy related to the higher education enterprise.

We thank the committee for the opportunity to present our concerns, and we appreciate your interest.