

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, ROOM 519-S Statehouse, at 9:00 a.m. on February 4, 1997.

Approved: 3-5-97
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Chairperson Phill Kline at 9:00 a.m. on February 4, 1997 in Room 519-S of the Capitol.

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

Conferees appearing before the committee:
Bill Anderson, Johnson County Water District #1
Tom Robben, Johnson County Water District #1
Dan Hermes, Director of Governmental Affairs
Dave Schneweis, Western Resources

Others attending: See attached list

Chair called the meeting to order.

Opened hearing on:
HB 2034 - Sales tax refund on sales of food

Proponents:
Dan Hermes, Director of Governmental Affairs (Attachment 1)

Written testimony only:
Don Snodgrass, Kansas Food Dealers Assn. (Attachment 2)

Closed hearing on **HB 2034.**

Chair opened for introduction of bills.

Whitney Damron, Kansas Automobile Dealers Association, requested introduction of a modified situs bill for automobiles. (Attachment 3)

Opened hearing on:
HB 2029 - Sales tax exemption for providing utility service by political subdivisions.

Proponents:
Bill Anderson, Johnson County Water District #1 (Attachment 4)
Tom Robben, Johnson County Water District #1

Opponents:
Dave Schneweis, Western Resources (Attachment 5)
Requested amendment to delete language "natural gas, electricity, heat and" from Section 1 (n) line 4.

Chair closed hearing on **HB 2029.**

The next meeting is scheduled for February 5, 1997.

Adjournment.

Attachments - 5

TAXATION COMMITTEE GUEST LIST

DATE: FEBRUARY 4, 1997

NAME	REPRESENTING
<i>Quincy Q</i>	KS. AUTO DEALERS ASSN.
<i>Whitney Jamron</i>	KS. Auto Dealers Assn.
<i>Don Schmitt</i>	KIOGA -
<i>Kelly Kuttala</i>	City of Overland Park
<i>Penny Swanwick</i>	League of KS Municipalities
<i>Leon James</i>	Ks. Farm Bureau - Kingman, CO
<i>Randall Hrab</i>	Northwest Ks Planning + Dev. Comm.
<i>Jill Bridges</i>	DOB
<i>Linda Kramer</i>	SRS
<i>Jalie Hein</i>	Hein & Coir
<i>Ed Spiess</i>	Peterson Public Affairs
<i>Rich McKee</i>	KS Livestock Assoc.
<i>RICHARD BODEWALD</i>	TAXPAYERS
<i>DONALD SNODGRASS</i>	KANSAS FOOD DEALERS ASSOCIATION
<i>Dave Hotchkiss</i>	Western Resources
<i>Dan Schaefer</i>	WESTERN RESOURCES
<i>Bill Anderson</i>	Water Dist No. 1 of Jo Co
<i>Tom Robben</i>	" " " " " "

STATE OF KANSAS

BILL GRAVES, Governor
State Capitol, 2nd Floor
Topeka, Kansas 66612-1590



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OFFICE OF THE GOVERNOR

LEGISLATIVE TESTIMONY

TO: Chairman Phill Kline and Members of the House Committee on Taxation

FROM: Dan Hermes, ^{D.H.} Director of Governmental Affairs

DATE: February 4, 1997

BILL: House Bill Number 2034

Expansion of the Food Sales Tax Rebate

Chairman Kline and members of the committee, thank you for the opportunity to appear today in support of the portion of the Governor's tax reduction package related to expansion of the food sales tax rebate program.

The Governor sincerely appreciates the committee's willingness to consider all aspects of his tax reduction package in a timely manner. As the hearings will bear out, the Governor's package is balanced, fair and responsible. The package addresses many of the inequities in our current tax system as well as providing across-the-board property tax relief.

The bill in front of you today would double the refund amount for families currently eligible for the program and expand the eligibility for household income of \$13,000 to household income of \$25,000. This bill will help to reduce the regressive nature of the sales tax in Kansas. According to the Center for Tax Justice "Sales and excise taxes are very regressive. On average, poor families pay more than six times as high a share of their income in these consumption taxes as do the best off families, and middle income families pay at four times the rate of the wealthy." The Center contrasts this with the income tax, characterized as typically progressive and the property tax, described as somewhat regressive.

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The following schedule details the refund amounts under current law and HB 2034:

Income	Current Law		HB 2034	
	<u>Head of House</u>	<u>Add'l Members</u>	<u>Head of House</u>	<u>Add'l Members</u>
\$0-\$5,000	\$40	\$30	\$80	\$60
\$5,000-\$10,000	\$30	\$25	\$60	\$50
\$10,000-\$15,000	\$20 (up to 13K)	\$15 (up to \$13K)	\$40	\$30
\$15,000-\$20,000	\$--	\$--	\$30	\$20
\$20,000-\$25,000	\$--	\$--	\$20	\$10

More illustrative of the impact, a single parent with two children and an income level of \$14,000 would receive no rebate based on current law. Under this proposal, the family would receive a rebate of \$100, or the sales taxes paid on \$2,041 in groceries at the state rate.

In closing, Governor Graves expressed in his State of the State Address "The people we must serve are not just those who are the loudest, or those who are the most organized, or those who can hire voices." Given the number of conferees on this measure compared to other measures you have and will consider, this bill provides an opportunity to serve those Kansans who the governor referred to in this passage. Thank you for the opportunity to testify today on the behalf of the Governor on this bill and I would be happy to answer any questions from the committee or staff.



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**DIRECTOR OF
GOVERNMENTAL AFFAIRS**

FRANCES KASTNER

February 4, 1997

HOUSE TAXATION COMMITTEE

SUPPORTING HB 2034

Thank you for the opportunity to express the views of the Kansas Food Dealers Association. Our membership includes retailers, distributors and manufacturers of food products.

We have always supported legislation which uses the credit or refund method of providing sales tax relief. The same is true this year.

Raising the income level and covering more Kansans appears to be a step in the right direction towards benefiting those who need it the most.

We respectfully request your favorable consideration of HB 2034.

Frances Kastner
Frances Kastner, Director
Governmental Affairs, KFPA

Donald Snodgrass
Donald Snodgrass, Lobbyist

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WHITNEY B. DAMRON, P.A.
COMMERCE BANK BUILDING
100 EAST NINTH STREET - SECOND FLOOR
TOPEKA, KANSAS 66612-1213
(913) 354-1354 ♦ 232-3344 (FAX)

TO: Chairman Phill Kline
and the House Taxation Committee

FROM: Whitney Damron

RE: Bill Introduction - Modified Situs Bill for Automobiles

DATE: February 4, 1997

Chairman Kline and Members of the House Taxation Committee:

My name is Whitney Damron and I appear before you this morning on behalf of the Kansas Automobile Dealers Association to request introduction of a modified tax situs bill for automobile sales. Included with this cover page is a bill draft for a compensating use tax proposal which would impose the difference in a local option sales tax on a vehicle which is purchased out of the taxing jurisdiction other than which it is to be domiciled.

Under our proposal, a purchaser would pay the difference (if higher) in sales taxes levied to their county of residence if they purchase an automobile outside of their city or county. The city or county of purchase would not lose any sales tax revenues. However, the local city or county would receive the difference at time of registration if their sales tax is higher than the locality where the vehicle was purchased. If a sales tax is higher in the non-residential purchasing jurisdiction, there would be no additional tax levied.

The Kansas Automobile Dealers Association have expressed an interest in a full situs bill before the Kansas Legislature in years past. However, we believe the bill draft before you is a fair compromise which protects revenues currently going to local units of government and also levels the playing field statewide for the purchase of automobiles.

On behalf of the Kansas Automobile Dealers Association, I respectfully ask for introduction of this bill proposal. Thank you.

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Attachment 3-1

HOUSE BILL NO. _____

By Committee on Taxation

AN ACT relating to sales and compensating use taxes; concerning
the taxation of certain sales of vehicles.

Be it enacted by the Legislature of the State of Kansas:

Section 1. (a) A compensating use tax for the privilege of using or storing within a city or county any vehicle which is required to be registered under the provisions of article 1 of chapter 8 of the Kansas Statutes Annotated, and amendments thereto, is hereby imposed on each such vehicle following a sale occurring within the state in a city or county taxing jurisdiction different from that in which the vehicle is required to be registered under the provisions of article 1 of chapter 8 of the Kansas Statutes Annotated, and amendments thereto, in the manner set forth herein by every city or county imposing a retailers' sales tax. The rate of any such tax shall be fixed at the same rate of such city's or county's retailers' sales tax for the city or county in which the vehicle is required to be registered, or the total of both taxing jurisdictions if both have imposed such a tax where the vehicle is required to be registered. Registration of such vehicle within a taxing jurisdiction shall be deemed to constitute use or storage thereof for compensating tax purposes and the residence or place of business of the applicant for registration shall be deemed to be the situs of such use or storage for purposes of the collection and distribution thereof. In the event any such vehicle has already been subjected to a tax by another city or county taxing jurisdiction within this state in respect to its sale or use in an amount less than the tax imposed by this act, the provisions of

this act shall apply, but at a rate measured by the difference on between the rate herein provided and the rate by which the previous tax upon the sale or use was computed. For purposes of this determination, the difference shall be compared and calculated on the basis of the other tax such that the rate due shall be the difference between the tax imposed by a city if the vehicle was previously subjected to such a tax imposed by a city, the county if such vehicle was previously subjected to such a tax by a county, both if subjected to such a tax by both taxing jurisdictions, or one or the other, as the case may be, such that the remaining compensating tax due is for the same type of taxing jurisdiction and the taxpayer's total tax obligation in relation to the sale or use of the vehicle equals no more than that which would have been incurred in the taxing jurisdiction where the vehicle is registered if the sale had occurred there, and no less than the amount imposed at the time and place of sale.

(b) Administration and enforcement of this act shall be in the same manner as provided by K.S.A. 12-198(b), and amendments thereto.

(c) Revenue received under the provisions of this act shall be used, distributed and apportioned in accordance with the same laws, rules and regulations applicable to the city's or county's retailers' sales tax for the taxing jurisdiction which imposed the tax.

Sec. 2. This act shall take effect and be in force from and after July 1, 1997.

House Bill 2029

Testimony By Water District No. 1 of Johnson County
5930 Beverly
Mission, Kansas 66202

Mr. Thomas Robben, Investment Manager 913-895-5526
Mr. Bill Anderson, Lobbyist

KSA 79-3606 (n) Consumed in production exemption: added the following wording:

, including distribution or delivery of natural gas, electricity, heat, and water through mains, lines, or pipe by a political subdivision (and hopefully quasi-municipal corporations)

KSA 79-3602 (n) defines political subdivisions as any municipality, agency, or subdivision of the state which is, or shall hereafter be, authorized to levy taxes upon tangible personal property.....such term shall also include any public building commission, housing, airport, port, metropolitan transit or similar authority established pursuant to law.

79-3602 (p) separately defines quasi-municipal corporation.

HB 2029 would only exempt a small number of Kansas utilities by limiting the wording to “political subdivision” Most Rural Water Districts and Water District No. 1 would not qualify for this exemption because they do not have the authority to levy taxes.

This exemption, if it includes quasi-municipal corporations, would benefit the majority of water suppliers in Kansas who are authorized to hold public funds and are non-profit entities. This exemption would result in lower water rates for most Kansas citizens.

KSA 79-3606 (n) - HB 2029 - relates to what is commonly referred to as the “consumed in production” exemption. The distribution or delivery of a utility service should be considered the final stage of the production process. Utility products (water, gas, electricity) do not have any value until they are delivered to the consumer in a usable fashion, i.e.; water sitting at the Treatment Plant is of no use to the consumer, one can not dip a bucket in the Treatment Plant basins and then use this water for running their appliances or irrigation system. The water must be delivered in a usable fashion (pressurized) before it has value. The production process of water does not end until it flows through the customer’s tap.

defined by K.S.A. 8-126 and amendments thereto, or aircraft sold and delivered in this state to a bona fide resident of another state, which motor vehicle, semitrailer, pole trailer or aircraft is not to be registered or based in this state and which vehicle, semitrailer, pole trailer or aircraft will not remain in this state more than 10 days;

(l) all isolated or occasional sales of tangible personal property, services, substances or things, except isolated or occasional sale of motor vehicles specifically taxed under the provisions of subsection (o) of K.S.A. -3603 and amendments thereto;

(m) all sales of tangible personal property which become an ingredient or component part of tangible personal property or services produced, manufactured or compounded for ultimate sale at retail within or without the state of Kansas; and any such producer, manufacturer or compounder may obtain from the director of taxation and furnish to the supplier an exemption certificate number for tangible personal property for use as an ingredient or component part of the property or services produced, manufactured or compounded;

(n) all sales of tangible personal property which is consumed in the production, manufacture, processing, mining, drilling, refining or compounding of tangible personal property, the treating of by-products or wastes derived from any such production process, the providing of services, *including distribution or delivery of natural gas, electricity, heat and water through mains, ~~lines~~ or pipes by a political subdivision*, or the irrigation of crops for ultimate sale at retail within or without the state of Kansas; and any purchaser of such property may obtain from the director of taxation and furnish to the supplier an exemption certificate number for tangible personal property for consumption in such production, manufacture, processing, mining, drilling, refining, compounding, treating, irrigation and in providing such services;

(o) all sales of animals, fowl and aquatic plants and animals, the primary purpose of which is use in agriculture or aquaculture, as defined in K.S.A. 47-1901, and amendments thereto, the production of food for human consumption, the production of animal, dairy, poultry or aquatic plant and animal products, fiber or fur, or the production of offspring for use for any such purpose or purposes;

(p) all sales of drugs, as defined by K.S.A. 65-1626 and amendments thereto, dispensed pursuant to a prescription order, as defined by K.S.A. -1626 and amendments thereto, by a licensed practitioner;

(q) all sales of insulin dispensed by a person licensed by the state board of pharmacy to a person for treatment of diabetes at the direction of a person licensed to practice medicine by the board of healing arts;

(r) all sales of prosthetic and orthopedic appliances prescribed in writing by a person licensed to practice the healing arts, dentistry or optometry. For the purposes of this subsection, the term prosthetic and orthopedic appliances means any apparatus, instrument, device, or equipment used to replace or substitute for any missing part of the body; used to alleviate the malfunction of any part of the body; or used to assist any disabled person in leading a normal life by facilitating such person's mobility; such term shall include accessories to be attached to motor vehicles, but such term shall not include motor vehicles or personal property which when installed becomes a fixture to real property;

(s) all sales of tangible personal property or services purchased directly by a groundwater management district organized or operating under the authority of K.S.A. 82a-1020 *et seq.* and amendments thereto,